

2021


SPOTLIGHT
Savills Research

HCMC



MEDIA RELEASE Q1.2021

- Retail
- Office
- Hotel
- Serviced Apartment
- Apartment
- Villa & Townhouse

MACRO INDICATORS

GDP
GROWTH RATE



4.5%

↑ 0.8ppt

RETAIL SALES



55.6 BILLION \$

↑ 4.4%

CREDIT
GROWTH



1.5%

↑ 0.8 ppt

TRADE
SURPLUS



2 BILLION \$

N/A

INTERNATIONAL
VISITORS



48,000

↓ 98.7%

TOTAL FDI



10.1 BILLION \$

↑ 18.5%

NEW STOCK
ACCOUNT



258,000

~65% of
2020
volume

CPI



0.3%

Lowest in 20n

NEWLY ESTABLISHED
BUSINESSES



29,300 UNITS

↓ 1.4%

● Value ● YoY Growth Rate(%)

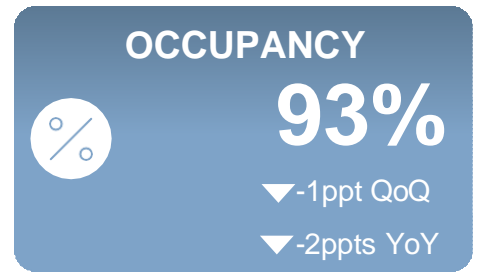
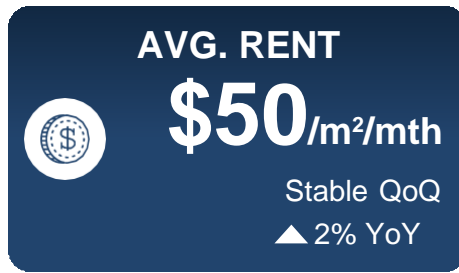
In Q1/2021, gross domestic product growth of 4.5% was positive in the context of the global pandemic. Manufacturing was the main driver, up 9.5% YoY, especially in electronics, mobile phones, and accessories.

The first quarter saw trade recovering with estimated revenues of US\$153 billion, up 24% YoY, to provide trade surplus of over \$2 billion. The USA, China, and EU continue to be the leading export markets.

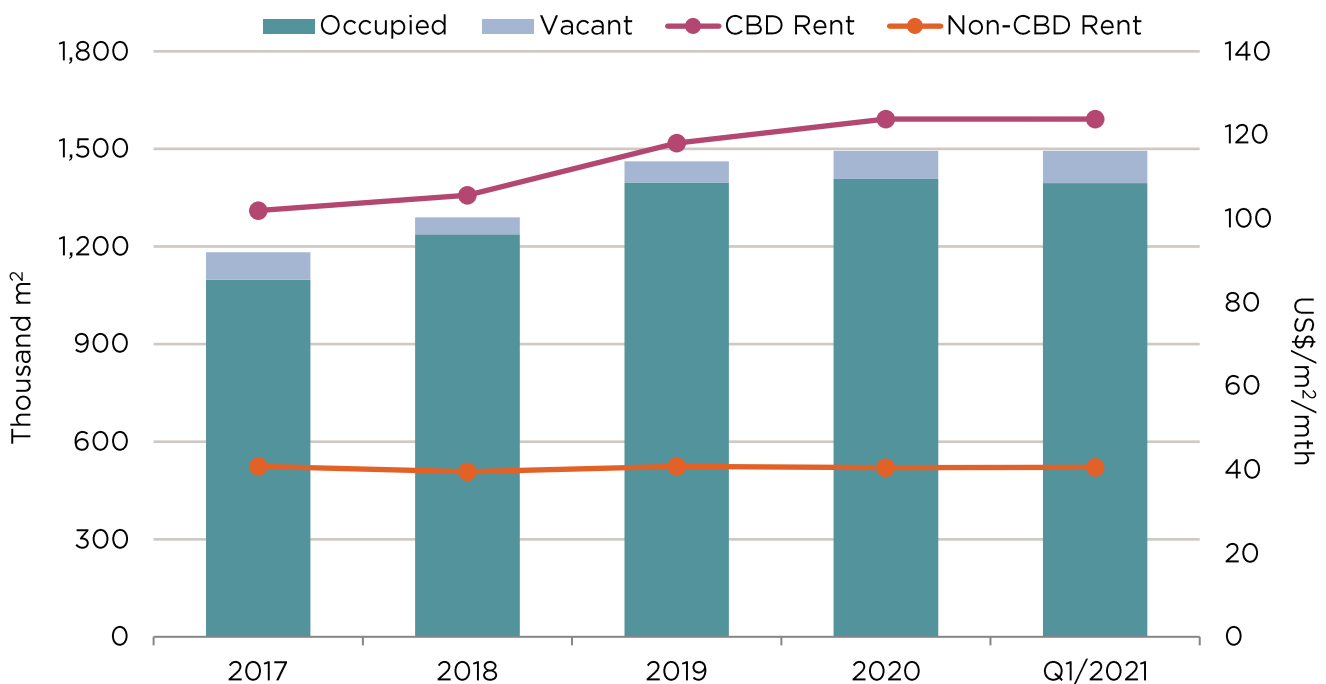
First quarter committed FDI increased 18.5% year-on-year, while disbursed FDI was up 6.5% YoY.

Tourism struggles continue with just 48,000 arrivals, down 99% YoY.

RETAIL

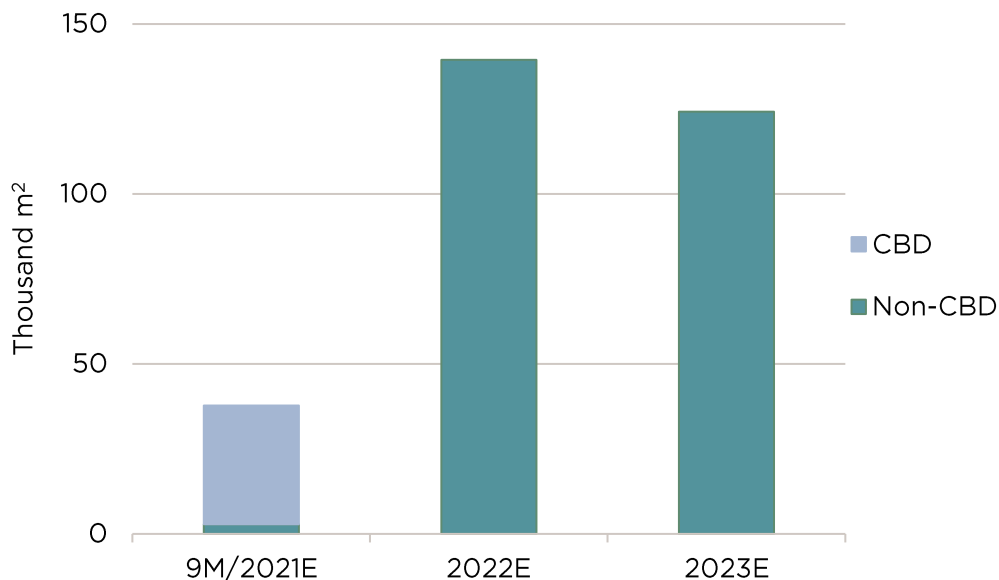


Performance



Source Savills Research & Consultancy

Supply to 2023



Source Savills Research & Consultancy

(1) Data collection as of Q1/2021
(2) Occupancy calculated by leased area divided by leasable area
(3) Avg. Rent: ground level rent, including service charge, excluding VAT

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

“ There are many variables acting against the Covid backdrop. Retail sales are increasing as is E-commerce. International brands are showing keen interest, however, F&B and non-CBD retail struggles. ”



Cao Thi Thanh Huong
Research Manager, HCMC



KEY FINDINGS

Postponed Pipeline

In Q1/2021, with no new supply, the stock of 1.5 million m² NLA remained stable quarter on quarter.

Retail openings continue to be slowed by Covid, further compounded by closures. Of the 11 completed projects providing 159,000 m² NLA, only three projects supplying 37,000m² NLA are expected to enter within the next nine months.

Occupancy Drift

In Q1/2021, occupancy of 93% eased -1ppt QoQ and -2ppts YoY. Shopping centres in the non-CBD had occupancy decreases of -1ppt QoQ. Exits at lease expiry have been difficult to fill.

However, projects in the CBD performed reasonably, with newly released space taken-up. Shopping centers remained mostly fully occupied.

Rentals Stabilize

In Q1/2021, the average ground-floor rent of US\$50/m²/mth remained stable QoQ. High occupancy has left rents mostly unchanged, or in some re-entry cases such as Parkson Saigon Tourist Plaza and Me Linh Point with high rents, up 2% YoY.

To support struggling tenants in the non-CBD, landlords offered free fit-out periods, as well as discounts of up to -40% in the first 2-3 months for new deals.

Outlook

In Q1/2021, according to HCMC Statistical Offices (PSO), Retail Sales of Good and Services (RSGS) of approximately US\$12 billion moved up 6% YoY. In which, retail sales accounting for 56% were up 12% YoY.

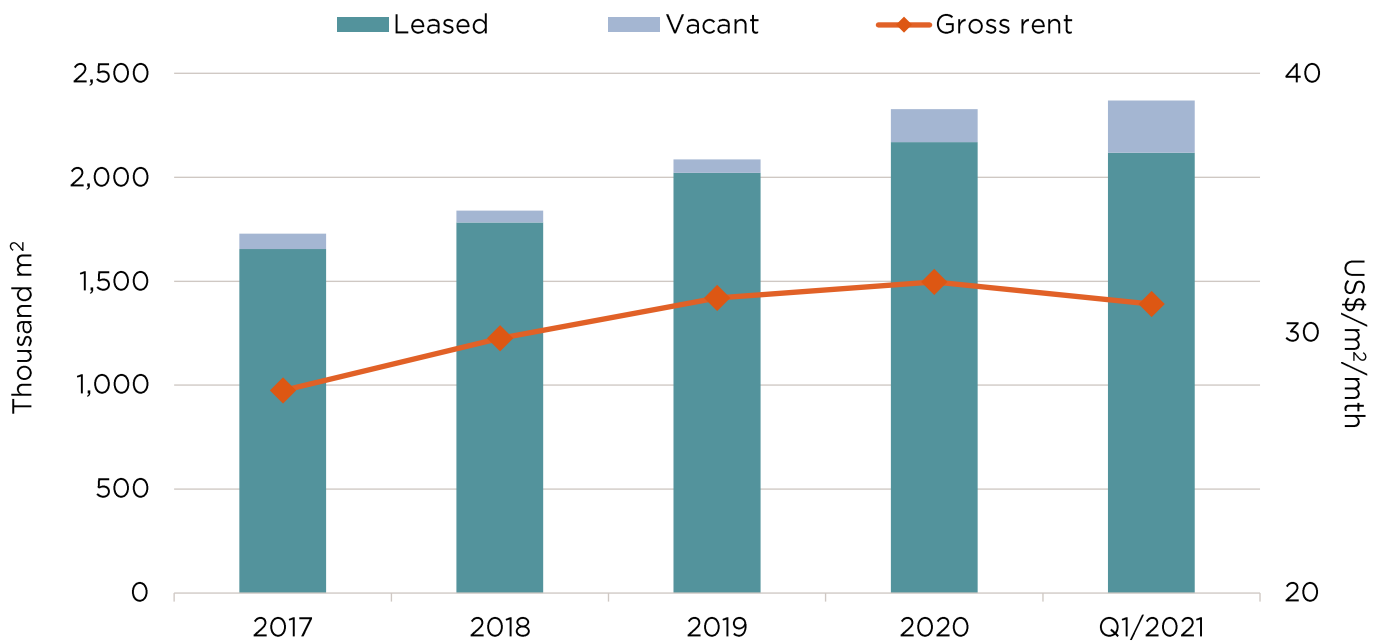
Positive economic forecasts, increasing local consumption, and COVID-19 remaining well-contained, all looks set to support retail growth. While many small retailers have closed, there is an emerging trend of international brand expansion such as Uniqlo, Haidilao. New mid- to high-end international brands planning to enter include Balenciaga, Tiffany & Co.

Increasing e-commerce will continue affecting physical retail. According to the National Master Plan on E-Commerce Development for 2021-2025, up to 55% of the population will participate in online shopping by 2025. The Viet Nam E-Commerce & Digital Economy Agency (iDEA) reports 53% are already shopping online in 2020.

OFFICE

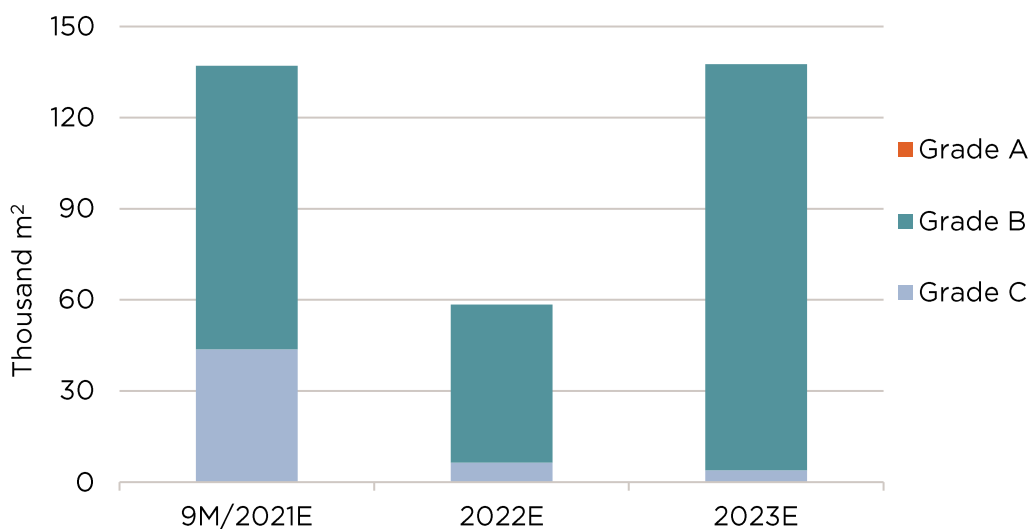


Performance



Source Savills Research & Consultancy

Supply to 2023



(1) Data collection as of Q1/2021
 (2) Occupancy calculated by leased area divided by leasable area
 (3) Avg. Rent: including service charge, excluding VAT

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

Source Savills Research and Consultancy



Non-CBD supply will continue to deliver affordable space and keep a ceiling on rents. Small business continues to drive office demand.

*Tu Thi Hong An
Commercial Leasing Director, HCMC*



KEY FINDINGS

Non-CBD Supply Increase

By the end of Q1/2021, stock of almost 2.4 million m² was up 2% quarter on quarter (QoQ) and 11% year on year (YoY). Over 42,300m² of new supply entered in the non-CBD, of which 55% was in suburban Districts Go Vap and Thu Duc. Decentralization continues under limited vacancies and high rents in the CBD.

Stable Performance

Average occupancy of 89% was stable QoQ but down -8ppts YoY, with average rent of US\$31/m²/mth slightly down -1% QoQ and -3% YoY. Performance slipped when Grade A rents eased -2% QoQ, as landlords attempted to fill vacant space.

Grade B was most affected by softening demand and new supply pressure. Grade occupancy of 86% was down -11ppts YoY while the average rent of US\$34/m²/mth drifted -2% YoY. Closures, or downsizes were mostly from Finance, Manufacturing, and Real Estate.

Deals

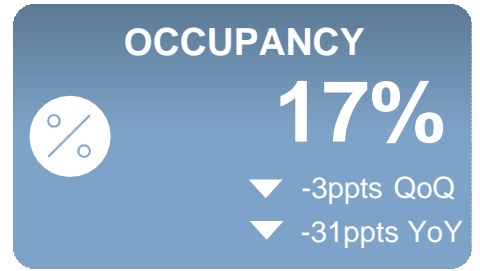
According to a recent Savills Survey, Q1 deals were mostly from 100-300m² of which nearly 70% were with local SMEs, with those over 1,000m² representing 4% of deals. Distribution businesses accounted for 24%, Consultancy, 18%, while Transportation accounted for 13 percent. Q1 take-up of almost 38,000m² compared well with negative take-up of -8,000m² in Q4/2020.

Outlook

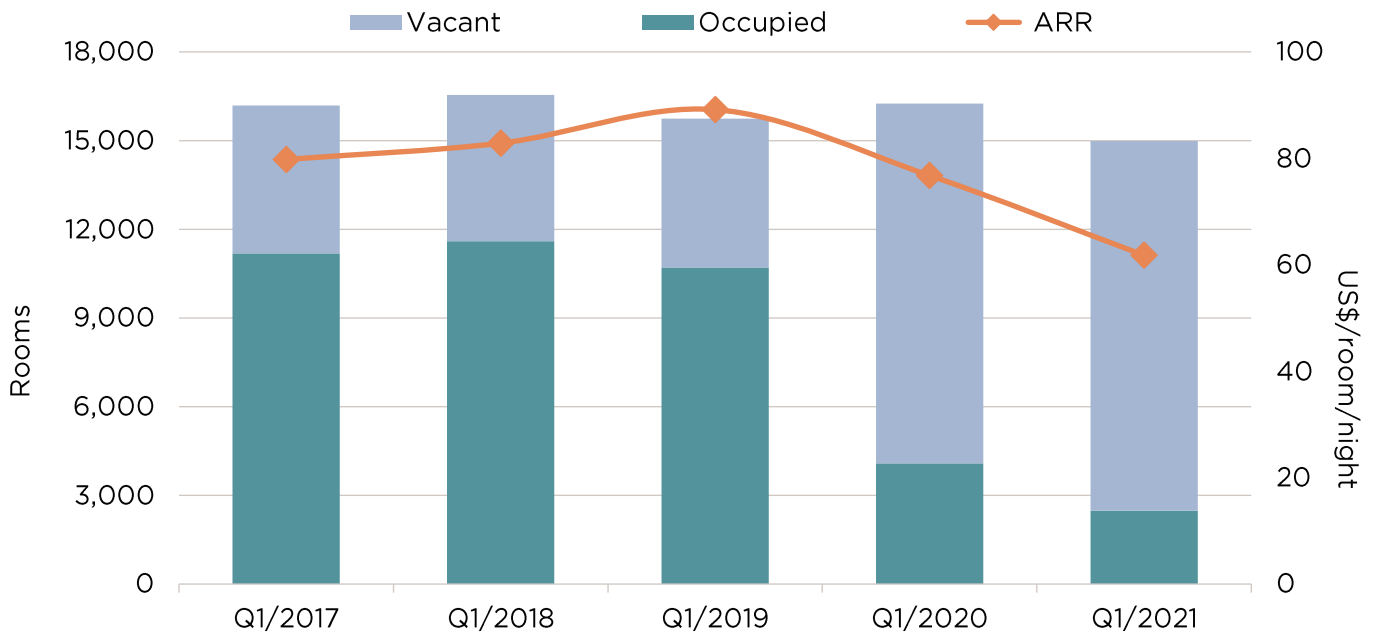
With estimated new supply down -26% YoY, segment performance is not expected to be greatly affected in 2021. Implying increasing office demand is up to 300,000 jobs forecast this year in HCMC, increasing 10% YoY, according to HCMC Centre of Forecasting Manpower Needs & Labour Market Information.

By 2023, over 333,000m² from 19 new projects is scheduled to enter.

HOTEL

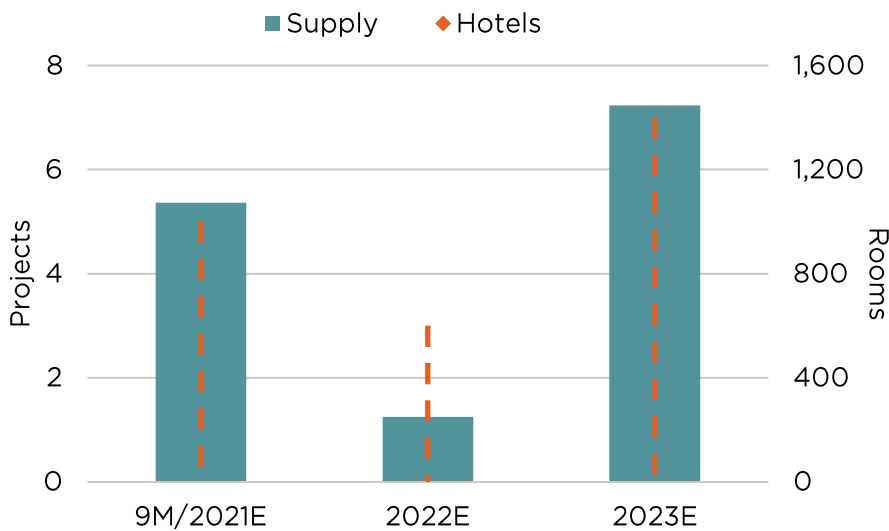


Performance



Source Savills Research & Consultancy

Supply to 2023



Source Savills Research & Consultancy

(1) Data collection as of Q1/2021
 (2) Occupancy calculated by occupied units divided by total available units.
 (3) Avg. Room Rate: including service charge, excluding VAT
 (4) QoQ: Quarter on Quarter comparison
 (5) YoY: Year on Year comparison

“ Domestic tourism continues to drive hospitality, targeted at 20% growth for 2021. ”

Mauro Gasparotti
Director, Savills Hotels Asia Pacific



KEY FINDINGS

Supply Shrinkage

Total supply of approximately 15,000 rooms from 100 hotels, was down -2% quarter on quarter (QoQ) and -8% year on year (YoY). The decrease came from temporary closures of a 208-room 5-star project, and 323 rooms in four 3-star projects. Some chains, including A & Em, and Liberty, trimmed supply and service levels to cut costs and concentrate demand to key sites.

Seventeen hotels supplying a total of 2,400 rooms across all three grades are operating as temporary quarantine facilities.

First Quarter Struggles

Tourism continues to be one of the sectors hardest hit by pandemic, especially in cities most affected by the 3rd wave, such as HCMC. Q1/2021 occupancy of 17%, down -3ppts QoQ and -31ppts YoY, led to ARR of US\$62 dropping -20% YoY. Being mostly reliant on international trade and business travelers, 5-star was most affected, with ARR down -30% YoY, and occupancy dropping -35ppts YoY.

Overall the tourism industry remains in the doldrums after a year battling Covid-19 effects. To end Q1, tourism revenues fell -60% YoY, with over 80% of tourism businesses remaining closed, according to the HCMC Tourism Department.

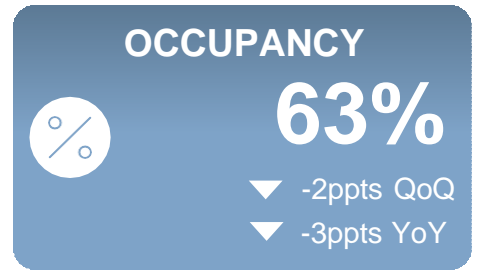
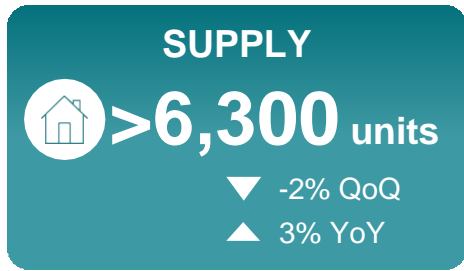
2021 Targets

Domestic tourism remains the core market this year. Eighty million domestic visitors are anticipated for revenue of US\$16.4 billion, increasing 20% YoY, according to the Ministry of Culture, Sports & Tourism. HCMC targets over 30 million domestic visitors or nearly 40% of national volume.

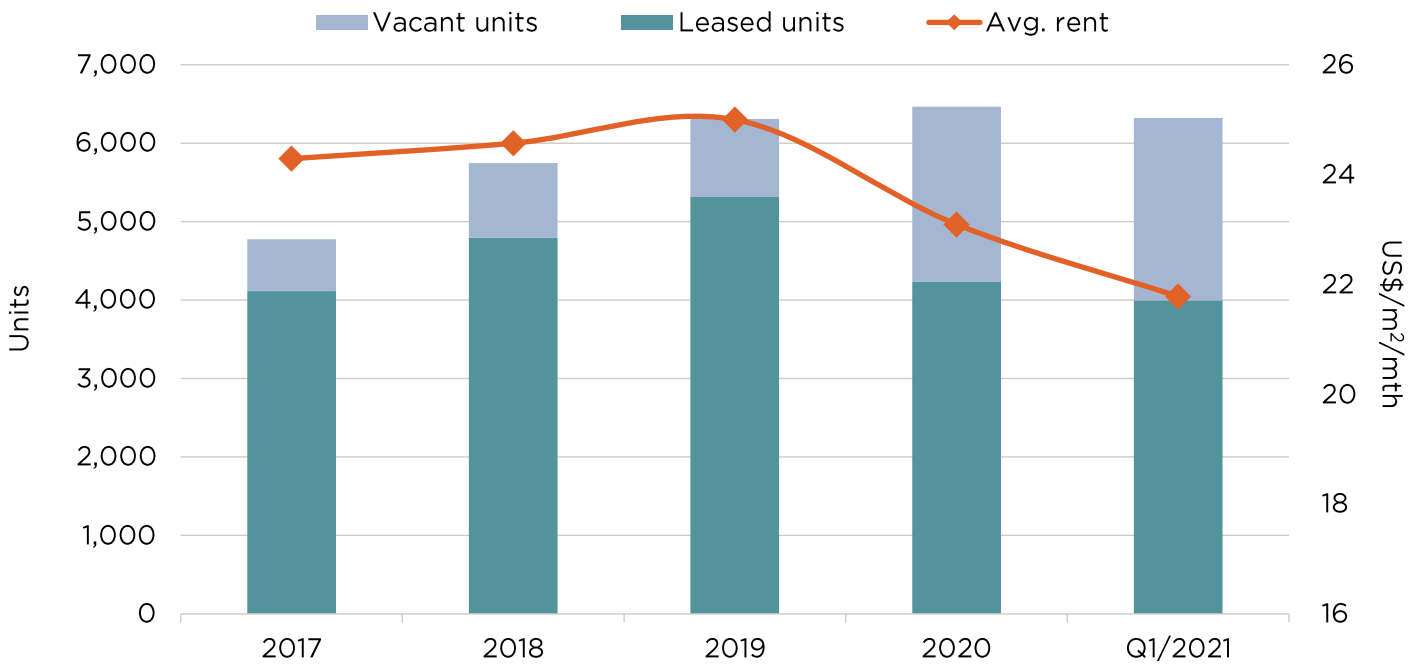
Outlook

By 2023, over 3,000 rooms from new developments and temporary closed sites reopening are likely to see increased supply pressure.

SERVICED APARTMENT

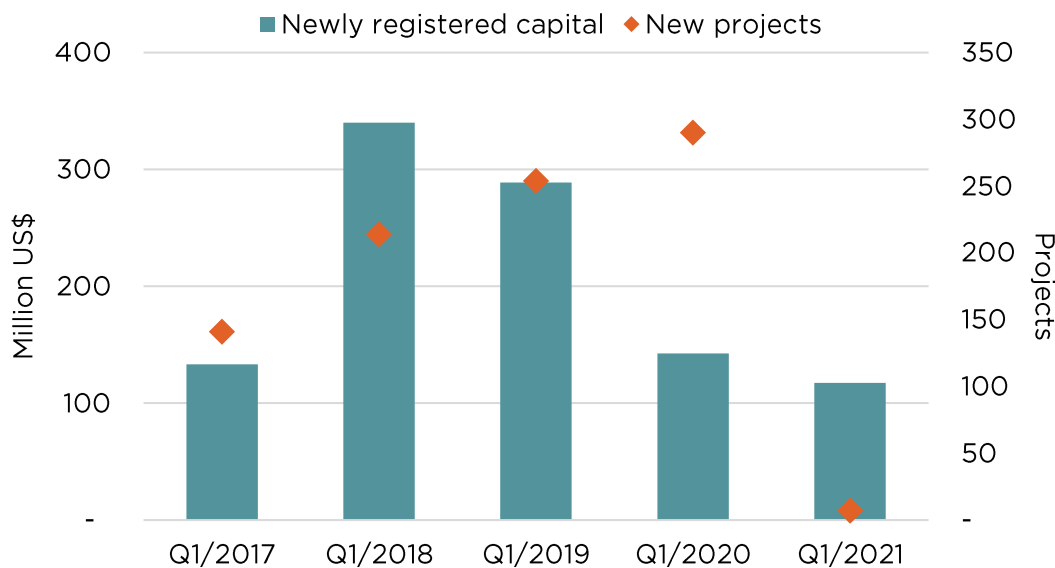


Performance



Source Savills Research & Consultancy

HCMC FDI, Q1/2021



Source: MPI

(1) Data collection as of Q1/2021
 (2) Occupancy calculated by leased units divided by total units.
 (3) Avg. Rent: including service charge, excluding VAT

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

“ Whilst SA continues to suffer Covid fall out, the overall performance has been quite resilient. This sector should benefit from a rapid recovery as international travel recovers. ”

Vo Thi Khanh Trang
Associate Director, Research, HCMC



KEY FINDINGS

Supply Decline

In Q1/2021, stock eased -2% quarter-on-quarter (QoQ) after three projects closed, and one Grade C project trimmed its leasable stock. There were no new entries. Grade C has been most affected by the pandemic with landlords facing mounting competition from increasing investment apartments.

New projects have delayed opening. However, over the next nine months approximately 300 serviced apartments from 4 projects are expected, with 260 from three projects in the non-CBD.

Soft Performance

Segment performance continues to soften. In Q1/2021, the average rent of US\$22/m²/mth was down -2% QoQ while average occupancy of 63% decreased -2ppts QoQ. Occupancy was mostly affected by cancellation of long-term contracts, and declining short-term demand.

To help attract new tenants and maintain existing leases, landlords have provided more incentives such as rent decreases, increased utility allowances, and free upgrades.

Outlook: Silver Linings

Long-term, the segment outlook presents well: strong economic growth forecast, global Covid vaccine roll-outs, and increasing FDI, all point to increasing demand. However, the short-term remains uncertain with limited commercial flights and declining expats.

In Q1/2021, total registered FDI to HCMC of US\$679 million included 44% of additional FDI. Newly registered FDI of over US\$117 million from 7 new projects was at its lowest level in five years. Q1/2021 represented just 65% of Q1/2020 FDI. HCMC Planning & Investment Department targets HCMC FDI capital of US\$5.4 billion in 2021, for a YoY increase of US\$1.4 billion.

APARTMENT

PRIMARY SUPPLY

>4,900

▼ -56% QoQ
▼ -31% YoY

SALES

~2,100

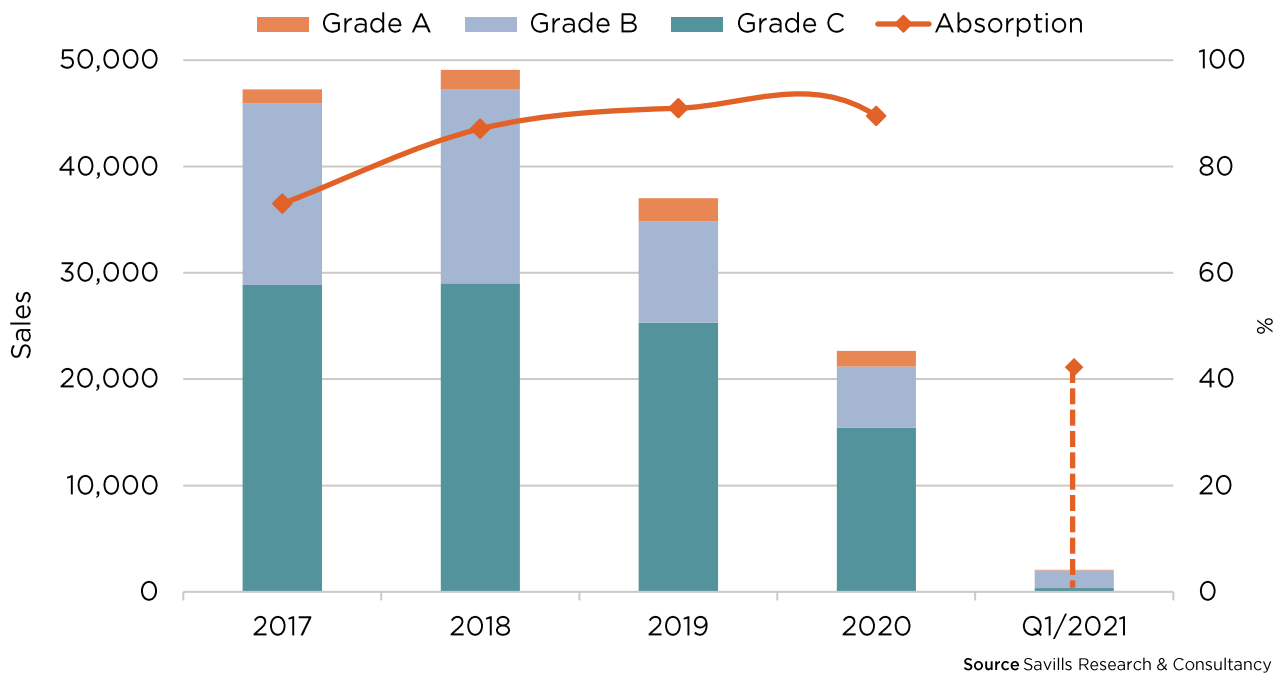
▼ -76% QoQ
▼ -56% YoY

ABSORPTION RATE

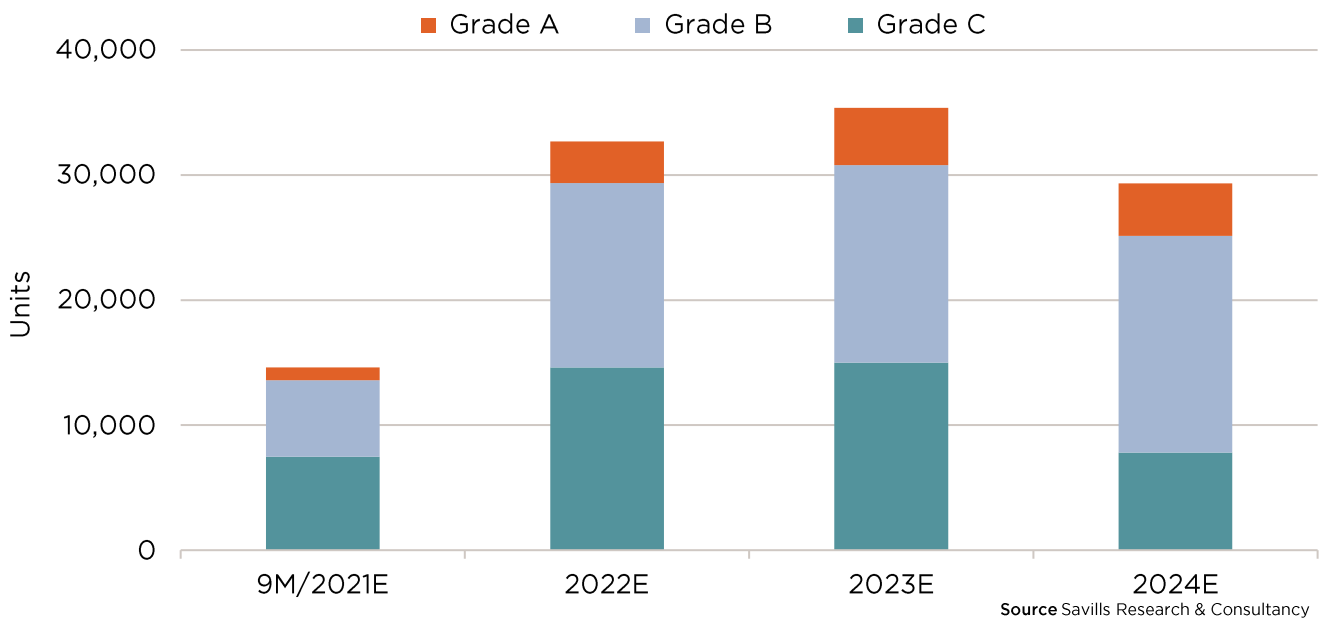
42%

▼ -34 pts QoQ
▼ -24 pts YoY

Performance



Supply to 2024



(1) Data collection as of Q1/2021
(2) Absorption rate calculated by sales divided by primary supply

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

“ *The strong domestic economy and the historically low levels of stock are pushing demand and prices.* ”

*La Kim My Duyen,
Associate Director, Residential Sales, HCMC*



KEY FINDINGS

Limited New Supply

Q1/2021 primary stock of over 4,900 units was down -56% quarter on quarter (QoQ) and -31% year on year (YoY). Total new supply of over 2,200 units from 2 new projects and 8 next phases of existing developments, was down -73% QoQ and -38% YoY, of which 33% was from two new Grade B projects Masteri Lumiere in District 2, and King Crown Infinity in Thu Duc.

Grade B led primary supply this quarter with a 57% share. New urban areas in Districts 2, 7 and 9 had a 78% share of grade B primary supply.

Softer Performance

Total quarterly sales of almost 2,100 were the lowest in five years, dropping -76% QoQ and -56% YoY, mostly due to lower primary supply. The two new Grade B projects led performance with absorption of 86 percent. Greater proportions of larger sized units with higher unit prices have slowed performance in the next phases of existing developments. Absorption of 42% was sharply down -34ppts QoQ.

Prices moved up across all Grades, especially in the next phases of existing developments, where unit prices increased up to 6% over their previous launch.

Corporate Bond Risks

The State Bank tightened commercial lending practices, with the maximum short-term capital ratio for mid- and long-term loans continuing to decrease to 30% by October 2023. Corporate bonds as alternative capital are now popular with Real Estate enterprises. According to Vietnam Corporate Bond Outlook by FiinGroup, property developers are the largest issuers at 38%, with a combined value of over US\$7 million, up 28% YoY. From 2018-2020, apartment absorption increased annually, to reach 90% in 2020. However, segment sales trending down at -32% pa, may challenge bond issuers.

CBD Hot Spot

To 9M/2021, over 14,600 units are expected to launch across all Grades. New urban areas in Districts 2, 7 and 9, accounting for a 44% share will remain key suppliers, supported by the expected openings of Metro Line 1, and Ring Road Three. The branded residence project, Grand Marina in District 1, will be interesting to monitor, with strong prices expected. Improved administrative procedures and major infrastructure completions will assist new developments in the non-CBD.

Anticipated supply until 2024 is over 112,000 units, of which Grade B will have the greatest share at 48%.

VILLA & TOWNHOUSE

PRIMARY SUPPLY

~470

▼ -50% QoQ
▼ -59% YoY

SALES

~200

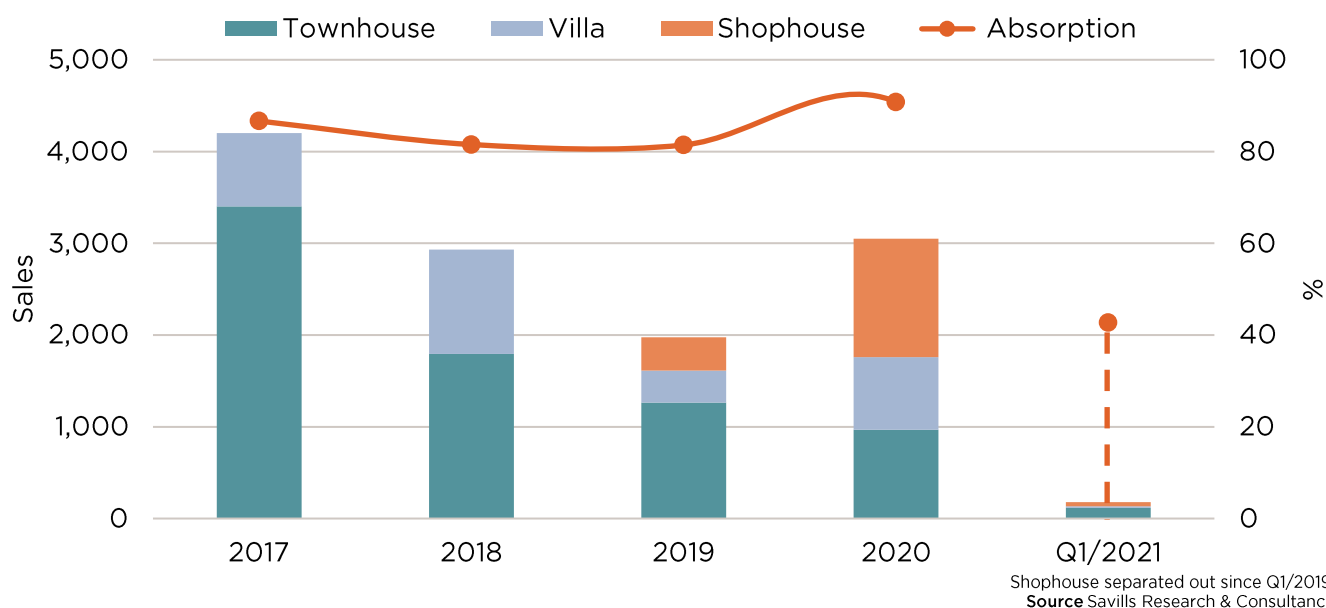
▼ -69% QoQ
▼ -65% YoY

ABSORPTION RATE

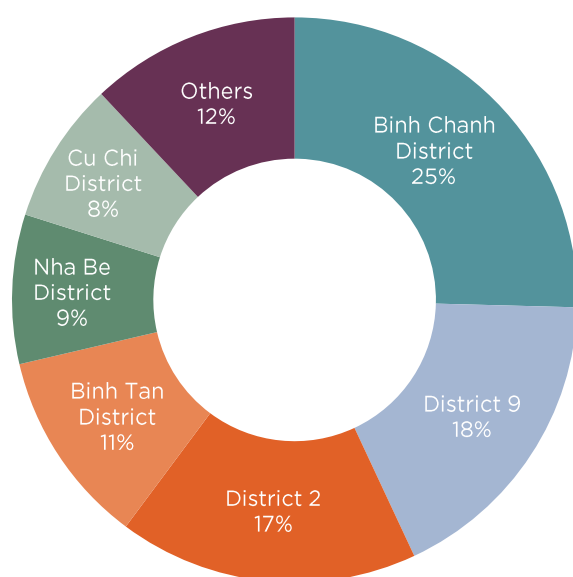
43%

▼ -25 pts QoQ
▼ -7 pts YoY

Performance



Supply to 2023



(1) Data collection as of Q1/2021
(2) Absorption rate calculated by sales divided by primary supply
QoQ: Quarter on Quarter comparison
YoY: Year on Year comparison

"Others" include Districts 7, 8, Can Gio, Go Vap, and Thu Duc.
Source Savills Research & Consultancy

“As the domestic economy continues to perform well, there is an equity build-up and price pressure in landed property. Low supply levels are pushing this sector forward.”

Vo Thi Khanh Trang
Associate Director, Research, HCMC



KEY FINDINGS

Low Primary Supply

Q1/2021 primary supply of over 470 dwellings was at its lowest level in 5 years, down -50% quarter on quarter (QoQ) and -59% year on year (YoY). One hundred and eighty units were from newly launched projects, with the remaining 63% representing unsold inventory.

Limited landed housing supply is expected to continue, with the HCMC Housing Plan to 2030 prioritizing high-rise development. In the last decade, low-rise products have accounted for less than 10% of new housing; this rate is targeted to continue decreasing from 2021 onwards.

Soft Performance

In Q1/2021, total sales of 200 were down -69% QoQ and -65% YoY. New launches accounted for 42% total sales; Townhouses dominated with 67% of sales.

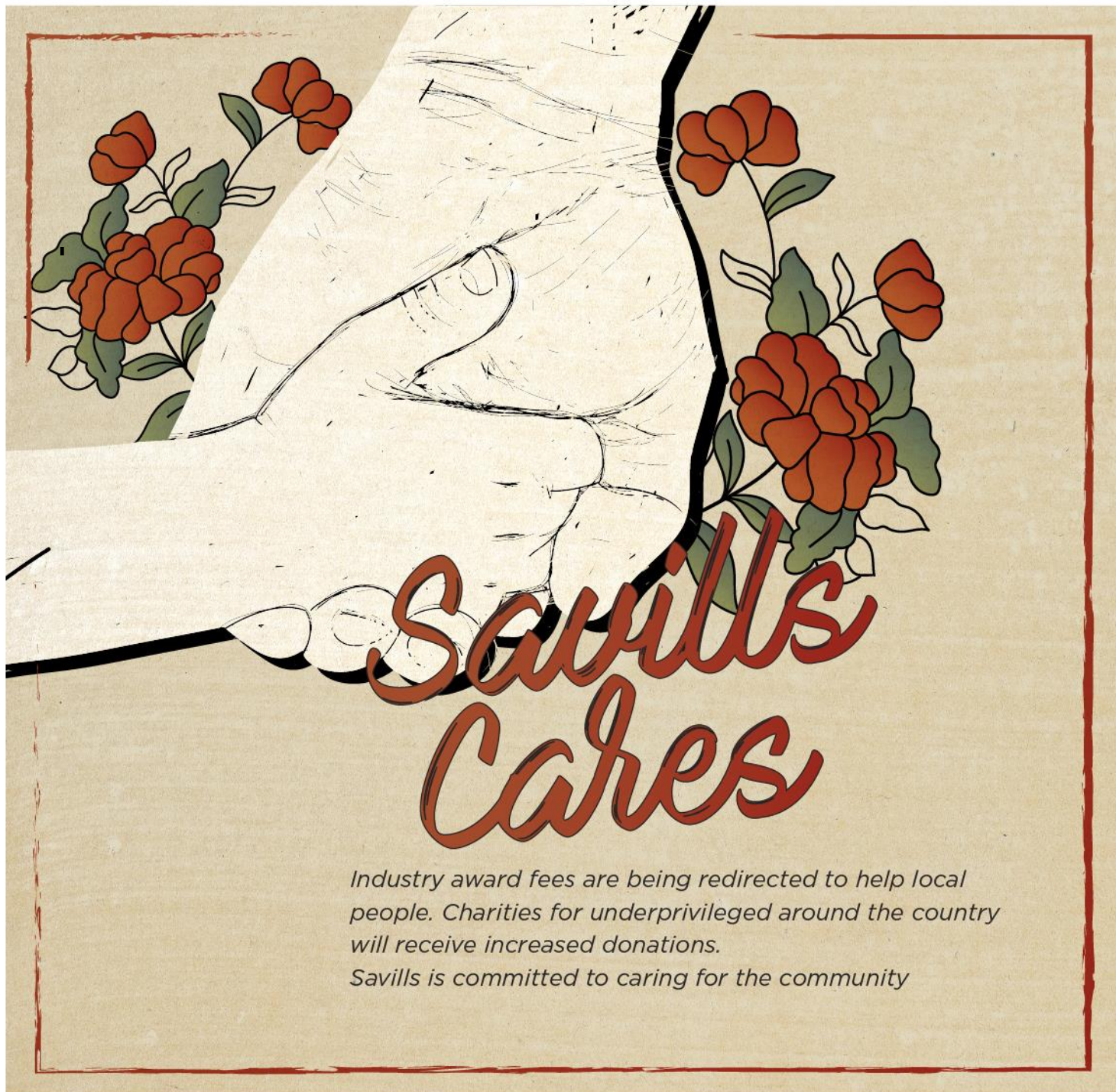
Quarterly absorption of 43% was down -25 pts QoQ and -7 pts YoY. Performance struggled under limited new supply and increasing proportions of inventory being either older or priced at over \$2,000,000.

First quarter Real Estate credit growth of 2.13% was higher than national average level of 2.04%, due to mortgage rates regularly being reduced by 0.3-2 pts. Positive economic forecasts encourage brighter prospects for landed property. Last year, GDP growth of 3% made Viet Nam the lead-performing Asian economy, with forecast annual growth of almost 7% over the next five years, according to the Ministry of Planning & Investment.

Vision Suburbia

By 2023, nearly 9,200 new units are expected. Binh Chanh is scheduled to receive 25% of this new supply, followed by District 9 with 18%, and District 2 with 17 percent.

The announced pipeline generally aligns with HCMC Housing Planning to 2030. New low-rise projects are focused to Districts 7, 9, 12, Thu Duc and Binh Tan; and suburban Districts, Binh Chanh, Nha Be, Can Gio, Cu Chi, and Hoc Mon. Any later projects in these large land-banked Districts are likely to be developed in tandem with infrastructure improvements.



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.

Research



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