

CBRE VIETNAM WEBINAR | HO CHI MINH CITY

MARKET UPDATE | Q1 2020

Topic **HOW TO RESPOND, RESET & REBOUND
AMID THE COVID-19 PANDEMIC**

THURSDAY, April 9th, 2020

AGENDA

00. INTRODUCTION

01. MACRO UPDATES

02. RETAIL SECTOR

03. OFFICE SECTOR

04. CONDOMINIUM SECTOR

05. HOTEL SECTOR

06. Q&A SESSION

CBRE VIETNAM WEBINAR | HO CHI MINH CITY

MARKET UPDATE | **Q1**
2020

Topic **HOW TO RESPOND, RESET & REBOUND
AMID THE COVID-19 PANDEMIC**

An aerial photograph of a city skyline at sunset. The sky is a mix of blue and orange, with scattered white clouds. In the foreground, a large, modern skyscraper with a glass facade is prominent. To its left, another tall building with a brown facade stands out. The city below is densely packed with various buildings and structures. A river or body of water is visible in the lower-left quadrant. The overall scene is vibrant and captures the end of the day in an urban setting.

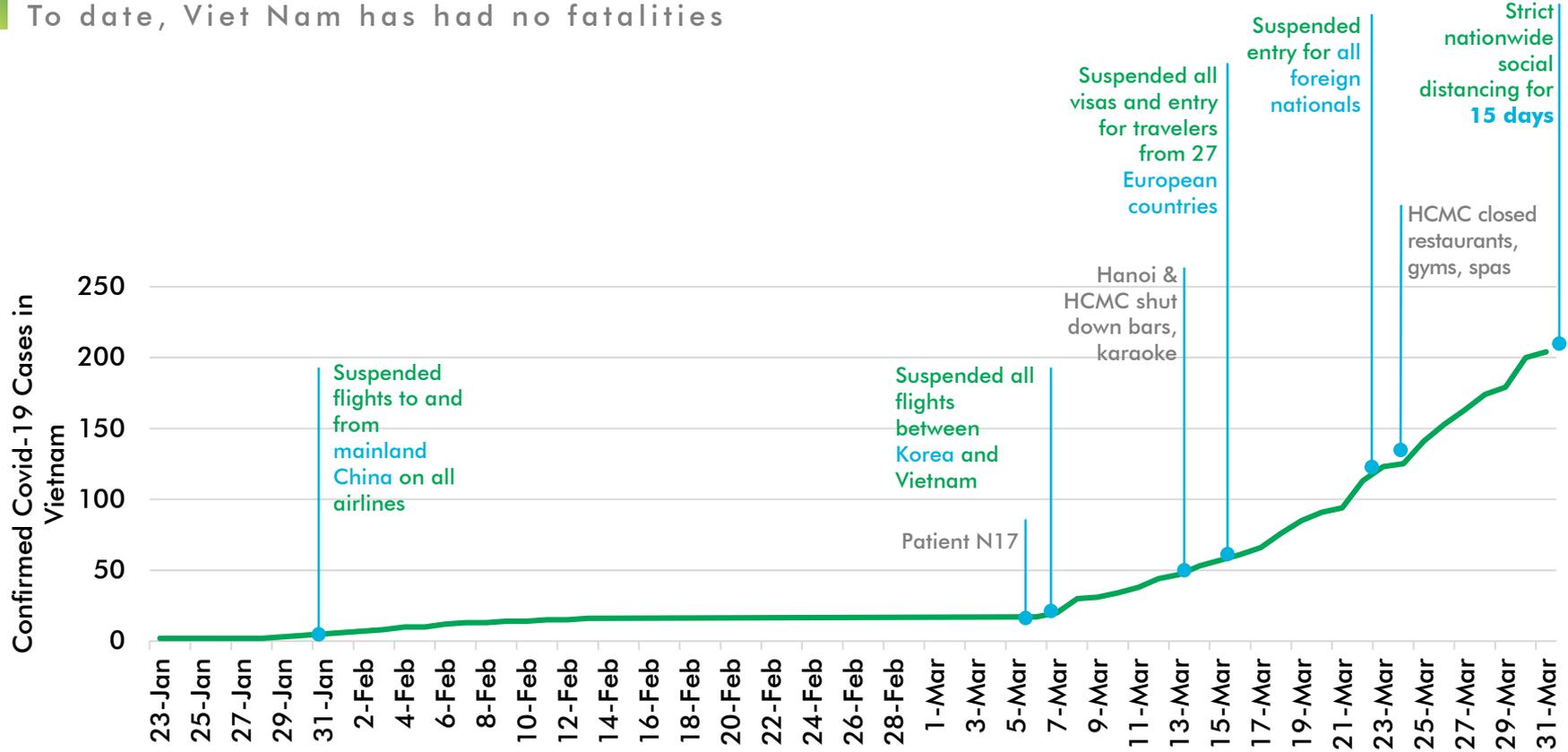
MACRO UPDATES

Q1 2020

CBRE

NUMBER OF CONFIRMED COVID-19 CASES

To date, Viet Nam has had no fatalities



COVID-19 POSES VARIOUS CHALLENGES

for Vietnam's Economy, including Real Estate



14/2/2020 06:00

Coronavirus epidemic weighs heavy on real estate market



25/02/2020 20:30 GMT+7

Vietnam retailers striving to mitigate COVID-19 implications



11:45 | 15/03/2020

Circa 500 transaction centres close due to real estate downturn



18/03/2020 12:00 GMT+7

Vietnamese workers worried about losing jobs amid Covid-19 outbreak



By Dat Nguyen March 27, 2020 | 07:44 am GMT+7

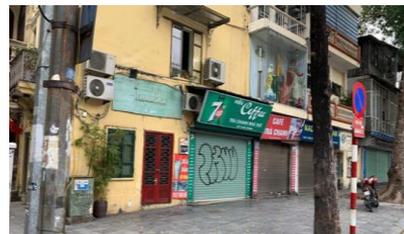
Tourism firms hibernate as Covid-19 fight rages



Update: April, 06/2020 - 14:41

HCM City to suspend work on non-urgent construction projects

THE GREAT EMPTY IN HANOI AND HCMC



Source: vnexpress.net, zingnews.vn



Source: tuoitre.vn, vov.vn



Source: Kenh14.vn, vietnammoi.vn

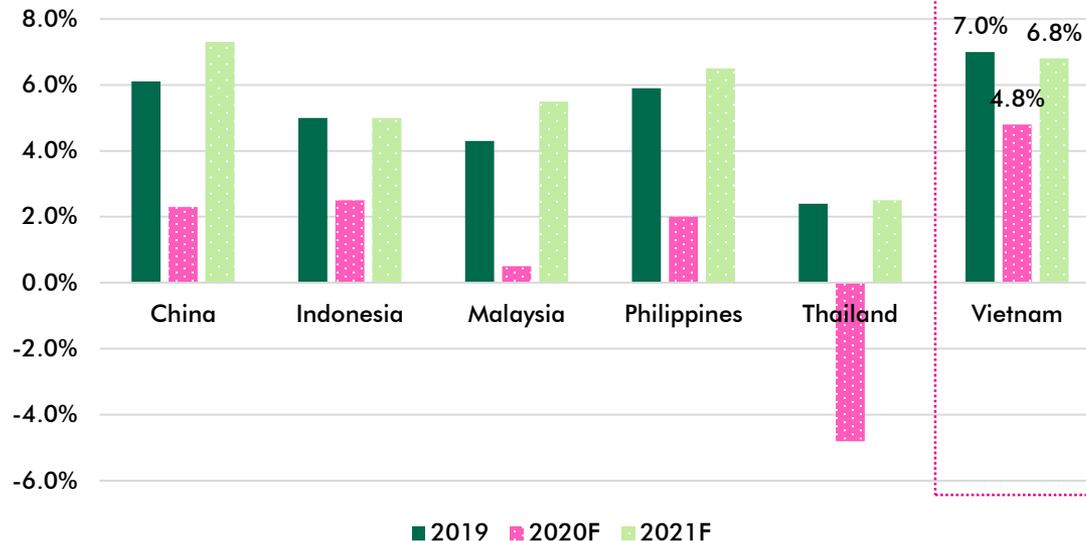
GDP OUTLOOK HAS BEEN REVISED DOWN WORLDWIDE INCLUDING VIETNAM

Vietnam's GDP would be as low as 4.8% in the worst case

Main Economic Indicators, Vietnam, Q1/2020

GDP Growth	3.82%
CPI	+ 5.56% y-o-y
FDI	- 20.9% y-o-y
Retail Turnover	+ 4.7% y-o-y
Industrial Production	+ 5.28% y-o-y
Trade Balance	US\$2.8 billion
International Tourist Arrival	- 18.1% y-o-y

GDP Growth Forecast Under Impacts of COVID-19



Source: General Statistics Office, "Asian Development Outlook 2020" – Asian Development Bank, Q1 2020.

VIETNAM'S RELIEF MEASURES TO COUNTER COVID-19 IMPACT

Fiscal Stimulus



Delaying tax and land-use fee payment
180,000 VND billion

Preferential credit

258,000 VND billion



Support impacted businesses and workers
62,000 VND billion

Exempt or reduce interbank transfer fees



Reduce internet & electricity cost



Monetary Policies



Decrease refinancing rate & rediscounting rate

By 0.5% to 1.0%



Lower lending rate

Up to 2.5%

Source: Vietnam's Government website



RETAIL MARKET

Q1 2020

CBRE

COVID-19 IMPACT ON RETAIL

HCMC: No new supply in Q1 2020

New Supply 2020 could be 20%-30% of pre-COVID19 forecast

Drop of Retail Sales

Vietnam's retail turnover in Q1 2020 is 4,7%, lower than 12% growth of Q1 2019

Strong Growth of E-commerce

Revenue growth of online retail > 100%

Source: GSO, CBRE Vietnam. Survey was carried out for some CBRE's clients in major shopping centres, March 2020

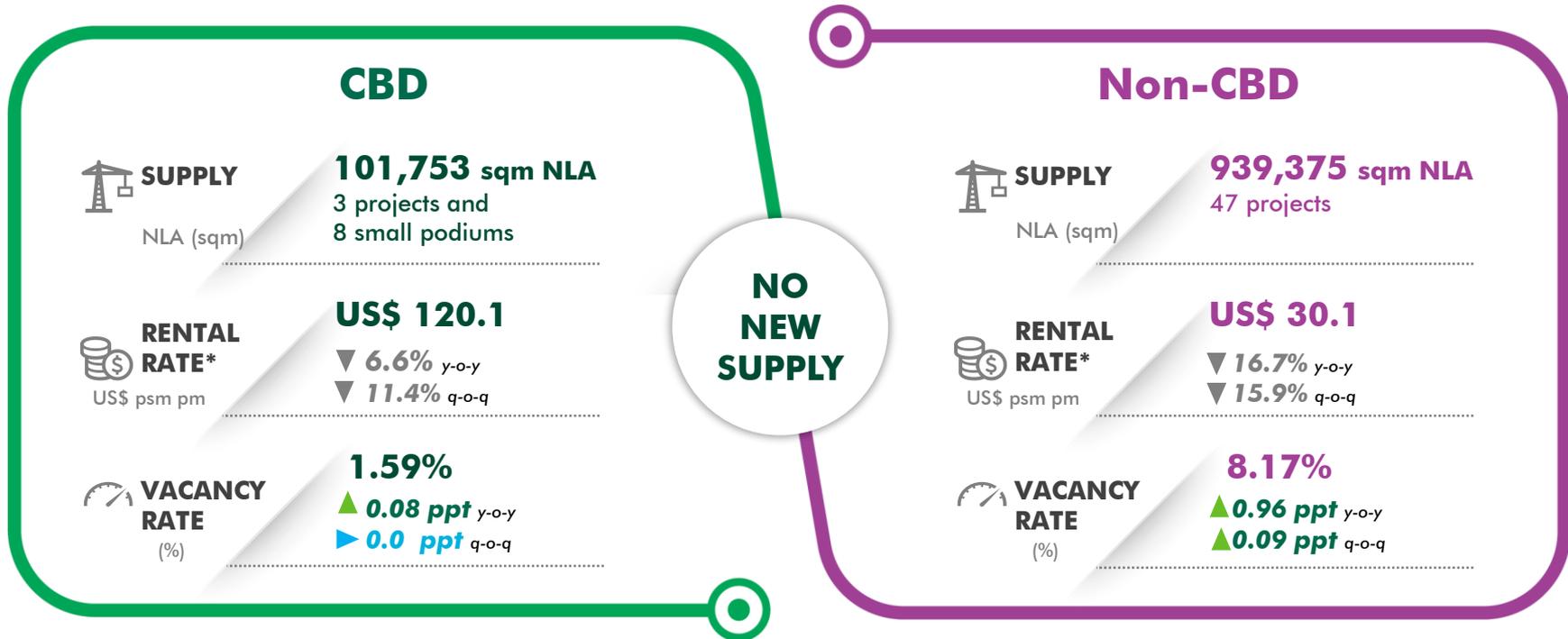
▼ 70% y-o-y

Footfall in Shopping Centre

▼ 10-30%

Rent reduction by landlords for most tenants *

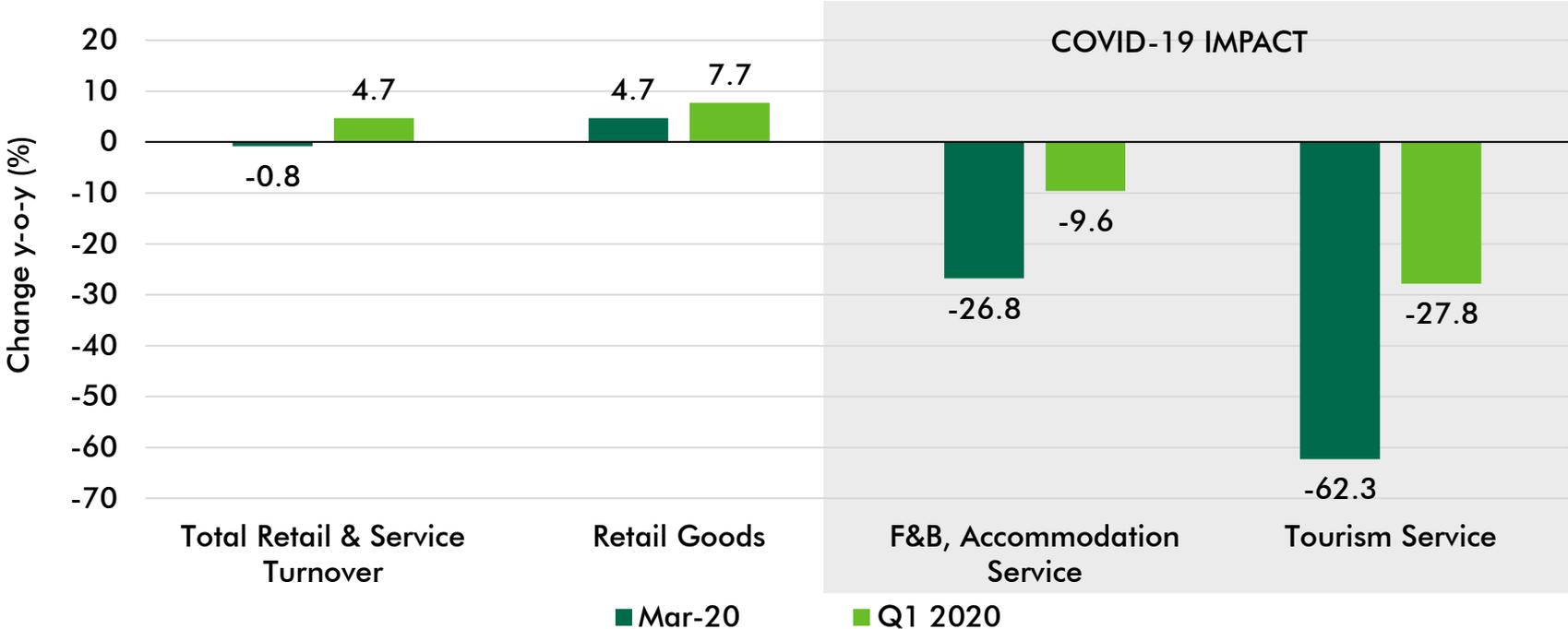
* For tenants of categories that are forced to shut down by the Government, some landlords may offer rent reduction up to 50%.



Note: Rental rate is average of Ground Floor and First floor, excluding of Service Charge and 10% VAT.
Source: CBRE Research, Q1 2020.

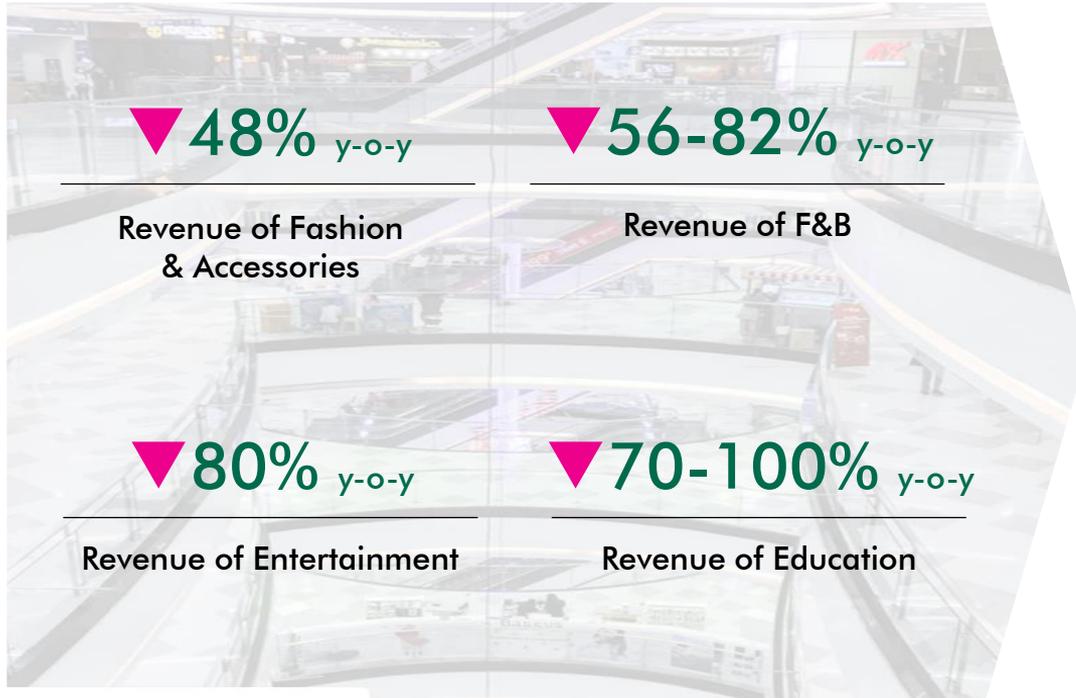
SERVICE REVENUE SAW A SIGNIFICANT DROP IN MARCH

Vietnam Retail Service Turnover, Q1 2020



Source: GSO, CBRE Research, Q1 2020.

RETAILERS STRUGGLED WITH FALLING SALES



Source: CBRE Vietnam. Survey was carried out for some CBRE's clients in major shopping centres, March 2020

THÔNG BÁO TẠM DỪNG HOẠT ĐỘNG TEMPORARY MALL CLOSURE

Nhằm nỗ lực ngăn chặn lây nhiễm Covid-19 và thực hiện chỉ đạo của Chính Phủ, Crescent Mall tạm thời dừng hoạt động từ ngày **28/03 - 05/04/2020** hoặc đến khi có thông báo khác.

In support of Vietnam's efforts to fight the spread of COVID-19 & by the recent government directive, Crescent Mall will be temporarily closed starting **28th March to 05th April 2020** or until further notice.

"Get well soon, Vietnam.
Get well soon, World.
Together, we can do this!"

WIN^{2m} COV
#CungVincom #ChienthangCovid19

ĐỒNG HÀNH CÙNG CHÍNH PHỦ VÀ TOÀN BỘ NGƯỜI DÂN VIỆT NAM PHÒNG NGỪA VÀ ĐẨY LÙI DỊCH COVID-19, VINCOM XIN THÔNG BÁO

TẠM THỜI DỪNG HOẠT ĐỘNG CÁC GIAN HÀNG TRONG TTTM
(Trừ Siêu Thị và các Cửa Hàng Kinh doanh các mặt hàng thiết yếu)

THỜI GIAN ÁP DỤNG: 27.03 - 05.04.2020
(cho đến khi có thông báo tiếp theo)



DECREASE IN NUMBER OF NEW TENANTS/OPENINGS

HCMC - 2019

F&B



Fashion & Accessories



Others



Q1 2020



Opening 2020

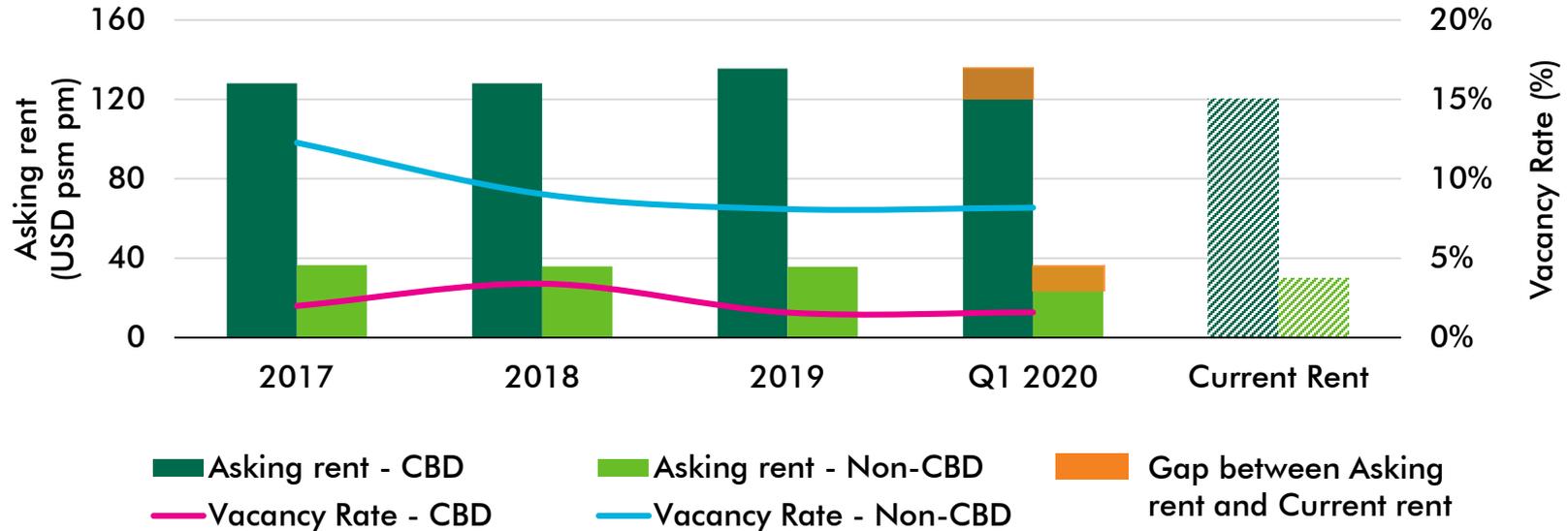
Uniqlo to open 2nd store in HCMC in 2020



RETAIL MARKET PERFORMANCE IN Q1 2020

Rental Rate Decreasing While Occupancy Rate Stable

HCMC Retail, Asking Rent and Vacancy Rate



Rental rate is average of Ground Floor and First floor, excluding of Service Charge and 10% VAT.

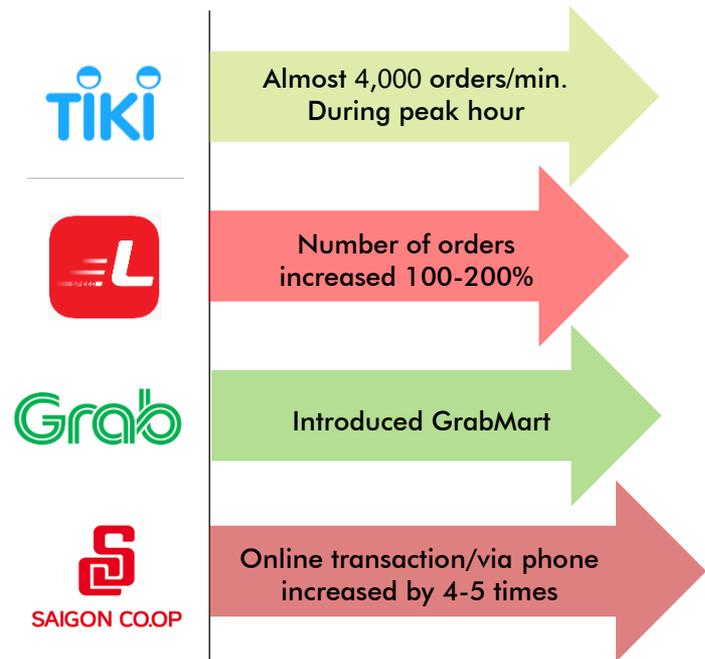
Source: CBRE Research, Q1 2020. Data were collected prior to shopping centres closures.

ONLINE RETAIL: OPPORTUNITY FROM CHANGES IN CONSUMER BEHAVIOURS

Effect of COVID-19 on consumer behaviors in Vietnam urban areas 2020



Expansion and increase in online revenue of retailers/supermarkets

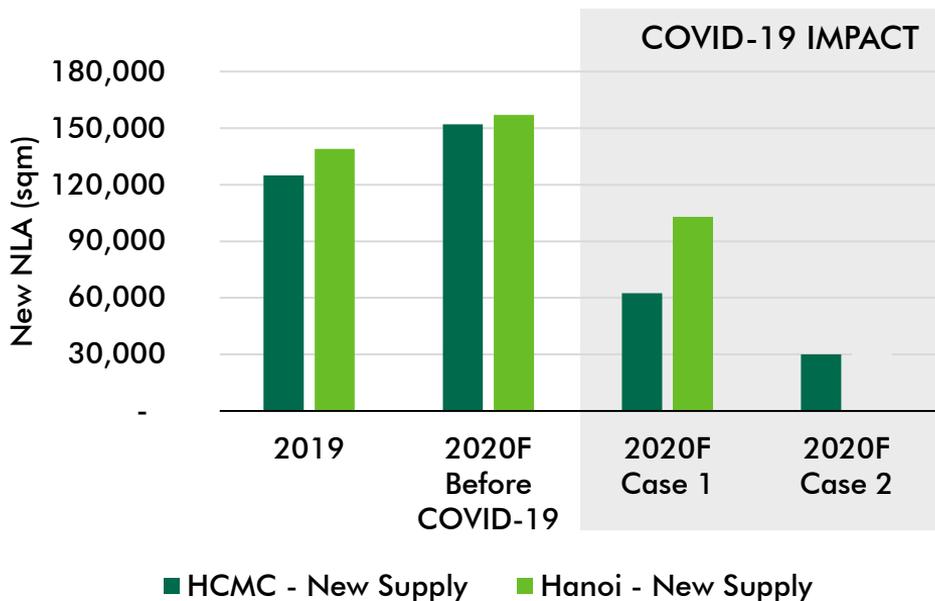


Source: Infocus Mekong, Nielsen, Website (brandsvietnam.com); ID 1102863

HCMC RETAIL: MARKET OUTLOOK

Only 20% of Previously Forecast New Supply May Come Online (~35,000 sqm)

HCMC Retail, Supply Forecast



Source: CBRE Research, Q1 2020.

Case 1: COVID-19 contained by Jun 2020
Case 2: COVID-19 contained by Sep 2020



Vincom Grand Park, D.9
48,000 sqm



Elite Mall, D.8
42,000 sqm



Sense City, D.9
32,000 sqm



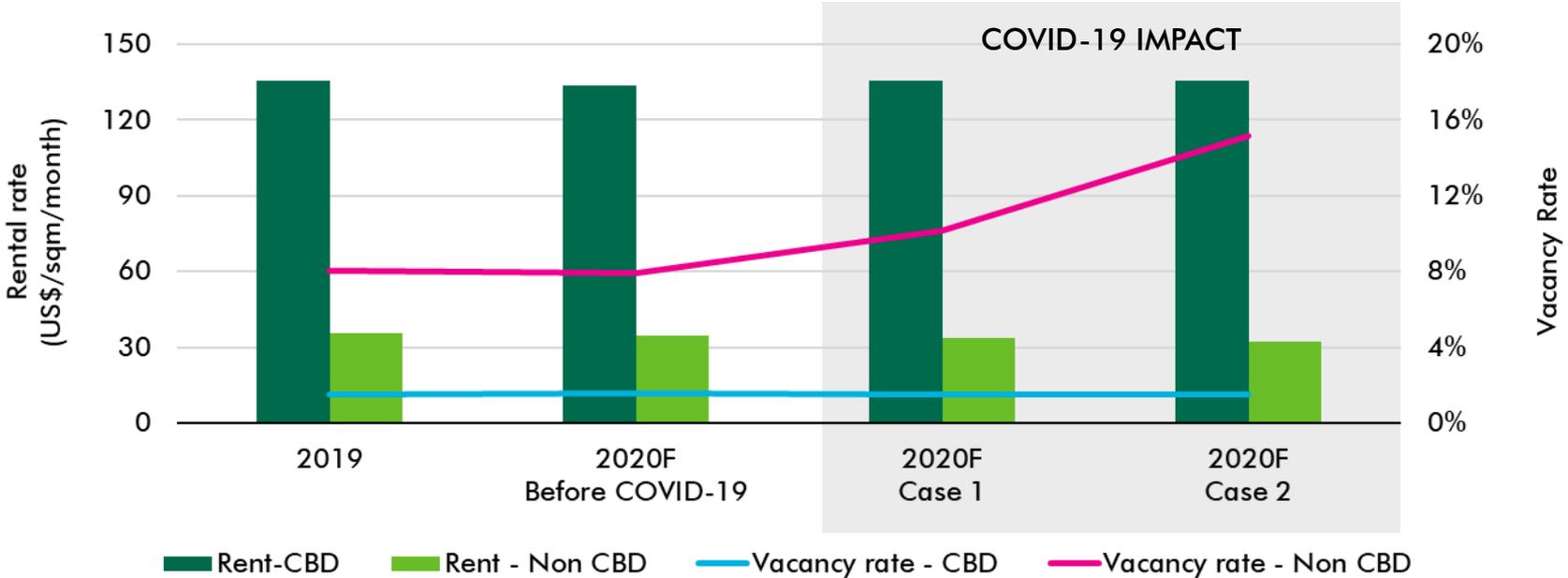
Socar Mall, D.2
35,000 sqm



Central Premium Mall, D.8
24,000 sqm

HCMC RETAIL: MARKET OUTLOOK

HCMC Retail, Rental and Vacancy Forecast



Case 1: COVID-19 contained by Jun 2020
 Case 2: COVID-19 contained by Sep 2020

Source: CBRE Research, Q1 2020.

1

CASE 1

Covid-19 contained by Jun 2020



SUPPLY



57% y-o-y



RENTAL RATE*



CBD: recover

Non-CBD: 5% y-o-y



All Floor: 30% y-o-y



VACANCY RATE



CBD: recover

Non-CBD: 9-11%



2

CASE 2

Covid-19 contained by Sep 2020



SUPPLY



76% y-o-y



RENTAL RATE*



CBD: recover

Non-CBD: 10% y-o-y



All Floor: 30% y-o-y



VACANCY RATE



CBD: recover

Non-CBD: 13-16%



*Average rent of Ground Floor and First floor, excluding VAT and service charge.

RETAIL NEW TRENDS AFTER COVID-19

01 Growing popularity of online groceries

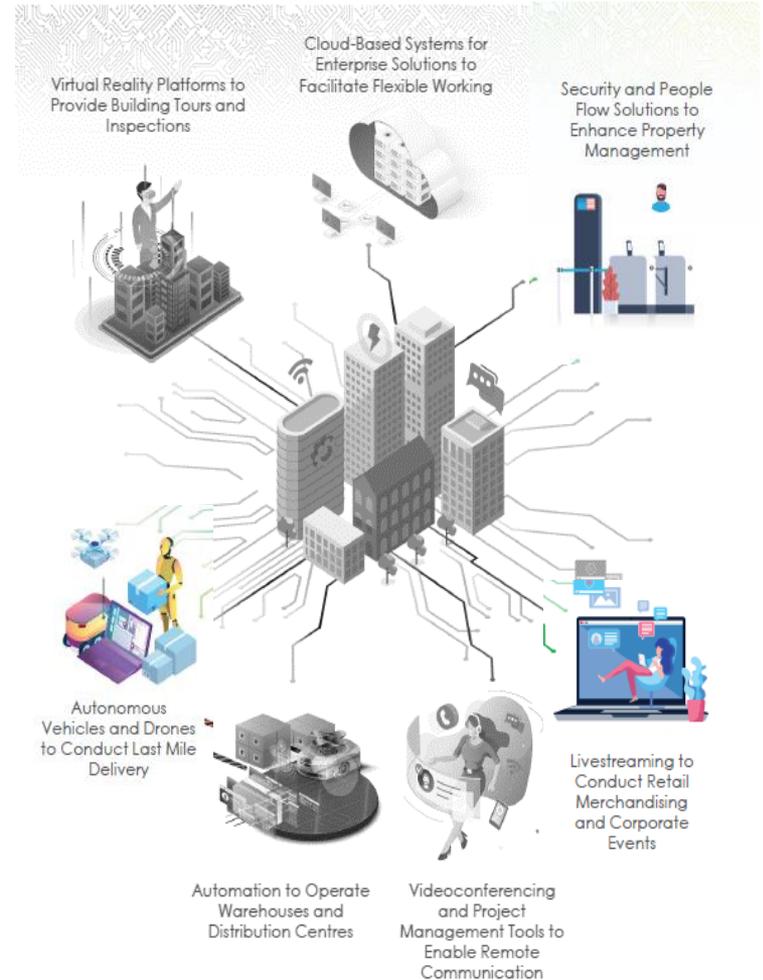
02 Brick and mortar stores to support last leg delivery

03 Community malls set to gain momentum

04 Property management to be a key focus

05 E-commerce application for many categories

06 Use Robot for Delivery



A nighttime cityscape featuring several tall skyscrapers with illuminated windows. The buildings are lit up with various colors, including blue, yellow, and red. The sky is dark, and the overall scene is vibrant and modern.

OFFICE MARKET

Q1 2020

CBRE

COVID-19 IMPACT ON HCMC OFFICE

Q1 2020

One new Grade B supply
Disrupted leasing activities

FY2020

Vacancy rate may reach **14% - 16%**
Rental rate may shrink by **8% - 10%**

New trends

Agility to become a priority
Wellness features



GRADE A



TOTAL SUPPLY
NLA (sqm)

445,313
sqm NLA
17 projects



ASKING RENT*

US\$44.6 ▼ **-3.6%** y-o-y
▼ **-1.2%** q-o-q

US\$/sqm/month



VACANCY RATE

10.8% ▲ **8.1** ppts y-o-y
▲ **1.7** ppts q-o-q

(%)

**1 NEW
GRADE B
SUPPLY**

GRADE B



TOTAL SUPPLY
NLA (sqm)

925,501
sqm NLA
67 projects

Friendship
Tower



ASKING RENT*

US\$25.2 ▲ **7.4%** y-o-y
▲ **1.8%** q-o-q

US\$/sqm/month



VACANCY RATE

5.6% ▲ **2.1** ppts y-o-y
▲ **0.6** ppts y-o-y

(%)

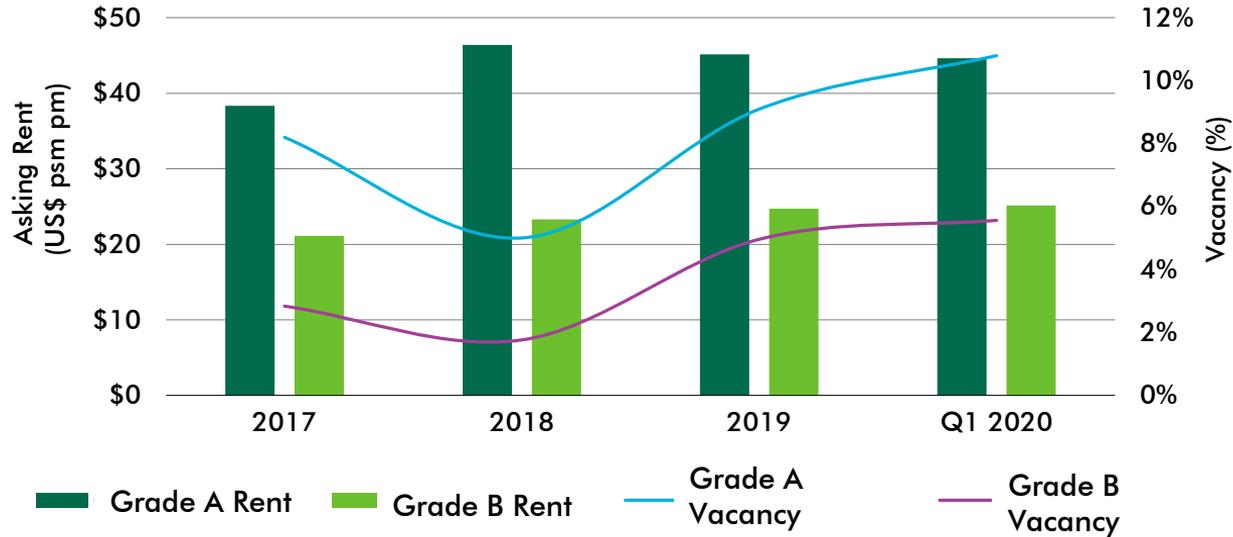
*Asking rent is quoted on Net Leasable Area, excluding VAT and service charge

Source: CBRE Research, Q1 2020.

OFFICE MARKET PERFORMANCE IN Q1 2020

COVID-19 Has not Affected the Office Market in Q1 2020

HCMC Office, Asking Rent & Vacancy rate, Q1 2020



* Asking rent is quoted on Net Leasable Area, excluding VAT and service charge

Source: CBRE Research, Q1 2020.

New Grade B supply in Q1



Friendship Tower, D.1
NLA: 13,700 sqm

RENTAL SUPPORT OF LANDLORDS PROVIDED TO TENANTS

Tenants requested landlords to provide rent discount

Leasing incentives considered by the landlords



Allow payment deferral
for large tenants and long-term lessees to the end of payment term (3 months) or break down the payment term into monthly basis instead of quarterly basis



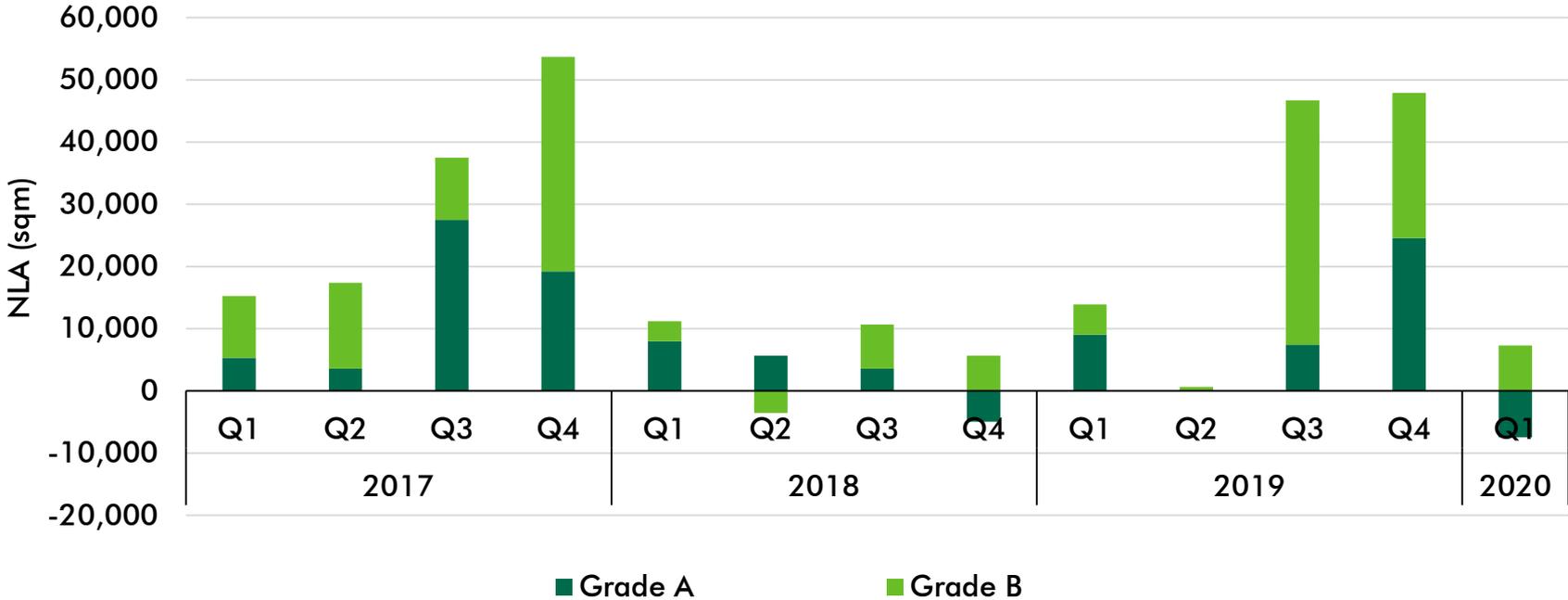
Provide short-term rental discount
for current tenants

Some Grade B buildings in Hanoi have offered a 20 - 30% rental discount for tenants in 3 months or until the end of 2020

Source: CBRE Research, Q1 2020.

DISRUPTED LEASING ACTIVITIES

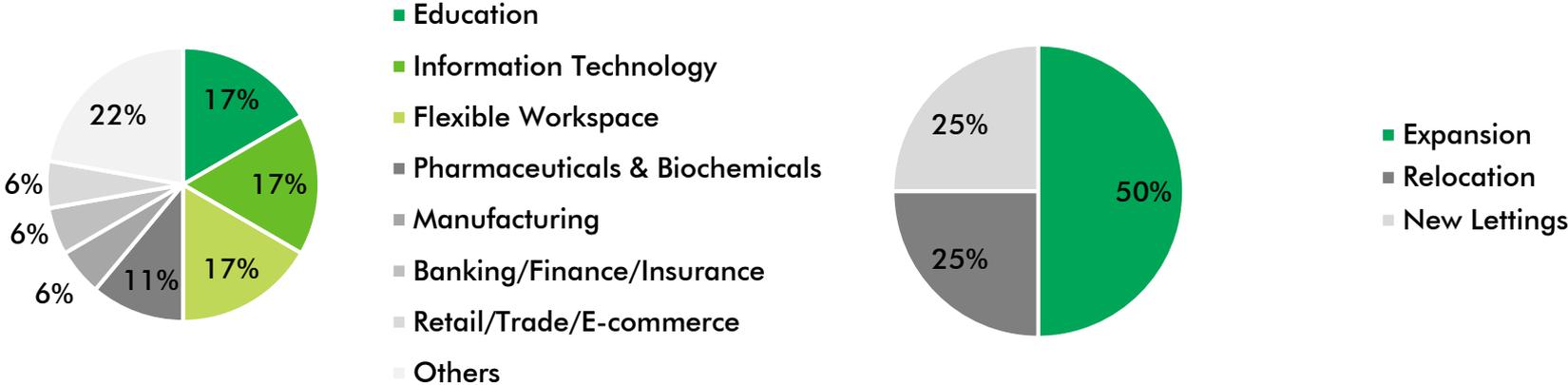
HCMC Office, Net Absorption Rate, Q1 2020



Source: CBRE Research, Q1 2020.

LEASING POSTPONEMENT AT SOME MAJOR SECTORS

HCMC Office, Delayed & Cancelled Leasing Transactions of CBRE Vietnam, Q1 2020

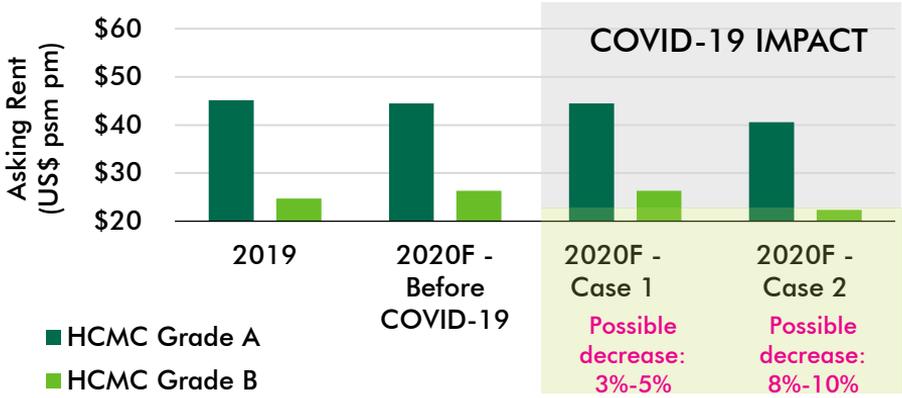


Capital shortage and **travel ban** were major causes of office leasing postponement

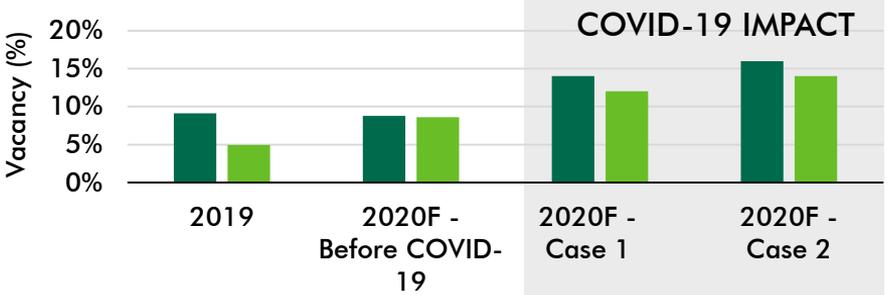
Source: CBRE Research, Q1 2020.

OFFICE MARKET OUTLOOK

HCMC Office, Rental Forecast



HCMC Office, Vacancy Forecast



Case 1: COVID-19 contained by Jun 2020
 Case 2: COVID-19 contained by Sep 2020

Source: CBRE Research, Q1 2020.

New completions in 2020



UOA Tower, District 7
 NLA: 29,940 sqm



Opal Tower, Binh Thanh
 NLA: 21,732 sqm



257 Dien Bien Phu, District 3
 NLA: 15,348 sqm



The 67 Tower, District 7
 NLA: 9,736 sqm

>70,000 sqm NLA will complete by 2020, and mainly concentrate in the East and the South regions.

HCMC OFFICE: 2020 FORECAST SUMMARY

1

CASE 1

Covid-19 contained by Jun 2020



New completions are on time



Average asking rent

0% y-o-y



Vacancy rate

7-14% y-o-y

2

CASE 2

Covid-19 contained by Sep 2020



Some pipeline projects may face short delays



Average asking rent

8-10% y-o-y



Vacancy rate

14-16% y-o-y

*Asking rent is quoted on Net Leasable Area, excluding VAT and service charge
Source: CBRE Research, Q1 2020.

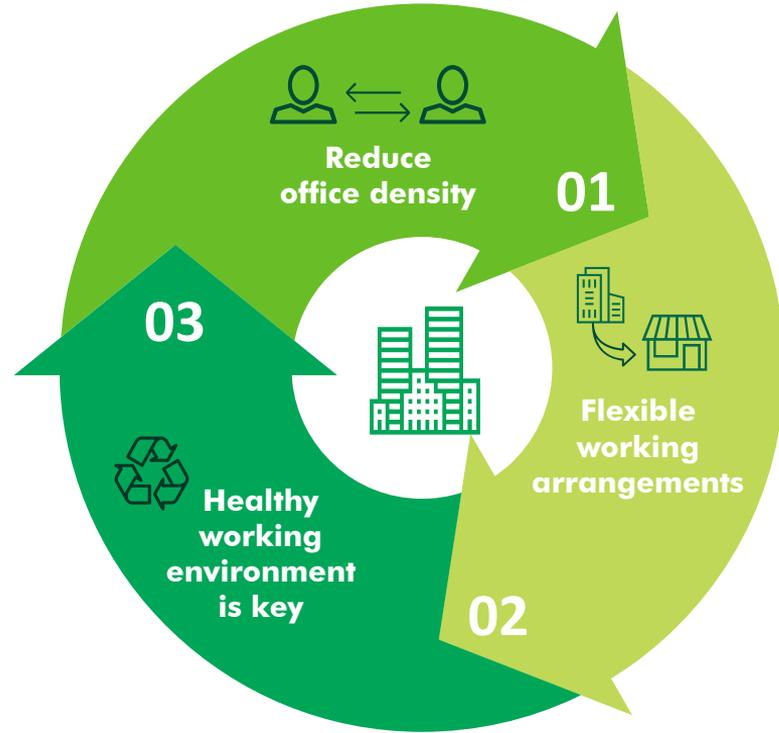
OFFICE NEW TRENDS AFTER COVID-19:

Re-evaluate Business Continuity Plan



ENHANCING RESILIENCE

to adapt with abrupted changes of the business



EMPLOYEE'S WELLNESS is prioritized



CONDOMINIUM MARKET

Q1 2020

LUXURY:

US\$4,000 psm

HIGH END:

US\$2,000 – 4,000 psm

MID END:

US\$1,000 – 2,000 psm

AFFORDABLE:

< US\$1,000 psm

CBRE

HCMC CONDOMINIUM MARKET AMIDST COVID-19 OUTBREAK

▼ 18% y-o-y

Drop of New Launch
Supply in HCMC in
Q1 2020

▼ 37% y-o-y

Drop of Sold
Units in HCMC in
Q1 2020

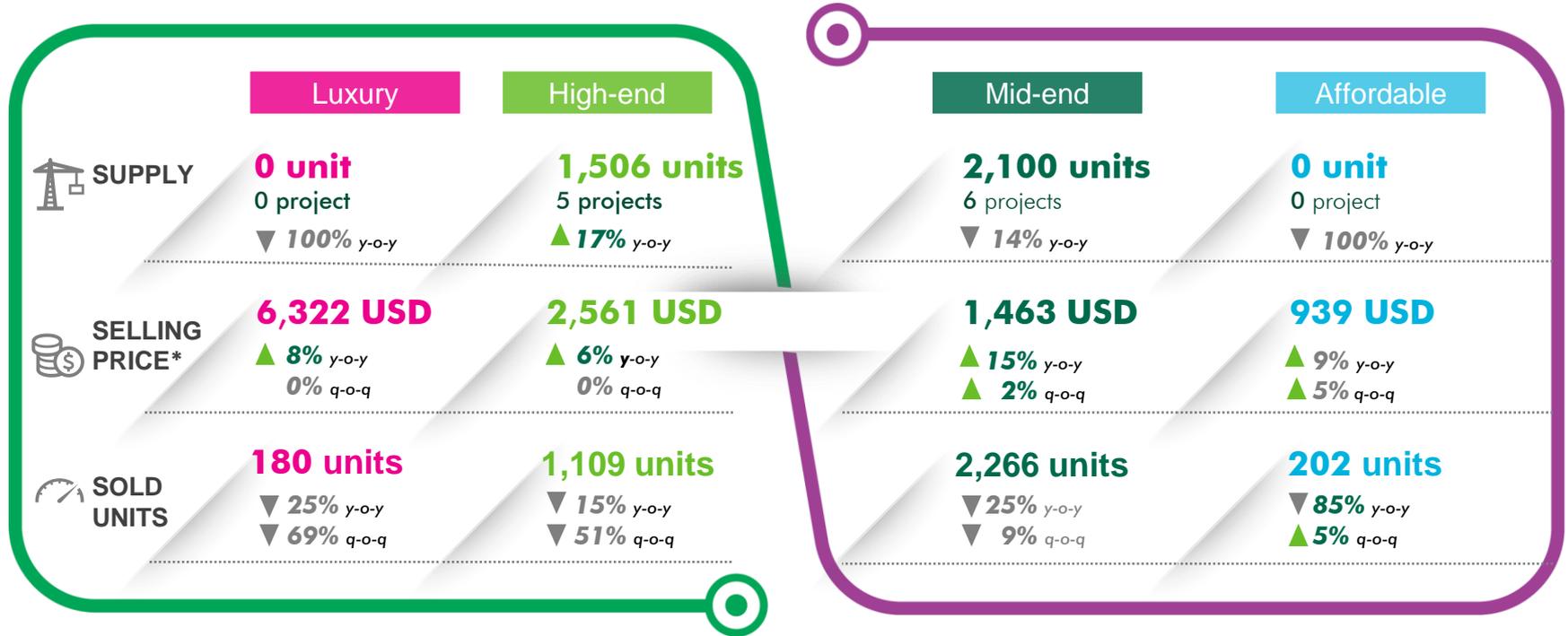
81%

Average Sold Rate in
Newly Launched
Projects in Q1 2020

▲ 9% y-o-y

Average selling price
in HCMC in Q1 2020

HCMC CONDOMINIUM: MARKET SNAPSHOT IN Q1 2020



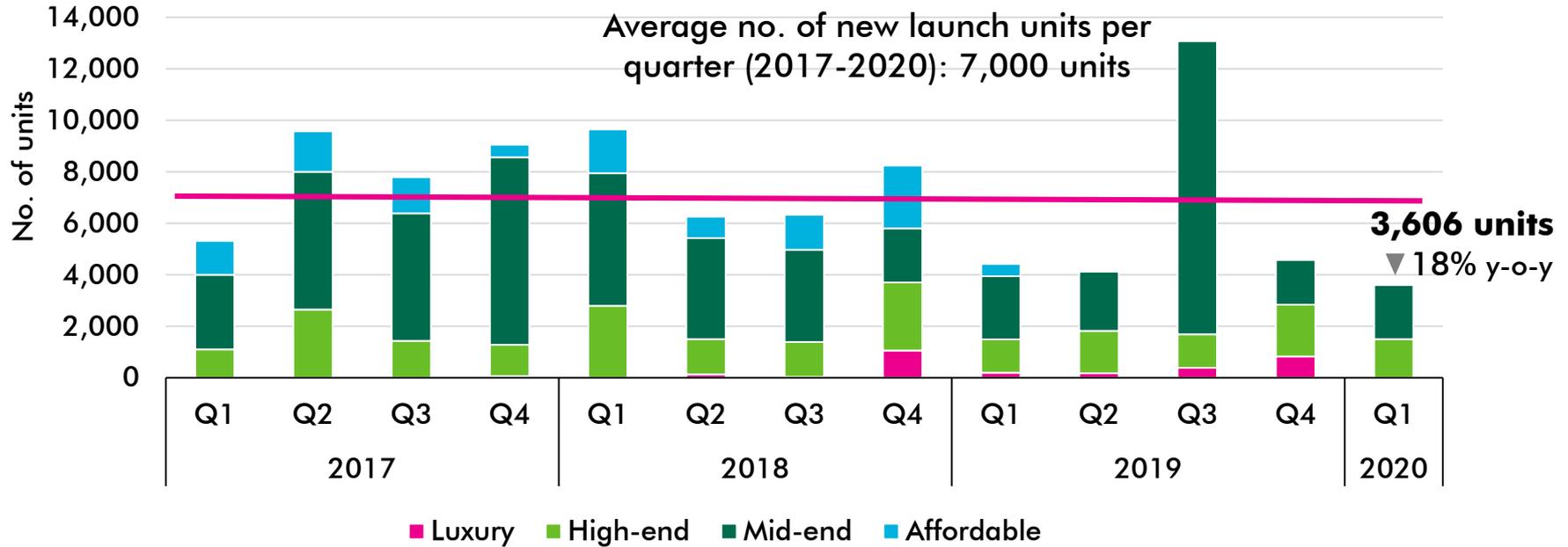
(*) Selling price: US\$ psm (excluding VAT and quoted on NSA)

Source: CBRE Research, Q1 2020.

THE LOWEST QUARTERLY NEW LAUNCH IN 3 YEARS

Due to Delayed Licensing and COVID-19 Impact

HCMC Condominium Market, Quarterly New Launch

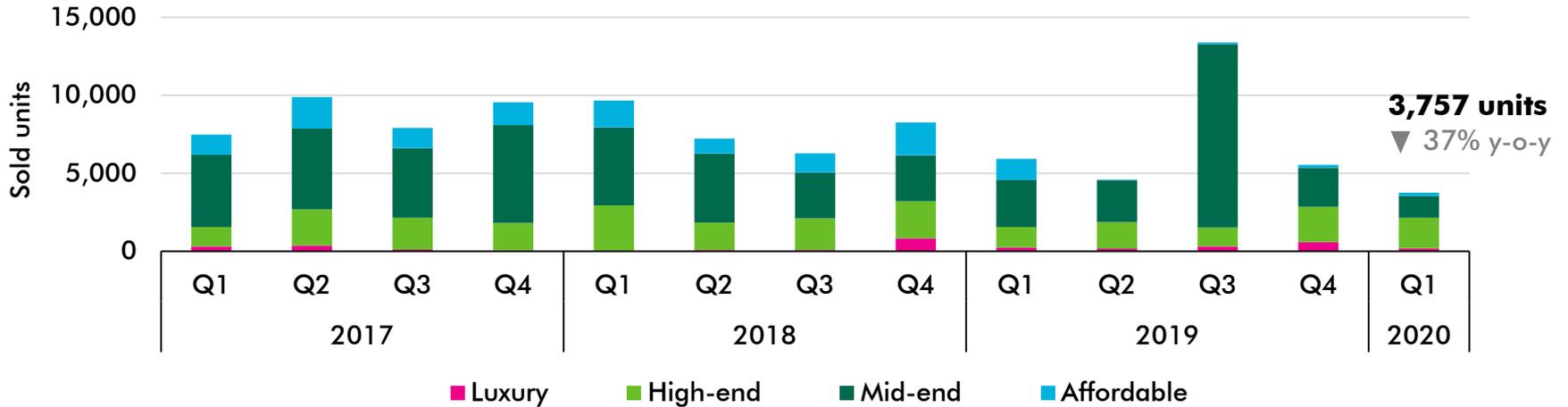


Source: CBRE Research, Q1 2020.

LEADING SOLD UNITS TO 3-YEAR LOW

Absorption Rate, However, Is Still High

HCMC Condominium Market, Sold units, Q1 2020



ABSORPTION RATE New Launch Projects Q1 2020



INCREASE IN PRIMARY PRICE

Limited Supply and Sustained Demand Supported Price Increase

HCMC Condominium Market, Average Selling Price, Q1 2020

LUXURY

0% q-o-q
▲ 8% y-o-y

HIGH-END

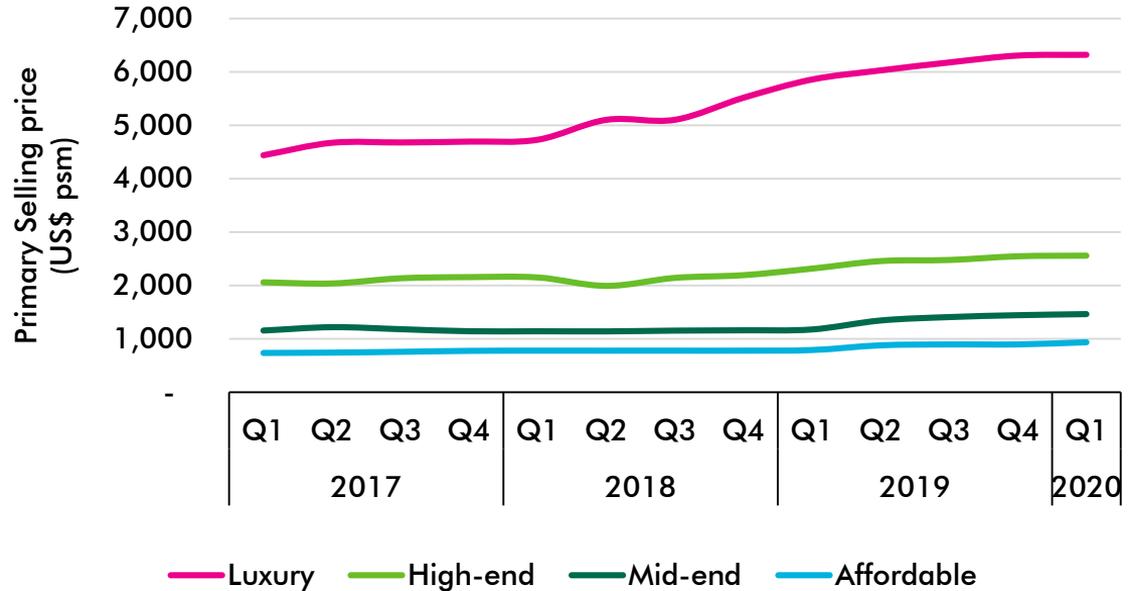
0% q-o-q
▲ 6% y-o-y

MID-END

▲ 2% q-o-q
▲ 15% y-o-y

AFFORDABLE

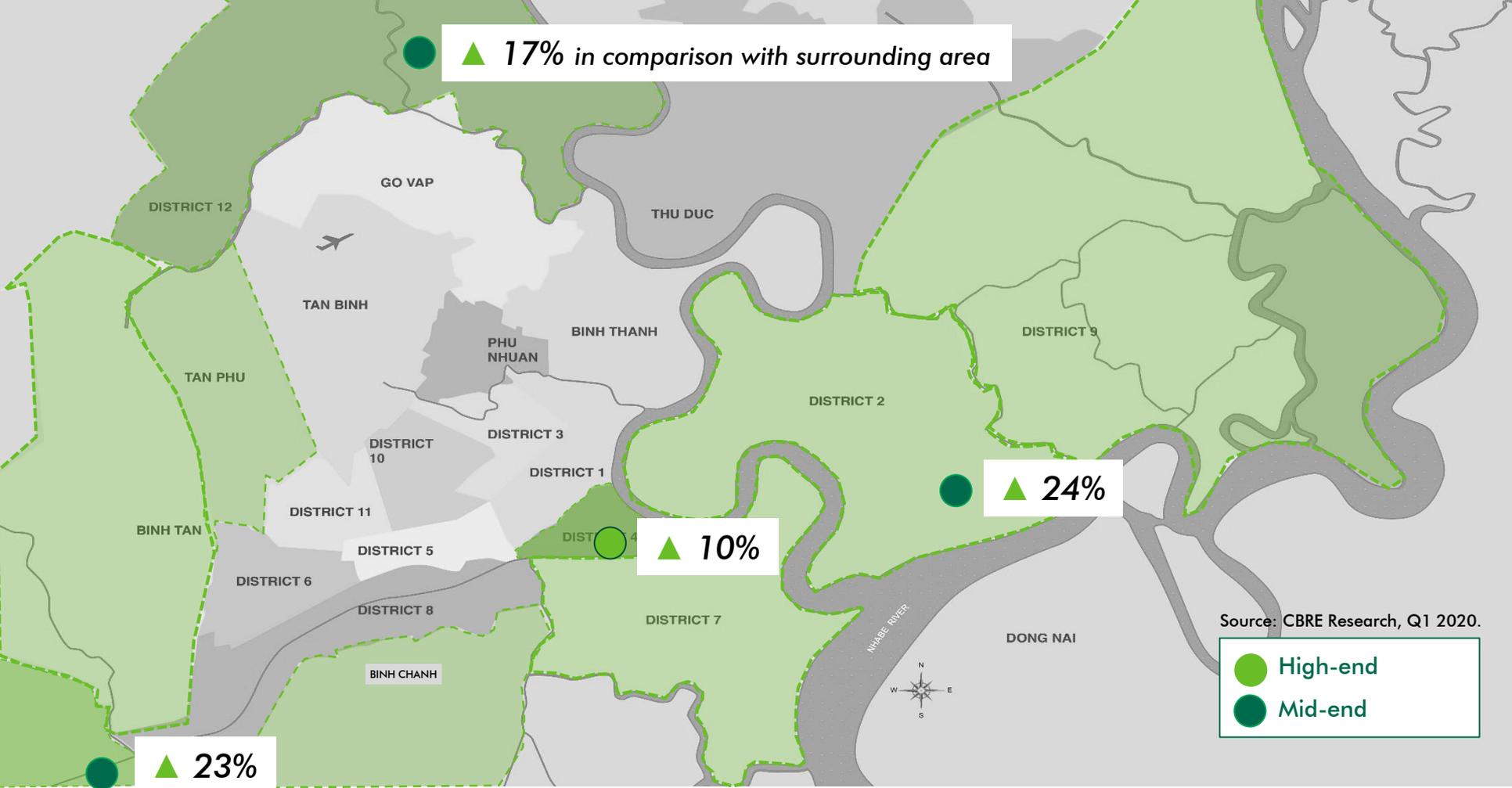
▲ 5% q-o-q
▲ 9% y-o-y



(*) Selling price: US\$ psm (excluding VAT and quoted on NSA)

Source: CBRE Research, Q1 2020.

HCMC CONDOMINIUM – SELLING PRICE OF SOME NEW PROJECTS HIGHER THAN SURROUNDING AREA



INCREASINGLY IMPORTANT ROLE OF PROPERTY MANAGEMENT



Thời báo
KINH DOANH 30/03/2020

From Covid-19, look again at management issues at the apartment projects

tin tức 20/02/2020

Condominiums in HCMC are actively carrying out preventative measures against COVID-19

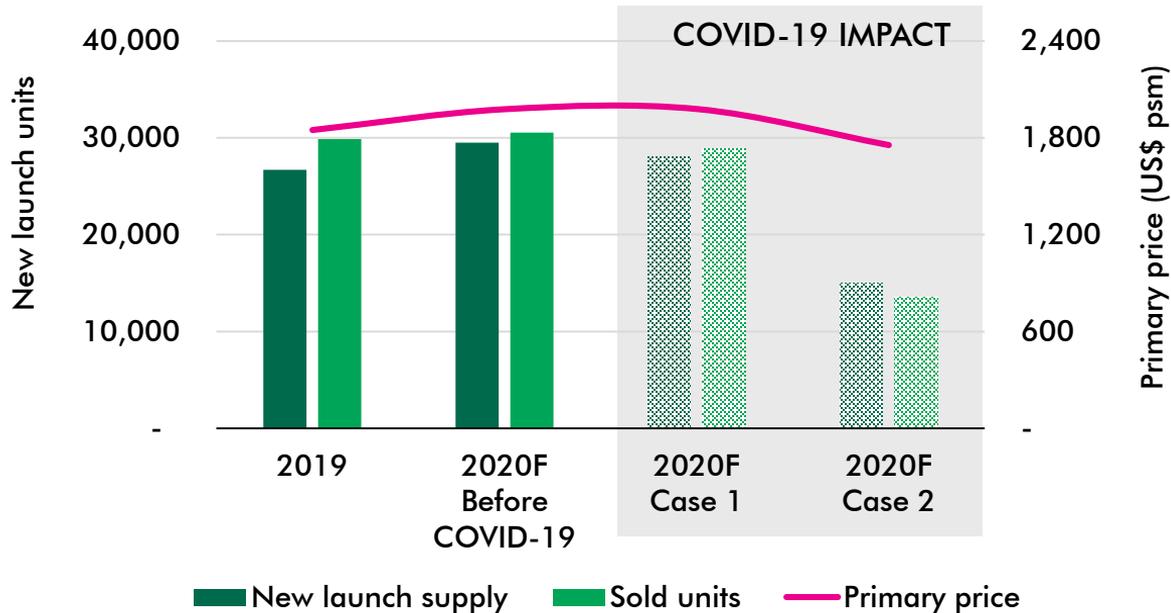


*Wear a mask and being take temperature are mandated in most condominium entrances.

LIMITED IMPACT IF COVID-19 CONTAINED BY JUN

Significant Drop in Volume If Disease Prolongs

HCMC Condominium Market, Forecast for FY2020



In Case 2, primary price to have a slight drop by end 2020 (-6% y-o-y) due to possible delay in launches of high-end and luxury projects

Case 1: COVID-19 contained by Jun 2020
Case 2: COVID-19 contained by Sep 2020

Source: CBRE Research, Q1 2020.

1

CASE 1

Covid-19 contained by Jun 2020



New launch supply

▲ 5% y-o-y (~ 28,000 units)



Average selling price

▲ 5% y-o-y



Sold Units

▼ 5% y-o-y (29,000 units)

2

CASE 2

Covid-19 contained by Sep 2020



New launch supply

▼ 40% y-o-y (15,000 units)



Average selling price

▼ 6% y-o-y



Sold Units

▼ 55% y-o-y (13,575 units)



HOTEL MARKET

Q1 2020

CBRE

COVID-19 IMPACT ON TOURISM & HOTEL MARKET

▼ 18% y-o-y

Drop of International
and Local Visitors in
Q1 2020

▼ 40-60% y-o-y

Drop of Hotel Bookings
and Occupancy Rates
in Vietnam in Q1 2020

▼ US\$5.9-7 bn

Estimated Loss of
Vietnam's Tourism
from Feb-Apr '20

▼ US\$2.12 bn

Estimated Revenue Loss of
Vietnam Airlines in 2020



SUSPENSION OF FLIGHTS SINCE MARCH

Resulting In A Plunge Of Demand For 4- And 5-star Hotels

International Tourist Arrivals (ITA), Q1 2020



Hanoi

Arrivals 0.96 mil
Y-o-y (%) ▼ 43.9%

Da Nang

Arrivals 0.66 mil
Y-o-y (%) ▼ 24.4%

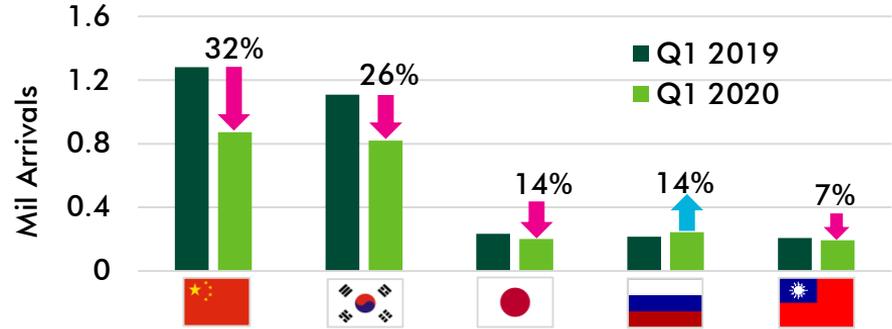
Nha Trang

Arrivals 0.63 mil
Y-o-y (%) ▼ 51.6%

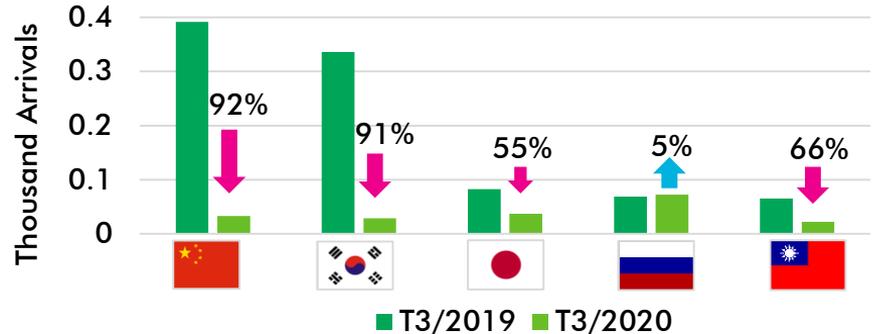
HCMC

Arrivals 1.3 mil
Y-o-y (%) ▼ 42.3%

International Tourist Arrivals, Q1 2020



International Tourist Arrivals, March 2020 only



Source: Various Departments of Tourism, CBRE Research, Q1 2020.

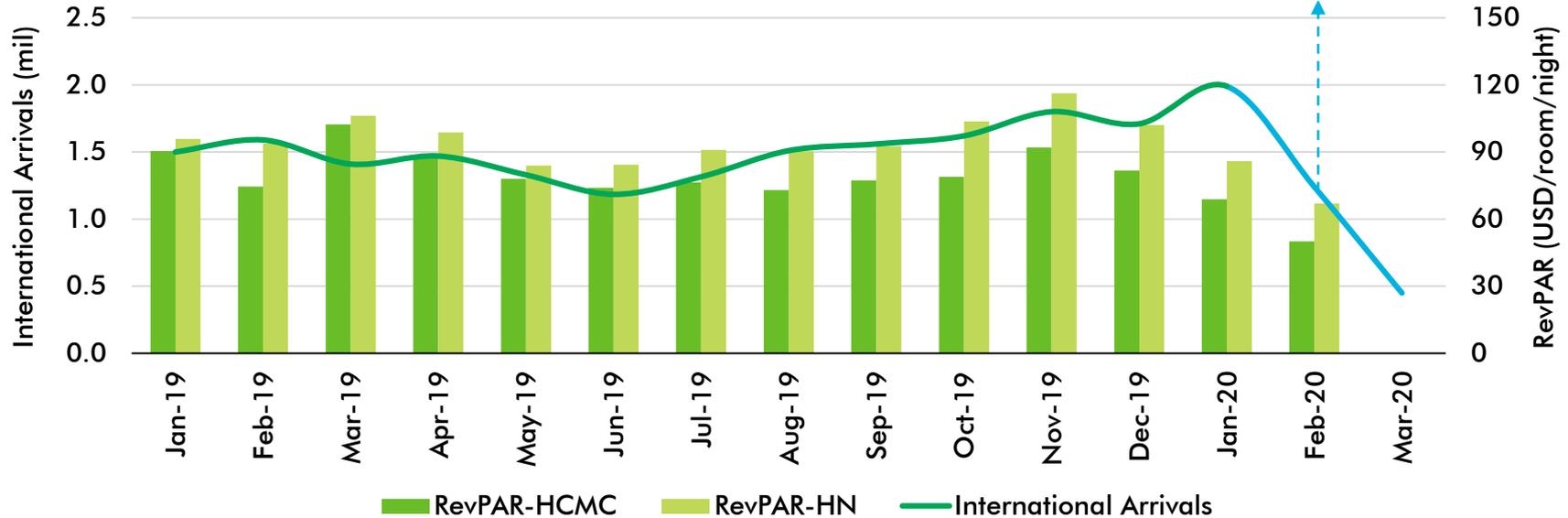
SIGNIFICANT DECREASE IN REVENUE

The impact on Mar-Apr will be more severe than Feb

Hotel Performance in Feb 2020 (changes are y-o-y)

HCMC		Hanoi	
ADR: \$112	▼6.9%	ADR: \$118	▼8.0%
OCC: 44.6%	▼27.8%	OCC: 56.6%	▼22.3%
RevPAR: \$50	▼32.8%	RevPAR: \$67	▼28.6%

Arrivals to Vietnam & Hotel Performance in HCMC and Hanoi



Source: STR, VNAT, CBRE Research, Q1 2020.

HCMC HOTEL*: 2020 FORECAST SUMMARY

1 CASE 1 Covid-19 contained by Jun 2020



Supply contraction as **some** hotels will be closed



Average Room Rate

▼ 10-12% y-o-y



Occupancy Rate

20-25% (vs. 2019: 68.9%)

2 CASE 2 Covid-19 contained by Sep 2020



Big supply contraction as **many** hotels will be closed



Average Room Rate

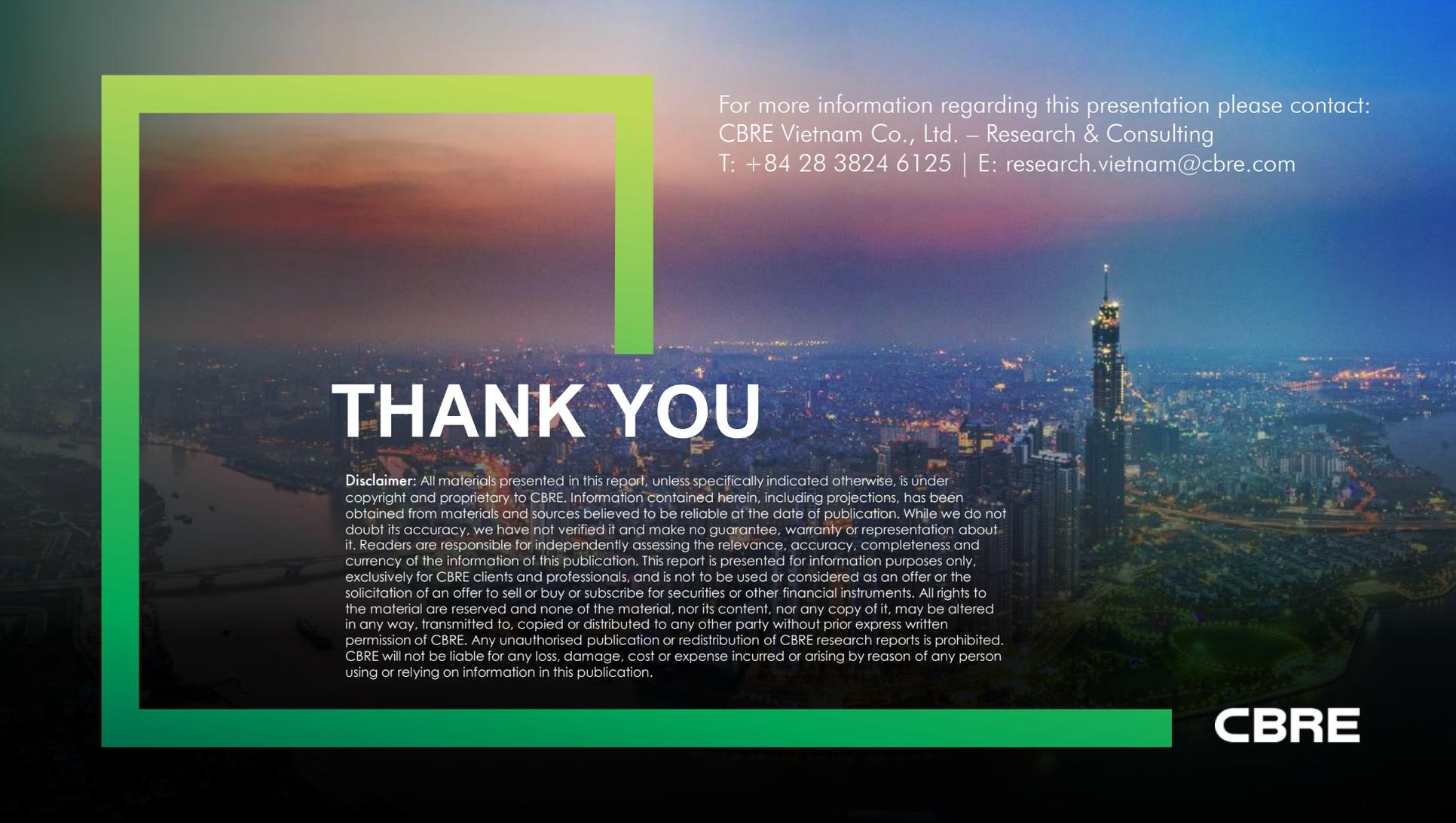
▼ 15-17% y-o-y



Occupancy Rate

15-20% (vs. 2019: 68.9%)

* Note: 4- to 5-star hotel segment



For more information regarding this presentation please contact:
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T: +84 28 3824 6125 | E: research.vietnam@cbre.com

THANK YOU

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