

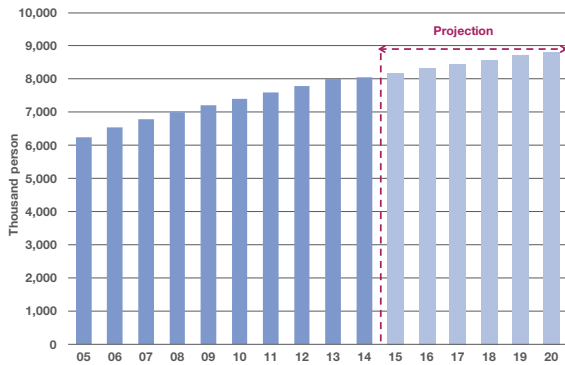
Asian Cities Report

Vietnam Residential

2H 2015

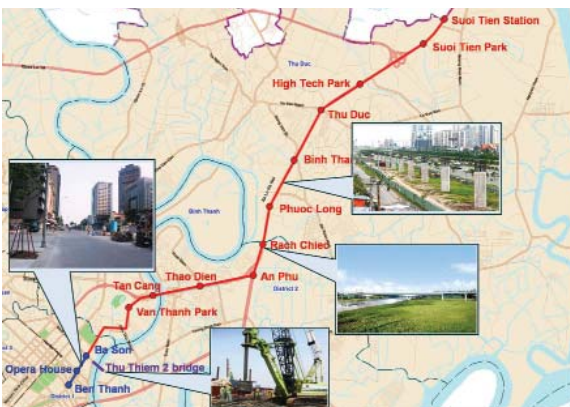


GRAPH 1
HCMC's population, 2005–2020



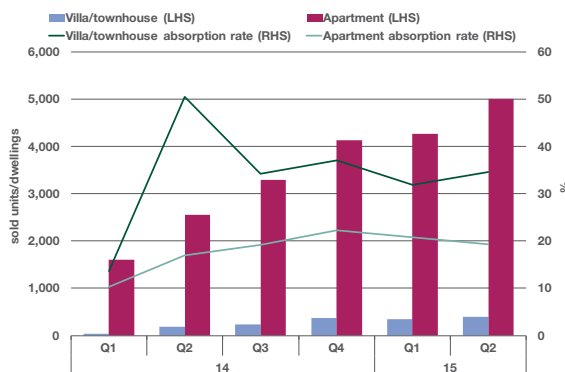
Source: General Statistics Office

MAP 1
HCMC Metro Line No. 1, 2015



Source: Savills Research & Consultancy

GRAPH 2
HCMC residential market performance, Q1/2014–Q2/2015



Source: Savills Research & Consultancy

Introduction

In Q2/2015, villas, townhouses and land plots performed well, with demand increasing for affordably priced small and medium-size properties. In this report we take a closer look at Ho Chi Minh City, the largest city in Vietnam.

The highest urbanisation rate in Vietnam

Ho Chi Minh City, as the economic hub of Vietnam, has strong structural elements to support residential demand, including a high urbanisation rate, fast population growth, a good demographic window and decreasing household size.

The population growth and urbanisation rate of the city are the highest in the country. According to the Vietnam General Statistics Office (GSO), the average population growth rate of HCMC from 2004 to 2014 was 3% per annum. HCMC also has the highest population density, at approximately 3,700 people per sq km, twice that of Ha Noi. From 2015 to 2020, the population growth rate of HCMC is estimated to be 2% per annum. In 2014, the urban population of HCMC was 82%, higher than the national average of 33% and Hanoi's 49%.

Demographic structure

HCMC has the youngest population in Vietnam supported by strong immigration. According to the GSO, approximately 55% of residents are less than 30 years old and the labor force accounts for 70% of the total population.

In the last eight years, household sizes in HCMC have decreased at an average of 0.8% pa. In 2014, the average household was 3.7 persons; this number is expected to further decline owing to the increased affordability of housing and an upsurge in independent living.

Infrastructure

The recent completion of key infrastructure projects in the east of the city, including the Long Thanh-Dau Giay highway and various ring

roads, have supported the expansion of new residential projects by shortening travelling distances and providing more convenient linkages.

The development of the metro system is the most significant project in Ho Chi Minh City. Metro Line No. 1 began construction in 2012 and is scheduled to be functioning by 2020. The central districts of HCMC will be linked directly with the east of the city such as Districts 2, 9 and Thu Duc and significantly improve access to employment, retail and recreational activities.

Residential market performance

Due to a loose monetary policy the residential market recovered in 2014 and has continued throughout 2015.

The residential index has stabilised in the last two years following a steady decrease in 2011 and 2012. In Q2/2015 the residential index stood at 89.4, increasing 0.3 points quarter-on-quarter (QoQ) and remaining stable year-on-year (YoY). The development of new projects in the east of the city from credible developers and the economic recovery have boosted sales and further increased buyers' confidence.

As a result of the stable lending environment, absorption has increased. Homebuyers now have a wide range of loan options to choose from, with banks willing to lend at interest rates of less than 8%. Vietcombank has earmarked a VND10 trillion (US\$466 million) credit package with a 7% lending interest rate for loans with under-12-month terms. Sacombank also offers lending packages for up to 20 years under a credit package worth VND2 trillion (US\$93 million).

Affordable landed properties on the rise

Projects in the eastern region have become more popular due to well-developed infrastructure. In 1H/2015, the primary residential market had approximately 10,000 transactions, of which apartments accounted

for a 92% share. Moreover, small and medium-size landed properties performed well. The majority of purchasers chose dwellings costing less than US\$300,000, with land areas from 80 sq m to 120 sq m in a gated compound with full internal facilities. For example, Mega Village recorded absorption of 39% in a single quarter.

The eastern districts saw the greatest number of transactions with an 80% market share. Thu Duc had the best performance with 39% of total sales, followed by District 9 with 31% and District 2 with 10%.

In the future, new residential projects in the suburbs of HCMC will be popular and will diversify the market. In 2H/2015, nine projects with 1,250 dwellings will enter the market. District 9 will be the largest supplier, accounting for 31% of total future supply.

Currently, land plots are heavily marketed to buyers in District 9, especially in the surrounding areas of Saigon Hi-Tec Park. This push follows the construction in May 2015 of Samsung's US\$1 billion plant with over 30,000 staff. Also in Thu Duc District, local developer Sacomreal has recently announced the sales of Jamona Home Resort, providing 238 land plots, with land areas ranging from 149-520 sq m and prices starting from US\$720 per sq m.

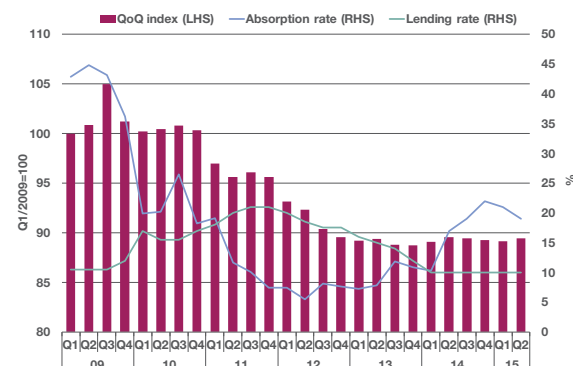
Prospects

From 1 July 2015, foreign companies and foreigners with a valid visa are formally allowed to own up to 250 villas/townhouses in a ward on a 50-year leasehold contract. The law also allows foreigners to lease, transfer and inherit property in the same way as Vietnamese citizens. This amendment may open the residential market and positively boost demand.

The Law on Real Estate Business, effective as of 1 July 2015, was amended to minimise the risks in buying an unfinished housing unit. Under the amendment, a real estate project must satisfy certain requirements before launching,

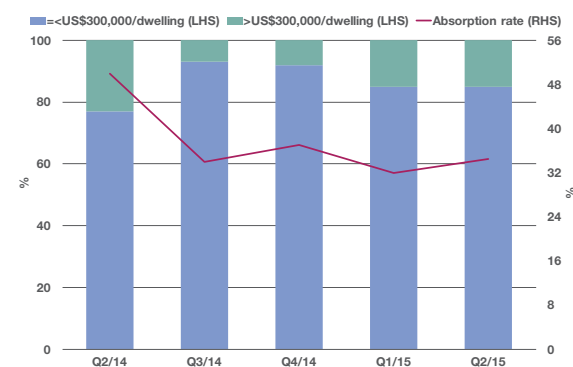
including a completed foundation, approval from the Department of Construction and a bank guarantee. Accordingly, the buyer is entitled to ask the guarantor to return their deposit if the developer fails to meet the contractual agreement. These regulations will boost buyers' confidence and help identify capable investors. ■

GRAPH 3
HCMC residential index, Q1/2009–Q2/2015



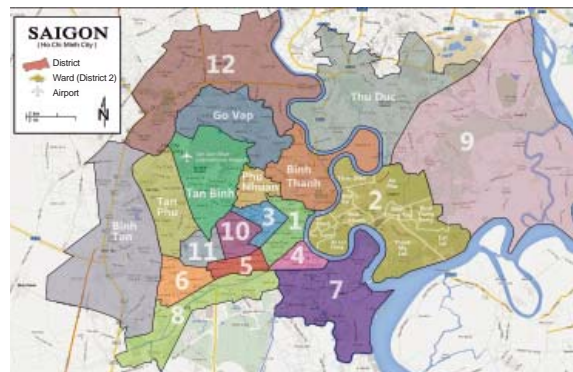
Source: Savills Research & Consultancy

GRAPH 4
Primary transactions, Q2/2014–Q2/2015



Source: Savills Research & Consultancy

MAP 2
Map of Ho Chi Minh City



Source: Savills Research & Consultancy

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