

Briefing Serviced apartment sector

Q2/2015

→Supply

One Grade C project in district 2 came online this quarter, adding 14 new units to the market.

As of Q2/2015, the total supply for HCMC's serviced apartment market was approximately 4,280 units from 82 projects, relatively stable quarter-on-quarter (QoQ) and increasing 5% year-on-year (YoY).

Performance

In Q2/2015, the overall occupancy was 85%, up 3 ppts QoQ and YoY.

All three grades had improved occupancies compared with the previous quarter. Grade B achieved a QoQ increase of 3 ppts, followed by Grade C with 2 ppts and Grade A with 1 ppt.

The CBD continued to lead the market, with occupancy at 88%, 4 ppts higher than that of the non-CBD and 5 ppts than that of the new urban areas (NUA).

The average rental rate continued to decrease -1% QoQ and -3% YoY to VND 490,000/m²/mth.

Demand

As of 1H/2015, HCMC has attracted US\$1.2 billion in foreign direct investment (FDI), up 33% YoY. The increased amount of FDI inflow to HCMC has had a positive impact on the serviced apartment market. In Q2/2015, take-up increased by 400% QoQ.

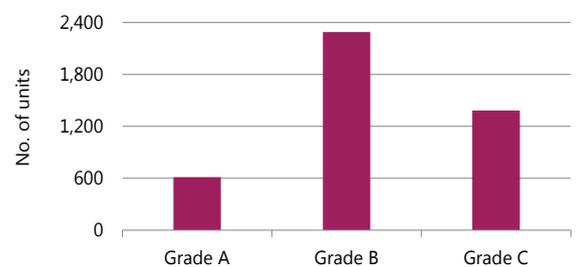
Serviced apartments have become an attractive alternative to the standard hotel product as they are a cost-effective option for a long-term stay.

Prime locations, international management and premium facilities from the Grade A segment and certain Grade B projects are crucial elements contributing to the appeal of serviced apartment market from prospective tenants.

Outlook

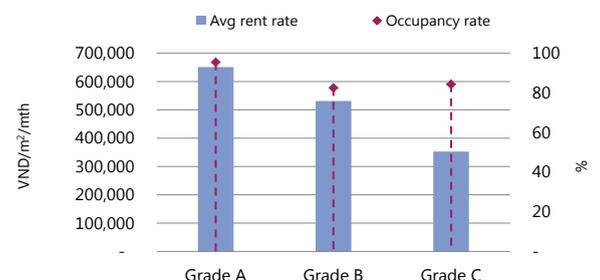
From 2H/2015 to 2017, eleven projects providing approximately 2,200 units are expected to enter the market. ■

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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