

VIETNAM - Q1/2020



REPORT

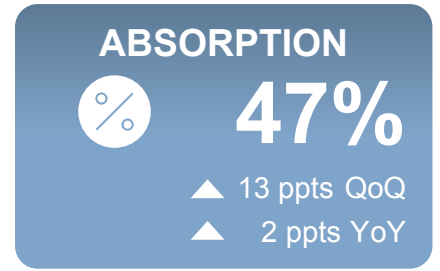
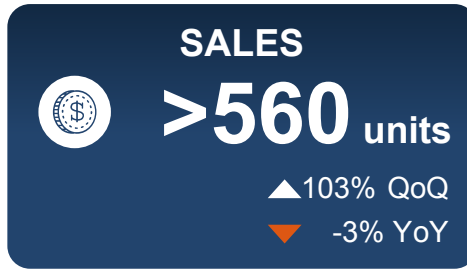
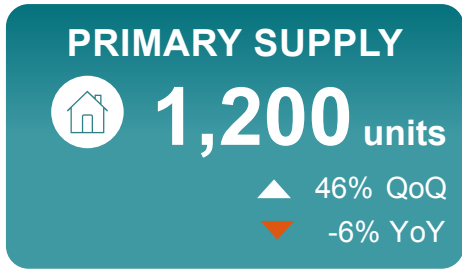
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Media Release Villa/Towhouse

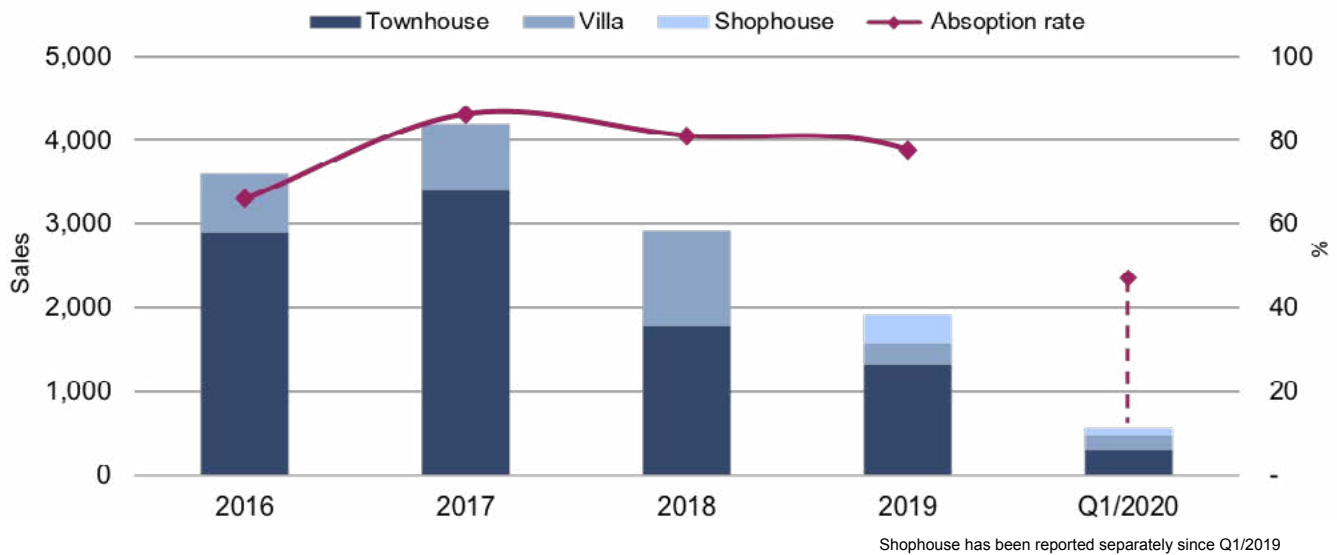
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VILLA & TOWNHOUSE

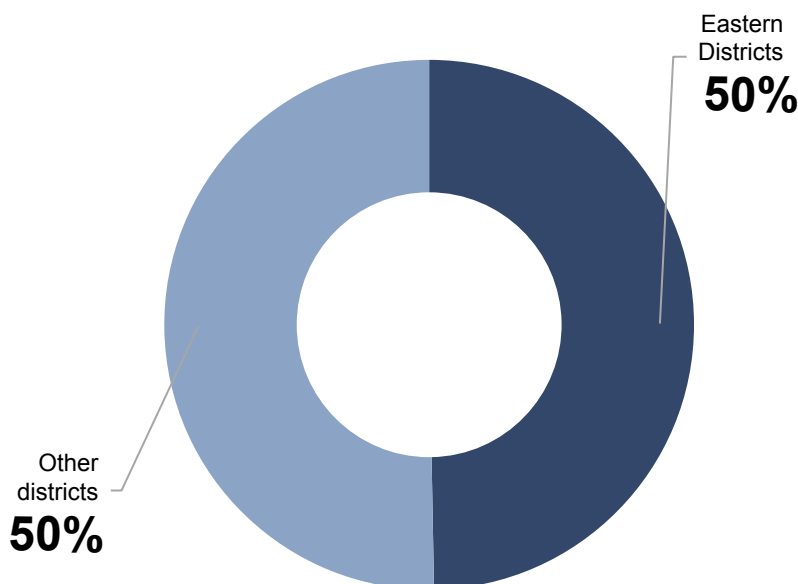


Performance



Source Savills Research and Consultancy

Supply to 2023



(1) Data collection as of Q1/2020
(2) Absorption is sales as percentage of primary supply

QoQ: Quarter on Quarter comparison
YoY: Year on Year comparison

Source Savills Research and Consultancy

“ Limited supply, a strongly growing middle class and good quality products, will ensure this asset class remains sound for the midterm ”

Vo Thi Khanh Trang, Head of Research, Savills HCMC



KEY FINDINGS

Limited primary supply

Q1/2020 primary supply was up 46% QoQ but down -6% YoY over 1,200 dwellings. Stock increased with large scale entries, the Zeitgeist – River County 1 in January; and Verosa Park, in early February. Four of five new launches occurred before social distancing effects were felt. Many developers subsequently halted construction which may increase launches in the second half of the year. Leading suppliers were Districts 2, 9 and Nha Be with 72% of primary stock, mainly in compound projects by high profile developers.

New projects performing

First quarter sales of 500 villa/townhouses were up 103% QoQ but down slightly -3% YoY. Landed property is perceived as a long term investment with steady growth, compared to stock markets or bank yields. Increased economic uncertainty has resulted in investor caution, but a minority are still seeking longer term opportunities in premium products. New launches GS E&C and Khang Dien, both with compound projects, accounted for 65% of total sales.

Tighter cash flows have motivated developers to discount and ease payment terms. However, with a lack of larger projects, land plots in Q1/2020 had their lowest sales and absorption for five years. Risk averse buyers tend to prefer larger scale developments for their higher liquidity.

Competitive landscape

Limited new supply and high-priced inventory has HCMC increasingly competing with surrounding provinces. Satellite cities such as Dong Nai and Binh Duong that have large land banks and more affordable prices. These two provinces future supply, at over 16,200 units will increasingly meet HCMC housing demand. Good infrastructure improvements connecting the city to surrounding provinces has boosted residential in recent quarters. With more limited investment options in HCMC, investors are seeking lower priced alternatives with long term growth potential. Infrastructure connecting HCMC with Binh Duong and Dong Nai provinces was further enhanced with the completion of Ring Roads; Bridges connecting HCMC-Dong Nai; and the Ben Luc Long Thanh highway.

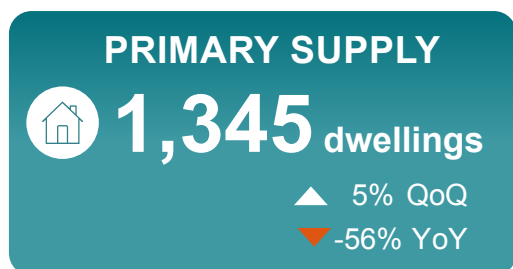
Outlook

The pandemic has temporarily affected Real estate that is under short term pressure. Many projects' construction and site clearance programs were put on hold, inevitably resulting in extended timelines.

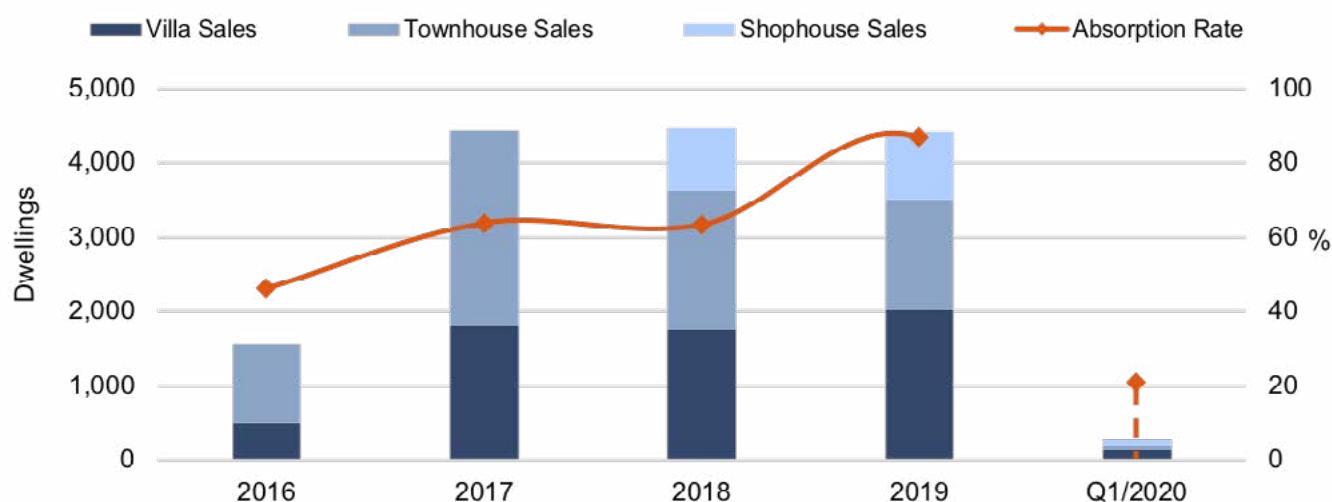
In the longer-term end-user demand is expected to continue increasing with population growth and the downward trend in household sizes. For those able, there will be increasing opportunities to buy more reasonably priced property while taking advantage of the latest developer promotions.

Up to 2023, over 19,000 dwellings/plots are expected to launch, with 50% scheduled for Eastern districts. Villa/Townhouses accounting for 88% of future supply, are set to maintain their leadership position.

VILLA & TOWNHOUSE

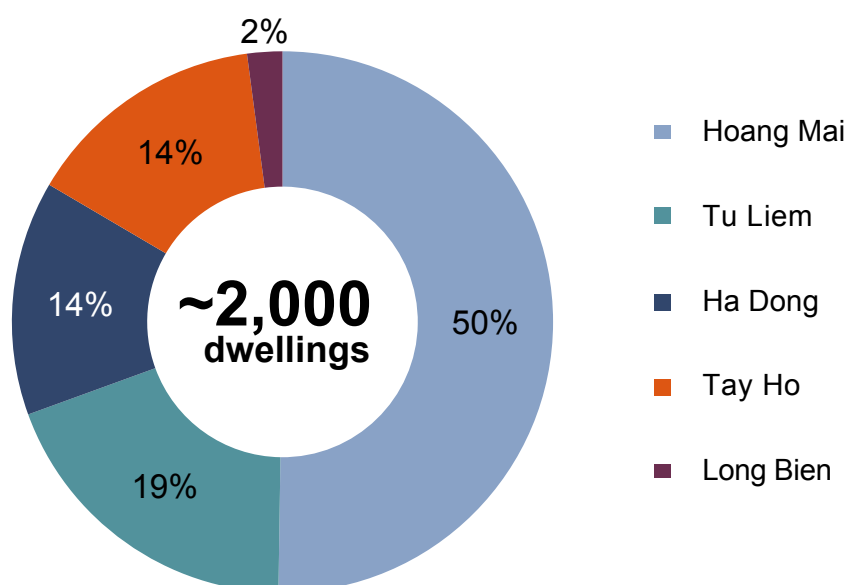


Performance



Source Savills Research and Consultancy

Future supply



(1) Data collection as of Q1/2020
(2) Absorption is sales as percentage of primary supply

QoQ: Quarter on Quarter comparison
YoY: Year on Year comparison

Source Savills Research and Consultancy

“Q1 2020 was quiet with supply shortages and low sales. Whilst currently in limbo we expect the sector to pick up quickly as landed properties remain one of the most favoured alternate investments.”

Matthew Powell, Director, Savills Ha Noi



KEY FINDINGS

Supply drop

Following a rebound in Q4/2019, Tet and Covid-19 effects brought supply down -76% QoQ. The two first quarter launches, Green Center Villas in Tay Ho and Him Lam New Star in Long Bien, provided a total 130 dwellings. Ha Dong with over 50% share continued to lead primary supply.

For three years the East, notably Long Bien and Gia Lam districts have led the primary market with regular launches by major players. A shift in focus over the last two quarters to Ha Dong district, has the area now leading primary supply and expected to until year end.

Performance brake

Performance fell -54% QoQ and -75% YoY with just 281 sales. Quarterly absorption of 21% was the lowest in three years, down -27 pts QoQ and -16 pts YoY. Ha Dong with high primary supply, performed best with 46% of first quarter sales.

The first quarter typically records the lowest absorption of the year, with the highest in the second or fourth quarters. For five years, Q1 has accounted for around 18% of total sales.

Stability amidst chaos

By end Q1/2020, most developers had yet to reduce asking prices, which led to general price stability and even increases in some projects.

With fluctuating stock and commodity markets, real estate, specifically landed property remains a favored investment. Should the pandemic continue, developers may have to consider price reductions or more flexible payment schedules.

Social distancing has limited almost all activities, including work on construction sites.

Putting more pressure on developers' construction schedules to stay on time, is Article 57 of the 'Law of Real Estate Trading' and buyer scheduled payments aligning more with construction scheduled progress. Delays will see buyers legally able to hold their scheduled payments until development gets back on track.

The overall primary price decline resulted from primary supply increases in the lower priced outer urban districts. However, overall average segment secondary prices have increased. Villa by 1.2% QoQ and 7.3% YoY, Townhouse 2.8% QoQ, and 4% YoY and Shophouse by 3.1% QoQ and 3.8% YoY.

Uncertain Outlook

New supply dropped -42% YoY from 2019 and will remain steady in 2020. In the next nine months, approximately 13 villa/townhouse projects, providing 2,000 dwellings will enter, mostly in Hoang Mai, Ha Dong, and Tu Liem districts. The pandemic has forced a minimum year delay on many launches planned for 2020.

A government stimulus package will help spur investment and support recovery. Business continuity initiatives may mitigate any initial damage but in the longer term more property restrictions may need lifting to stimulate the market post COVID-19.



Industry award fees are being redirected to help local people. Charities for underprivileged around the country will receive increased donations.

Savills is committed to caring for the community

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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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