

# Press Release



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## SAVILLS REPORT ON HCMC REAL ESTATE MARKET Q2/2016

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### 1. Retail: Good mid-end growth

Retail stock was 1,050,000 m<sup>2</sup>, stable quarter-on-quarter (QoQ) due to new supply of 30,500 m<sup>2</sup> and equivalent withdrawal from closures, but up 13% year-on-year (YoY).

The average gross rent decreased by -1% QoQ and -10% YoY. Developers were pressured to decrease rent to avoid tenant shifts and secure occupancy in a competitive market.

The average occupancy was 93%, stable QoQ. Department store occupancy increased 2 ppts QoQ while shopping centre decreased by -1 ppt and retail podium was unchanged. Soft demand for luxury was observed over various promotions in high-end retail projects. F&B continued its rapid expansion as consumer demand shifts towards daily consumption needs with greater awareness of hygiene.

Figure 1: Retail market performance



Source: Savills Research & Consultancy

### Savills Vietnam

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 2016 - 2017 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 over 800 experienced and professional staff nationwide and keep expanding further.

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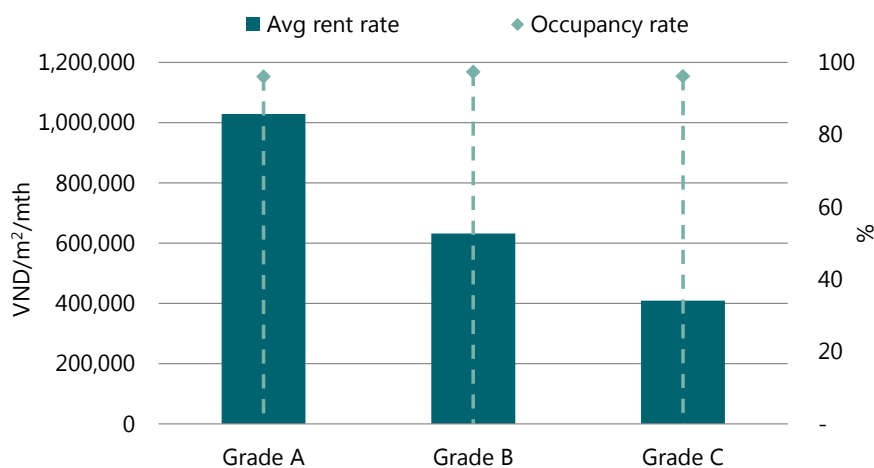
## 2. Office: Supply limits helps performance

In Q2/2016, total stock was 1,580,000 m<sup>2</sup>, mostly unchanged QoQ in spite of the withdrawal of 6,100 m<sup>2</sup> from the closure of three Grade C projects. Supply side remained unresponsive in Q2/2016 despite strong demand.

Property owners enjoyed continued strong performance. Average occupancy steadily rose, up 1 ppt QoQ and 4 pts YoY reaching 97 percent. Average rent slightly increased at a sturdy pace of 1% QoQ and 5% YoY.

Grade A and B projects in district 1 contributed to most of the new take-up this quarter, accounting for 56% of all new leased office space. Grade B was the best performer of all three segments with both average rent and occupancy, consistently trending upward since Q1/2015.

Figure 2: Office market performance



Source: Savills Research & Consultancy

## 3. Serviced Apartment: Pressure from new Grade B

One new Grade B project in district 3 entered the market, providing 217 units. Meanwhile, a 30-unit Grade C project in district 10 temporarily closed for renovation. The total serviced apartment stock reached approximately 4,530 units from 82 projects, up 4% QoQ and 6% YoY.

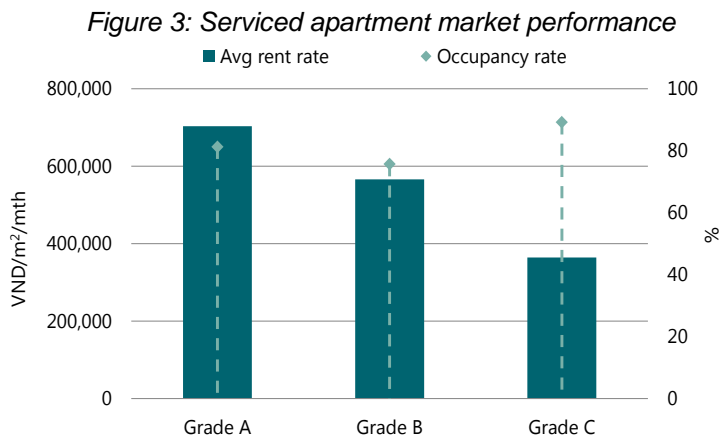
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Overall performance was influenced by new supply. The average occupancy decreased - 2 ppts QoQ and -4 ppts YoY to 81%, with Grade B suffering the sharpest QoQ decrease since Q1/2013 due to the large additional stock.

However, average rent maintained an upward trend established in Q1/2016, increasing 3% QoQ and 5% YoY.

From Q3/2016 to 2018, approximately 2,850 serviced apartments are expected to enter the market. Serviced apartment development will steadily shift further outwards from the CBD toward eastern and southern districts, which will cumulatively account for 57% of the future stock.



Source: Savills Research & Consultancy

#### 4. Hotel: Occupancy lower

In Q2/2016, one 4-star and four 3-star hotels entered the market, balancing out the closure of three 3-star hotels. There were more than 15,400 rooms from 121 projects, up 3% QoQ and 12% YoY.

Average occupancy was approximately 64%, decreasing -4 ppts QoQ and -1 ppt YoY. However, ARR increased 3% QoQ and 7% YoY to US\$83/room/night. The 5-star segment contributed strongly with an average ARR of US\$125/room/night, increasing 4% YoY.

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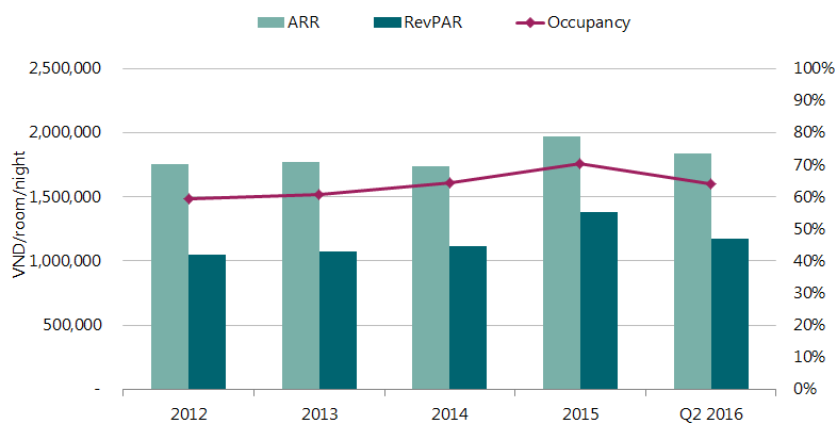
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In Q2/2016, HCMC welcomed more than 1 million international visitors, increasing 9% YoY and accounting for 46% of arrivals to Viet Nam.

From Q3/2016 to 2018, more than 3,100 rooms from 14 projects will add to the rated supply.

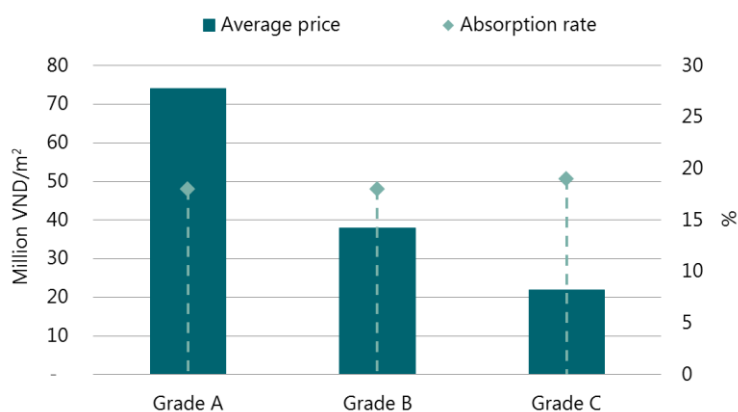
Figure 4: Hotel performance



### 5. Apartment: Strong stock levels

In Q2/2016, 19 new projects and fresh supply from an existing project launched, supplying more than 8,700 units for an increase of 15% QoQ. There were more than 40,100 primary units available across all segments.

Figure 5: Apartment for sale performance



Source: Savills Research & Consultancy

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There was strong absorption across all segments, with over 6,900 sales, up 10% QoQ and 34% YoY. Grade B led the push with 49% of total transactions. Grade A also had considerable activity with 330 transactions, yet absorption decreased -5 pts due to large new supply.

From Q3/2016 to 2018, over 35,000 units are expected to enter the market. Some developers have begun making strategic movements toward denser populated districts riddled with obsolescent housing in the west of the city.

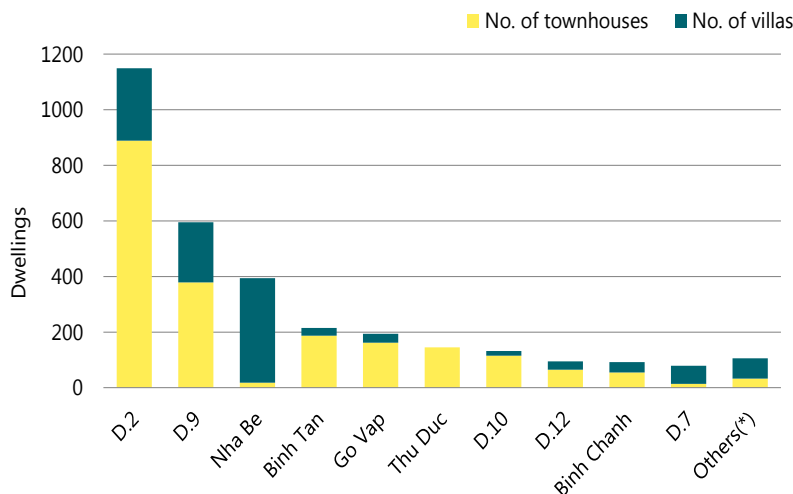
### 6. Villa & Townhouse: Strong sales

In Q2/2016, eleven new villa/townhouse projects and the next phases of three existing projects provided approximately 1,600 dwellings, pushing primary stock to approximately 3,200 dwellings, up 55% QoQ and 180% YoY.

Sales increased by 78% QoQ and 106% YoY, with townhouses dominating, accounting for 68% of total transactions. The absorption rate was 25%, up 3 pts QoQ but down -10 pts YoY. District 2 was the best performer in the villa/townhouse segment this quarter.

Medium to large sized townhouses of 90 to 120 m<sup>2</sup> were absorbed well in the midst of strong developer rollout of smaller villa and townhouse products.

Figure 6: Active projects' stock by district



Source: Savills Research & Consultancy \*: Others includes Binh Thanh, Phu Nhuan, and Cu Chi

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