Q4/2018

SPOTLIGHT
Savills Research

Vietnam

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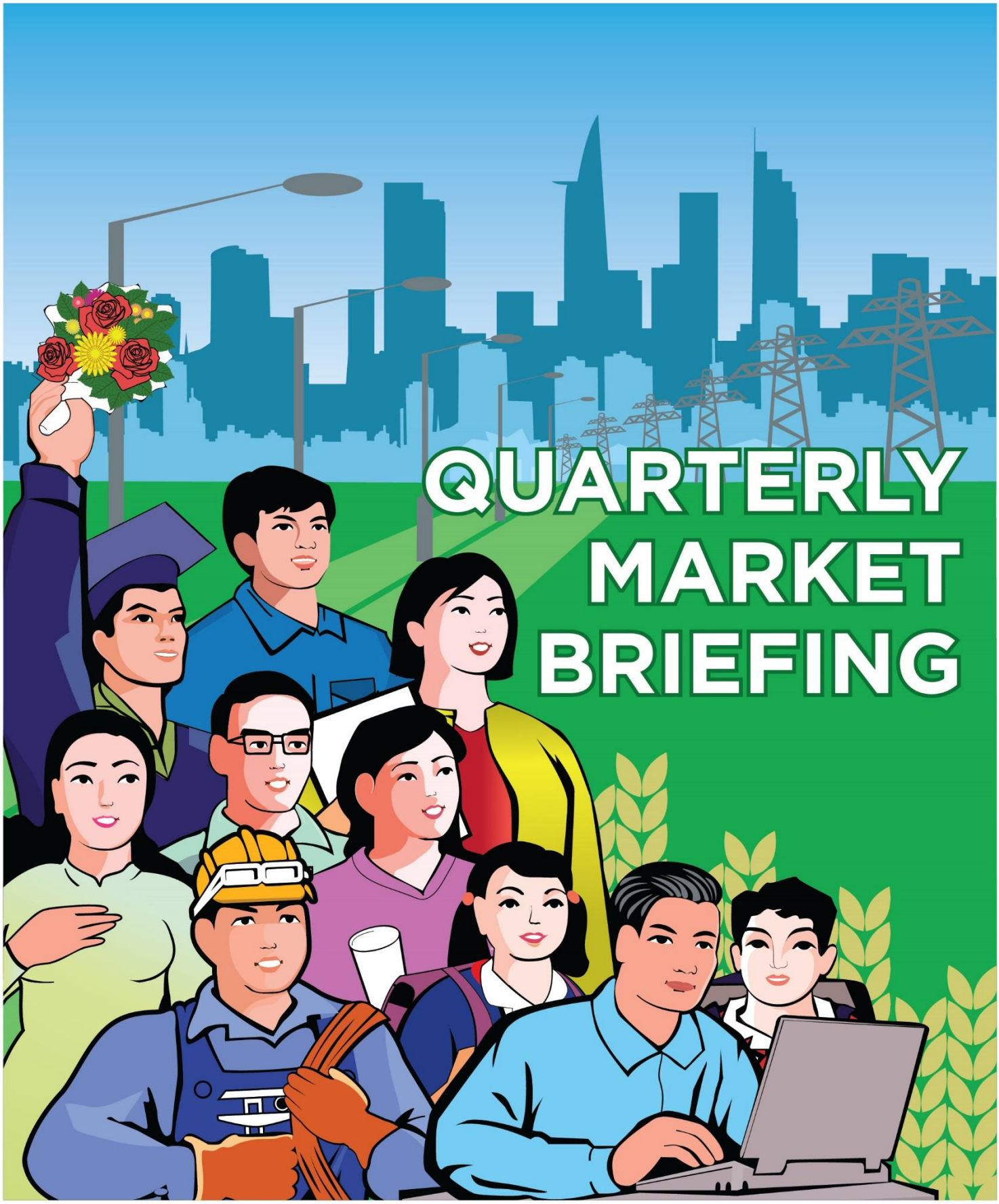


- Retail
- Office
- Serviced Apartment
- Hotel
- Apartment
- Villa & Townhouse

MACRO INDICATORS (2018)

GDP GROWTH RATE	**RETAIL SALES**	**CREDIT GROWTH**
7.1 % ↑0.7 PPT	145 BILLION $ ↑12%	13 % ↓3.5 PPTS
TRADE SURPLUS	**INTERNATIONAL VISITORS**	**FDI**
7.2 BILLION $ N/A	15.5 MILLION ↑20%	35.5 / 19.1 ↓1% / ↑9% BILLION $
MORTGAGE RATE	**CPI**	**NEWLY ESTABLISHED BUSINESSES**
11 % Stable	3.5 % N/A	131,300 UNIT ↑4%

● Value ● YoY Growth Rate(%)

GDP growth reached 7.1%, bolstered by strong manufacturing and exports. The expansion of the service sector was robust, supported by private consumption and record tourist arrivals. National retail sales of goods increased 12% YoY to US$145 billion.

Total export value in 2018 exceeded US$244 billion, resulting in a trade surplus of US$7.2 billion. FDI sectors accounted for over 70% of export value, the US remained the largest market.

Although total registered FDI slightly decreased -1% YoY, disbursed FDI in 2018 increased 9% to over US$19 billion.

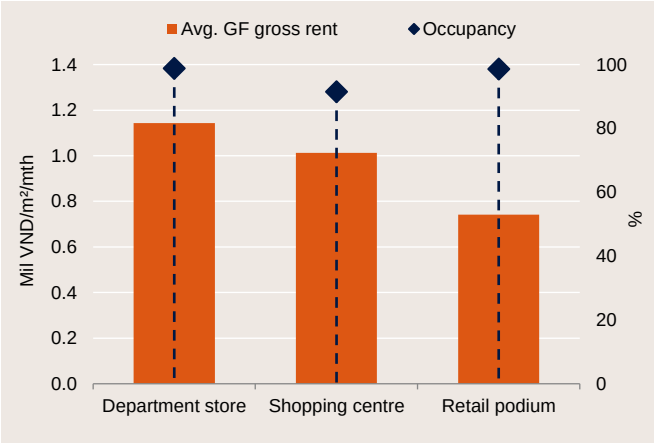
RETAIL:
NEW PROJECTS INCREASE RENT

Total stock was approximately 1.4 million m², up 3% quarter-on-quarter (QoQ) and 6% year-on-year (YoY) after the entry of three shopping centers in the Secondary area.

Average ground floor gross rent continued its upward trend of 3% QoQ and 17% YoY whilst occupancy was slightly down -3 ppts QoQ and -4 ppts YoY. The retail podium segment had the most improved performance.

Sixteen new projects are expected to launch in 2019, providing nearly 285,000 m²; including projects with substantial scale of nearly 100,000 m² each.

FIGURE 1



Source: Savills Research & Consultancy

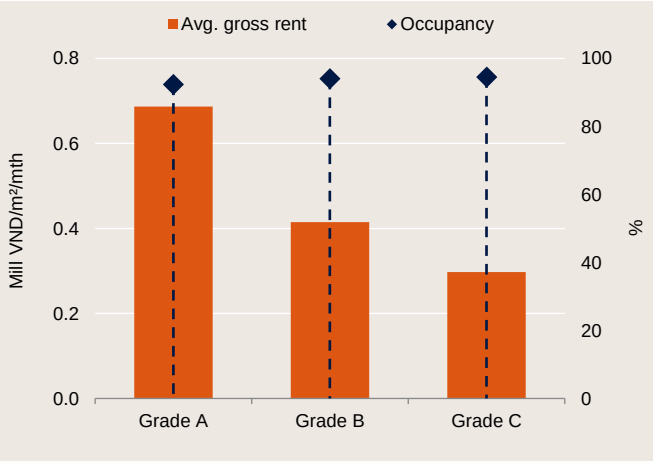
OFFICE:
BRIGHT FUTURE

Stock was stable QoQ at nearly 1.7 million m². Grade A supply remained unchanged whilst Grade B welcomed two new buildings.

Overall market performance remained stable QoQ and YoY, the most significant change was a 3% YoY increase in average gross rent. Improved Grade A performance in non-CBD areas resulted in an upward trend overall despite a slight QoQ reduction in CBD rent.

There will be new supply of approximately 500,000 m² until 2020. Five Grade A projects are expected to enter in 2019.

FIGURE 2



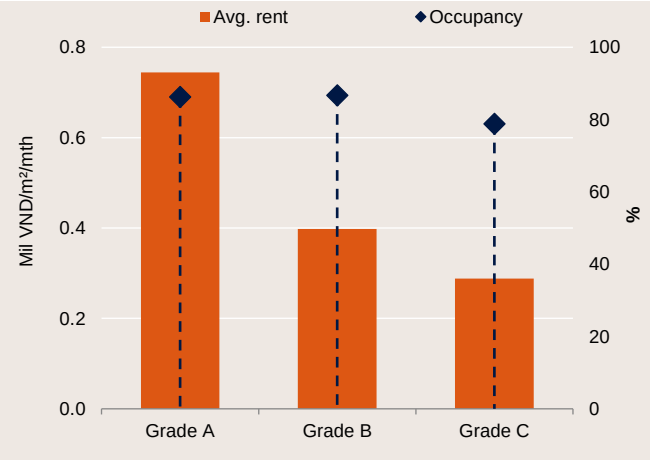
Source: Savills Research & Consultancy

SERVICED APARTMENT:
GRADE B DECLINES

A total of 48 properties provided 4,600 units due to a new Grade A project and the closure of two Grade B projects. From 2019-2020, 1,100 units from nine projects will enter.

Overall market performance increased slightly QoQ. Average rent was US$25/m²/mth, up 5% YoY, whilst average occupancy remained at 86 percent. Grade C decreased -14% in supply and -17% in rent. Registered FDI to Ha Noi was US$7.5 billion, Japanese investors accounted for 29 percent.

FIGURE 3



Source: Savills Research & Consultancy

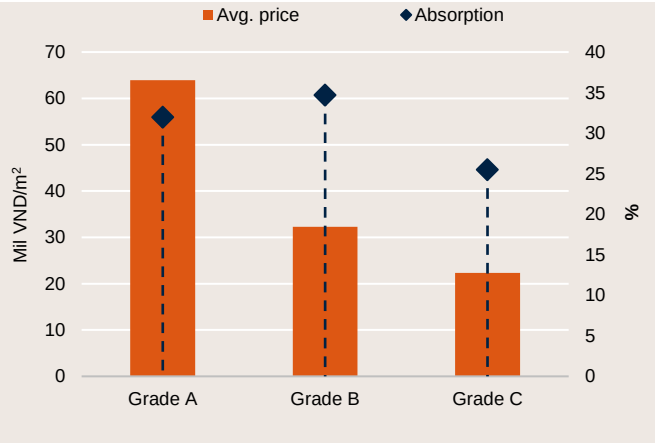
APARTMENT:
RECORD-BREAKING NEW SUPPLY

Eight new projects and the next phases of 28 projects provided approximately 15,100 units, up approximately 120% QoQ and YoY.

Transactions rose by 81% QoQ and 69% YoY whilst the absorption rate increased by 9 ppts QoQ and 5 ppts YoY to 34 percent. The average asking price was US$1,370/m², up 3% QoQ and 10% YoY. Grade B accounted for 61% of stock, followed by Grade C with 31 percent.

In 2019, more than 41,300 units will enter from 36 projects, most will be Grade B.

FIGURE 4



Source: Savills Research & Consultancy

HOTEL:
ARR RECOVERED

Hotel stock decreased -1% QoQ and YoY due to the withdrawal of one 3-star hotel.

Average occupancy slightly increased 1 ppt QoQ but decreased -2 ppts YoY. Average Room Rate (ARR) was up 14% QoQ but stable YoY. Average revenue of five-star hotels was US$116/room/night, double that of four-star and triple that of three-star.

According to the Ha Noi Statistics Office, in 2018 there were approximately 5.7 million international visitors to Ha Noi, a 16% YoY increase.

In 2019, three new four- to five-star hotels will supply approximately 480 rooms.

FIGURE 5

Source: Savills Research & Consultancy

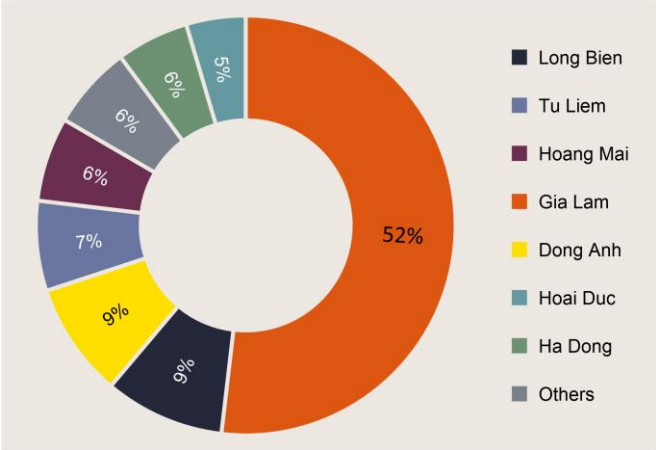
VILLA & TOWNHOUSE:
STRONG PERFORMANCE

Four new projects and nine new phases supplied nearly 2,350 dwellings. Transactions increased 21% YoY and absorption was 40%, up 3.8 ppts YoY.

Gia Lam led with 52% of sales, followed by Dong Anh and Long Bien with nine percent each.

In 2019, projects including Athena Fulland by Vimedimex, Sunshine Wonderland by Sunshine Group and Vincity Sportia by Vingroup will enter.

FIGURE 6



Source: Savills Research & Consultancy

RETAIL:
STRONG PERFORMANCE

Two new shopping centers and one retail podiums opened this quarter whilst four projects changed format or closed. Total quarterly retail supply increased by over 28,000 m^2. Total stock was approximately 1.3 million m^2, up 9% YoY.

The retail market performed well despite increasing supply. Average gross rent was up 2% QoQ and 1% YoY whilst occupancy improved 4ppts QoQ and 3ppts YoY.

Retail sales grew strongly at 13% YoY, focusing on F&B, clothes and household appliances. In 2019, new supply in the CBD will be only 31,700m^2, non-CBD districts will be pressured by the addition of 215,000 m^2.

FIGURE 1

Source: Savills Research & Consultancy

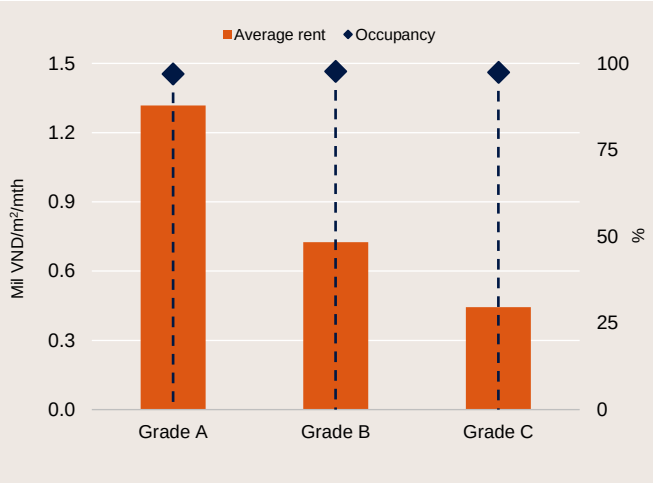
OFFICE:
BEST PERFORMANCE FOR FIVE YEARS

No new projects entered but additional space of approximately 8,400 m^2 from Cong Hoa Garden was added. Total office space reached 1.8 million m^2, relatively stable QoQ and up 7% YoY.

Market performance reached a five year peak with average rent increasing 1% QoQ and 8% YoY due to limited vacant space across all grades. Average occupancy remained high at 97%, stable QoQ and up 1ppt YoY.

By 2021, more than 634,000 m^2 will enter.

FIGURE 2



Source: Savills Research & Consultancy

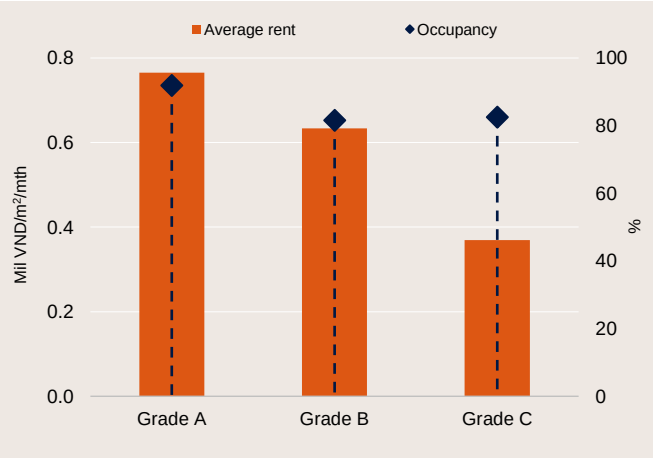
SERVICED APARTMENT:
RENT INCREASED

Grade B welcomed 195 units from one new project and another next phase. Total stock was over 5,700 units, up 3% QoQ and 20% YoY; the highest growth in the last five years.

Average rent was US$25/$m^2$/mth, up 1% QoQ and YoY due to 4% YoY rent increase of Grades A and B. Occupancy dropped -1 ppt QoQ and -3 ppts YoY due to increasing stock.

In the next three years, 1,700 units from 12 projects will enter, international developers are expected to account for 77% of stock.

FIGURE 3



Source: Savills Research & Consultancy

HOTEL:
IMPROVED MARKET

Hotel stock was stable QoQ and down -4% YoY, mainly due to the temporarily closure of more than 300 rooms from one 5-star hotel.

In 2018, average occupancy peaked at 70%, the highest for the last five years. As the peak season for international arrivals, all segments this quarter had occupancy increases of 6 to 10 ppts QoQ.

The average room rate (ARR) strongly increased by 10% QoQ and 6% YoY, supported by improvement across all grades.

According to the HCMC People's Committee, HCMC welcomed 7.5 million international visitors in 2018, up 17% YoY. In 2019, the city targets a 14% YoY increase of this figure.

FIGURE 4

Source: Savills Research & Consultancy

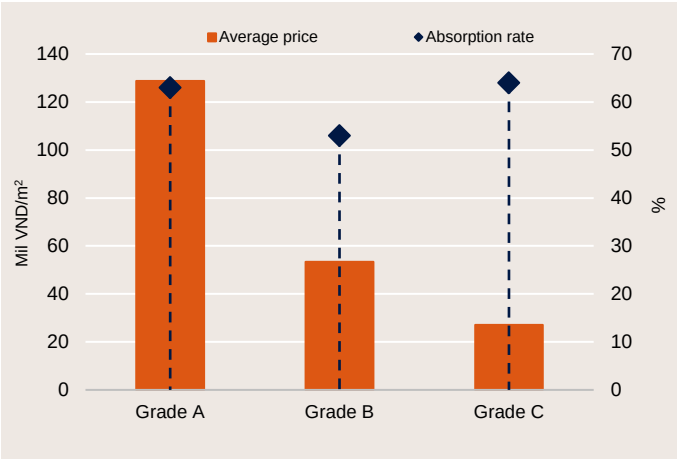
APARTMENT:
PHENOMENAL PERFORMANCE

Twenty-three new projects and 13 next phases from active projects supplied over 9,500 units. There were over 18,300 primary units, down -3% QoQ and -44% YoY.

Sales achieved over 11,000 units, up 10% QoQ but down -27% YoY. Absorption rate peaked at 60%, up 7ppts QoQ and 14ppts YoY. Grade C was the driver with 58% of transactions and an absorption rate of 64 percent.

Until 2021, over 154,000 units from 100 projects will launch; over 66,000 units are expected to enter in 2019.

FIGURE 5



Source: Savills Research & Consultancy

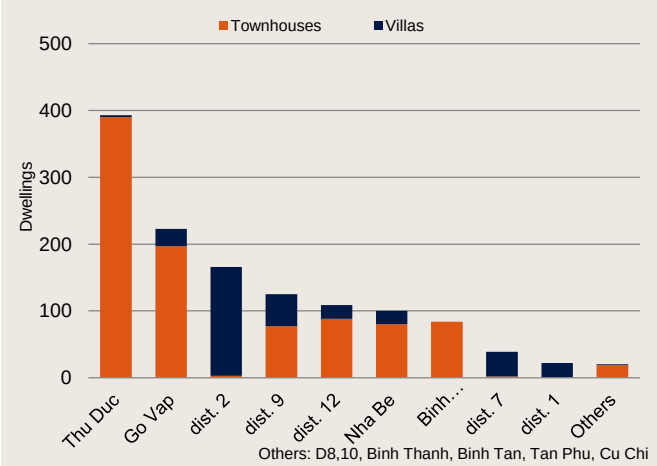
VILLA & TOWNHOUSE:
LIMITED SUPPLY

Five new small-scale projects and one new phase added approximately 390 dwellings. Primary stock reached over 1,280 dwellings, increasing 5% QoQ but declining -37% YoY. Sales improved 64% QoQ but dropped -57% YoY due to limited supply. Go Vap led the market with 33% of transactions.

Primary land plot supply was over 1,970 this quarter. The segment achieved a high quarterly absorption rate of 77 percent.

From 2019 to 2021, 22,650 dwellings/plots are expected to enter. Suburban districts as District 9, Binh Tan and Binh Chanh will contribute 56% of future supply.

FIGURE 6



Source: Savills Research & Consultancy

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MARKET REPORTS

VIETNAM

City		Market sectors	Report Type	Quotation (One year)
HCMC		• Office • Retail • Hotel • Serviced Apartment • Apartment • Villa/Townhouse	 4 x Quarterly Report	**US$ 7,000 + VAT**
HA NOI		• Office • Retail • Hotel • Serviced Apartment • Apartment • Villa/Townhouse	 4 x Quarterly Report	**US$ 7,000 + VAT**
SECOND-TIER MARKETS	Hai Phong Da Nang Nha Trang Vung Tau Binh Duong Dong Nai Can Tho Long An	• Office • Retail • Hotel/ Resort • Residential • (Apartment/ • Villa/Townhouse)	2 x Half Yearly Report	**US$ 6,000 + VAT**
	Common Appendix	• Macro Economy • Infrastructure • Legal • Planning	4 x Quarterly Report	**US$ 1,000 + VAT**

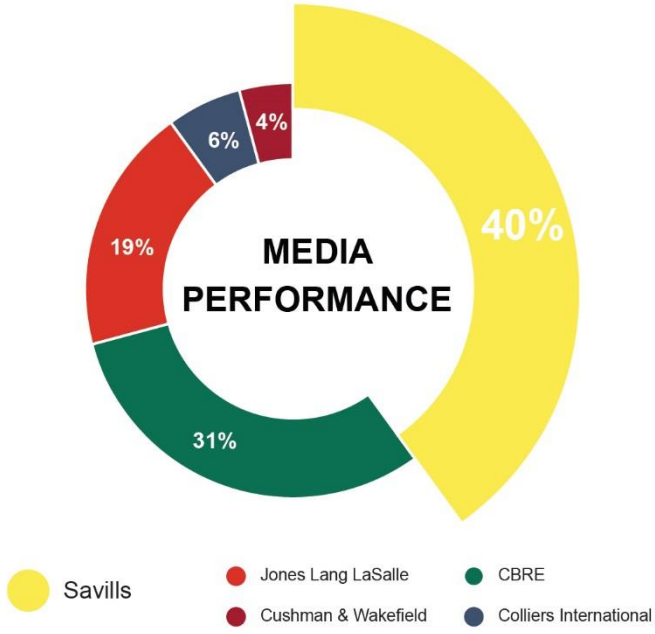
REGIONAL

MYANMAR (YANGON)		• Apartment • Office • Retail • Serviced Apartment • Hotel	 Half Yearly Report	**US$ 5,000 + VAT**
CAMBODIA (PHNOMPENH)		• Apartment • Villa/Townhouse • Office • Retail • Serviced Apartment • Hotel	 Half Yearly Report	**US$ 6,000 + VAT**
LAOS (VIENTIANE)		• Villa/Townhouse • Office • Retail • Serviced Apartment • Hotel	 Half Yearly Report	**US$ 5,000 + VAT**

SAVILLS VIETNAM

Over 1,400 staff

2 times larger than
all foreign competitors combined



"Savills Vietnam has the largest total exposure on major and high commercial value channel such as VTV1, HTV7, HTV9..."

Source: CommSight – Media Report , November-2018

SAVILLS SERVICES

ADVISORY SERVICES

- Market Research General & Specific
- Economic and Demographic studies
- Conceptual Development Recommendations
- Feasibility Studies
- Highest and Best Use Study
- Development Review
- Valuation

AGENCY

Retail **Office** **Industrial**

RESIDENTIAL

- Project Sales and Marketing Strategy
- International Sales
- Residential Sales
- Residential Leasing
- Landlord Representative

PROPERTY MANAGEMENT

- Pre-Operations Management Consultancy
- Property & Asset Management
- Facility Management
- Residential - Commercial - Industrial
- Property Management Training

HOTEL & LEISURE

- Operator Selection
- Management Agreement negotiation

INVESTMENT

- Strategy Project Positioning
- Stakeholder Engagement Structuring
- Acquisition and Sales

Our services are delivered by people who combine entrepreneurial spirit and a deep understanding of specialist property sectors with the highest standards of client care.

Savills Research
We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the Vietnam property market.

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