

# Vietnam Market Brief

Q3 | 2016



## SUMMARY

Macro indicators	Unit	Value	YoY growth rate (%)
GDP growth rate	%	6.4	+ 5.9
Retail sales	Billion \$	88.9	+ 9.7
Currency Exchange Rate	VND/USD	22,300	+ 0.8
Trade surplus	Billion \$	+ 2.8	
International visitors	Million	7.3	+ 25.7
Registered FDI	Billion \$	11.2	+ 1.1
FDI disbursement		11.0	+ 12
Newly established businesses	Unit	81,500	+ 19
Real estate			+200
CPI	%	N/A	+ 2.1
Credit growth	%	10.5	N/A
Mortgage rate	%	7-11	N/A

Contributing 0.2 ppt to GDP growth rate, real estate sector increase by 3.7%, which is higher than 2015 with 2.9%. This sector is ranked 2nd with US\$1 billion accounting for 6.1% of total registered FDI. Over 9 months of 2016, 8 new real estate businesses are established daily, increase  $\approx$  100% YoY which is ranked 1st of newly registered businesses.

Hanoi's GDP (GRDP) growth rate is 7.7% YoY, which is 1.3 times higher than Vietnam's GDP and is the highest in 6 continuing years.

Meanwhile in Ho Chi Minh City, GDP growth rate is 9.1% YoY, which is the highest in 3 years.

# HANOI MARKET BRIEF Q3/2016

## RETAIL: Increased Competition and Decreased Rents

In Q3/2016, the total retail stock was approximately 1.2 million m<sup>2</sup>, up 3% quarter-on-quarter (QoQ) and 23% year-on-year (YoY) due to the entry of two new retail podiums with approximately 32,800 m<sup>2</sup>.

The average ground floor rent decreased across all retail segments. Average occupancy increased 1.9 ppts

QoQ but decreased -2.7 ppts YoY. While department store occupancy decreased -1.3 ppts QoQ, both shopping centre (2.6 ppts) and retail podium (2.1 ppts) occupancy increased.

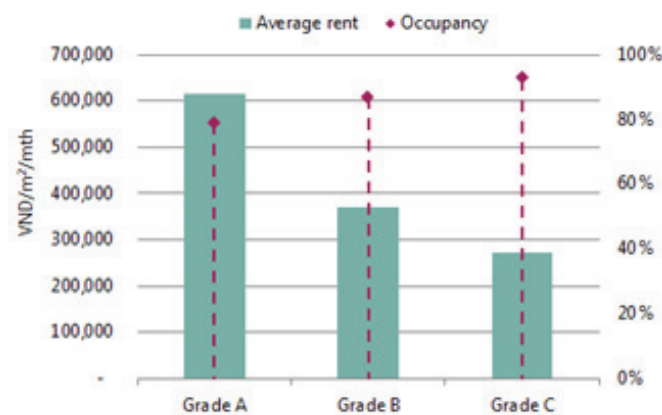
Strong competition between domestic and foreign retailers forced some projects to renovate and restructure floor plans.

FIGURE 1 Retail market performance



## OFFICE: Reasonable Performance

FIGURE 2 Office market performance



Ha Noi office stock remained stable QoQ but increased 9% YoY. In Q4/2016, one project will enter the market supplying approximately 11,300 m<sup>2</sup>.

The average rent decreased slightly -0.5% QoQ due to downward adjustments to both Grade A and C but increased 3.0% YoY.

Average occupancy showed improvements of 2.2 ppts

QoQ and 2.8 ppts YoY, much due to Grade B increases of 2.9 ppts QoQ and Grade A increases of 2.3 ppts QoQ.

The total take-up was approximately 23,000 m<sup>2</sup>. Grade B led with approximately 18,000 m<sup>2</sup>, followed by Grade A with 8,400 m<sup>2</sup> and Grade C with 4,300 m<sup>2</sup>.

## SERVICED APARTMENT: Increased Occupancy and ARR

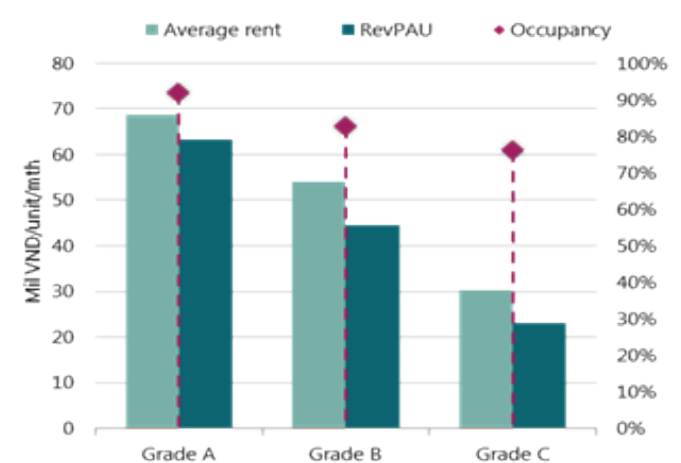
In Q3/2016, serviced apartment stock was approximately 3,800 units, unchanged QoQ but up 4% YoY. Two new projects are expected to come online from Q4/2016 to 2017, providing approximately 747 units.

The average occupancy was over 87%, increasing 3.4 ppts QoQ and 5.7 ppts YoY. The average room rate (ARR) was up 3.5% QoQ and 4.1% YoY.

Take-up was positive in Grade A, unchanged in Grade B but sharply declining in Grade C.

According to the Viet Nam Foreign Investment Agency, registered FDI to Ha Noi was US\$1.97 billion in the first nine months of 2016, increasing 116.5% YoY.

FIGURE 3 Serviced apartment performance



## HOTEL: Wet Season Dampens Performance

Ha Noi hotel stock decreased -5.2% QoQ with the revocation of nine hotels' 3-star ratings by the Vietnam National Administration of Tourism but relatively stable YoY.

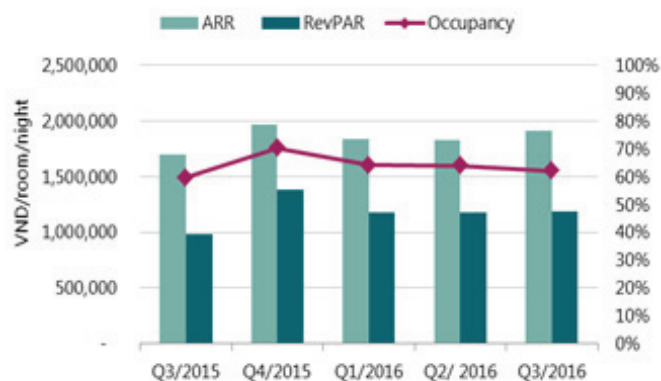
Average occupancy was down -2 pts QoQ due to the wet season but up 4 pts YoY. The ARR increased 4% QoQ and 12% YoY. RevPAR grew 0.8%

QoQ and 20% YoY.

According to the Ha Noi Statistics Office, there were approximately 1.4 million international visitors to Ha Noi in Q3/2016 and 2.9 million in 9M/2016, increasing 28% YoY.

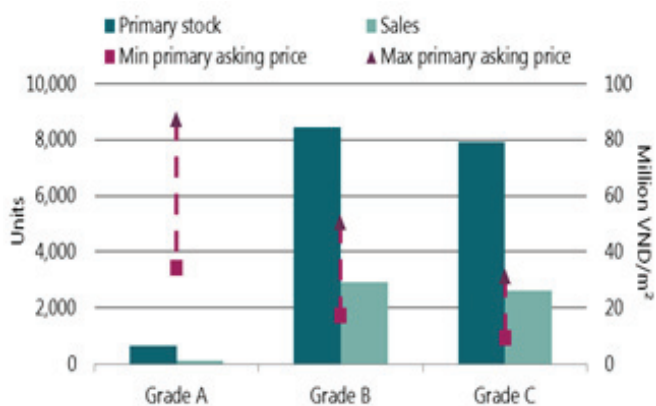
In 2017, one 4-star project with more than 200 rooms will come online.

FIGURE 4 Hotel market performance



## APARTMENT: Slowed Supply and Sales

FIGURE 5 Apartment for sale performance



In Q3/2016, the total primary stock was 17,000 units, decreasing -2% QoQ but increasing 16% YoY. Thirteen projects with fresh launches and ten newly launched projects supplied 5,700 units, decreasing -6% QoQ.

There were approximately 5,700 sales, decreasing -6% QoQ and -15% YoY. Grade B recorded the

highest primary sales volume for the 6<sup>th</sup> consecutive quarter, totalling 51% of sales. The absorption rate decreased -2 pts QoQ to 33% but the average asking price was stable.

In Q4/2016, over 13,000 units will enter the market, much of which will be Grade B and come from Tu Liem, Thanh Xuan, Tay Ho and Hai Ba Trung.

## VILLA & TOWNHOUSE: Mounting Primary Stock

The total stock was approximately 33,500 dwellings (2,300 primary and 31,200 secondary), up 3% QoQ and 10% YoY. Three new projects and the fresh launch of one existing project supplied 209 dwellings. Ha Dong district remained the top supplier with a 26% share.

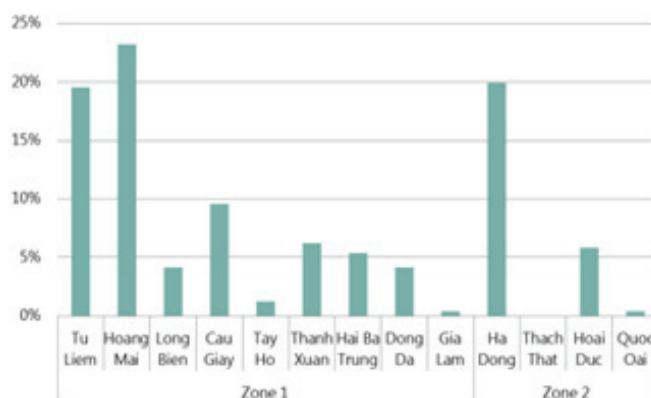
Sales decreased -10% QoQ to 241, of which 64% were townhouses. Dominating in sales this quarter were Hoang

Mai with 23% and Ha Dong with 20% of the total sales.

Shophouses continue to be aggressively promoted by developers and are more attractive to buyers as partially completed before launch.

In Q4/2016, more than 800 dwellings are expected to enter the market, many from Ha Dong district.

FIGURE 6 Villa and Townhouse sales proportion



# HCMC MARKET BRIEF Q3/2016

## RETAIL: New CBD Supply Meets Strong Demand

Retail stock was 1,160,000 m<sup>2</sup>, increasing 10% quarter-on-quarter (QoQ) and 22% year-on-year (YoY) due to new supply of 131,500m<sup>2</sup> and withdrawal of 26,500m<sup>2</sup>.

The average gross rent increased 4% QoQ, mostly from the good performances of the reopened Saigon Centre and the newly opened Aeon Mall Binh Tan shopping centres. The average occupancy was 93%, stable QoQ and YoY.

Shopping centre occupancy increased 1 ppt QoQ, retail podium decreased -3 ppts and department store was unchanged.

The new CBD supply was quickly absorbed despite the high rent, reflecting strong demand for space in a fresh and prestigious retail project. The repositioning of Union Square – a high-end project, revealed the fiercely competitive nature of the CBD.

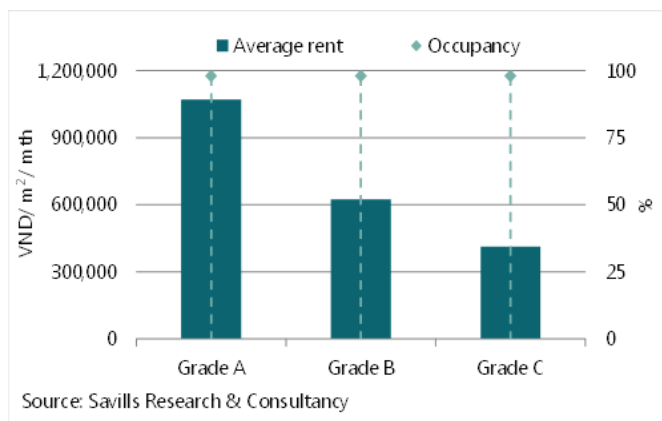
FIGURE 1 Retail market performance



Source: Savills Research & Consultancy

## OFFICE: Scarcer Vacancy, Higher Rent

FIGURE 2 Office market performance



Source: Savills Research & Consultancy

In Q3/2016, one small scale Grade C project entered the market while a Grade B building withdrew for renovations. Office stock was 1,580,000 m<sup>2</sup>, stable QoQ and increasingly scarce.

Overall performance continued to improve due to the lack of any new supply. Average occupancy was up 1 ppt QoQ and 5 ppts YoY, reaching 98 percent. Average

rent increased 1% QoQ and 5% YoY.

New take-up was predominantly drawn from Grade B and C projects, accounting for 97% of all newly leased office space. Grade A was the best performer with increased rents of 4% QoQ to VND1,070,000/m<sup>2</sup>/month (US\$48/m<sup>2</sup>/month).

## SERVICED APARTMENT: Demand Catches Up to Q2 Supply

The total serviced apartment stock was approximately 4,540 units from 83 projects, relatively stable QoQ due to the re-entry of one Grade C project in Phu Nhuan with five units and up 4% YoY.

All grades showed marginal quarterly performance improvements. The average occupancy was up 3 ppts QoQ and 2 ppts YoY to 84%, with Grades A and B enjoying the strongest occupancy increases.

The average rent improved since Q1/2016, marking the

recovery from three consecutive years of downward adjustments. The average rent was VND 529,000/m<sup>2</sup>/month (US\$24/m<sup>2</sup>/month), relatively stable QoQ but up 2% YoY.

Competition from a large future supply of high-end buy-to-let apartments will create pricing pressure. From Q4/2016 to 2018, 12 serviced apartment projects providing 2,150 units are expected to enter the market. The CBD will remain the investment hotspot, accounting for 64% of the total future supply till the end of 2018.

FIGURE 3 Serviced apartment market performance



Source: Savills Research & Consultancy

## HOTEL: Arrivals Up Despite Rain

One 3-star hotel with 72 rooms re-entered the market after completing renovations and another 3-star withdrew 54 rooms for renovation. The HCMC hotel stock stood at 15,400 rooms from 125 projects, stable QoQ but up 8% YoY.

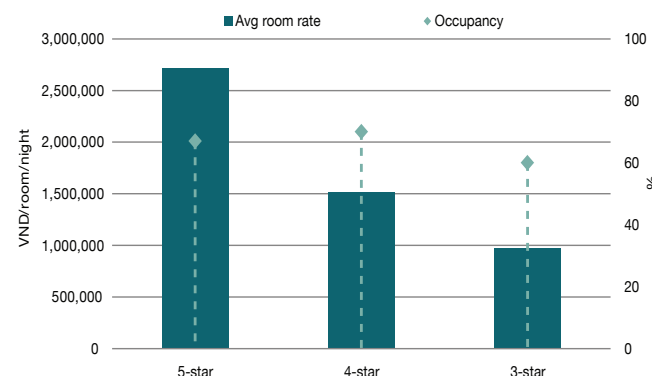
Average occupancy was approximately 65%, rising 1 ppt QoQ and 3 ppts YoY. The ARR was VND1,829,000/room/night (US\$82/room/night), decreasing -2% QoQ due to

5-star decreases of -2% QoQ but increasing 9% YoY.

In 8M/2016, HCMC welcomed more than 3.1 million international visitors, increasing 26.5% YoY and accounting for 49% of arrivals to Viet Nam.

From Q4/2016 to 2018, more than 2,800 rooms from 14 new projects will enter market. Nearly 600 rooms from five 3 to 4-star hotels entering in 9M/2016 are awaiting rating approval.

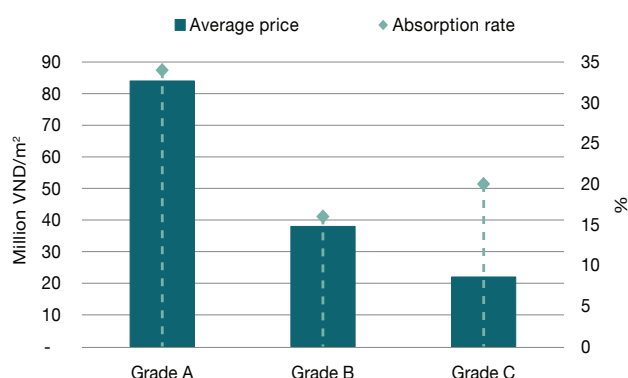
FIGURE 4 Hotel market performance



Source: Savills Research & Consultancy

## APARTMENTS: Bolstered Grade C Sales

FIGURE 5 Apartment market performance



Source: Savills Research & Consultancy

Eleven new projects and the next phase of one active project launched, supplying more than 4,600 units, representing a significant decrease of -47% QoQ. There were approximately 40,300 available units across all grades.

Sales reached 7,500 units, increasing 7% QoQ and 43% YoY. Absorption was 19%, increasing 2 ppts QoQ and

YoY due to good Grade A and C performances. Grade A had the highest absorption at 34 percent. Grade C transactions increased dramatically by 15% QoQ. In Q3/2016, Grade B sales decreased -12% QoQ after six consecutive quarters of increases.

From Q4/2016 to 2018, over 50,000 units are expected to enter the market.

## VILLA & TOWNHOUSE: Record Breaking Performance

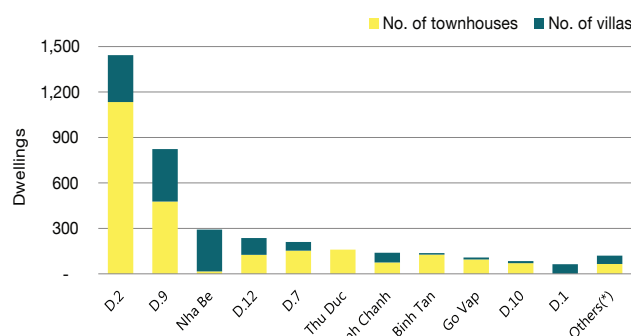
Six new projects and the next phases of five existing projects provided approximately 1,100 dwellings to the primary market. The primary stock reached approximately 3,800 dwellings, up 19% QoQ and 128% YoY.

Sales increased 49% QoQ and 193% YoY due to good performances of the new projects. Townhouses dominated with 71% of total transactions. Absorption was

32%, up 7 ppts QoQ and 8 ppts YoY.

Districts 2 and 9 continued to outperform other districts, cumulatively accounting for 51% of sales. Well-developed infrastructure and urban planning supported strong sales in the east of HCMC. Projects with credible developers, appropriate pricing and a wide range of facilities remained key criteria of buyers.

FIGURE 6 Villa & Townhouse primary stock



Source: Savills Research & Consultancy  
 (\*): Others includes D.8, Binh Thanh, Phu Nhuan and Cu Chi

<p>Savills Vietnam is the leader in Media Exposure</p> 	<p><b>Over 20 years</b></p> <p>Established in Vietnam since 1995.</p> <p>The 1<sup>st</sup> International Property Firm in the Country</p>	<p>Our Research and Consultancy Services are the most innovative in Vietnam</p> <p>Discover our Research Strategic Tools</p> 	<p>Over <b>2.5 M</b> sqm under management</p> 
<p><b>Savills Vietnam is recognized globally.</b></p> <p>We have won multiple awards both globally and regionally.</p>	<p><b>#1</b></p>  <p>Number one agency in volume of transactions with over USD 100 M transacted each year.</p>	<p>Over <b>800</b> staff and growing</p> <p>We are larger than all our competitors combined.</p>	

## AWARD WINNING INTERNATIONAL REGCONITION



Best Real Estate Agency in Vietnam for 8 consecutive years from 2010 to 2017.

Best Property Consultancy in Vietnam for 8 consecutive years from 2010 to 2017

Best Real Estate Agency and Best Letting Agency in Asia Pacific 2016 - 2017



Savills has topped the real estate agents/ advisors in the 2016 UK Business Superbrand chart for the eight consecutive year, ahead of all industry competitors.



Savills has retained its title as The Times Graduate Employers of Choice for Property for the ninth consecutive year.

### Please contact us for further information



**Troy Griffiths**  
Deputy Managing Director  
Savills HCMC  
+84 933 276 663  
TGriffiths@savills.com.vn



**Do Thu Hang**  
Head of Research  
Savills Hanoi  
+84 912 000 530  
DThuHang@savills.com.vn



**Pham Van Dai**  
Head of Research  
Savills HCMC  
+84 973 859 165  
PVanDai@savills.com.vn

**Savills plc**

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.