

Q1 2017 | MARKET INSIGHTS CONDOMINIUM SECTOR HO CHI MINH CITY



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

The review quarter recorded more than approximately 6,000 successful deals, significantly decreasing by 50% compared to the previous quarter. As a result of downsize in new supply, the number of sold units was limited. Mid-end segment dominated the sales with an absorption rate of 71%, equivalent to approximately 4,300 units.

On the primary market, sale price continued the rising trend, up 5% q-o-q as newly launch projects offer higher sale price than market average. High-end properties had the strongest price appreciation by 7% q-o-q.

SUPPLY

New launches significantly declined by 40% q-o-q with more than 4,000 units. The majority of new supply comes from subsequent launches of existing projects. As developers are putting more emphasis on lower-end products, the mid-end market dominated new launches in the review quarter. While the luxury-segment recorded no new launch, the high-end segment had modest supply, dropping their market share by 65% q-o-q. In terms of location, the east and south of the city continued to be the largest suppliers thanks to its potential growth with ongoing infrastructure development projects and large land availability.

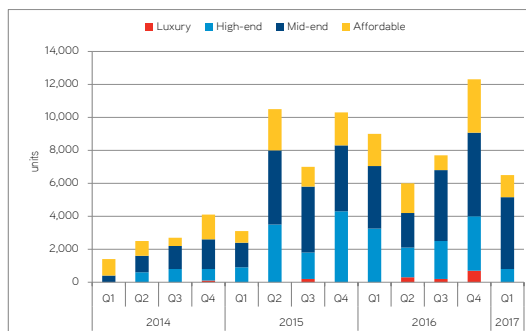
DEMAND

According to Vietnam's urban development planning to 2025 with a vision to 2050, the country urban population distribution will reach 45% in 2020. As the country embarks on an extensive urban transformation, large cities such as Ho Chi Minh City should be prepared to undergo a burgeoning demand for accommodation from an increasing number of migrants. In recent years, condominium have been one of the most favorable types of urban accommodation and this trend is expected to continue on the back of rising housing demand and consumer's preference.

OUTLOOK

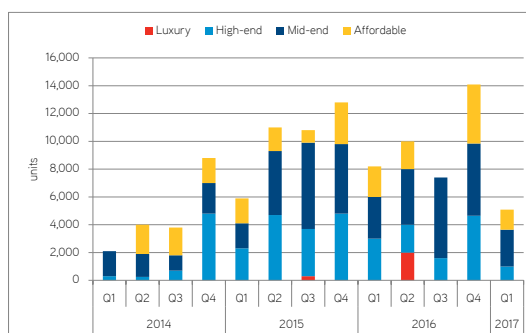
With more developers shifting their focus to lower-end market segments and sustainable increase in apartment demand, Colliers expect the market to remain strong in the coming quarters. Price appreciation is forecasted to be on a moderate rate of 5%-10% depending on location and quality of projects. Buyers are becoming wiser in their buying decisions and have higher requirements for finishing quality, supporting facilities and amenities as well as surrounding environment.

Figure 1: Sold Units by Segment and Quarter



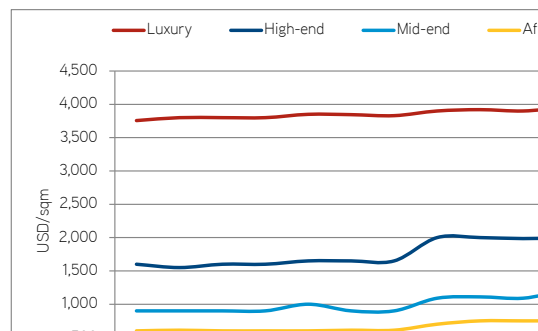
Source: Colliers International Research

Figure 2: New Launches by Segment and Quarter



Source: Colliers International Research

Figure 3: Primary Asking Price



Source: Colliers International Research

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