

Office Snapshot Q4 2016

Ho Chi Minh City, Vietnam

HO CHI MINH OFFICE

Economic Indicators

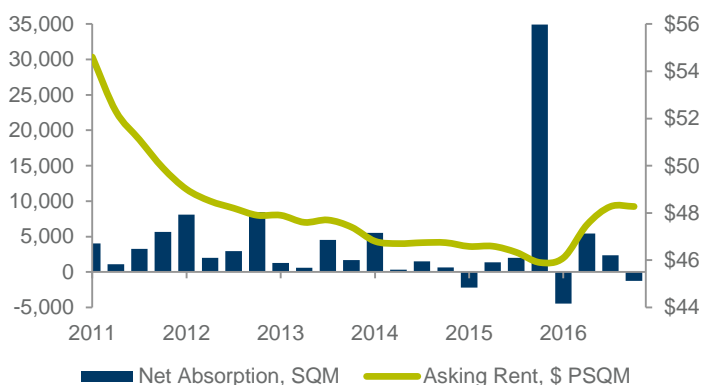
	2015	2016	12-Month Forecast
GDP Growth (%)	6.68	6.21	▼
CPI (%)	0.63	2.66	▲
Inward FDI (billion US\$)	22.76	24.37	▲

Market Indicators

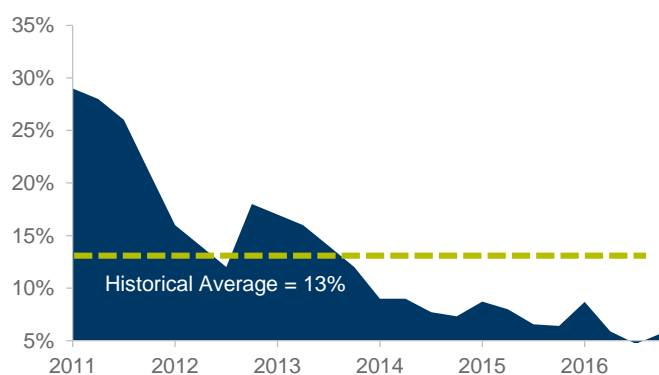
	Q4 15	Q4 16	12-Month Forecast
Grade A Overall Vacancy	6.4%	5.7%	▲
Grade A Net Absorption	32.93k	(1.25)k	▲
Under Construction	171k	176.4k	■
Grade A Average Asking Rent (/sqm./mo.)	\$45.9	\$48.3	▲

Grade A - Net Absorption/Asking Rent

4Q TRAILING AVERAGE



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 10 Grade A and 47 Grade B office buildings, providing approximately 193,800 sq.m and 703,550 sq.m of space to the market respectively. All Grade A and 64% of Grade B supply are concentrated in the CBD.

Average occupancy of Grade A saw a moderate decrease by 1 percentage point (ppt) on quarter but rose 1 ppt on year to 94%; whilst Grade B occupancy remained stable on both a quarterly and yearly basis, at 95%.

Total net absorption of both grades reached nearly 750 sq.m (-85% q-o-q and -99% y-o-y). Grade A recorded negative absorption of over 1,250 sq.m while Grade B registered nearly 2,000 sq.m, of which CBD buildings reported nearly 3,400 sq.m.

In terms of rents, the average rents of both grades remained stable on a quarterly basis, at around VND1,099,000 per square meter per month (/sq.m./mo), equivalent to nearly US\$48.3/sq.m./mo. for Grade A, and VND634,000/sq.m./mo (US\$27.9/sq.m./mo) for Grade B. However, on a yearly basis, Grade A rent rose by 5% whilst Grade B rose by 2%.

Outlook

In 2017, over 230,000 sq.m of new supply are expected to be completed, of which over 40% of the future stock will be concentrated in the CBD. Competition will intensify not only because of new stock but also from the gaining popularity of some new office types such as serviced office and officetel.

The market remains tilted in favor of tenants as occupiers continue to look for ways to reduce costs by renegotiating with the landlords or relocating to alternative more cost-efficient buildings.

MARKETBEAT

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SUBMARKET	TOTAL BUILDINGS	INVENTORY (SQ.M)	UNDER CNSTR (SQ.M)	OVERALL VACANCY RATE (%)	CURRENT NET ABSORPTION (SQ.M)	YTD CONSTRUCTION COMPLETION (SQ.M)	AVERAGE ASKING RENT (US\$/SQ.M/MO.)	US\$ SF/YR	EURO SF/YR
CBD A – Grade	10	193,800	176,440	5.7	(1,250)	0	48.27	53.81	51.49
CBD B – Grade	30	416,490	37,000	5.0	3,360	0	32.62	36.36	34.79
Non – CBD B – Grade	17	287,060	209,850	4.5	(1,360)	0	20.88	23.27	22.27
TOTALS	57	897,350	432,280	5.0	750	0	32.28	35.99	34.44

*Rental rates reflect gross asking \$psqm/month

SUMMARY BY CLASS	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.)
Class A	10	193,800	11,075	5.7	(1,250)	1,366	176,440	48.27	48.27
Class B	47	703,550	33,710	4.8	2,000	5,921	246,850	27.87	27.87

Key Lease Transactions Q4 2016

PROPERTY	SQ.M	TENANT	TRANSACTION TYPE	SUBMARKET
Saigon Centre 2	4,000	VIB Bank	Acquisition	CBD
Pearl Plaza	1,100	Decathlon	Relocation	Non - CBD
Saigon Centre 2	1,000	Fujifilm	Relocation	CBD
Hai Au	1,000	Intertek	Relocation	Non - CBD

Significant Projects Under Construction Q4 2016

PROPERTY	SQ.M	MAJOR TENANT	COMPLETION DATE	SUBMARKET
Viettel Complex	65,460	N/A	2017	Non – CBD
Mapletree Business Center	30,000	N/A	2017	Non - CBD
Hai Quan Tower	30,000	N/A	2017	CBD
Thanh Thanh Nam	16,000	N/A	2017	Non - CBD
Saigon Centre 2	40,000	N/A	2017	CBD
Deutsches Haus	24,900	N/A	2017	CBD
E.Town Central	35,000	N/A	2018	Non – CBD

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