

Briefing Serviced apartment sector

Q4/2014

→ Supply

In Q4/2014, 48 additional units were added to an existing Grade B project in district 2.

The total supply for HCMC's serviced apartment market was approximately 4,190 units, increasing 1% quarter-to-quarter (QoQ) and 7% year-on-year (YoY).

Performance

The serviced apartment market achieved the highest occupancy rate over the last four quarters, at 83 percent, slightly increasing 1 ppt QoQ and 3 ppts YoY. The average rental rate in Q4/2014 was unchanged QoQ but was down -2% YoY, to VND 489,000/m²/mth.

This is the first period in 3 years that Grade A's occupancy achieved the highest rate, at 95%, up 4 ppts QoQ and 3 ppts YoY. Grade A was also the only grade to increase its rent, up 2% QoQ.

Demand

HCMC's serviced apartments are in demand from expatriates and business travellers. The total take-up has increased by 8% pa from 2010 to 2014.

In 2014, the total newly registered FDI to the city was more than US\$3.2 billion, up 94% YoY.

The final quarter showed a strong increase in short-term lease from shift-work expatriates and business travellers.

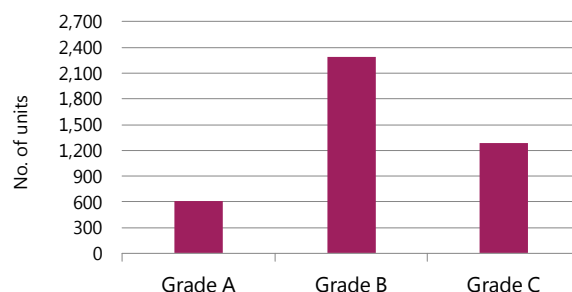
Loyal long-term covenants (at least six-month stay) still dominate the serviced apartment market, up to 75% of total deeds.

Outlook

Approximate 1,480 units from eleven future projects are expected to enter the market in the next 3 years.

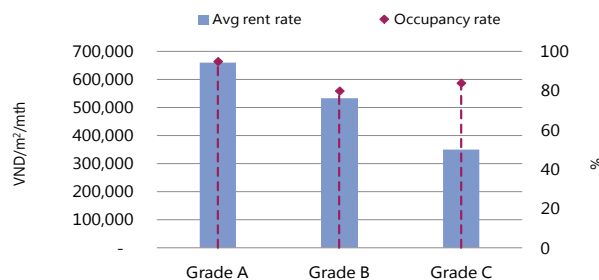
In the next two quarters, the market will welcome four projects with 271 units in districts 1, 3 and 11. ■

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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