

ECONOMY OVERVIEW

The Vietnamese economy shows signs of slowing down in the first quarter of 2017 due to various challenges including inflation, environmental factors, decreasing crude oil price and low labor productivity. The country's real GDP growth in Q1 2017 was 5.1%, the lowest rate since the first quarter of 2014. The first three months of 2017 witnessed the highest growth in CPI in the last three years, reaching 4.96% y-o-y. In terms of Foreign Direct Investment (FDI), the whole country welcomed 493 new foreign investment projects with approximately USD2.9 billion of newly registered capital, up 4.2% in the number of projects and 1.1% in capital compared to the same period last year. Total retail sales and consumer services were estimated at USD40.6, up 9.2% compared to the same period last year. It is clear that the 6.7% GDP target will be hard to achieve if there are not growth surges in the remaining quarters. A variety of measures needs to be taken to curb inflation, stabilize the economy and support growth.

PERFORMANCE

Since its appearance in the Vietnamese real estate in 2005, the condotel model has become favourable and popular in the domestic real estate market because of its highly competitive advantage. Up to Q1 2017, the average absorption rate of primary market was 77.8%, equivalent to approximately 4,622 unit sales, many of which from newly launched projects. Vinpearl Riverfront Condotel has the highest demand since its absorption rate is 100%. Hai Chau district has the highest absorption rate at 98%, followed by Son Tra District and Ngu Hanh Son District at 72% and 70% respectively.

The average primary price ranges from USD 1,412/sqm to USD2,845/sqm. The highest average selling price was recorded in Son Tra District at USD2,161/sqm. Wyndham Soleil is the most expensive project in both Son Tra district and Danang City with average selling price per square meter at USD2,845. Following was Ngu Hanh Son district with average selling price at USD1,896/sqm and Hai Chau district at USD1,794/sqm.

SUPPLY

A cumulative total stock of approximately 6,779 units from 13 projects since the launch of Hyatt Regency in 2008 – the first five-star condotel in Danang, marked a significant milestone in establishing the condotel model as a recognised form of investment. 2016 was a revival year for condotel market with nine projects entered the market.

In the review quarter, only one project – Hoa Binh Green Danang – supplied its remaining stock, increasing the total primary supply to approximately 6,297 units. Ngu Hanh Son, Son Tra and Hai Chau districts are the focal point of large-scale luxury projects, largely due to natural advantages and advanced infrastructure. Son Tra district is the largest supplier, accounting for 51% of the primary share, followed by Ngu Hanh Son district and Hai Chau district at 40% and 9% respectively.

DEMAND

It is an undeniable fact that the source of demand for condotels comes mainly from the North of Vietnam which accounted for approximately 80% of purchasers. The 'Guaranteed Return Program' offers investors a high return rate at 5 – 12% in the first 5 – 10 years in Danang, making the condotel market more attractive to a large buyer base.

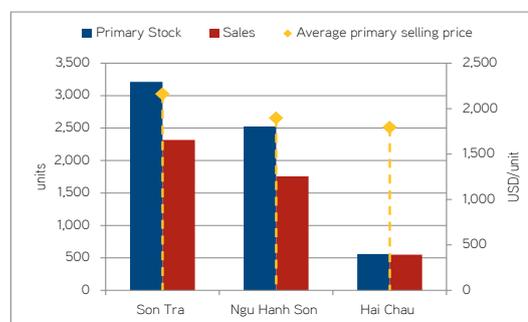
The decision to invest in Danang is strongly affected by many factors which include its image as a young and dynamic coastal city,

advanced transport infrastructure and also an increase in direct international flights and number of tourist arrivals in recent years. With the price ranges from more than USD50,000 to up to USD300,000, condotels allow buyers who cannot afford villa products to invest in a second home. This allows for a greater number of purchasers and stabilises the absorption rate.

OUTLOOK

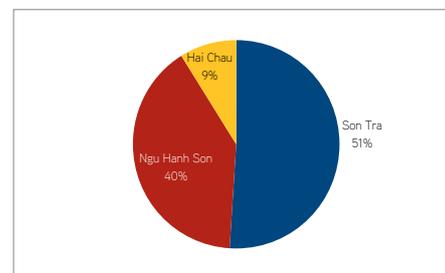
With a large supply of condotel projects entering the market, it is expected that this sector will face increasing competition in the years ahead. To stay competitive, new projects will need to differentiate themselves from the rest by unique design and attractive sales policies. However, potential buyers should carefully research the financial capacity and reputation of the condotel projects' developers before making their purchase decision. It is advised that potential buyers should carefully check the quality of condotel projects, their geographical positions, their potential profitability and their legality.

Figure 1: Market Performance



Source: Colliers International Research

Figure 2: Supply by District



Source: Colliers International Research

Figure 3: Guaranteed Return by Project



Source: Colliers International Research

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