

Briefing

Serviced apartment sector

Q2/2014

Supply

This quarter, 41 units from two new projects and one existing project entered the market. As of Q2/2014, the total supply in HCMC was 4,076 units from 76 projects, up 1% quarter-on-quarter (QoQ) and 6% year-on-year (YoY).

Performance

The overall occupancy was stable QoQ at 82%, up 3 ppts YoY.

Amongst the three grades, only Grade C occupancy increased, up 2 ppts QoQ to 82 percent. Grade B occupancy decreased by -1 ppt to 79% and Grade A remained stable at 91 percent.

The average rent was VND 490,800/m²/mth (US\$23/m²/mth), decreasing -1% QoQ and -4% YoY as a result of a slight decrease in Grade B and C rent. A typical 2-bedroom apartment was approximately VND 38,570,000/unit/mth.

The non-CBD performed better than the previous quarter. Its average occupancy was 75%, up 1 ppt QoQ and 5 ppts YoY due to improved performance in a majority of the projects in this area.

Demand

With the highest density of international enterprises and increasing FDI in HCMC, the demand for serviced apartments is relatively high. In the first six months of 2014, newly registered FDI increased significantly by 320% YoY to US\$794 million from 162 projects. The total FDI to the real estate sector accounted for the largest share at 43%, followed by the industrial at 29.4% and the scientific and technical activities sectors at 18.6%.

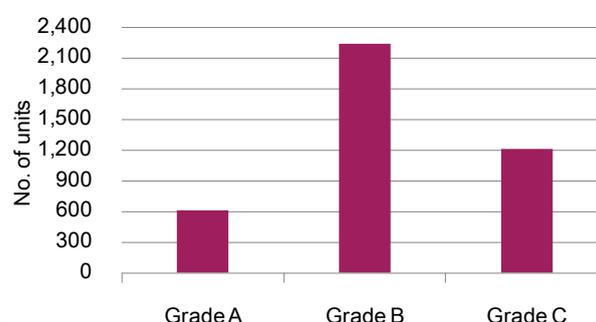
Buy-to-let apartments are the main competition for serviced apartments. However, serviced apartments continue to be a good choice in terms of professional service and security for long-term expatriates.

Outlook

From 2H/2014 to 2016, eight serviced apartment projects with a total supply of approximately 700 units are expected to enter the market.

In 2H/2014, three new projects with approximately 240 units in districts 1 and 3 are expected to come online; the CBD's total supply will be more than 2,550 units by the end of 2014. ■

FIGURE 1
Current stock, Q2/2014



Source: Savills Research & Consultancy

FIGURE 2
Market performance, Q2/2014



Source: Savills Research & Consultancy

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

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