

Briefing Serviced apartment sector

Q1/2015

→ Supply

Two new Grade C projects in district's 3 and 11 came online this quarter, adding 83 units to the market.

As of Q1/2015, the total supply for HCMC's serviced apartment market was approximately 4,270 units from 81 projects, up 2% quarter-on-quarter (QoQ) and 6% year-on-year (YoY).

Performance

The overall occupancy was 82%, slightly down -1 ppt QoQ but stable YoY.

Amongst the three grades, only Grade A's occupancy remained stable QoQ at 95 percent. Grade B occupancy decreased slightly -1 ppt QoQ and Grade C occupancy decreased -2 pts QoQ.

The CBD continued to lead the market, with occupancy at 86%, 9 pts higher than that of the non-CBD.

The average rent was VND 488,000/m²/mth (US\$23/m²/mth), a decrease of -2% QoQ and -3% YoY as a result of the decline in rental rates of Grades B and C.

Demand

In Q1/2015, the total FDI capital in HCMC amounted to US\$556 million, down -26% YoY. The decreased FDI inflow to HCMC has had a negative impact on the demand for serviced apartments.

Grade A and B's major tenants are high-income expatriates who look for high-standard living environment with good management. Grade C's tenants are young professionals who want cost-effective options.

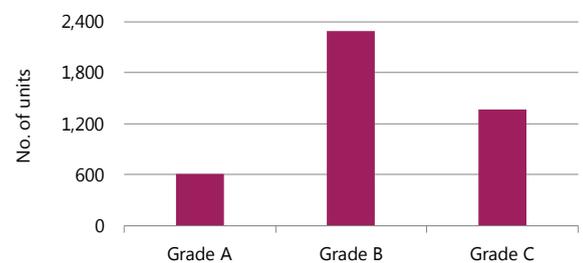
Buy-to-let apartments are the main competitor for serviced apartments. Serviced apartments are superior in providing professional services and good security.

Outlook

From 9M/2015 to 2017, nine projects providing approximately 1,000 units are expected to enter the market.

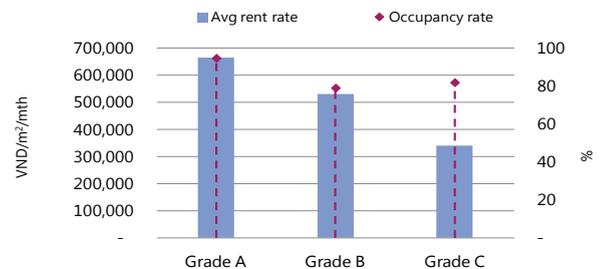
A better macro-economy is forecast, along with improved growth for demand. ■

FIGURE 1
Current stock



Source: Savills Research & Consultancy

FIGURE 2
Market performance



Source: Savills Research & Consultancy

Note: Estimated average rent inclusive of service charge, "exclusive of VAT, on a net area basis".

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