

# Quarterly Market Briefing

## Viet Nam

Q3/2017



Macro Indicators 9M/2017	Value	YoY Growth Rate
GDP growth rate (%)	6.4	+0.4 ppt
Retail sales (Billion \$)	95.8	+11%
Currency Exchange Rate (VND/USD)	22,800	+2%
Trade deficit (Billion \$)	0.4	N/A
International visitors (Million)	9.4	+28%
Registered FDI (Billion \$)	25.5	+34%
FDI disbursement (Billion \$)	12.5	+13%
Newly established businesses (Unit)□	93,967	+15%
CPI (%)	3.8	+1.7ppts
Mortgage rate (%)	11	Stable
Credit growth (%)	11	+0.5ppt

GDP increased 6.4% year on year (YoY). There is a positive expectation the 6.7% annual growth target will be achieved.

Credit growth is boosting economic performance. Now at 11% and on line to achieve 21% by year end.

A registered FDI high of US\$25.5 billion, up 34% YoY. Korea is back to the biggest source status with US\$6.3 billion. HCMC projects registered US\$3.7 billion FDI and lead major cities. US\$12.5 billion was disbursed, 13% up YoY.

International arrivals increased 28% YoY to 9.4 million.

## RETAIL: CBD Powers On

Total stock was approximately 1.2 million m<sup>2</sup> with 14,600 m<sup>2</sup> added from four new supermarkets and one podium opening. One closure and one downsize withdrew 6,500 m<sup>2</sup>.

Average gross rents were stable quarter-on-quarter (QoQ). There was a slight -1ppt decrease in occupancy. CBD rents rose with new international brand launches escalating. Non-CBD occupancy weakened with unappealing concepts and surplus supply.

Shopper focus is moving to affordable products and personal services. Technology is increasingly shaping consumer behavior, so innovation is required in marketing and retail experience.

FIGURE 1



Source: Savills Research & Consultancy

## OFFICE: Robust

There were five new entries across all grades that saw stock increase 4% QoQ and 8% YoY to over 1.7 million m<sup>2</sup>. Four Grade C projects closed, withdrawing 15,000 m<sup>2</sup>.

Demand remained healthy despite new supply. Average occupancy was high at 95%, average rents were slightly up 2% QoQ and 7% year on year (YoY).

Grade A and B were responsible for all take-up this quarter, new launches absorbed well. Grade B was the best performing with rents steadily trending up since Q3/2016.

FIGURE 2



Source: Savills Research & Consultancy

## SERVICED APARTMENT: Supply Effect

Balance the fresh stock of one new Grade B, one reopened Grade C and two Grade C withdrawals, saw another 223 units available. Total stock was approximately 4,900 units, up 5% QoQ and 9% YoY.

Average occupancy decreased -1ppt QoQ but was stable YoY. New Grade B supply had slow take-up whilst Grade C performance softened a little. Average rents were unchanged QoQ and up 3% YoY.

To year end approximately 200 units will enter. From Q4/2017 to 2019, about 1,500 units are expected from 11 projects of which six are in the CBD

FIGURE 3



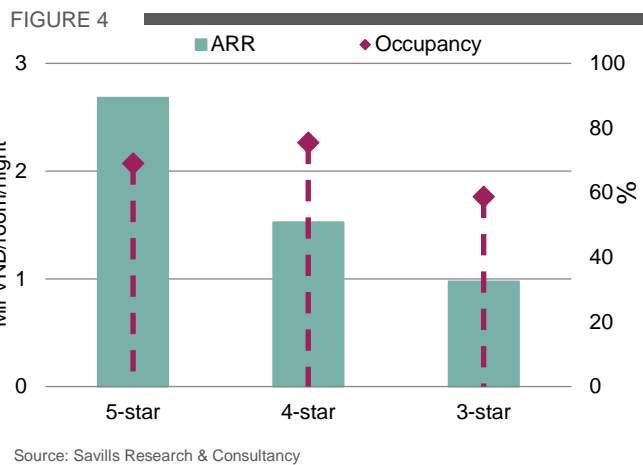
Source: Savills Research & Consultancy

## HOTEL: International Visitor Growth

A slight change to the 3-star universe, with one new 64-room entry and one hotel closed for renovation. The city has 133 three- to five-star projects with over 16,400 rooms.

Improved four- and five- star performance saw average occupancy of approximately 66%, up 1ppts QoQ and YoY. ARR was stable QoQ but down -5% YoY to US\$76/room/night. Rates were down across all grades in response to increased competition. By 2020, another 17 projects will supply over 3,600 rooms.

There were even more international visitors to HCMC, 4.2 million for the first 9 months, up 16% YoY being 44% of international arrivals.

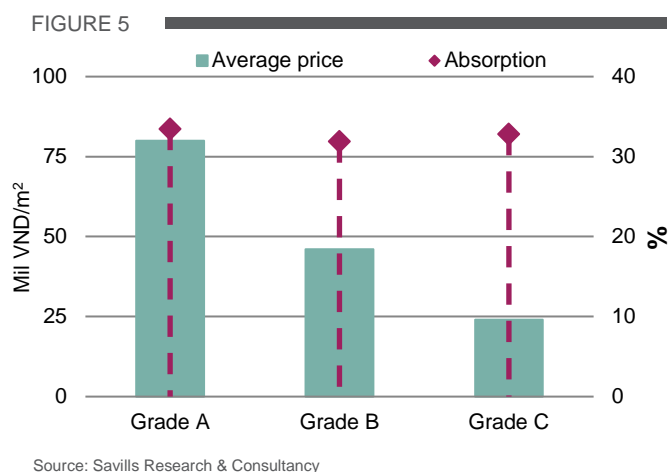


## APARTMENT: Grade A Sales Boost

Thirteen new projects and the next phases of 16 active projects provided nearly 11,000 units. Primary supply is 35,000, decreasing -2% QoQ and -11% YoY.

Over 11,500 units were sold, slightly down -2% QoQ. New project sales accounted for 32% of city transactions. Grade A and B had good quarterly performance, Grade A strongest with 550 sales, up 149% QoQ. Absorption at 32%, stable QoQ and up 13ppts YoY.

From Q4/2017 to 2018 approximately 70,000 units from 60 projects are expected to be launched in HCMC.



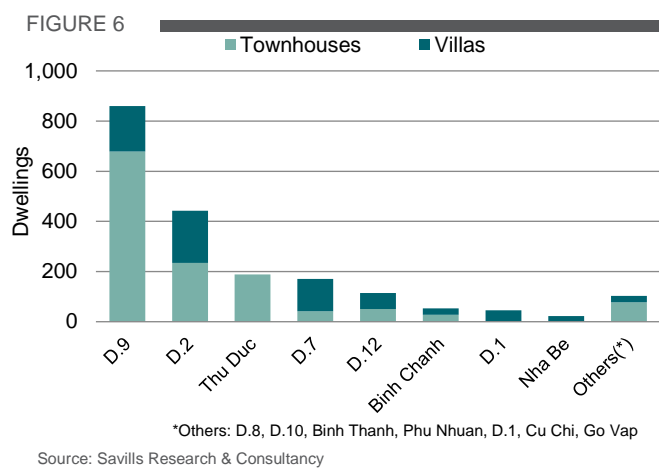
## VILLA & TOWNHOUSE: Townhouses Doing Well

Five new projects and one new phase supplied over 750 dwellings. Primary stock was approximately 2,000 dwellings, up 3% QoQ and -48% YoY.

Transactions were up 34% QoQ but down -9% YoY. Absorption was 55%, up 13 ppts QoQ and 23 ppts YoY. District 9 continues to lead with 43% market share.

Primary land plots supplied approximately 1,300 units with popular land areas from 50-80m². Cu Chi with affordable prices led transactions for the first time.

From Q4/2017 to 2019, new supply will be approximately 12,600 dwellings/plots. Eastern districts dominate with 50% market share.



## RETAIL: Continuous Improved Performance

Total retail stock was nearly 1,280,000 m<sup>2</sup>, up 0.4% quarter-on-quarter (QoQ) and 7.4% year on year (YoY) with one project reopening approximately 32,000 m<sup>2</sup>.

Average ground floor rents increased 2.9% QoQ and occupancy maintained its upward trend with 3.5 ppts QoQ growth. Shopping centres and retail podiums saw improvements in rents and occupancy.

Retail sales steady growth continued. Long term prospects for the economy remain positive. Four new projects are scheduled for Q4 launch and eight more will enter in 2018 providing over 234,000 m<sup>2</sup>.

FIGURE 1



## OFFICE: Reduced Supply & Increasing Occupancy

Total office stock was approximately 1,590,000 m<sup>2</sup>, down -1.7% QoQ and -2.8% YoY after three projects withdrew and one closed for renovation.

Average rents decreased -0.1% QoQ but increased 1.3% YoY while average occupancy increased 0.7 ppts QoQ and 6.5 ppts YoY. Of the three grades only B had improved performance.

Investment remained strong and numbers of newly-established enterprises increased 14 percent. Two new projects in Q4 and ten in 2018 will provide around 228,000 m<sup>2</sup>. Increasing supply pressure is expected in the West and Secondary areas.

FIGURE 2



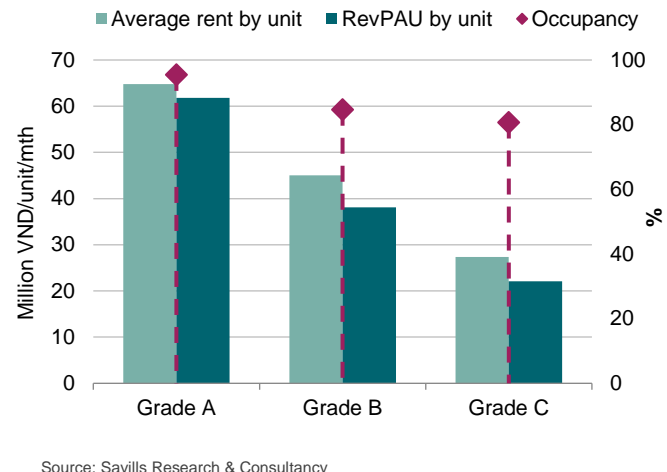
## SERVICED APARTMENT: Long Awaited New Grade A Supply

Total supply reached 4,200 units from 50 projects, up 2% QoQ and 10% YoY due to a new Grade A project coming online and one Grade C project closing. From Q4/2017, there will be approximately 1,885 units supplied from twelve projects with three more in development.

Average occupancy was 90.2%, down -0.5 ppts QoQ but up 2.5 ppts YoY. Average room rates (ARR) were VND566,000/m<sup>2</sup>/mth (US\$24.8/m<sup>2</sup>/mth), up 0.7% QoQ but down -1.9% YoY. Total take-up was positive, largely due to the new Grade A project.

According to the Ministry of Planning & Investment in the first eight months of 2017, registered FDI to Ha Noi was US\$1.74 billion. South Korea won back their largest inbound investor status with US\$6.02 billion.

FIGURE 3



## HOTEL: Low Season Affects Performance

One 5-star and two 3-star hotels together providing 509 rooms entered the market. Total stock was approximately 9,840 rooms, up 5% QoQ and 8% YoY.

The low season saw a -5 pts QoQ decrease in average occupancy but overall up 7 pts YoY. ARR decreased -1% QoQ but increased 26% YoY. RevPAR was down -8% QoQ but up 39% YoY.

According to the Ha Noi Statistics Office, in the first 9 months of 2017 there were approximately 3.5 million international visitors to Ha Noi, a 24% YoY increase.

Pressure is set to increase from 2018 onwards in Ha Noi with 36 projects coming online.

## APARTMENT: Decreased Sales Performance

Thirteen new projects and the next phases of sixteen active projects provided 6,170 units, down 3% QoQ but up 41% YoY.

Grade B has continuously dominated sales. Affected negatively by the Ghost Month, there were 5,660 sales this quarter, down 17% QoQ but relatively stable YoY. Average absorption was 24 percent. Average asking prices were down across most grades to VND 28,432,000/m<sup>2</sup> (US\$1,247/m<sup>2</sup>).

Focus is clearly shifting to the more affordable housing segments with an increasing proportion of homebuyer demand.

In Q4 there will be 42 launches of mostly grade B and C projects.

## VILLA | TOWNHOUSE: Decreased Performance

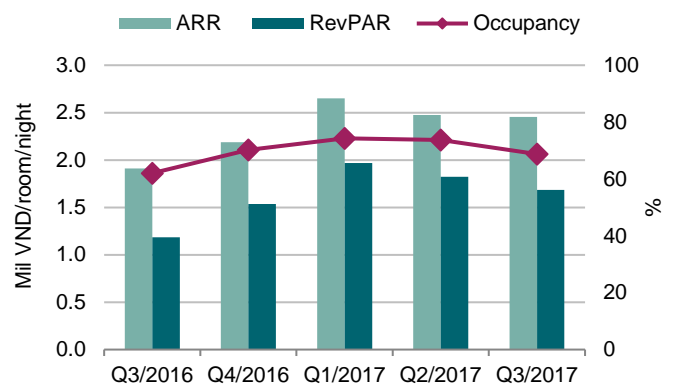
Total stock was 39,126 dwellings, increasing 3.5% QoQ and 16.9% YoY. Five newly launched projects and 4 new phases of active projects provided 1,107 dwellings, of which townhouses accounted for 62 percent. Long Bien district accounted for 66.5% of new supply, followed by Hoang Mai (10 percent)

In Q3/2017, there were 1,143 sales and townhouses accounted for 53% of the total. Total sales decreased 12.7% QoQ but were almost double YoY.

The absorption rate was 30%, down -3 pts QoQ and +16 pts YoY.

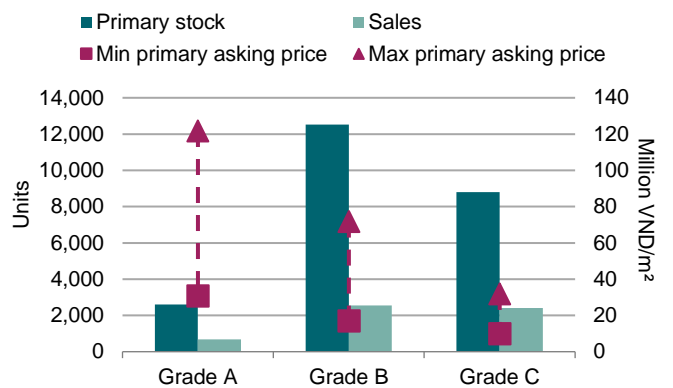
More than half of the 96 known future projects are in planning. From Q4/2017 to 2018, over 2,800 dwellings will be supplied.

FIGURE 4



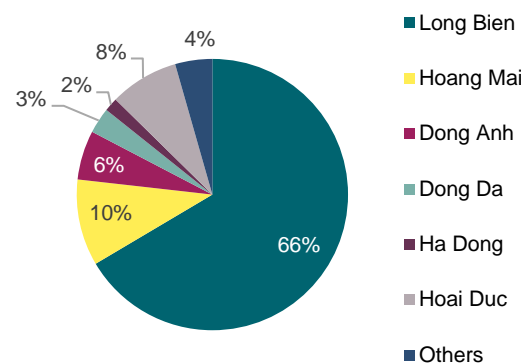
Source: Savills Research & Consultancy

FIGURE 5



Source: Savills Research & Consultancy

FIGURE 6



Source: Savills Research & Consultancy






## SAVILLS PROVIDES MAJOR SEGMENT MARKET REPORTS ACROSS KEY CITIES OF VIET NAM AND THE REGION.

### VIET NAM

	City	Market Sectors	Report Type	Quotation (One year)
HCMC		<ul style="list-style-type: none"> <li>Office</li> <li>Retail</li> <li>Hotel</li> <li>Serviced apartment</li> <li>Apartment</li> <li>Villa/ Townhouse</li> </ul>	4 x Quarterly Report	US\$ 7,000 +VAT
Ha Noi		<ul style="list-style-type: none"> <li>Office</li> <li>Retail</li> <li>Hotel</li> <li>Serviced apartment</li> <li>Apartment</li> <li>Villa/Townhouse</li> </ul>	4 x Quarterly Report	US\$ 7,000 + VAT
Second-tier Markets	<i>Hai Phong Da Nang Nha Trang Vung Tau Binh Duong Dong Nai Can Tho Long An</i>	<ul style="list-style-type: none"> <li>Office</li> <li>Retail</li> <li>Hotel/ Resort</li> <li>Residential (<i>Apartment/ Villa/ Townhouse</i>)</li> </ul>	2 x Half Yearly Report	US\$ 6,000 +VAT
	<i>Common Appendix</i>	<ul style="list-style-type: none"> <li>Macro Economy</li> <li>Infrastructure</li> <li>Legal</li> <li>Planning</li> </ul>	4 x Quarterly Report	US\$ 1,000 +VAT

### REGIONAL

	City	Market Sectors	Report Type	Quotation (One year)
Myanmar (Yangon)		<ul style="list-style-type: none"> <li>Apartment</li> <li>Office</li> <li>Retail</li> <li>Serviced apartment</li> <li>Hotel</li> </ul>	Half Yearly Report	US\$5,000 + VAT
Cambodia (PhnomPenh)		<ul style="list-style-type: none"> <li>Apartment</li> <li>Villa/Townhouse</li> <li>Office</li> <li>Retail</li> <li>Serviced apartment</li> <li>Hotel</li> </ul>	Half Yearly Report	US\$6,000 + VAT
Laos (Vientiane)		<ul style="list-style-type: none"> <li>Villa/Townhouse</li> <li>Office</li> <li>Retail</li> <li>Serviced apartment</li> <li>Hotel</li> </ul>	Half Yearly Report	US\$5,000 + VAT

<p>Savills Vietnam is the Leader in Media Exposure</p> 	<p><b>Over 22 years</b></p> <p>Established in Vietnam since 1995 The 1<sup>st</sup> International Property Firm in the Country</p>	<p>Our Research and Consultancy Services are the most innovative in Vietnam</p> <p>Discover our Strategic Research Tools</p> 	<p>Over <b>5.2 M</b> sqm under management</p> 
<p>Savills Vietnam is recognized globally We have won multiple awards both globally and regionally</p>	<p><b>#1</b></p>  <p>Number one agency in transaction volume with over US\$100 M transacted each year</p>	<p>Over <b>820</b> staff and growing</p>  <p>We are larger than all our competitors combined</p>	

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Savills has retained its title as The Times Graduate Employer of Choice for property for the ninth consecutive year.

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