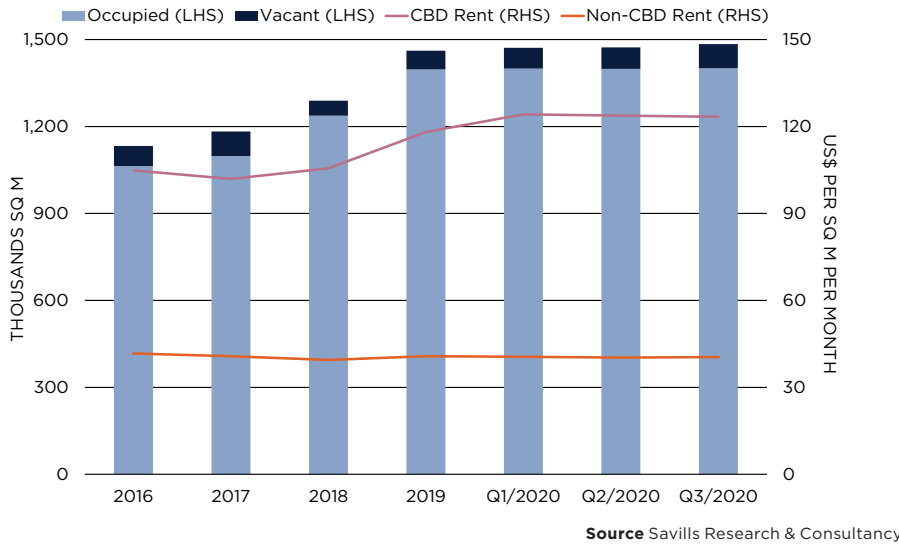


Ho Chi Minh City Retail

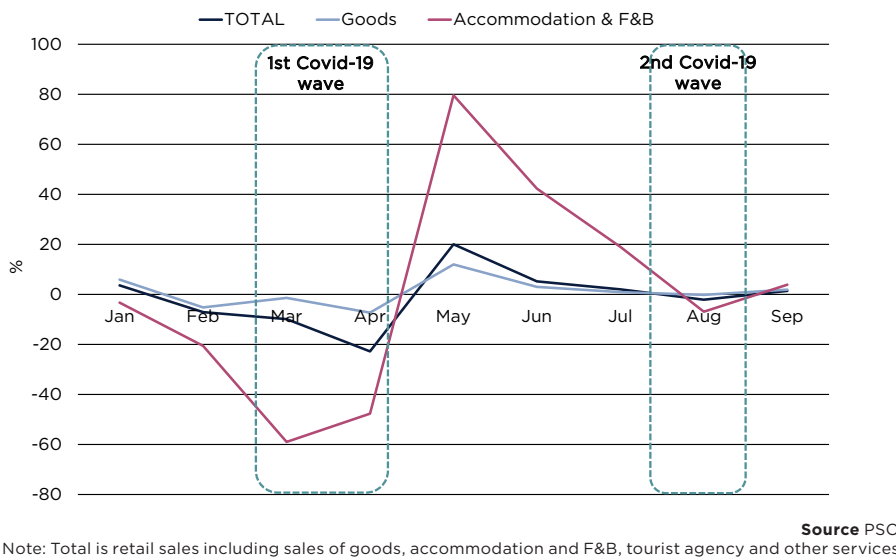


COVID effects on retail have been almost kinetic

GRAPH 1: HCMC Retail Performance, 2016 to Q3/2020



GRAPH 2: HCMC Retail Sales, January to September 2020



COVID-19 HITS RETAIL

Retail footfall in HCMC had been slowly falling since early February as awareness of COVID-19 elevated public concern. Performance slumped following the April 1 lockdown and the second COVID-19 wave in late July. However, retail may continue its revival over Q4 and into Q1/2021 with important end of year festivals and Tet, the

traditional Lunar New Year holiday, both approaching.

In Q3/2020 stock was 1.5 million sq m in HCMC and average occupancy of 94% was down -2ppts year-on-year (YoY). Pandemic effects have caused some retailers, mostly in non-CBD areas, to terminate leases or relocate.

Rents have remained stable YoY, as

landlords with fully occupied space were reluctant to adjust rents or offer short term incentives. In some cases, monthly service fees were reduced by -US\$2, or 30% rental discounts for a few months were offered to new tenants.

STREET SALES HARDEST HIT

Shopping center occupancy of 95% has remained high as leases typically operate within a more structured framework and occupiers prefer to retain their space. Malls with a more rounded offering of shopping, entertainment and dining saw better footfall.

For prime street retail landlords the debilitating effects of COVID-19 were immediate. With most tenants being small to medium enterprises, they were more affected by sudden revenue loss, than larger scale retailers. The pandemic has forced the major street retail chain tenants to alter their business strategies. Many F&B and fashion chains closed underperforming outlets which led to further vacancies. Tourism focused street retail in the CBD was hit hardest by travel bans adding to existing Metro related disruptions.

Since early February, many street retailers have not renewed their leases. Those wanting to retain prime locations after the pandemic are either temporarily closed or seeking rent reductions. A recent Savills survey found tenants sought up to -40% discounts compared to the maximum -20% offered.

WEAKER MACRO INDICATORS

In Q3/2020, retail sales of goods and services (RSGS) eased -0.1% YoY, after a Q2 pandemic induced drop of -12% YoY. To September 2020, total RSGS fell to US\$40 billion, or -2% YoY. However, retail sales of goods alone were up 10% YoY while F&B sales were down -39% YoY.

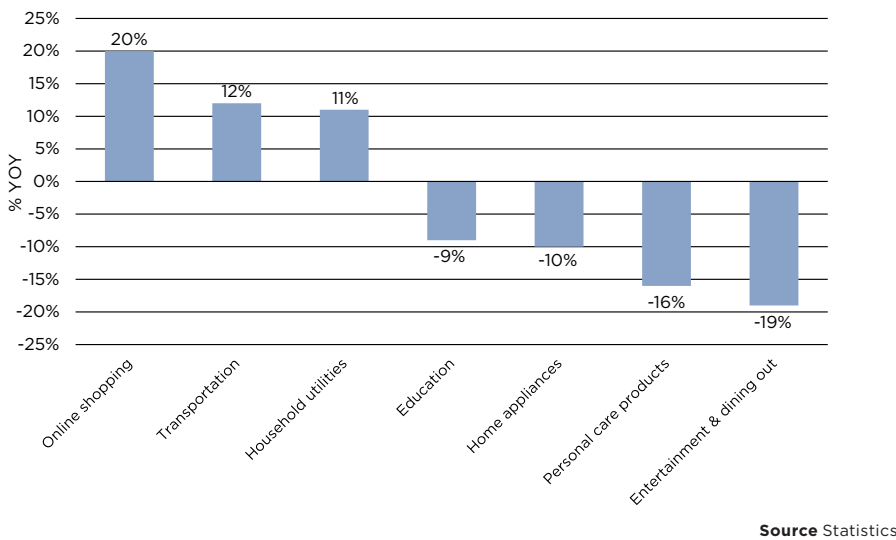
The month on month (MoM) comparison shows how COVID-19 has affected retail sales and potential recovery. While growth in July fell -5% MoM after the second wave in HCMC retail sales rebounded 2% MoM over August and were up 11% MoM in September.

BEHAVIOURS RESHAPED

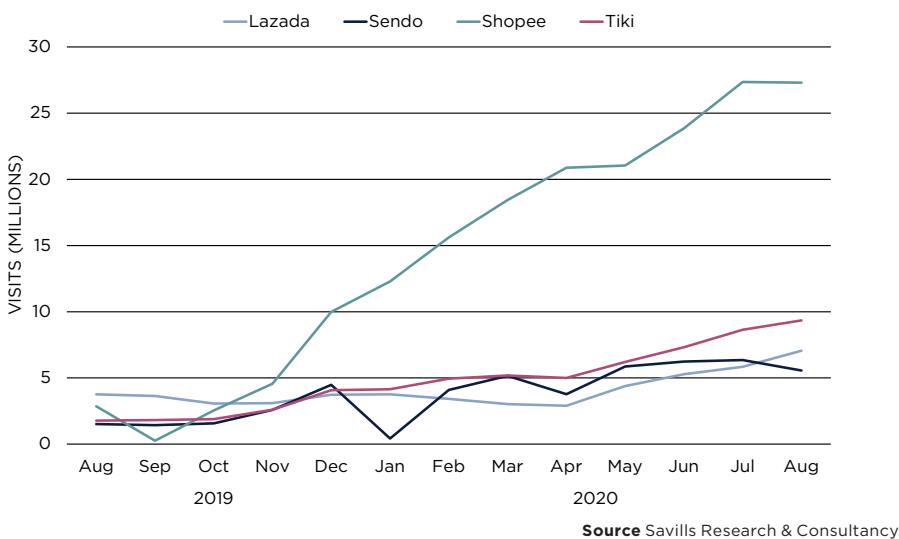
The pandemic has seen e-commerce opportunities increase, after forcing shoppers and retailers into behavioural change. Classic retailers have since utilized technology to improve performance and enhance service. Greater focus on websites, e-commerce platforms and increased mobile and digital marketing are all refined outreach strategies. Customers familiar with online shopping have an increased variety of cost-based promotions supported by rapid door-to-door delivery.

With limited new CBD supply over the short term, new market entrants will be challenged. However, there is a wave of redevelopment underway in suburban street shops and larger mixed use developments.

GRAPH 3: Consumer Spending YoY Change, 2020/2019



GRAPH 4: Major E-commerce Site Traffic, August 2019 to August 2020



A recent Google Temasek Report anticipated 43% YoY local segment growth from 2018 to US\$15 billion in 2025 supported by 66% of the population being regular internet users and 72% having smart phones. As e-commerce has increased, so have delivery services, especially F&B, with innovative owners ramping up delivery options. Supermarkets such as Co.opmart and Vinmart have also expanded home delivery services.

This rapid growth has further influenced consumer behaviours. Nielsen research from July 2020 found, post-pandemic, 64% of respondents will continue using delivery services while 63% will increase their online shopping. A survey of leading e-commerce websites in Viet Nam including Shopee, Tiki, Lazada and Sendo showed visitor growth is accelerating. Shopee leads with approximately 27 million per month to August 2020.

OUTLOOK

In 2021, over 80% of new retail supply will be in non-CBD areas. As consumers face loss of income and increased uncertainty, developers are delaying launches. Those who are moving ahead may struggle with overseas brands suspending market entry and established businesses slowing expansion plans. A Savills survey in Q3/2020 revealed that many F&B and fashion tenants have either closed or reduced leased areas. This downsizing trend is likely to continue into the mid-term.

A combination of early containment, improved financial governance, Government support mechanisms, and unprecedented global stimulus programs have raised expectations of recovery in Viet Nam.

According to the most recent ADB report, Vietnam with 6.8% forecast for 2021, will have the highest GDP growth in Asia.

Lower rental costs are likely to invigorate the industry while classic retailers will need to further innovate strategies to stay relevant. The 'social' sectors most affected by the outbreak such as F&B, gyms and cinemas should recover faster from the crisis as consumers will be quick to embrace 'normality' after months of

social isolation. Sectors with a stronger online presence such as fashion may see a slower return considering the shift in consumer behaviour to online sales.



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