

Press Release



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SAVILLS VIETNAM'S REPORT ON HCMC REAL ESTATE MARKET

Savills Vietnam Co.,Ltd
 18th Floor, Continental Tower
 81-85 Ham Nghi Street
 District 1, HCMC
 T: +84 8 3823 9205

savills.com.vn

Q1/2016

1. RETAIL: Performance decreased due to additional stock

New supply was 40,800 m² from two projects. The total retail stock reached more than one million m², increasing 4% quarter-on-quarter (QoQ) and 17% year-on-year (YoY).

The average gross rent decreased by -2% QoQ and -10% YoY. The decrease was the result of competitive rents in the non CBD. In a QoQ comparison, only shopping centre rent decreased -3% QoQ while department stores and retail podiums were stable.

Average occupancy was 93%, decreasing by -1 ppt QoQ and YoY. The occupancy of both department stores and shopping centres decreased by -1 ppt QoQ whilst retail podiums were unchanged QoQ. HCMC lacks unique catalysts to attract retail tourism.

Figure 1: Retail market performance



Source: Savills Research & Consultancy

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Savills Vietnam is the largest and most experienced real estate practice with offices in Hanoi and Ho Chi Minh City. The company provides comprehensive property services such as: Residential Sales, Commercial Leasing, Residential Leasing, Research & Consultancy, Valuation & Feasibility Study, Banking & Corporate Services, Investment Brokerage & Advisory, Retail Consultancy & Leasing, Property & Asset Management, Tenant Advisory & Representation, Industrial Consultancy & Leasing, Marketing & Creative services. Savills Vietnam has won the Asia Pacific Property Awards 2015 - 2016 for “**Best Real Estate Agency in Vietnam**”, and “**Best Property Consultancy in Vietnam**”. With over 20 years of operations and growth in Vietnam, Savills is proud to be the most established real estate consultancy firm, providing the most comprehensive data and insights of the local property market development. Currently, Savills Vietnam consists of around 800 experienced and professional staff nationwide and the number continues to grow.

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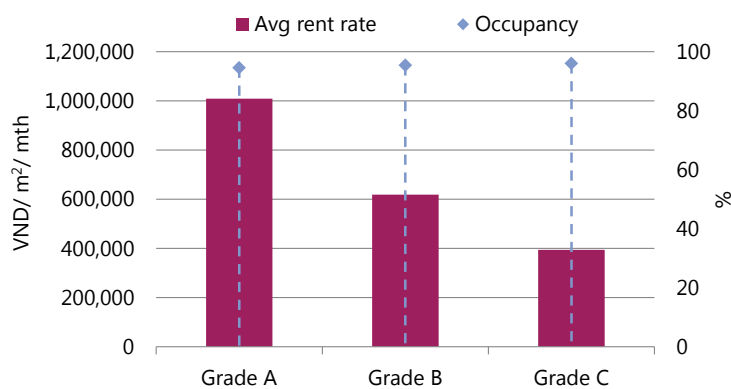
2. OFFICE: Improved performance from Grade B and C

One Grade C project re-entered the market with 3,700 m². Total stock was approximately 1.6 million m², stable QoQ and increasing 8% YoY.

The office market had the best quarterly performance in the last four years. The average occupancy was highest at 96%, up 1 ppt QoQ and 4 ppts YoY. Better occupancy was derived from increased occupancy in Grades B and C.

Average rent increased 1% QoQ and 4% YoY. Grade B and C rent both improved by 1% QoQ. With a stronger economy, industry growth and good FDI, office demand is anticipated to remain robust. Consequently, limited future CBD Grade A and B supply may pressure rentals in the near term.

Figure 2: Office market performance



Source: Savills Research & Consultancy

3. SERVICED APARTMENT: Improvement in the non-CBD

Three Grade C assets decreased their numbers resulting in the total supply of HCMC serviced apartment declining -1% QoQ. The HCMC market has 82 serviced apartment projects providing approximately 4,400 units.

In Q1/2016, the overall occupancy was stable QoQ and YoY at 83 percent. The average rent showed slight improvement of 1% QoQ and YoY; this was attributed to higher Grade B rent.

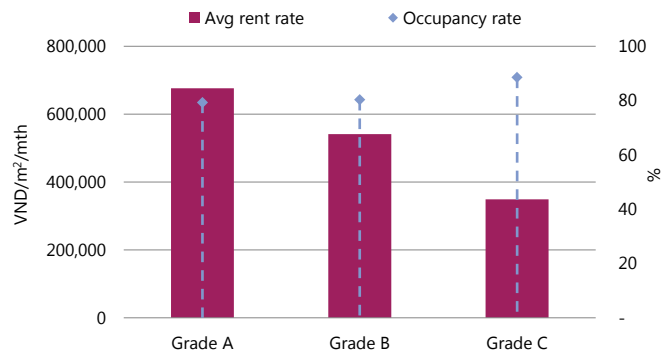
The non-CBD market significantly improved this quarter with average rent up 4% QoQ and occupancy up 1 ppt QoQ.

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HCMC is an attractive destination for foreign direct investment (FDI). The increasing FDI inflow to the city along with the completion of new Free Trade Agreements (FTA) between Viet Nam and Japan, Korea, EU and the US implies strong potential for a foreign workforce and demand for serviced apartments.

Figure 3: Serviced apartment market performance



Source: Savills Research & Consultancy

4. HOTEL: Soft performance under supply pressure

The entrance of four 3-star hotels increased the market stock by 1% QoQ and 14% YoY. As of Q1/2016, there were approximately 15,000 three to five-star hotel rooms in HCMC from 117 projects.

Average occupancy saw a slight decrease by -1 ppt QoQ and -2 ppts YoY. In addition, recent supply increases caused tougher price competition. This quarter, the market offered a more competitive rent, lowering the average room rate by -5% QoQ and -2% YoY to US\$81/room/night.

During 2016-2018, a large future supply of more than 5,000 rooms will enter the market which might put more pressure on overall performance, especially the upscale segment.

According to the HCMC People's Committee, the city is expected to welcome 5.1 million international and 21.8 million domestic visitors in 2016. Tourism turnover is targeted at US\$4.7 billion.

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Figure 4: Hotel market performance



Source: Savills Research & Consultancy

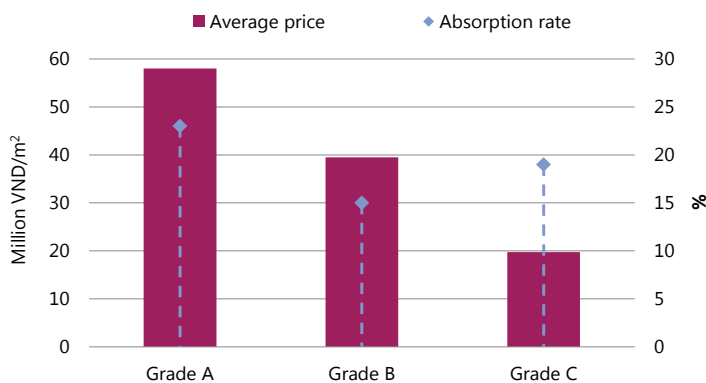
5. APARTMENTS: High absorption rate for Grade A segment

In Q1/2016, there were approximately 7,600 new units launched from 17 new and 3 existing projects. Total primary stock was 37,400 units, down -1% QoQ and up 82% YoY.

Transaction volume was approximately 6,300 units, down -18% QoQ but up 49% YoY. Absorption rate was 17%, declining -4 pts QoQ and YoY due to abundant new supply in recent quarters. Grade A had the highest absorption rate at 23 percent. Grade C sales increased slightly by 7% QoQ while Grade A and B decreased by -34% and -32% QoQ respectively.

From Q2/2016 to 2018, approximately 67,600 units are expected to enter the market. Developers have begun strong marketing campaigns to maintain a competitive edge.

Figure 5: Apartment market performance



Source: Savills Research & Consultancy

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6. VILLA & TOWNHOUSE: Steady growth in stock

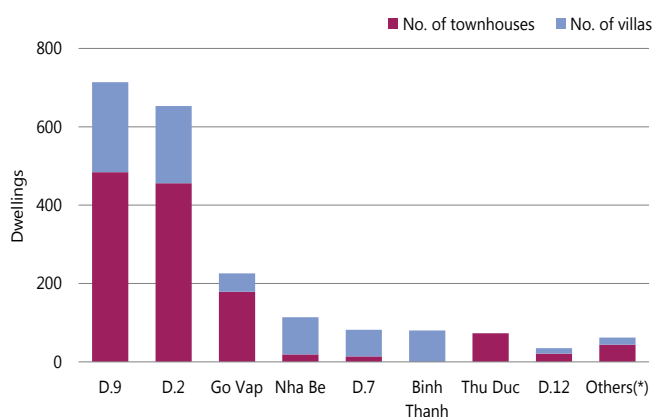
Ten new villa/ townhouse projects provided approximately 740 dwellings to the primary market. It reached a stock of approximately 2,060 dwellings, up 7% QoQ and 86% YoY.

The transaction volume of villas/ townhouses decreased by -24% QoQ but increased 30% YoY. Townhouses dominated with 78% market share. The absorption rate was 22%, down -9 ppts QoQ and -10 ppts YoY. Districts 2 and 9 were the best performers.

There was high demand for projects with well-developed infrastructure, appropriate pricing and good connectivity. Low-priced, small products in suburban areas targeted low-income buyers.

With well-planned infrastructure, districts 2 and 9 are set to dominate future supply with a 49% share.

Figure 6: Villa & Townhouse primary stock



Source: Savills Research & Consultancy *; Others includes Binh Tan, Binh Chanh, and Cu Chi

For enquiries, please contact:

Vu Kieu Linh (Ms.)
Marcom Director
Savills Vietnam Co., Ltd

T: +84 8 3823 9205 Ext: 153
F: +84 8 3823 4571
E: vkieu linh@savills.com.vn

Vo Ngoc Thao (Ms.)
Corporate Communications Manager
Savills Ho Chi Minh City

T: +84 8 3823 9205 Ext: 112
F: +84 8 3823 4571
E: vngochthao@savills.com.vn

Dinh Huong Linh (Ms.)
Head of Marcom
Savills Hanoi

T: +84 4 3946 1300 Ext: 112
F: +84 4 3946 1302
E: dhuonglinh@savills.com.vn

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