

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 first quarter of 2017 recorded more than 6,100 successful transactions across all segments, a more than twofold increase compared to the same period last year. These impressive sales were achieved thanks mainly to real estate developers offered attractive sales programs to kick off the busy spring season.

A slight increase in primary asking prices was recorded during that period, driven by a great number of newly launched units in the high-end segment. In particular, prices in luxury and high-end segments were up 12% and 8.5% q-o-q respectively; while those in mid-end and affordable segments remained relatively flat compared to the previous quarter.

SUPPLY

The review period recorded surges in mid-end and affordable segments' new launches as property developers attempted to catch up with increasing real and non-speculative demand by end-users who are looking to set up their homes in the city. It is estimated that the total number of newly launched units reached nearly 9,400 across all segments, presenting an increase on both quarterly and yearly basis.

Numerous newly launched large-scale projects helped the West remain the dominant contributor to total existing supply. The Westlake and South West areas are expected to be continuously sought after thanks to large land capacity and improved infrastructure.

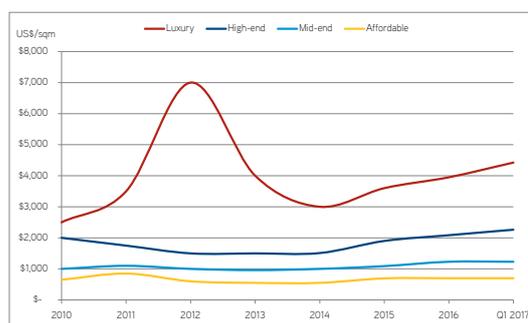
DEMAND

The family structure in Vietnam has been under considerable changes in recent years and nuclear family is becoming more popular in our society. Young married couples prefer to live in their own homes to enjoy the privacy rather than to share their accommodation with parents. As condominiums are more affordable than landed properties, these buyers would be a key driver of this market segment.

OUTLOOK

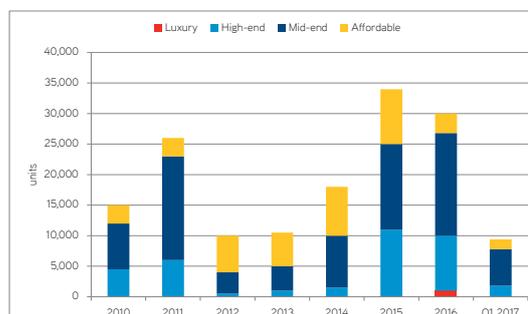
There have been positive adjustments in supply with more future affordable projects targeting at end-users and hence, buyers' sentiment is expected to remain high in 2017. Due to expensive land price in the center, affordable apartments are decentralized to the city outskirts with major hubs being the Hoang Mai, Ha Dong, Dan Phuong and Gia Lam districts. Sale price is not likely to see a significant appreciation for this market segment as developers are more focus on affordability to achieve strong absorption rates.

Figure 1: Primary Asking Price by Year



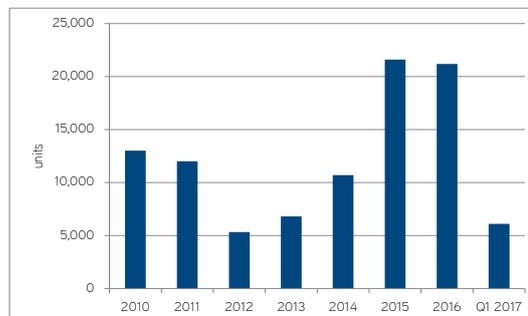
Source: Colliers International Research

Figure 2: New Launches by Segment and Quarter



Source: Colliers International Research

Figure 3: Sold Units



Source: Colliers International Research

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