

Office Snapshot Q4 2016

Hanoi, Vietnam

HANOI OFFICE

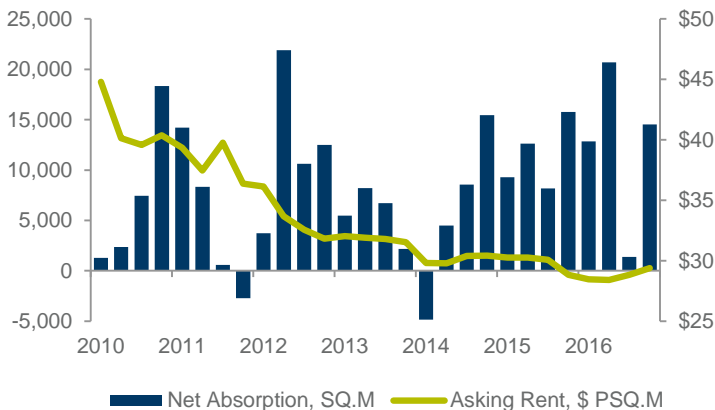
Economic Indicators

	2015	2016	12-Month Forecast
GDP Growth (%)	6.68	6.21	▼
CPI (%)	0.63	2.66	▲
Inward FDI (billion US\$)	22.76	24.37	▲

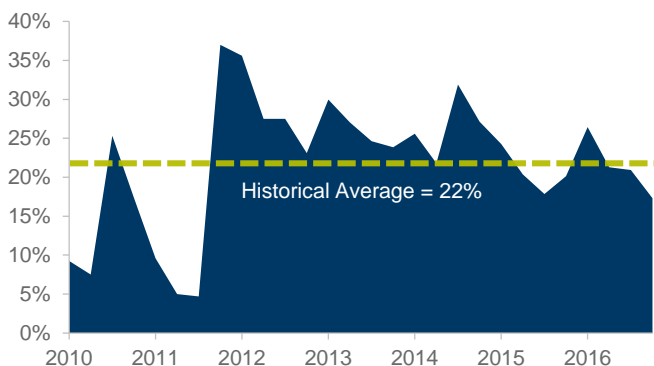
Market Indicators

	Q4 15	Q4 16	12-Month Forecast
Grade A Overall Vacancy	20.1%	17.3%	▲
Grade A Net Absorption	15.8k	14.5K	▼
Under Construction	161.2k	113.4k	▼
Grade A Average Asking Rent (/sqm/mo.)	\$28.84	\$29.39	▲

Grade A - Net Absorption/Asking Rent



Grade A - Overall Vacancy



Economy

Despite difficulties caused by natural disasters as well as certain impacts from the unstable global economy and politics, Vietnam's GDP for 2016 was still recorded an acceptable growth at around 6.2%; while inflation was still well under control at 2.66%. Vietnam also recorded trade surplus of around \$2.6 billion, an improvement over the trade deficit of around \$3.5 billion in 2015. Total inward FDI into Vietnam (both newly registered and adjusted capital) reached US\$24.37 billion, up 7.1% y-o-y; implemented FDI was estimated to have reached US\$15.8 billion, up 9% y-o-y. The manufacturing and processing industry attracted the largest shares to comprise 64.6% of registered capital, followed by real estate with 10.1%. Korea was the leading investor, contributing 36.3% of total new investment.

Market Overview

No new office buildings completed in Q4 2016. Currently, there are 17 Grade A and 68 Grade B office buildings, providing over 400,000 sq.m and 791,000 sq.m of space to the market respectively. Nearly half of the total stock was concentrated in the secondary area, 34% in the West and only 19% in the CBD.

Both grades saw an improvement in market performance, with Grade A's occupancy went up by 4 percentage points (ppts) on quarter and 3 ppts on year to 83%; while that of Grade B recorded a modest increase by 1 ppt q-o-q to 91% and unchanged on year.

Total net absorption of both grades bounced back from the considerable decrease in Q3 2016 to nearly 21,000 sq.m this quarter (up seventeen-fold q-o-q but down 45% y-o-y). Grade A contributed nearly 70% of the total. Significant absorption was from buildings in the mid-town and Western districts.

Average rent of both grades showed an upward trend, with grade A's rent climbed to VND669,000 per square meter per month (/sq.m./mo) (equivalent to US\$29.4/sq.m/month), up 2% q-o-q and y-o-y; while that of Grade B reached VND421,000/sq.m/month (US\$18.5/sq.m/month), up 1% q-o-q and 2% y-o-y.

Outlook

In 2017, nearly 200,000 sq.m of new supply are expected to be completed, of which the secondary area will contribute 68% of market share, 22% from the West 10% from the CBD. Pending construction remained an issue for a number of projects due to financial difficulties of developers. Competition will intensify not only because of new projects but also from the gaining popularity of some new office types like serviced office, co-working space, or officetel, etc. The market will continue be on tenants' favor in the upcoming period.

MARKETBEAT

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SUBMARKET	TOTAL BUILDINGS	INVENTORY (SQ.M)	VACANT AREA (SQ.M)	OVERALL VACANCY RATE (%)	CURRENT NET ABSORPTION (SQ.M)	UNDER CONSTRUCTION (SQ.M)	AVERAGE ASKING RENT (US\$/SQ.M/MO.)	US\$ SF/YR	EURO SF/YR
CBD – Grade A	10	118,000	8,300	7.0%	(450)	19,200	34.79	38.79	37.12
CBD – Grade B	15	113,360	4,720	4.2%	2,800	0	26.32	29.34	28.08
CBD Totals	25	231,360	13,020	5.6%	2,350	19,200	30.64	34.16	32.69
Secondary – Grade A	3	108,300	37,590	34.7%	7,530	94,200	29.89	33.32	31.89
Secondary – Grade B	37	450,560	48,210	10.7%	5,580	232,970	17.06	19.02	18.20
Secondary Totals	40	558,860	85,800	15.4%	13,110	327,170	19.54	21.78	20.85
West – Grade A	4	174,650	23,520	13.5%	7,440	0	25.44	28.36	27.14
West – Grade B	16	227,440	22,450	9.9%	(1,950)	293,600	17.48	19.49	18.65
West Totals	20	402,090	45,970	11.4%	5,490	293,600	20.94	23.34	22.34
HANOI TOTALS	85	1,192,310	144,790	12.1%	20,950	639,970	22.17	24.72	23.65

*Rental rates reflect gross asking \$psq.m/year

SUMMARY BY GRADE	TOTAL BUILDINGS	INVENTORY (SQ.M)	DIRECT VACANT (SQ.M)	VACANCY RATE (%)	CURRENT NET ABSORPTION (SQ.M)	YTD NET ABSORPTION (SQ.M)	UNDER CNSTR (SQ.M)	AVERAGE ASKING RENT OVERALL (US\$/SQ.M/MO.)	AVERAGE ASKING RENT DIRECT (US\$/SQ.M/MO.)
Grade A	17	400,940	69,410	17.3%	14,520	49,460	113,400	29.39	29.39
Grade B	68	791,370	75,380	9.5%	6,430	19,880	526,570	18.51	18.51

Key Lease Transactions Q4 2016

PROPERTY	SQ.M	TENANT	TRANSACTION TYPE	SUBMARKET
Lotte Center Hanoi	4,680	AIC Vietnam	Relocation	Secondary
Lotte Center Hanoi	1,800	Vietnam eSports	Relocation	Secondary
TNR Tower	1,700	Daiwa House	Relocation	Secondary
Sky City Building	700	ADT Group Holdings	Acquisition	Secondary

Significant Projects Under Construction Q4 2016

PROPERTY	SQ.M	MAJOR TENANT	COMPLETION DATE	SUBMARKET
Oriental Sun	19,200	N/A	2017	CBD
Thang Long Garden	22,000	N/A	2017	Secondary
Discovery Complex Cau Giay	45,000	N/A	2017	West
HUD Tower	70,855	N/A	2017	Secondary

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