QUARTERLY MARKET BRIEF

Q2/2016

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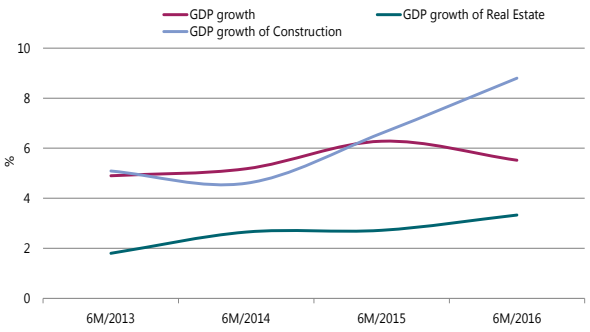
Market Briefs Q2, 2016
Viet Nam

GDP: Construction and Real Estate press forward

In 1H/2016, GDP was more than US$84 billion at current prices, increasing approximately 6% YoY. Nominal growth was 5.5%, lower than the 6.3% over the same period in 2015, a reflection of decreased productivity in the Agriculture, Forest and Fishing sector, which has been suffering from severe drought.

The Construction and Real Estate industries have had consecutive GDP growth over the first six months of the last four years.

Figure 1: Nominal GDP growth



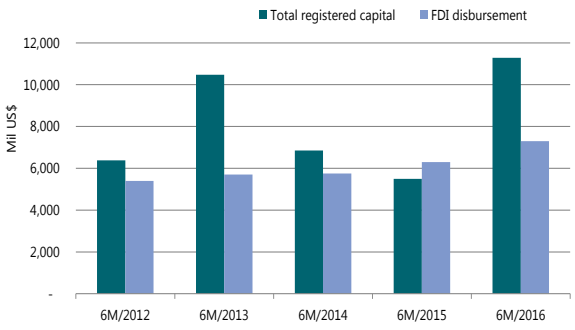
Source: GSO

FDI: Continued secondary sector dominance

FDI had impressive growth in both registered and disbursement capital in the first half of 2016. Total registered capital shot up 105% YoY, the highest over the last five years. Disbursements have continuously trended upward and had the strongest growth of 15% YoY.

Manufacturing and Processing remained the most attractive industries for foreign investors, accounting for more than 71% of registered FDI, followed by Real Estate, receiving approximately US$605 million, accounting for approximately 5 percent.

Figure 2: FDI



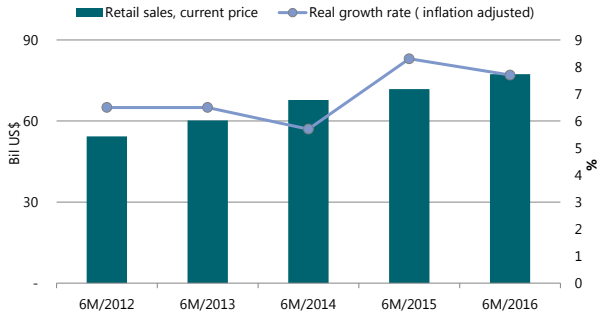
Source: GSO

RETAIL SALES: Goods draw growth

In 1H/2016, the total retail sales of goods and services was more than US$73 billion, increasing approximately 9.5% YoY. After adjusting for inflation, real growth was 7.7%, slightly lower than the 8.3% over the same time period in 2015.

Retail sales of goods accounted for 76% of total sales and the highest growth of approximately 10% YoY amongst recorded segments, an indication of strong retail market performance.

Figure 3: Retail sales



Source: GSO

INTERNATIONAL VISITORS: High growth of travelers by air

Viet Nam welcomed approximately 4.7 million international visitors in the first half 2016, an increase of more than 21% YoY and the highest growth rate over the last five years.

With improving international airports and national capacity, international visitor volume increased 26% YoY. This has encouraged hospitality development throughout the country.

Figure 4: International visitors to Viet Nam

Source: GSO

Market Briefs Q2, 2016
Ho Chi Minh City, Viet Nam

RETAIL: Good mid-end growth

Retail stock was 1,050,000 m^2, stable quarter-on-quarter (QoQ) due to new supply of 30,500 m^2 and equivalent withdrawal from closures, but up 13% year-on-year (YoY).

The average gross rent decreased by -1% QoQ and -10% YoY. Developers were pressured to decrease rents in a competitive market.

The average occupancy was 93%, stable QoQ. Department store occupancy increased 2 ppts QoQ while shopping centre decreased by -1 ppt and retail podium was unchanged. There was soft demand for luxury despite promotions in high-end projects. F&B continued its rapid expansion as consumer demand shifts towards daily consumption needs with greater awareness of hygiene.

Figure 5: Retail market performance

Source: Savills Research & Consultancy

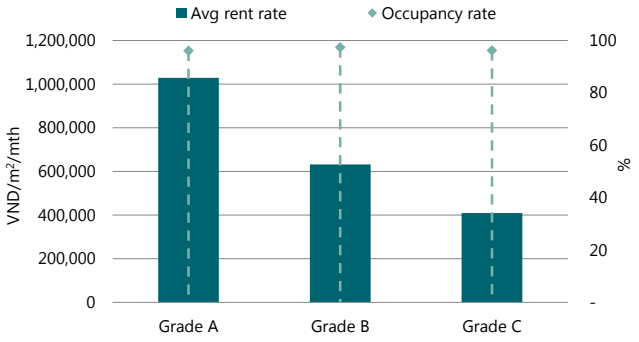
OFFICE: Supply limits helps performance

In Q2/2016, total stock was 1,580,000 m^2, mostly unchanged QoQ in spite of the withdrawal of 6,100 m^2 from the closure of three Grade C projects. Supply remained unresponsive in Q2/2016 despite strong demand.

Property owners enjoyed continued strong performance. Average occupancy steadily rose, up 1 ppt QoQ and 4 ppts YoY reaching 97 percent. Average rent slightly increased 1% QoQ and 5% YoY.

Grade A and B projects in district 1 contributed to most of the take-up this quarter, accounting for 56% of all new leased office space. Grade B was the best performer of all three segments with both average rent and occupancy, consistently trending upward since Q1/2015.

Figure 6: Office market performance



Source: Savills Research & Consultancy

SERVICED APARTMENT: Pressure from new Grade B

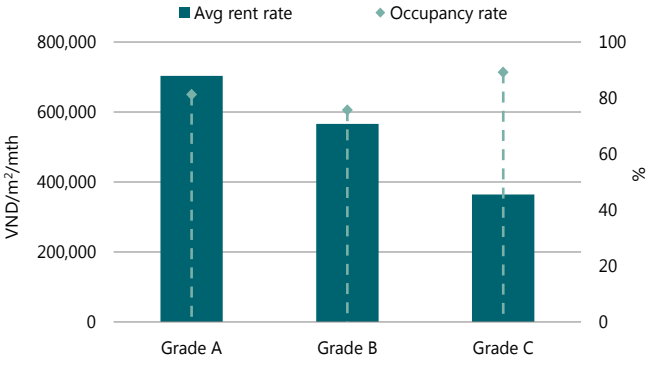
One new Grade B project in district 3 entered the market, providing 217 units. Meanwhile, a 30-unit Grade C project in district 10 temporarily closed for renovation. The total serviced apartment stock reached approximately 4,530 units from 82 projects, up 4% QoQ and 6% YoY.

Overall performance was influenced by new supply. The average occupancy decreased -2 ppts QoQ and -4 ppts YoY to 81%, with Grade B suffering the sharpest QoQ decrease since Q1/2013 due to the large additional stock.

However, average rent maintained an upward trend increasing 3% QoQ and 5% YoY.

From Q3/2016 to 2018, approximately 2,850 serviced apartments are expected to enter the market. Serviced apartment development will steadily shift further outwards from the CBD toward eastern and southern districts, which will cumulatively account for 57% of the future stock.

Figure 7: Serviced apartment market performance



Source: Savills Research & Consultancy

Market Briefs Q2, 2016
Ho Chi Minh City, Viet Nam

HOTEL: Occupancy lower

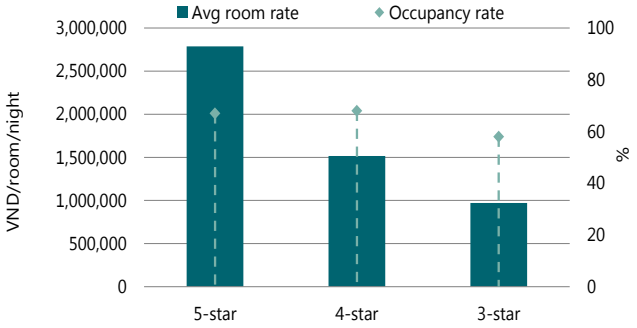
In Q2/2016, one 4-star and four 3-star hotels entered the market, balancing out the closure of three 3-star hotels. There were more than 15,400 rooms from 121 projects, up 3% QoQ and 12% YoY.

Average occupancy was approximately 64%, decreasing -4 ppts QoQ and -1 ppt YoY. However, ARR increased 3% QoQ and 7% YoY to US$83/room/night. The 5-star segment contributed strongly with an average ARR of US$125/room/night, increasing 4% YoY.

In Q2/2016, HCMC welcomed more than 1 million international visitors, increasing 9% YoY and accounting for 46% of arrivals to Viet Nam.

From Q3/2016 to 2018, more than 3,100 rooms from 14 projects will add to the rated supply.

Figure 8: Hotel market performance



Source: Savills Research & Consultancy

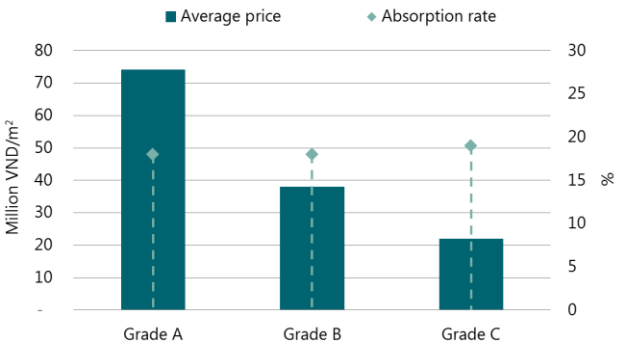
APARTMENTS: Strong stock levels

In Q2/2016, 19 new projects and fresh supply from an existing project launched, supplying more than 8,700 units for an increase of 15% QoQ. There were more than 40,100 primary apartments available across all grades.

There was strong absorption in all grades with over 6,900 sales, up 10% QoQ and 34% YoY. Grade B led with 49%, grade A also had considerable activity with 330 transactions, yet absorption decreased -5 ppts due to large new supply.

From Q3/2016 to 2018, over 35,000 units are expected to enter the market.

Figure 9: Apartment market performance



Source: Savills Research & Consultancy

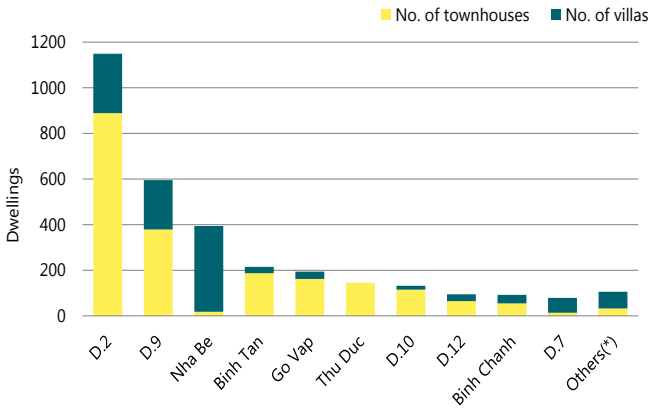
VILLA & TOWNHOUSE: Strong sales

In Q2/2016, eleven new villa/townhouse projects and the next phases of three existing projects provided approximately 1,600 dwellings, pushing primary stock to approximately 3,200 dwellings, up 55% QoQ and 180% YoY.

Sales increased by 78% QoQ and 106% YoY, with townhouses dominating, accounting for 68% of total sales. Absorption was 25%, up 3 ppts QoQ but down -10 ppts YoY. District 2 was the best performer this quarter.

Medium to large sized townhouses of 90 to 120 m^2 were absorbed well in the midst of strong developer rollout of smaller villa and townhouse products.

Figure 10: Villa & Townhouse primary stock



Source: Savills Research & Consultancy *: Others includes Binh Thanh, Phu Nhuan, and Cu Chi

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Market Briefs Q2/2016
Ha Noi, Viet Nam

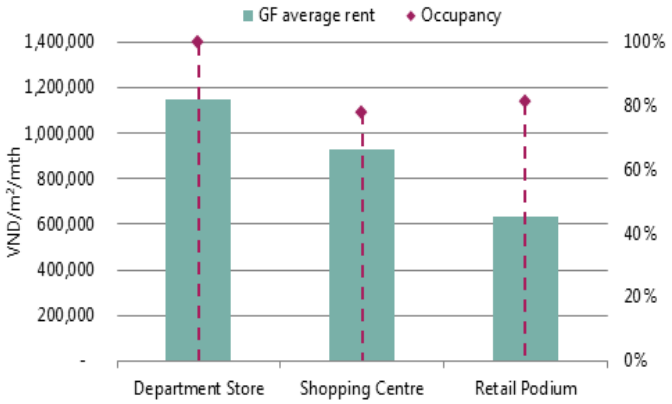
RETAIL: Softer performance

In Q2/2016, total retail stock was approximately 1.2 million m², up 4% quarter-on-quarter (QoQ) and 22% year-on-year (YoY) due to the entry of Thang Long Victory (Block T1), Thang Long Garden, and Victoria Van Phu which cumulatively provided approximately 48,000 m².

The average occupancy decreased -5.9 ppts QoQ and -1.6 ppts YoY. While department store occupancy increased 0.2 ppts QoQ, shopping centre and retail podium decreased -5.4 ppts and -15.8 ppts QoQ respectively.

According to Savills survey conducted across fifteen shopping centres and department stores in Ha Noi, the average area for fashion accounted for 49% of the total area, followed by food & beverage with 24 percent.

Figure 11: Retail market performance



OFFICE: Continued recovery

One project entered the market supplying approximately 18,000 m². Ha Noi's office stock increased 1.4% QoQ and 9.4% YoY. In 2H/2016, two projects will come online, providing approximately 47,000 m².

Compared to last quarter, average rent and occupancy increased across all grades. For rent, both Grade A and B grew 0.6% QoQ, while Grade C pushed ahead 3.7% QoQ. For occupancy, Grade A was stable QoQ, while Grade B increased by 3.1 ppts and Grade C by 0.9 ppts.

Grade A performance in both the CBD and non-CBD was stable in terms of average rent and occupancy.

Figure 12: Office market performance

SERVICED APARTMENT: Decreased occupancy but higher ARR

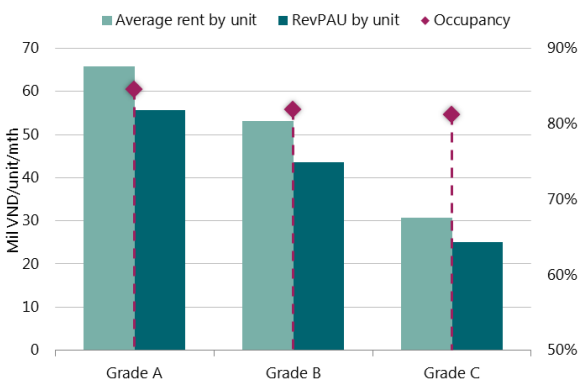
In Q2/2016, stock was approximately 3,818 units, increasing 3% QoQ and 4% YoY due to the introduction of Grade A Novotel Suites Hanoi with 53 units. There is no future supply until the end of 2016 but by the end of 2017 one new project in Tay Ho district will supply 247 units.

Occupancy decreased -1 ppt QoQ, but increased 6 ppts YoY. The average room rate (ARR) increased 1% QoQ, but was unchanged YoY. In Q2/2016, there was positive take-up in Grades A and B, but Grade C performance continued to suffer.

According to the Viet Nam Foreign Investment Agency, disbursed FDI was US$5.8 billion in the first five months of 2016, growing 17.2% YoY. Demand from Asian tenants continues to be significant due to higher FDI investment from the region.

Cau Giay district had the highest revenue per available unit (RevPAU) in Q2/2016.

Figure 13: Serviced apartment market



Market Briefs Q2, 2016
Ha Noi, Viet Nam

HOTEL: Soft hotel performance

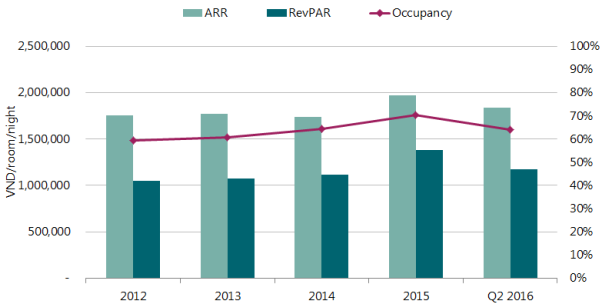
Stock decreased -0.2% QoQ but increased 8% YoY due to the entrance of one newly ranked 50 room 3-star and the closure of a 66 room 3-star.

Average occupancy was down -0.1 ppt QoQ but up 7 ppts YoY. The ARR decreased -0.1% QoQ but increased 7% YoY. RevPAR dropped slight by -0.3% QoQ but increased significantly 19% YoY.

According to the Ha Noi Statistics Office, there were approximately 2.05 million international visitors to Ha Noi in Q2/2016, up 34% YoY.

From Q3/2016 onward, 33 future projects are planned to enter the market, of which fifteen projects will supply approximately 4,700 rooms. The remaining projects have yet to quantify their supply. In 2H/2016, a single new project will supply approximately 64 rooms.

Figure 14: Hotel performance



APARTMENT: Continued high sales volume

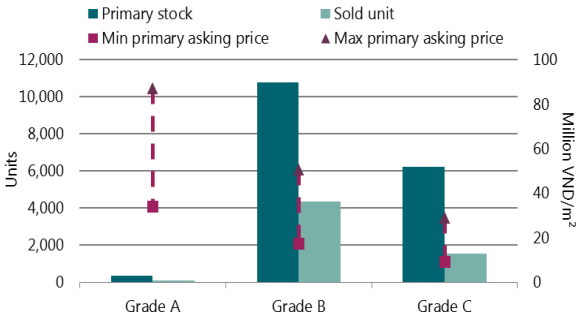
In Q2/2016, the total primary stock was 17,370 units, increasing 7% QoQ and 29% YoY. There were 10 existing and 16 new projects providing 6,700 units, increasing 1% QoQ.

There were approximately 6,000 sales, an increase of 7% QoQ and 30% YoY. The absorption rate increased 1 ppts QoQ to 35 percent.

Grade B still had the highest primary sales volume with a 73% of total sales. Tu Liem district continues to record the most sales at 37%, mainly due to 2,250 sales of Grade B.

In 2H/2016, 22,000 units from 41 projects, predominantly Grade B, are expected to launch, focused in Tu Liem, Thanh Xuan and Cau Giay.

Figure 15: Apartment for sale performance



VILLA & TOWNHOUSE: Large new supply, improved sales

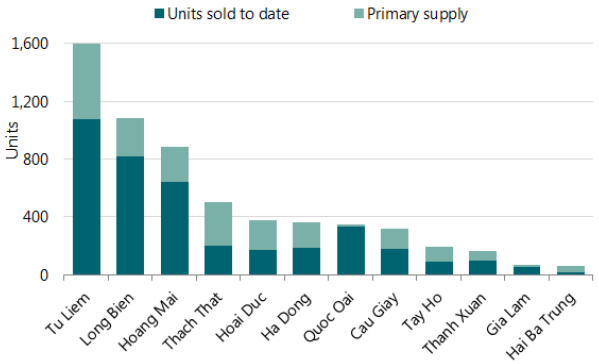
The total Villa/ Townhouse stock was 32,620 dwellings (2,396 primary and 30,224 secondary), up 7.0% QoQ and 11.2% YoY. Six new projects and a fresh launch from an existing project provided 908 dwellings – the highest quarterly supply in the past two years. Ha Dong district remained the top supplier with a 26% market share.

More than 280 sales (up from 174 last quarter) were recorded, 65% of which were townhouses. Tu Liem led both primary supply and sales, accounting for 34% of transaction volume.

Shophouses have been aggressively promoted by developers with deferred payment schemes and guaranteed leaseback programs for the first few years.

In 2H/2016, more than 1,200 dwellings are expected to enter the market.

Figure 16: Active projects' stock by district



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