In Q1/2017, GDP growth was 5.1%, lower on the same quarter last year by 0.4 ppt, mainly attributed to a shrinking mining industry and Samsung’s slowdown.

Registered FDI had strong annual growth of 73% with Korea contributing 48% and the Secondary sector drawing in 85 percent. Total FDI disbursement was up 3.4% year-on-year (YoY).

Viet Nam’s Tourism industry strongly benefitted from 3.2 million international arrivals, growing 29% over the same period last year.
RETAIL: Retail Saturation Urges Innovation

Retail stock was approximately 1.1 million m² with the addition of 8,400 m² from one new shopping centre and three new supermarkets. One supermarket’s closure withdrew 5,500 m². Stock was stable QoQ but up 10% YoY.

Average gross rent increased 1% quarter-on-quarter (QoQ) with occupancy stable. Shopping centre and retail podium rents trended upward while department stores was down.

More than half of monthly personal spending is on F&B. Upscale food services and trendy dining activities are increasingly sought out. High retail density in the CBD and districts 2 and 7 is encouraging retailers to renovate and revise tenant mix for wider appeal.

OFFICE: Strong Market

One Grade C project of 4,400 m² in Binh Thanh entered the market. Two Grade C projects were temporarily withdrawn. Market-wide stock was approximately 1.6 million m², stable QoQ but up 1% YoY.

Performance remained positive. Average gross rents increased 1% QoQ and 2% YoY. The increase was attributed to limited CBD vacancy in Grades A and B. Average occupancy was 97%, stable QoQ but up 2 ppts YoY.

By 2019 there will be a large future supply of up to 390,000 m².

SERVICED APARTMENT: Stable Performance

One new Grade C project in Tan Binh with 65 units entered the market. The total serviced apartment stock was 4,600 units, up 2% QoQ and 6% YoY.

Overall performance was stable QoQ but improved YoY. The average occupancy was 87%, up 5 ppts YoY, the average rent was up 5% YoY.

From Q2/2017 to 2019, 12 projects providing more than 1,800 units are expected to enter the market and the CBD will account for 53% of that stock.
HOTEL: Improvement from Upscale Segment

Hotel stock was up 2% QoQ and 8% YoY due to the entrance of approximately 300 rooms from one 4-star and one 3-star hotel. A 3-star hotel was closed for reconstruction.

The average occupancy was stable at 68% YoY. As the peak season for international arrivals, both 4 and 5-star segments had significant improvement with occupancy increases of 3 ppts QoQ, contrasting the 3-star occupancy decrease of -4 ppts.

The average room rate (ARR) was down a minor -1% YoY.

According to the HCMC People’s Committee, in Q1/2017, HCMC welcomed 1.5 million international visitors, up 15% YoY and representing 48% of total arrivals to Vietnam.

APARTMENT: Grade C Sales Trend Upward

Approximately 5,200 units were supplied, a decrease of -47% QoQ. There were more than 42,500 available units across all grades.

Sales totaled approximately 8,800 units, down -13% QoQ. Grade C sales increased 10% QoQ while Grade B decreased -35 percent. Absorption was 21%, down -1 ppt due to stagnancy from Grades A and B. Western districts 6, 8, Tan Phu and Binh Tan are upcoming development areas focused in the lower-end segment.

Future supply is forecast to reach 62,200 units. Districts 2 and 7 are expected to bear the largest future supply with approximately 21% each.

VILLA & TOWNHOUSE: Eastern Districts – Market Driver

Seven new villa/townhouse projects supplied approximately 590 dwellings. Primary stock reached approximately 2,600 dwellings, down -14% QoQ but up 25% YoY.

Sales were down -11% QoQ but up 94% YoY with Eastern districts accounting for 74%, of which district 9 accounted for 49% of total sales. The absorption rate was 34%, up 1 ppt QoQ and 12 ppts YoY. The majority of sales came from newly launched projects with effective marketing strategies and timely construction progress.

From Q2/2017 to 2019, approximately 14,200 dwellings/plots from 44 projects are expected to launch. Eastern districts are expected to receive 55% of the total future supply.
RETAIL: Improved Occupancy but Lower Rents

In Q1/2017, the total retail stock was approximately 1,240,000 m², up 1.7% quarter-on-quarter (QoQ) and 11.5% YoY due to the entry of two new shopping centres, cumulatively supplying approximately 21,200 m².

Ground floor average rents decreased QoQ and YoY to a four-year low. Average occupancy increased 0.7 percentage points (ppts) QoQ but decreased -2.2 ppts YoY. While department store occupancy decreased -0.5 ppts QoQ, both shopping centre (0.9 ppts) and retail podium (11.5 ppts) occupancy increased.

Growth and diversification of the Ha Noi retail sector continues, particularly with shop houses and convenience stores. Larger scale future developments such as Vincom D’Capitale and Aeon Mall Ha Dong will boost future supply.

OFFICE: CBD Grade A Continues to Perform Well

The total office stock was 1,640,000 m², increasing 0.3% QoQ and 1.9% YoY. One Grade A project entered the market, supplying approximately 5,200 m².

Average rents decreased -0.2% QoQ but increased 1.2% YoY. The average occupancy was up slightly. Grade A projects in the non-CBD had weaker performance than their CBD counterparts.

In 2017, five new mostly Grade B projects will supply approximately 158,400 m². The future supply will remain concentrated in the West and Secondary areas.

SERVICED APARTMENT: High Occupancy, Lower Take-up

The total serviced apartment stock was 3,970 units from 48 projects, down -1% QoQ but up 7% YoY due to the entry of a new project and temporary closure of another for renovations. From Q3/2017, there will be an additional supply of approximately 1,490 units.

The average occupancy increased 4.1 ppts QoQ and 7.3 ppts YoY. The average room rate (ARR) increased 1.8% QoQ and 0.5% YoY. Total take-up decreased -20% QoQ to 136 units, a first quarter downward trend now in its third consecutive year.

According to the Viet Nam Foreign Investment Agency, in Q1/2017 Ha Noi was fourth highest registered FDI recipient nationwide at US$574 million.
HOTEL: A Record 5-star Performance

The hotel market was relatively stable QoQ but down -4% YoY.

A strong 5-star contribution brought the average occupancy up 4 ppts QoQ and 10 ppts YoY. The ARR was up 21% QoQ and 41% YoY due to increases across all segments. RevPAR was up 28% QoQ and 64% YoY.

According to the Ha Noi Statistics Office, in Q1/2017 there were approximately 1.3 million international visitors to Ha Noi, a 10% YoY increase.

In 2017 more than 900 rooms will be launched.

FIGURE 4

APARTMENT: Strong Supply

The total primary stock was 24,160 units, increasing 12% QoQ and 49% YoY. Fourteen freshly launched projects and twenty one newly launched projects supplied 9,220 units, decreasing -10% QoQ but increasing 39% YoY.

There were approximately 6,520 sales, decreasing -2% QoQ but increasing 16% YoY. The absorption rate was down -4 ppts QoQ and -8 ppts YoY to 27% due to the large supply.

In 2017, approximately 40,800 units will come to the market, much will be Grade B from Ha Dong, Hoang Mai, Tu Liem and Thanh Xuan.

FIGURE 5

VILLA | TOWNHOUSE: The East Dominating New Supply

The total stock was 36,068 dwellings, increasing 3% QoQ and 14% YoY. Three new projects entered the market supplying approximately 1,005 dwellings, of which villas accounted for 58 percent.

In Q1/2017, sales were almost equally split between villa and townhouse totaling 579 dwellings, a -24% QoQ decrease but YoY improvement of 40 percent. The absorption rate was 21%, down -9 ppts QoQ and -3 ppts YoY.

More than half of the 78 known future projects are in planning. From Q2/2017, over 350 dwellings will be supplied.

FIGURE 6

Source: Savills Research & Consultancy
SAVILLS PROVIDES MARKET REPORTS FOR MAJOR SECTORS IN ALL LARGE CITIES OF VIETNAM AND THE REGION.

**VIETNAM**

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<th>Report Type</th>
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**REGIONAL**

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