

Quarterly Market Briefing Vietnam

Q2/2017



Macro Indicators 1H/2017	Value	YoY Growth Rate (%)
GDP growth rate (%)	5.7%	+1 ppt
Retail sales (Billion \$)	63.3	+10%
Currency Exchange Rate (VND/USD)	22,800	+2%
Trade deficit (Billion \$)	2.7	N/A
International visitors (Million)	6.2	+30%
Registered FDI (Billion \$)	19.2	+55%
- Japan (Billion \$)	4.6	+820%
FDI disbursement (Billion \$)	7.7	+7%
Newly established businesses (Unit)	61,276	+12%
CPI (%)	4.2%	+2.5 ppts
Mortgage rate (%)	11%	Stable
Credit growth (%)	7.5%	+1.2 ppts

First half GDP growth was 5.7%, a 1 ppt increase over 1H/2016.

Registered FDI had 55% annual growth. Japan with US\$4.6 billion was the highest contributor. FDI disbursement was up 7% YoY.

Inbound tourist growth momentum continues and was up 30% YoY. Total international visitors numbered 6.2 million, of which Asian visitors accounted for 74 percent.

1H/2017 credit growth at 7.5% is a 6-year high.

RETAIL: Quantity Changes Quality

Total retail stock was approximately 1.2 million m² with 26,000 m² added from the entries of a shopping centre, a new department store and a supermarket.

Average gross rent decreased -2% quarter-on-quarter (QoQ) and occupancy was stable. Shopping centre and department store performance trended down due to newly opened projects offering competitive rents.

The middle class demographic is the key market for fashion brands. F&B and upscale food services and convenience stores are flourishing due to increasingly modern and hectic lifestyles.

Online shopping in its early stages and yet to have any significant impact to classic retail. A few key e-commerce players such as Lazada, Lotte, Aeon and Vingroup online show segment growth but others report mixed fortunes.

FIGURE 1



Source: Savills Research & Consultancy

OFFICE: Demand Driving Rent Growth

One new Grade A project and three new Grade C projects entered the market. One Grade C building closed after being sold. Total office stock was approximately 1.64 million m², up 3% QoQ and 4% YoY.

Average gross rent surged 4% QoQ and 5% YoY with occupancy slightly down -1ppt QoQ and YoY, mainly influenced by the new Grade A building. Strong office development and good demand for upgraded, more efficient space are driving prime rents.

Given very low vacancy rates, Grade A and B office rents are expecting rental increases over the near term.

FIGURE 2



Source: Savills Research & Consultancy

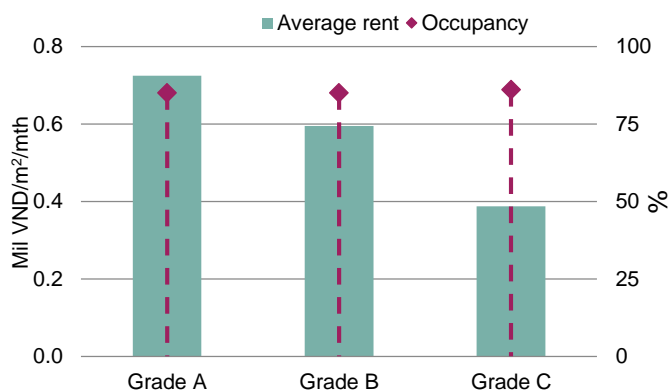
SERVICED APARTMENT: Grade A and C Occupancy Slump

Two new district 3 Grade C projects and one Grade C Tan Binh project introduced 121 units to the market. Total serviced apartment stock was up 3% QoQ and 4% YoY at approximately 4,800 units.

Average occupancy was up 5 ppts YoY but down -2 ppts QoQ to 85 percent. The decrease was attributed to newly launched Grade A and C project vacancies. Average rent was stable QoQ but up 2% YoY.

From Q3/2017 to 2019, 12 projects providing 1,900 units are expected to be launched with the CBD taking 52% of the total. As all 2H/2017 future supply is expected to be Grade A and B, increasingly strong competition is anticipated.

FIGURE 3



Source: Savills Research & Consultancy

HOTEL: Positive Signs In Low Season

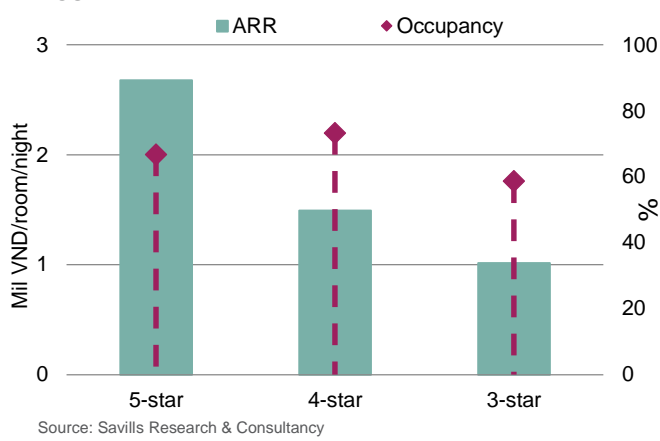
One 4-star and one 3-star hotel providing 347 rooms entered the market. Room supply is up 2% QoQ and 7% YoY from over 16,500 rooms in 133 hotels.

The low season saw -3% QoQ and -7% YoY ARR decreases across all three grades to US\$78/room/night. However, overall occupancy gained 1ppt YoY, a significant improvement in the context of continuous supply increase.

HCMC international visitors increased 14% YoY to approximately 2.8 million inbound, representing 46% of the official year target.

From Q3/2017 to 2020, approximately 3,200 rooms from 14 projects will be added to Ho Chi Minh City supply.

FIGURE 4



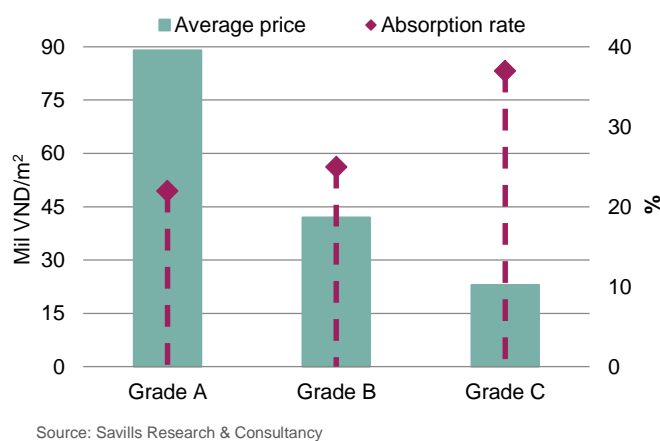
APARTMENT: Bolstered Grade C Demand

In Q2/2017, 4 new projects and the next phase of 7 active projects were launched, providing over 4,700 units. Apartments available across all grades were down -12% QoQ and -7% YoY to more than 37,200 units.

Sales growth rates increased 33% QoQ and 67% YoY. With approximately 11,600 transactions it was the highest since 2011. Impressive Grade B and C performance increased 10 ppts QoQ and 13 ppts YoY with 31% absorption. Grade C had the highest absorption at 37% and accounted for 64% of sales.

From Q3/2017 to 2018, approximately 48,000 units are expected to be launched. Grade C is expected to see the highest proportion of these with an approximate 46% share.

FIGURE 5



VILLA & TOWNHOUSE: Limited New Supply

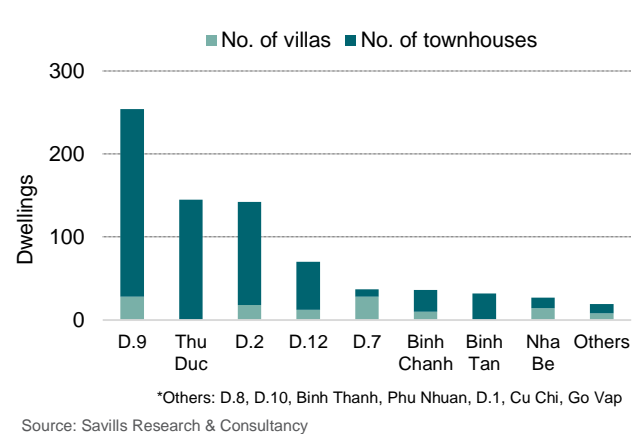
In Q2/2017, one new project and new phases of seven existing projects provided approximately 390 dwellings. Primary stock was down 20% QoQ and 35% YoY to around 2,060 dwellings.

Total villa/townhouse transactions decreased 14% QoQ and 6% YoY. The absorption rate, due to limited new supply was 37%, up 3 ppts QoQ and 11 ppts YoY. Townhouses continue to dominate the market with 85% of sales.

In the land plot segment, district 9 continued to lead, accounting for 43% of total sales. Land plots of 50-80m2 were the most popular.

Stock from 2H/2017 to 2019 will be approximately 11,500 dwellings/plots from 33 projects. The eastern districts with more than 50% of future supply is expected to lead the market.

FIGURE 6



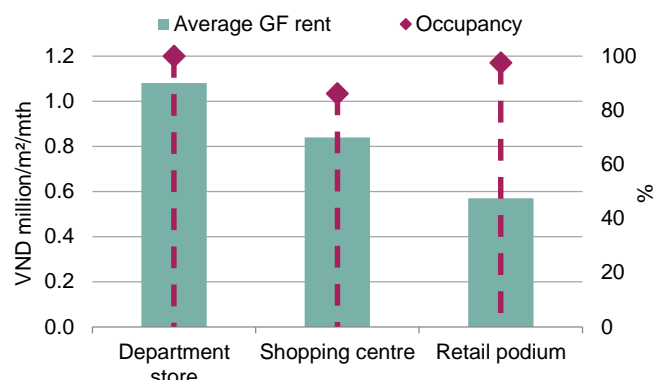
RETAIL: Improved Performance

In Q2/2017, the total retail stock was nearly 1,250,000 m², up 0.4% quarter-on-quarter (QoQ) and 7.4% YoY due to the entry of two new shopping centres, cumulatively supplying approximately 37,200 m².

Average ground floor rents recovered with a slight 3.0% growth QoQ. Average occupancy maintain an upward trend increasing 3.5 percent QoQ due to improvements in all three segments, department store (1.4 ppts), shopping centre (4.9 ppts) and retail podium (1.9 ppts).

The retail market continued to be underpinned by positive economic indicators. The “Bricks and Clicks” model has become increasingly common in order to engage shoppers and strengthen sales.

FIGURE 1



Source: Savills Research & Consultancy

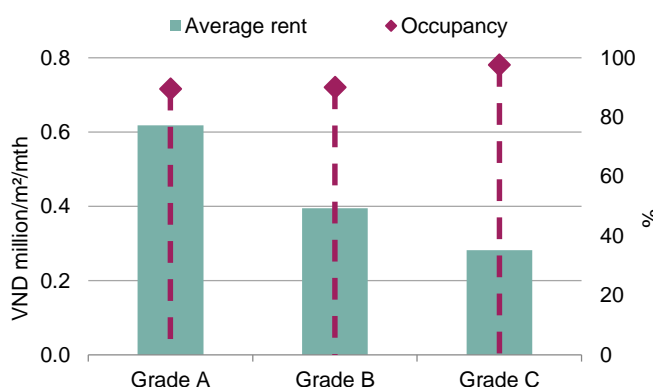
OFFICE: Improved Occupancy but Lower Rents

The total office stock was approximately 1,620,000 m², up 0.2% QoQ but down -1.2% YoY.

Average rents decreased -0.8% QoQ but increased 0.9% YoY while average occupancy increased 3.7 ppts QoQ and 7.4 ppts YoY. Occupancy improved across all grades, particularly grade A. CBD Grade A projects had better performance than the non-CBD.

In 2H/2017, 46,000 m² will be supplied by three new projects which are all fitting out. The future supply will remain concentrated in the West and Secondary areas, with no new supply in the CBD for the next two years.

FIGURE 2



Source: Savills Research & Consultancy

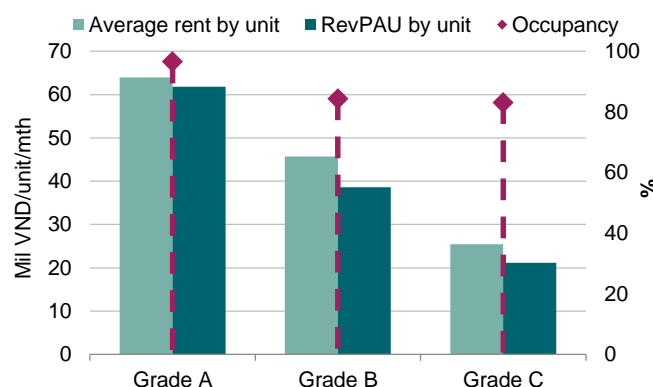
SERVICED APARTMENT: Lower Occupancy and Rent

The total serviced apartment supply was over 4,130 units from 50 projects, up 4% QoQ and 8% YoY due to two new entrants and a reactivated Grade B project. From Q3/2017, there will be over 1,830 units supplied from 11/14 projects.

The average occupancy reached 90.2%, down -1.4 ppts QoQ but up 6.3 ppts YoY. The average room rate (ARR) achieved US\$24.6/m²/mth, down -2.4% QoQ and -2.7% YoY. Total take-up decreased -46% QoQ.

According to the Viet Nam Foreign Investment Agency in 1H/2017, disbursed FDI was US\$ 7.7 billion (up 6.5%YoY). Up to 1H/2017, Ha Noi remained fourth highest total registered FDI recipient nationwide at US\$ 26.3 billion.

FIGURE 3



Source: Savills Research & Consultancy

HOTEL: 5-star Continues to Perform Well

The total hotel stock was approximately 9,300 rooms, up 1% QoQ but down -3% YoY.

The average occupancy remained stable QoQ but up 10 ppts YoY. Five-star average occupancy was 80%. The ARR decreased -7% QoQ but increased 32% YoY. RevPAR was down -7% QoQ but up 52% YoY.

According to the Ha Noi Statistics Office, in the first 6 months of 2017 there were approximately 2.33 million international visitors to Ha Noi, a 14% YoY increase.

In 2H/2017 more than 550 rooms will be launched.

APARTMENT: Stable Performance

The total primary stock was 24,550 units, up 2% QoQ and 42% YoY. Eleven freshly-launched projects and sixteen newly-launched projects provided 6,850 units, falling 27% QoQ and 4%YoY.

Approximately 6,800 units were sold, increasing 5% QoQ and 13% YoY, of which Grade B dominated with over 42% share. The absorption rate was 28%, up 1 ppt QoQ but down -7 ppts YoY. The primary price dropped 3% QoQ to US\$1,320/m².

Approximately 23,500 units will come online in 2H/2017, and 63,740 units will be supplied from 2018 onwards.

Top three future suppliers will be Ha Dong, Hoang Mai, Tu Liem, occupied for 60% share.

VILLA | TOWNHOUSE: Increased Sales

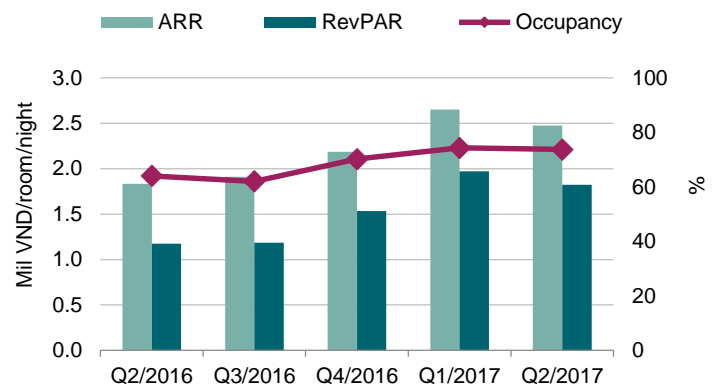
The total stock was 37,787 dwellings, increasing 4.8% QoQ and 15.8% YoY. Twelve new projects entered the market supplying approximately 1,719 dwellings, of which townhouses accounted for 66 percent.

In Q2/2017, there were 1,310 sales, in which townhouses were two times higher than villas. Total sales increased 126% QoQ and almost 4.5 times YoY. Ha Dong district was the best performer, following by Hoang Mai district.

The absorption rate was 33%, up +13 ppts QoQ and +21 ppts YoY.

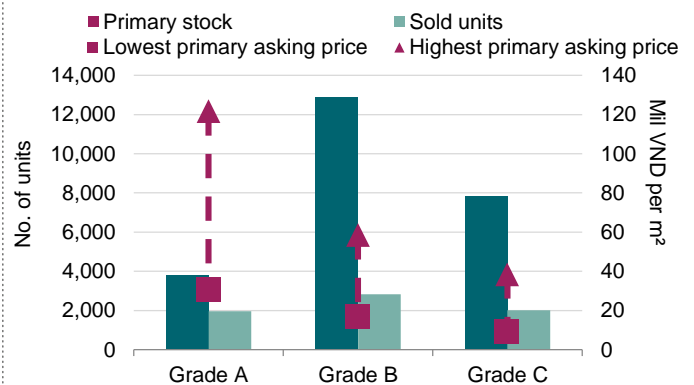
More than half of the 78 known future projects are in planning. From Q3/2017 to 2018, over 1,667 dwellings will be supplied.

FIGURE 4



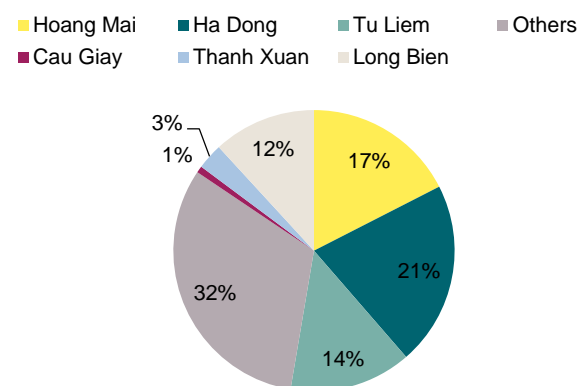
Source: Savills Research & Consultancy

FIGURE 5



Source: Savills Research & Consultancy

FIGURE 6



Source: Savills Research & Consultancy

SAVILLS PROVIDES MAJOR SEGMENT MARKET REPORTS ACROSS KEY CITIES OF VIETNAM AND THE REGION.

VIETNAM

	City	Market Sectors	Report Type	Quotation (One year)
HCMC		<ul style="list-style-type: none"> Office Retail Hotel Serviced apartment Apartment Villa/ Townhouse 	4 x Quarterly Report	US\$ 7,000 +VAT
Ha Noi		<ul style="list-style-type: none"> Office Retail Hotel Serviced apartment Apartment Villa/Townhouse 	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"> Office Retail Hotel/ Resort Residential (<i>Apartment/ Villa/ Townhouse</i>) 	2 x Half Yearly Report	US\$ 6,000 +VAT
	<i>Common Appendix</i>	<ul style="list-style-type: none"> Macro Economy Infrastructure Legal Planning 	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"> Apartment Office Retail Serviced apartment Hotel 	Half Yearly Report	US\$5,000 + VAT
Cambodia (PhnomPenh)		<ul style="list-style-type: none"> Apartment Villa/Townhouse Office Retail Serviced apartment Hotel 	Half Yearly Report	US\$6,000 + VAT
Laos (Vientiane)		<ul style="list-style-type: none"> Villa/Townhouse Office Retail Serviced apartment Hotel 	Half Yearly Report	US\$5,000 + VAT

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