

## Press release

10th Jan 2012,

# Savills Report on HCMC Real Estate Market

Q4/2011



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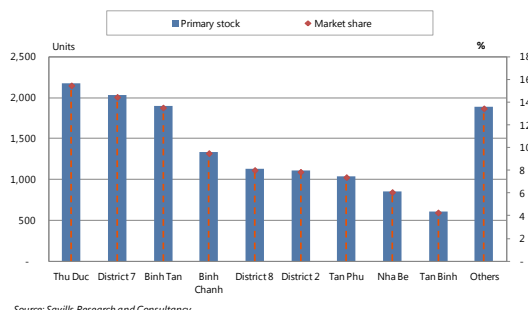
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## 1. Apartment

### Supply

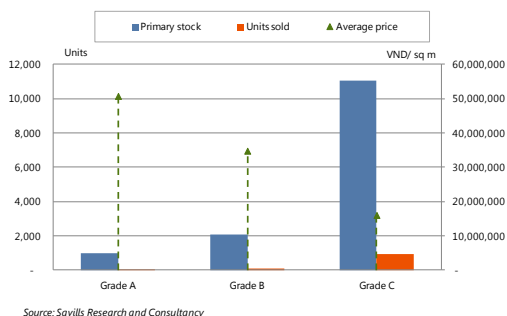
Four new projects entered the primary market in Q4/2011, providing more than 1,300 units. The primary stock slightly reduced by -1% compared with the last quarter due to the entrance of only a few small scale projects.

### Primary market stock



Approximately 38% of total primary stock is concentrated in the south of HCMC, followed by the east with 28% and the west with 24%. The north side, which has underdeveloped infrastructure, only accounts for 7% of primary stock. The inner districts have the smallest market share of only 3%.

### Primary market by grade



Grade C is the main market driver with 78% of total stock, an increase of 3 percentage points QoQ.

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### Market Performance

Approximately 1,000 units were absorbed this quarter, a decrease of -25% QoQ and -65% YoY. Hence, the overall market absorption rate achieved 7%, decreasing -3 percentage points from Q3/2011.

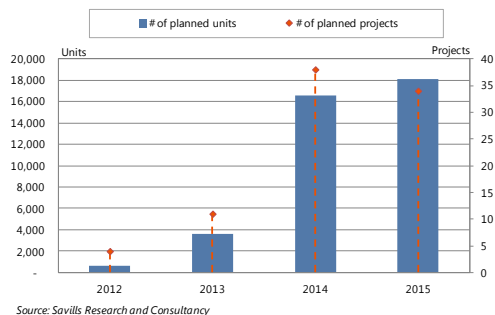
During the quarter, the market was mostly price-driven in which only a few projects that offered the most competitive price level/discount programs were able to attract buyers. The average transacted price of the whole market was VND 18,600,000/ sq m, a decrease of -12% QoQ and -17% YoY.

### Demand

Some recent actions and policies from the State Bank of Viet Nam and the government might support recovery of the real estate market. Furthermore, recent signs of lending rate reduction and fluctuation of the gold price might cause investments to flow toward the real estate market.

### Outlook

#### Expected future supply



Future supply during the period 2012 - 2015 is expected to be 39,000 units, coming from approximately 90 projects. In the next two quarters, 13 projects supplying 5,000 units are expected to launch.

## 2. Hotel

### Supply

Five new hotels entered the market this quarter, increasing total stock by 6.5% compared with Q3/2011. The total number of hotels from 3 to 5-star was 78, supplying 10,843 rooms. Of which, 70% are located in district 1.



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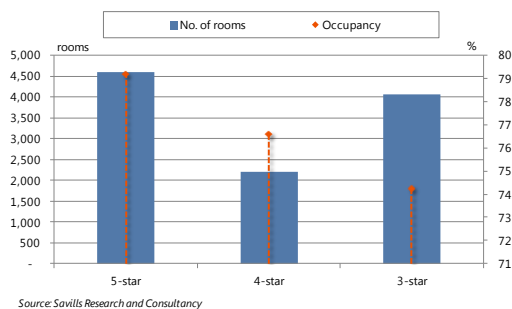
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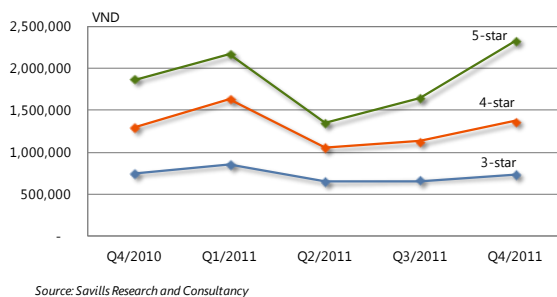
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### Hotel performance



In this current high season, the average occupancy of all hotel grades was approximately 77%, increasing 11 percentage points compared with the low season in Q3/2011. The average room rate of the whole market is VND 1,997,000/ room/ night, increasing 12% quarter-on-quarter and 8% year-on-year.

### RevPAR



### Demand

HCMC reached its target of 3.5 million international arrivals in 2011, increasing 13% compared with the same period last year. Compared with last year, international visitors coming to Viet Nam for visiting relatives was up sharply by 75%, mainly because of the Tet holiday will arrive earlier than usual. By contrast, the figure for business purpose was slightly down by -2%.

In 2011, Viet Nam Airlines adjusted its domestic airfares twice, once in May and then again on 15 December, increasing approximately 15% to 20% each time. Because of the increase in domestic airfare, some domestic trips are now as expensive as overseas trips. Consequently, this could affect the demand of domestic tourists as well as the turnover of hotels and tourism services within the country.



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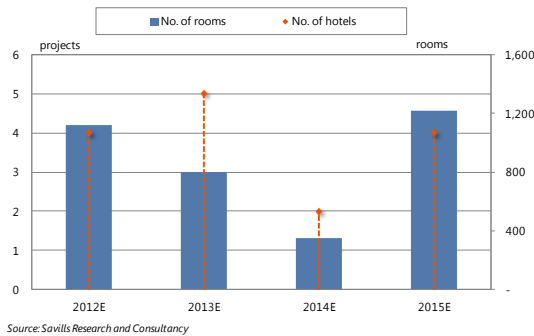
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### Outlook

#### Future supply



Up to 2014, the hotel market is forecast to receive approximately 2,300 rooms from 11 projects, all of which are under-construction. Ten of the 11 are 4 and 5-star hotels, of which the average scale is 270 rooms.

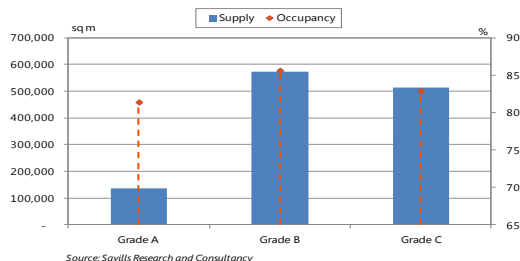
Next year, four hotel projects are expected to come online, increasing supply by 10%.

## 3. Office for Lease

### Supply

The total stock, more than 1.2 million sq m, remained unchanged compared with last quarter. This was the first time since Q1/2006 that no new supply entered the office market.

### Market performance



### Performance

The occupancy of the whole market increased 4 percentage points to 84% compared with Q3/2011. The average rent decreased -2% compared with Q3/2011 to VND 567,000/ sq m/ mth.



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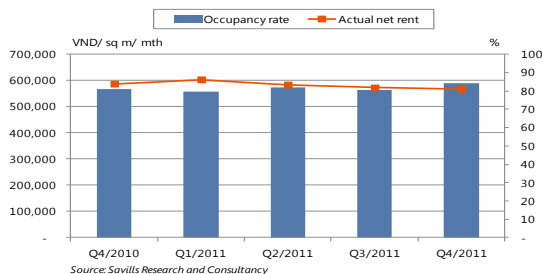
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Grade B had the best performance in Q4/2011. The average rent of Grade B decreased slightly by -1% to VND 603,000/ sq m/ mth and occupancy increased 5 percentage points to 86% compared with last quarter.



### Overall market performance



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Note: The average rent was calculated on net leasable area, “including service charge but excluding VAT”.

### Demand

Office take-up achieved 44,000 sq m in Q4/2011, increasing 45% quarter-on-quarter and 75% year-on-year. Only Grade C had a decrease compared with last quarter. Demand for grades A and B performed better than in Q3/2011.

Moving amongst buildings and grades accounted for the majority of office transactions in Q4/2011. Tenants continued to move from old buildings to new ones to take advantage of better office space and lower rent. However, due to the negative effect of the current macroeconomic situation, most tenants did not expand when moving. Tenants also continued to move from shophouses to office buildings, which affected the occupancy of the office market.

### Outlook

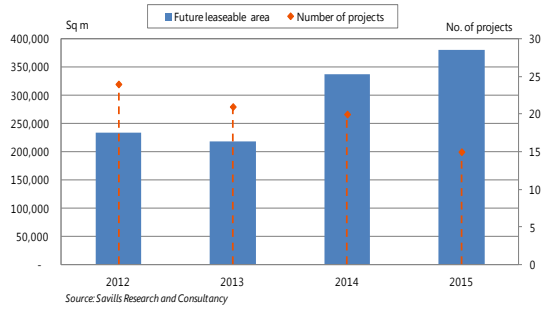
The total office stock is expected to double in the next five years when 81 projects with more than 1,200,000 sq m enter the market from 2012 to 2016.

The expiration of many contracts in office buildings that have operated since 2009 may create large movement amongst buildings and grades next year. More discount programs and incentives are expected to be provided such as no rent for 1-3 months, free parking or unchanged base rent for a fixed period.

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### Future supply



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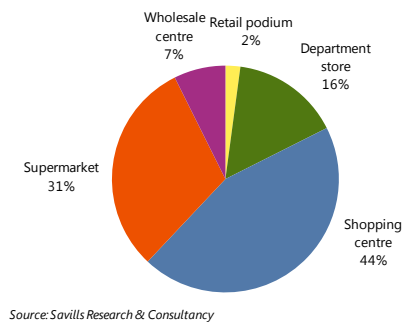
## 4. Retail

### Supply

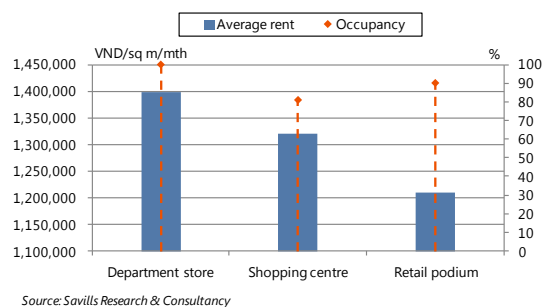
Four new retail centres entered the market, increasing the current stock by 11% quarter-on-quarter. HCMC's total retail stock is approximately 692,000 sq m, contributed from 96 projects.

The secondary area has the highest market share amongst all areas; accounting for approximately 44% total current stock.

### Current stock



### Market performance



Note: The average rent on the ground level, "includes service charges but excludes VAT"

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The average occupancy of the market is 86%, unchanged compared with last quarter.

The average rent decreased slightly by -2% compared with Q3/2011.

The average rent of department stores remained unchanged whereas rent of retail podiums and shopping centres decreased slightly.



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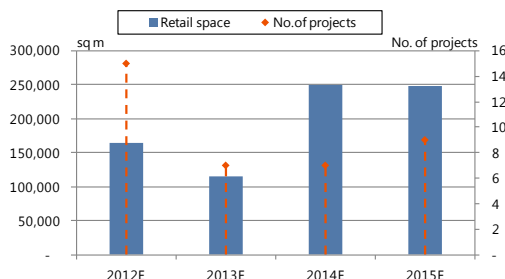
### Demand

HCMC's GDP in 2011 increased approximately 10.3% compared with last year. Although the city did not obtain the targeted GDP growth rate of 12 percent, its strong efforts to overcome the tough economic year were evident. The positive GDP growth is a good sign for the development of the retail market.

Shophouses have become serious competitors due to rents that are more reasonable, and, therefore, have negatively affected demand for retail centres. The average rent of shophouses on the main streets in district 1 is only 30% to 40% of the rents in retail centres in the CBD.

### Outlook

#### Future supply



From 2012 onward, approximately 1.3 million sq m of future supply will enter the market.

The secondary area has the largest future retail space amongst all areas; accounting for 60% total future supply.

Amongst all districts, district 7 ranks first in terms of future retail space.

## 5. Serviced Apartment

### Supply

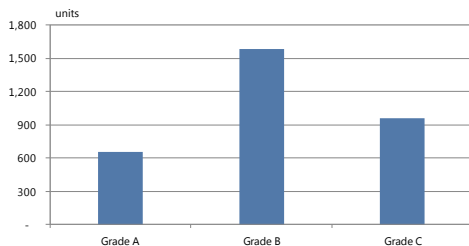
No new serviced apartment projects entered the market in Q4/2011. As of Q4/2011, 60 serviced apartment projects supplied more than 3,200 units, a

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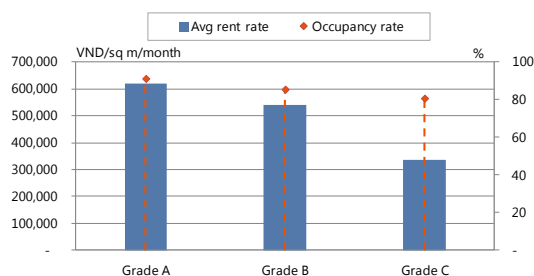
6% increase YoY. During 2011, more than 180 units from six Grade C projects entered the market.

### Current stock



Source: Savills Research and Consultancy

### Market performance



Source: Savills Research and Consultancy

*Note: Estimated average rent inclusive of service charge, “exclusive of VAT, on a net area basis”.*

The performance of the whole market was relatively stable. Both average occupancy and rent of the whole market were stable compared with Q3/2011. In Q4/2011, the average occupancy achieved 85% whilst the average rent was VND 490,000/ sq m/ mth. Grades A and B enjoyed high occupancy due to their professional management, luxury facilities and services.

Serviced apartments in the CBD had good performance during the last five quarters. On average, occupancy in the CBD achieved approximately 90% per quarter.

### Demand

Asian tenants continue to dominate the market, especially Korean, Japanese and Taiwanese.

Serviced apartments continue to be considered as an alternative to hotels for short-term stays. The majority of short-term tenants preferred Grade A and B serviced apartments rather than hotels. However, the short-term tenant market is narrow consisting of relatives and friends of current tenants or expatriates with short-term contracts.



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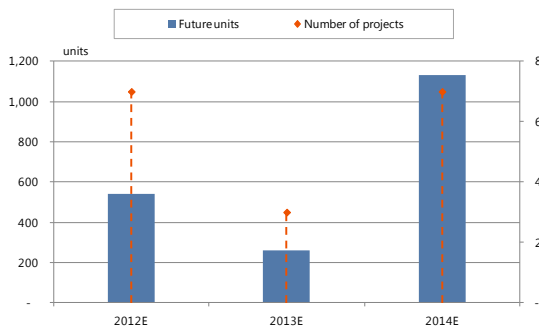
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### Outlook

#### Future supply



Source: Savills Research and Consultancy

Over the next five years, twenty serviced apartment projects are expected to enter the market. They will provide a total supply of more than 2,900 units.

Amongst future projects, seven serviced apartment projects with more than 540 units are expected to come online in 2012. Their entrance might prevent an increase in rent and occupancy, especially in the Grade A and B segments.

## 6. Villa & Townhouse for Sale

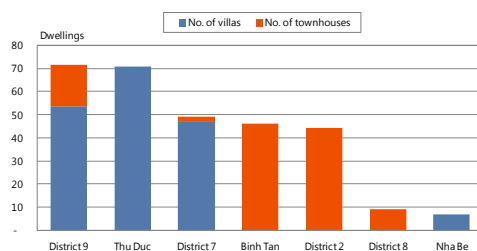
### Supply

Two new projects came online this quarter, adding more than 60 dwellings to the primary stock. Ten active projects in the primary market supplied more than 300 dwellings, in which villas achieved 60% market share.

The whole villa/ townhouse market provided more than 3,100 dwellings, up 2% quarter-on-quarter and 6% year-on-year. In which, the secondary market had 90% market share.

The east including districts 2 and 9, and the south including districts 7 and Nha Be provided 80% market share of the whole villa/ townhouse market.

### Primary stock



Source: Savills Research & Consultancy



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The secondary stock remained stable supplying approximately 2,800 dwellings, almost the same as the previous quarter but year-on-year it increased 13%.

In the primary market, the price of villas varied greatly from VND 4.75 billion to VND 87 billion/ dwelling, while that of townhouses was from VND 2 billion to VND 15.5 billion/ dwelling.

The average land plot price of some key districts that have large land plot stock including 2, 7, 8, 9, Binh Chanh and Thu Duc declined slightly quarter-on-quarter.

### Demand

The average absorption rate was 13%, an increase of 9 percentage points compared with the last quarter.

Although the property market has not performed well the last several quarters, Phu My Hung NUA remains favourable to wealthy people. In Q4/2011, the good performance of one villa project in Phu My Hung NUA proves there is a solid demand for this niche market of high-end property. Good quality product with reasonable price, well-equipped infrastructure, amenities, private living environment, and developed by a well-known brand name are key factors that appeal to potential end-users.

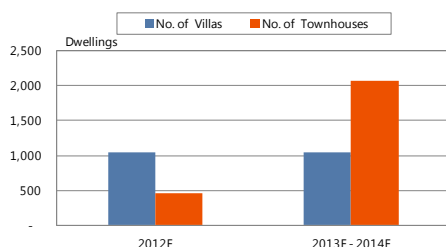
As a landed property, villas/ townhouses are still favourable to the majority of Vietnamese. The villa/ townhouse projects in suburban districts, which have new developing infrastructure systems and affordable prices, are expected to attract a certain number of homebuyers, especially in the long-term when the restriction on the flow of capital has been loosened.

### Outlook

More than 140 villa/ townhouse projects covering more than 8,700 ha and providing approximately 60,000 dwellings are expected to come online in the next eight years.

In 2012E, the majority of future supply will come from the east including districts 2, 9 and the south including districts 7 and Nha Be.

### Future supply



Source: Savills Research & Consultancy



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Savills worldwide is a leading global real estate service provider listed on the London Stock Exchange, FTSE-250, stock code SVS. The company was established in the UK in 1855 with over 200 offices & associates and 20,000 staff worldwide. It was ranked the best Business Superbrand in the Real Estate advisory sector for the fourth consecutive year in the UK.

Headquarters of Savills Asia Pacific was established in Hong Kong in 1985 including over 18,000 staff and offices in 43 cities throughout the region.

Savills Viet Nam is the largest and most experienced real estate practice with offices in Hanoi and Ho Chi Minh City. The company provides comprehensive property services such as: Residential Sales, Commercial Leasing, Research & Consultancy, Valuation & Feasibility Study, Banking & Corporate Services, Investment Brokerage & Advisory, Retail Consultancy & Leasing, Property Management, Tenant Advisory & Representation, Industrial Consultancy & Leasing, Residential Leasing, Marketing & Creative services.

Savills Viet Nam is the only firm with local market research dating back to 1995. The company provides professional property services for developers, investors, owners and occupiers. It is the largest international property manager in Vietnam with a total of over 1.1 million sq m under management.

In 2010, Savills has been awarded a Golden Dragon Award as “The Best Service Provider” for providing best in class services to developers, investors, construction companies, owners and buyers of real estate in Vietnam and also won the Asia Pacific Property Awards 2010 in association



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with Bloomberg Television for “Best Property Consultancy Asia Pacific”, “Best Real Estate Agency Vietnam”, “Best Property Consultancy Vietnam”.

In 2011, Savills Vietnam has triumphed again in the prestigious Asia Pacific Property Awards 7 awards (3 region wide awards and 4 nation wide awards) as (1) Best Real Estate Agency in Asia Pacific; (2) Best Real Estate Agency Marketing in Asia Pacific; (3) Best Property Consultancy Marketing in Asia Pacific (Campaign “The new heart of Ho Chi Minh City” for The Crescent project); (4) Best Real Estate Agency in Vietnam; (5) Best Real Estate Agency Marketing in Vietnam; (6) Best Property Consultancy Marketing in Vietnam (Campaign “The new heart of Ho Chi Minh City” for The Crescent project); (7) Best Property Consultancy in Vietnam.

At the moment the company consists of over 750 experienced and professional staff nationwide.



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