

# Market Insights from CBRE's HCMC Quarterly Report Q3 2009



Presented by:

Marc Townsend  
Managing Director

Rudolf Hever  
Senior Manager

Trung Nguyen  
Research Executive

CB Richard Ellis (Vietnam) Co., Ltd.

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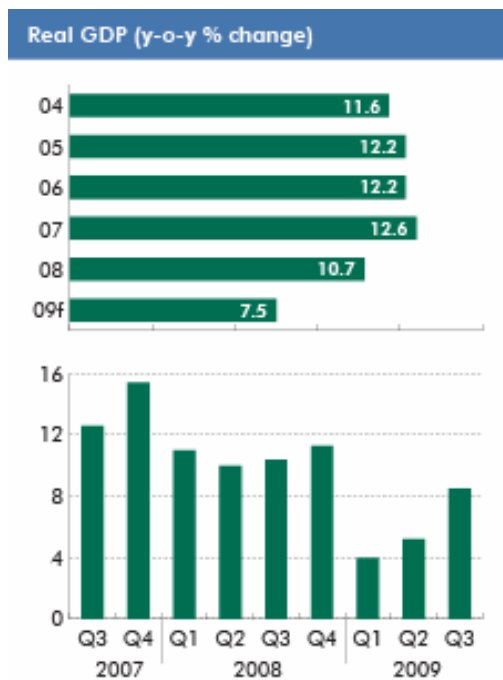
# QUARTERLY REPORTS FOR HCMC & HANOI



- Economic Overview
- Current Rents and Prices
- Office
- Residential for Sale
- Retail
- Serviced Apartments
- Hotel
- Investment
- Construction Costs

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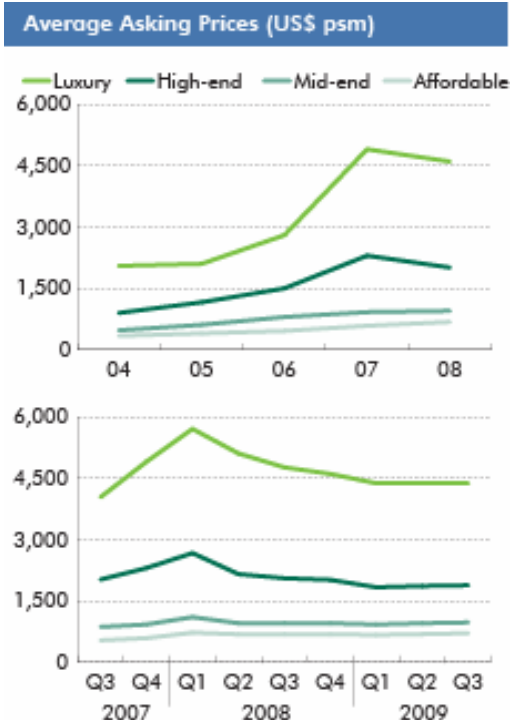
# HCMC ECONOMIC OVERVIEW



Source: HCMC Statistics Office

- The steady flow of positive economic news continues with upward revisions in Vietnam's GDP for 2009 while both the stock market and gold price continued to climb.
- Outstanding GDP growth in Q3, 8.5% y-o-y in the third quarter from 5.2% y-o-y in the second quarter. The estimated HCMC economic growth in 2009 is 7.5% y-o-y.
- Exports were up in September - the total value of exports in the first nine months of 2009 reached US\$13.86 billion, a decline of 21.6% y-o-y.
- The retail and services sector bounced back due to rising consumption at home, up 18.7% y-o-y in the first 9 months.
- International arrivals to HCMC increased by 8.9% q-o-q in the third quarter of 2009 but still down 23.8% y-o-y.

# RESIDENTIAL FOR SALE



Source: CB Richard Ellis Vietnam

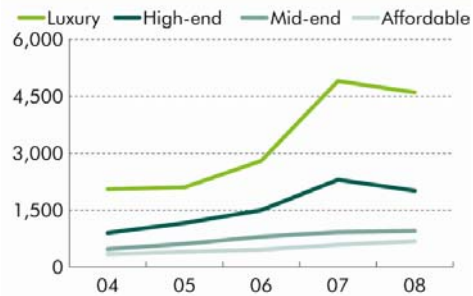
- The positive news about the economy, continued stimulus from SBV and the strong stock market performance has encouraged investors and end-users to get back into the market immediately.
- The intangible signs all point to dramatic turnaround in sales activity particularly in new condo launches.
- Increasing confidence in the market has also given the second home developers further opportunities and confidence to launch new products on China Beach, Ho Tram, Phan Thiet/Mui Ne – we see this confidence continuing.
- Developers have begun work on projects that had been stalled or postponed, while 12 new projects began construction.
- Sales were officially launched in ten projects (1,800 units), with developers initially offering a small percentage of projects.
- Average asking prices continued to rise from 1%-3.4% q-o-q in the secondary market. Most transactions range US\$650 – US\$810.



# RESIDENTIAL FOR SALE

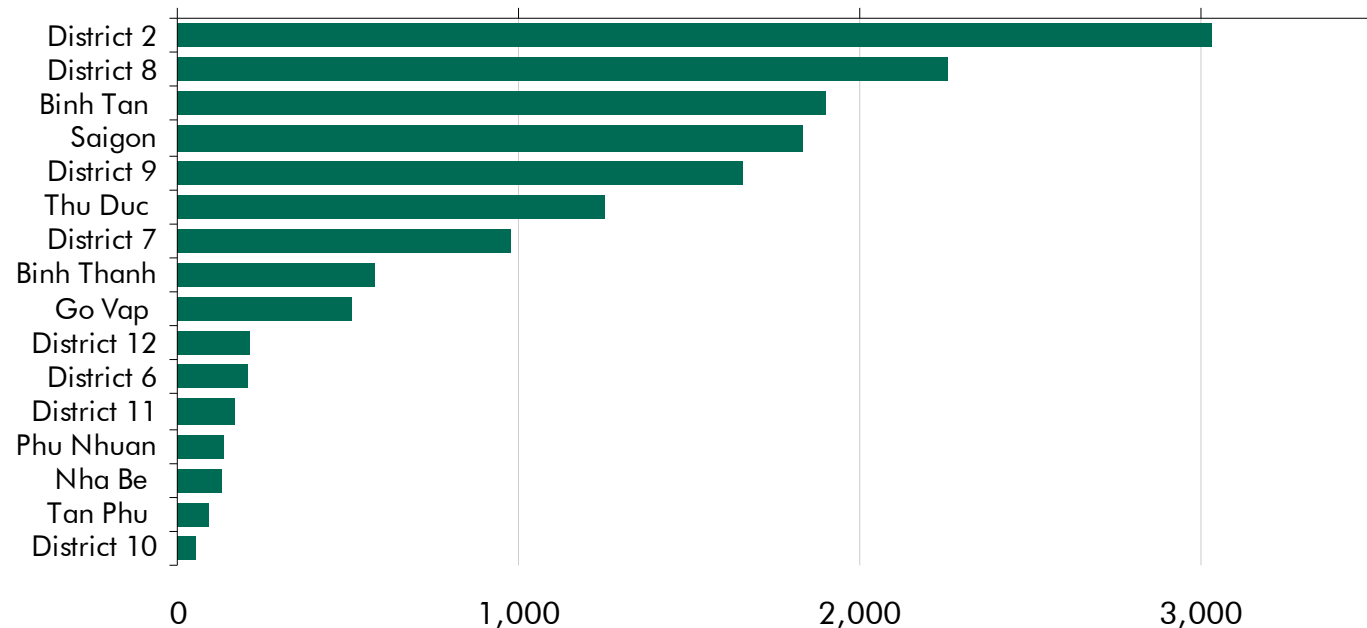


Average Asking Prices (US\$ psm)



Source: CB Richard Ellis Vietnam

HCMC Condo Units Launched by District (2008 - Q3/09)



Source: CB Richard Ellis Vietnam

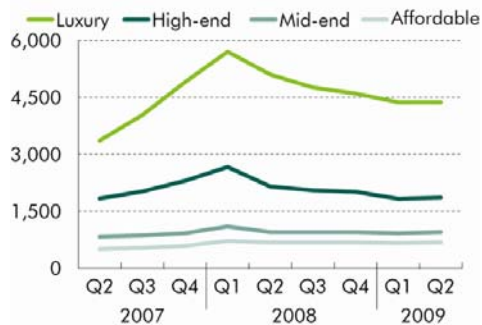
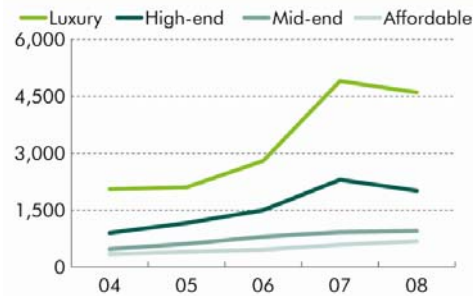
- A total of 14,967 units in 46 projects

# RESIDENTIAL FOR SALE

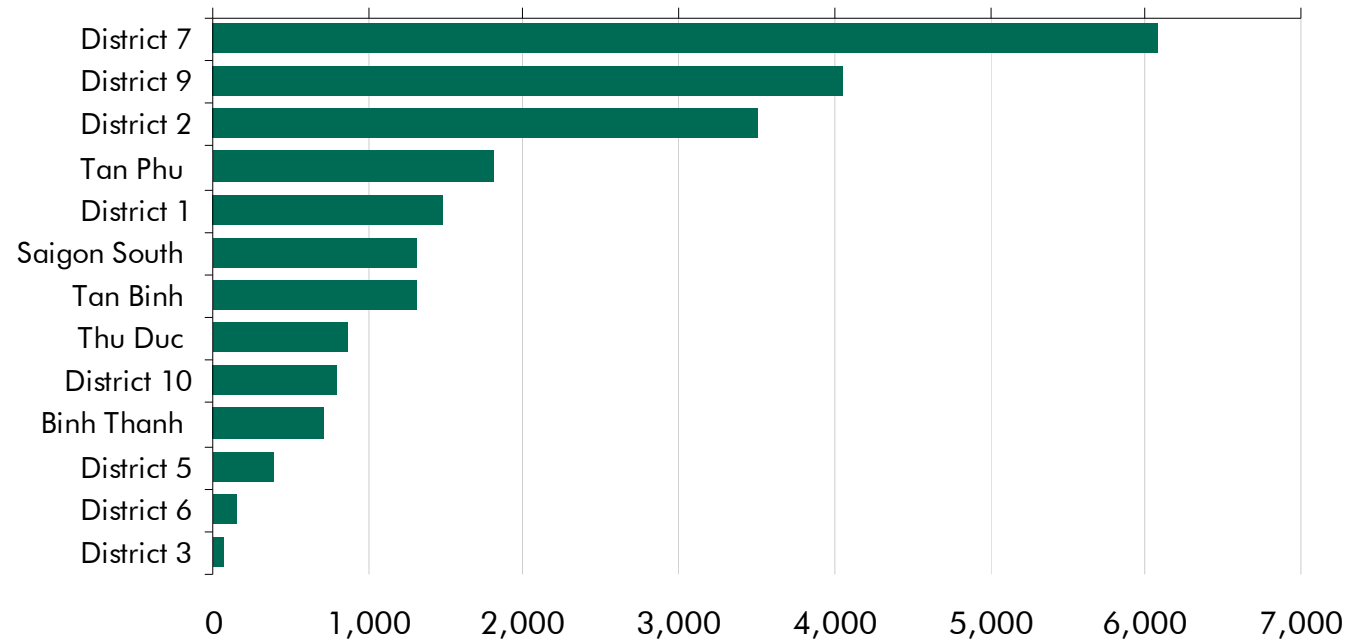


## HCMC Condo Units Expected to be Launched (Q4/09 - 1H/2010)

Average Asking Prices (US\$ psm)



Source: CB Richard Ellis Vietnam

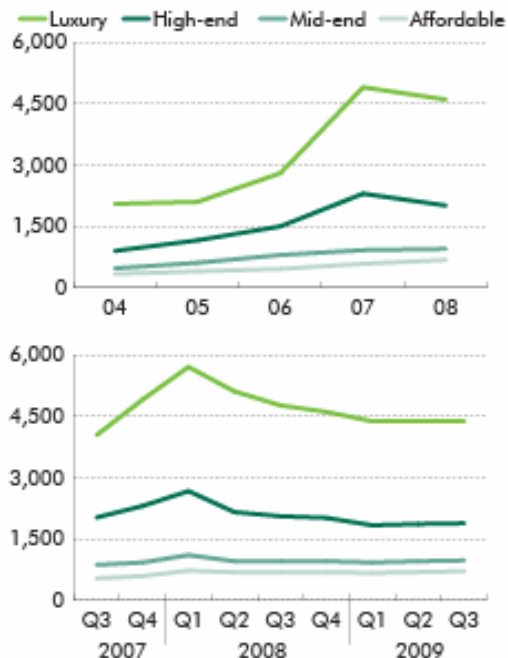


Source: CB Richard Ellis Vietnam

- A total of 22,560 units in 44 projects
- 9,453 units launched in 2008, and 13,066 expected in 2009

# RESIDENTIAL FOR SALE

Average Asking Prices (US\$ psm)

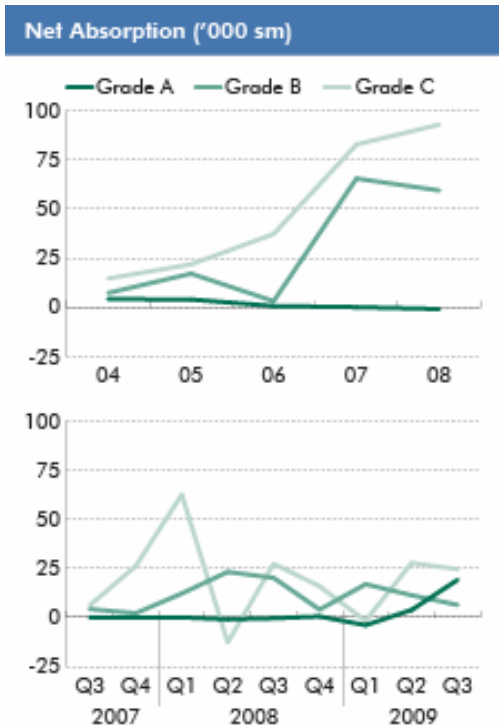


Source: CB Richard Ellis Vietnam

## OUTLOOK

- The spike in the number of projects starting construction in the quarter is also a positive signal that developers believe the worst has passed.
- According to trading floors, inquiries from potential buyers studying the market increased throughout the quarter.
- Although most transactions were in the mid-end and affordable segments, demand was also seen for some higher-priced projects.
- The Personal Income Tax (PIT) on housing transactions came into effect on September 26.
- Developers are increasingly focusing on issues including pricing, quality, visibility, flexible payment terms and bank support.

# OFFICE



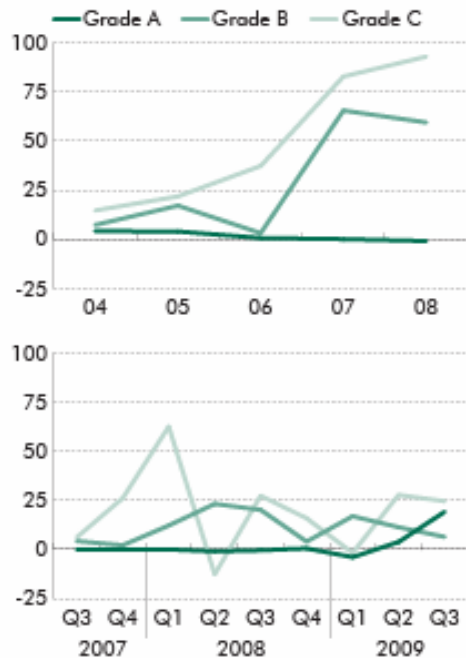
Source: HCMC Statistics Office

- Overall rents show signs of bottoming by the end of 2009, with overall asking rent across all grades posting the lowest decline - 2.9% - since the second quarter of 2008.
- Kumho Asiana Plaza (GFA 31,562 sm) came on stream in September which helped boost overall Grade A asking rent to US\$41.3 psm per month, an increase of 1.2% q-o-q.
- Grade A landlords more confident and have maintained asking rents. Achieved rents were 10 – 16% below the asking rents and this gap has narrowed significantly from previous quarters.
- The third quarter saw new net absorption of 49,975 sm, with major contributions from Grade A and C buildings.
- Overall vacancy stood at 17.5%, down slightly from the previous quarter's 18.1%. Grade A vacancy currently stands at 26.3%.



# OFFICE

Net Absorption ('000 sm)

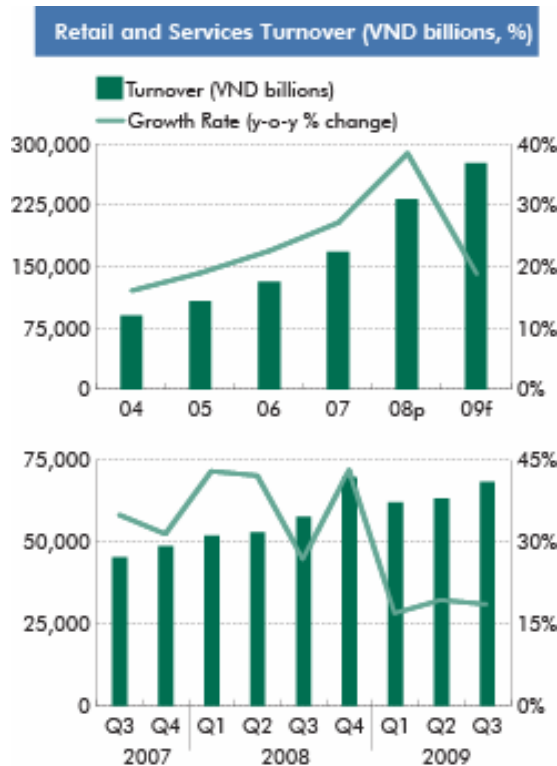


Source: HCMC Statistics Office

## ■ OUTLOOK

- In the third quarter, office enquiries to CBRE increased 12% q-o-q, signaling some increase in demand.
- Despite some signs of economic recovery, numerous large tenants are still concerned about capital expenditure & cash flow, which is prohibiting them from moving to other buildings
- Approximately 50,000 sm of net absorption in Q3 but 158,976 sm of net floor area remains empty and supply is forecast to increase by another 134% by the end of 2010 across all grades.
- In an increasingly competitive market, new landlords are making more creative offers to try overcome tenant's financial constraints.
- The rental gap between grades is expected to narrow as some Grade A landlords adopt more realistic rental strategies.

# RETAIL

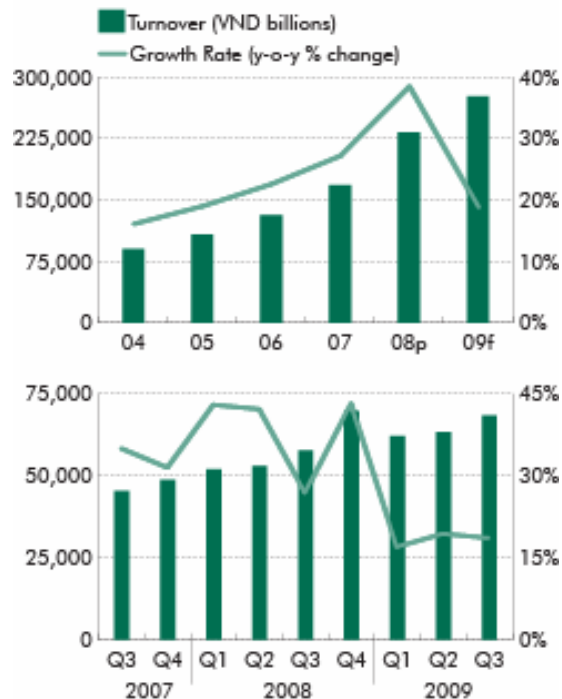


Source: HCMC Statistics Office

- Retail sales in the third quarter increased 7.98% q-o-q, and 18.6% y-o-y.
- Though growth rates have slowed dramatically, Vietnam's retail sector has outperformed much of the rest of the world.
- The retail space at Kumho Asian Plaza is expected to open early in the fourth quarter.
- Debenhams, a department store from the UK, and Hard Rock Cafe are expected to be among the tenants and both are first time entrants in the Vietnam retail scene.
- Average asking rents in CBD department stores remained stable, at US\$105.3 psm per month for the prime storeys. Rents continued to fall in some shopping centres outside the CBD.

# RETAIL

Retail and Services Turnover (VND billions, %)



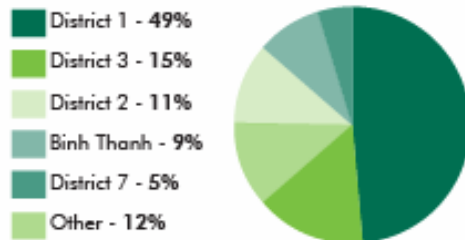
Source: HCMC Statistics Office

## OUTLOOK

- The fourth quarter is expected to see the opening of significant shopping centres, including Kumho Asiana Plaza (District 1), The Flemington (Parkson) and The Everich (Lotte), both in District 11, providing a further 56,338 sm to the market.
- Quality retail space in high-density locations will continue to secure well-known operators and tenants, even when located outside the CBD.
- Fashion, food and beverage remain the key demand drivers. The F&B sector alone, accounting for over 30% of all enquiries for retail space.
- Lack of professional food court operator in Vietnam, apart from Parkson. Opportunity for new food and beverage concepts.

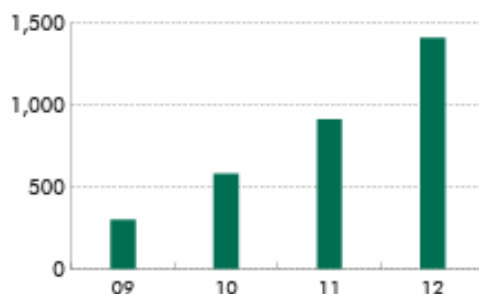
# SERVICED APARTMENTS

Supply by District (% of total supply)



Source: CB Richard Ellis Vietnam

Estimated New Supply (units)

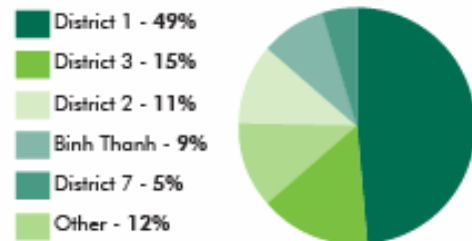


Source: CB Richard Ellis Vietnam

- The sector continued to face downward pressure on rents.
- The average rents across all grades dropped by 4.3% to US\$24.74 psm per month. Grade A rents recorded the largest decrease, falling 10% to US\$29.13 psm per month.
- Grade A vacancy increased to 26% as tenants moved to cheaper serviced apartments and buy-to-let units.
- Grade A vacancy was also impacted by the Intercontinental Asiana Saigon Residences beginning to come on-stream in early September, which will provide a total of 260 Grade A one- to three-bedroom units.
- In the face of a steady decline in demand, landlords continued to offer one week or even daily rates in an effort to boost occupancy and revenue.

# SERVICED APARTMENTS

Supply by District (% of total supply)



Source: CB Richard Ellis Vietnam

Estimated New Supply (units)



Source: CB Richard Ellis Vietnam

## OUTLOOK

- Environment expected to continue to prove challenging with soft demand forecast in the short to medium term.
- Serviced apartments in HCMC will face increasingly fierce competition from resurgence of the condo market with many more units becoming available in new condo projects.
- A significant proportion of condominium buyers are secondary investors who intend to lease their units.
- More short-term employment contracts between companies and expatriate employees will drive further enquiries for short-term three- to six-month leases.
- Some local developers are considering the Grade A & B serviced apartment market which up till now been the domain of foreign developers or JVs between foreign local parties.



# 3-5 STAR HOTELS

Average Room Rate, Five-Star Hotels (US\$)



Average Occupancy Rate, Five-Star Hotels (%)



Source: CB Richard Ellis Vietnam

- The sector showed signs of marginal recovery with a 1.7% q-o-q rise in average occupancy rates. However, ADR fell by 6.7% q-o-q while RevPar declined by 5% q-o-q.
- The five-star segment showed a 31.3% y-o-y decrease in RevPar.
- Promotion campaigns continued across the grades.
- The five-star InterContinental Asiana Saigon with 305 rooms, part of a mixed-use complex developed by Korean owner Kumho Asiana Plaza Co. Ltd., was launched in September.
- Local developers Tien Phuoc and Chin Chin Muoi Co. broke ground on Le Meridien Hotel. Approximately 350 rooms are scheduled to open in July 2012.

# 3-5 STAR HOTELS

Average Room Rate, Five-Star Hotels (US\$)



Average Occupancy Rate, Five-Star Hotels (%)



Source: CB Richard Ellis Vietnam

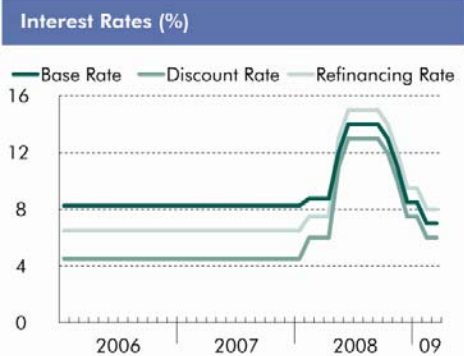
## ■ OUTLOOK

- The last quarter of the year is the traditional peak travel season though a 15-25% y-o-y decrease in bookings from international tourists is predicted.
- The financial downturn has had more impact on travel plans than A/H1N1.
- Further new brands entries are expected in the mid/low-end segments in coming years.
- Approximately 590 rooms to the 3-4 star standards are anticipated to be launched in the next four quarters.

# INVESTMENT



Source: General Statistics Office



Source: State Bank of Vietnam

- Real estate investment activity in Vietnam appears to be showing signs of improving, with enquiries increasing after a stagnant period in the first half of 2009.
- Local investors continue to dominate the property investment market and are expected to remain the lead drivers in the short to medium term.
- Existing foreign property investors and funds that did not exit Vietnam during the periods of market decline in late 2008 and early 2009 are continuing to have difficulty closing deals.
- A new wave of foreign property investors and funds are seeking to enter the market however are being cautious and have yet to make an impact on the Vietnamese real estate market to date.

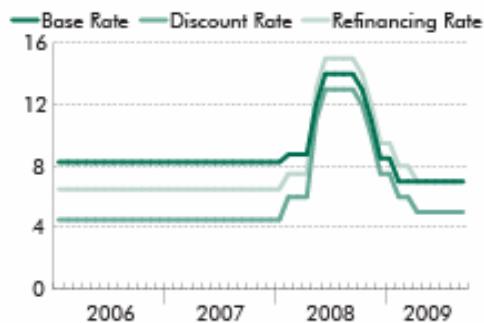
# INVESTMENT

Foreign Direct Investment (US\$ billions)



Source: General Statistics Office

Interest Rates (%)

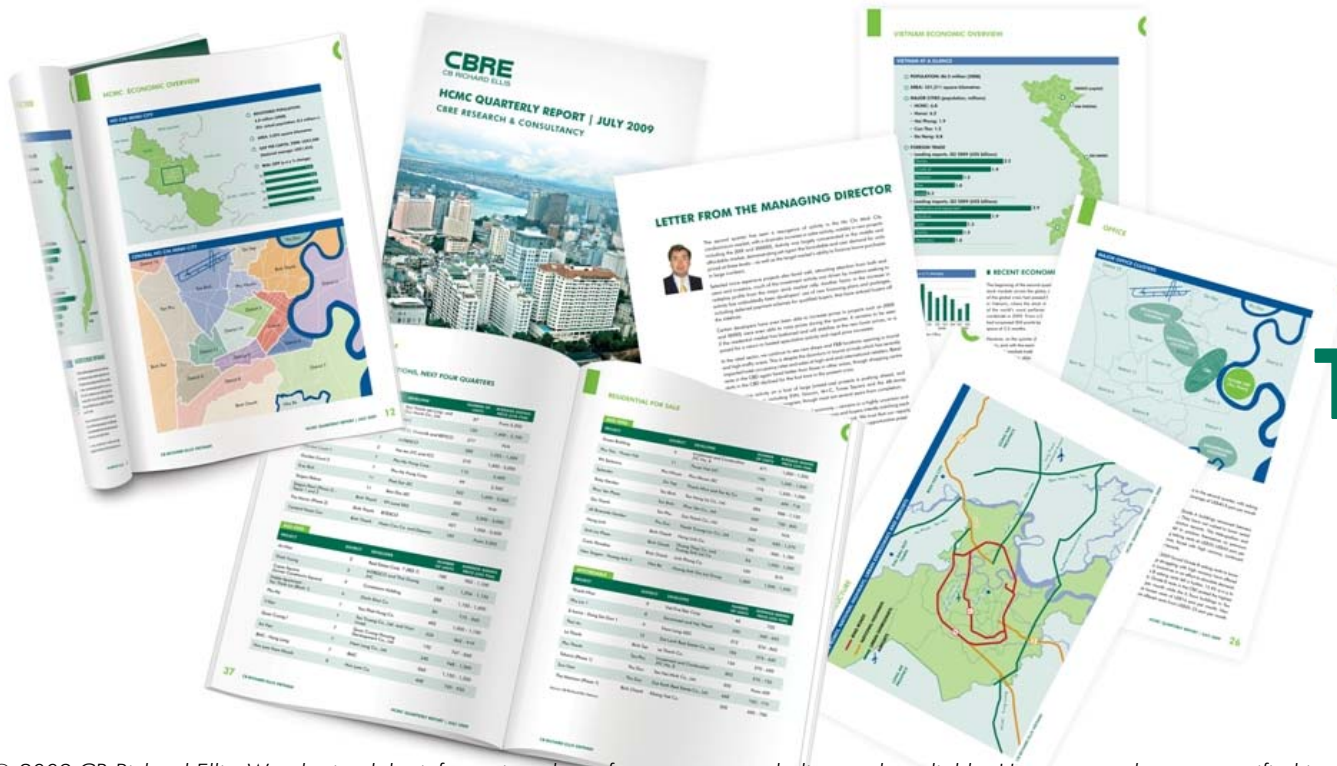


Source: State Bank of Vietnam

- VinaCapital Real Estate recently announced that two of its funds sold their controlling 70% equity stake in the landmark five-star Hilton Hanoi Opera Hotel for an undisclosed amount.
- VinaCapital also yesterday announced the sale of its 50.1% equity stake in the A&B Tower project. The sale price resulted in an IRR over 4 years of 17.5%.
- BIDV Labour Union Investment JSC purchased 996 mid-end apartments in HAGL's Hoang Anh An Tien Project in Nha Be Dist. The en bloc sale price is equal to US\$1,000-\$1,100 psm.
- JSM Indochina announced the acquisition of two prominent properties in Thao Dien, District 2 for which it paid US\$14 million and US\$12 million, which will be consolidated with their existing US\$19 million Peninsula site, acquired in 2008.

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