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Research Report
April 2018

Vietnam Property Market Brief

Q1 2018

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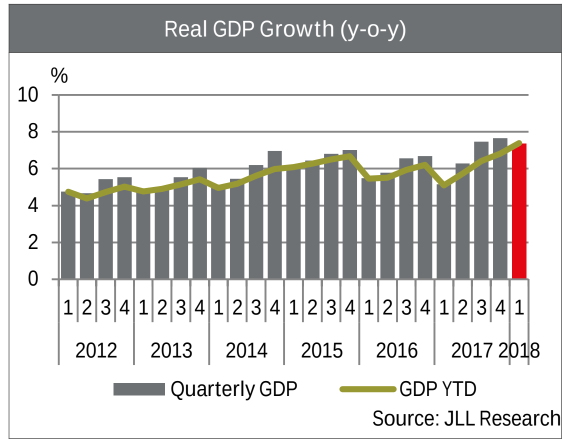
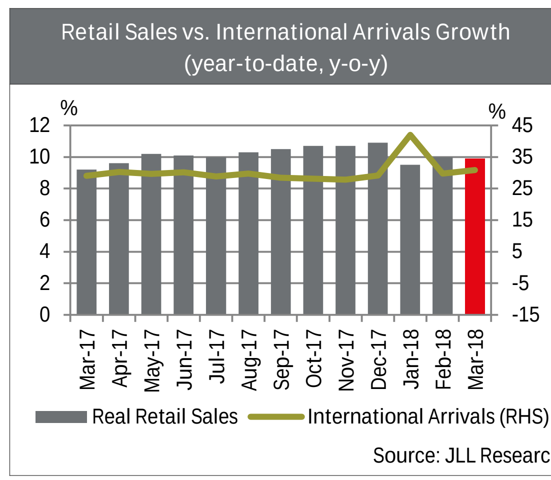
Contents

VIETNAM ECONOMY

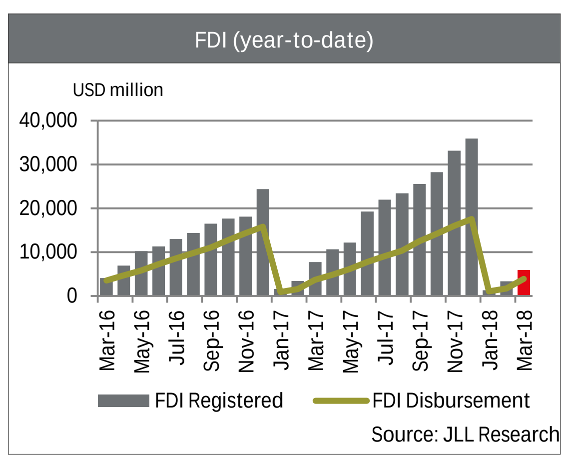
Vietnam's economy growth hits 10 year high of 7.38%: According to the General Statistics Office, the GDP growth rate in 1Q18 was estimated at 7.38% compared to the same period in 2017, the highest on record over the past decade. With regard to economic structure, the industrial and construction sector and services reached the highest growth rates of 9.7% and 6.7% y-o-y, respectively. The agro-forestry-fisheries sector rose by 4.05% y-o-y, reflecting a stronger growth than the levels in the 2011-2017 period, thanks to the favourable weather conditions in early 2018. For the remaining quarters of the year, Vietnam is forecasted to hold macroeconomic stability with a robust growth of above 6.5%.



Total retail sales and international arrivals continue to uplift: As of 1Q18, the total retail sales of consumer goods and services witnessed a gradual upturn of nearly 10% y-o-y, higher than the 9.2% level in the previous year. In the first three months of the year, the inflow of international tourist arrivals in Vietnam numbered more than 4.2 million, indicating a strong increase of 30.9% against 1Q17, according to Vietnam National Administration of Tourism. In terms of origin of tourist, China, South Korea and Japan remained the three largest sources of arrivals, accounting for a large proportion of 60% of the total number of foreign tourists. For 2018, the Vietnamese government expects to reach the target of luring 15-17 million international arrivals mostly through a series of promotional activities, a visa waiver programme as well as upgrading more destinations from both international and domestic connections to major markets.

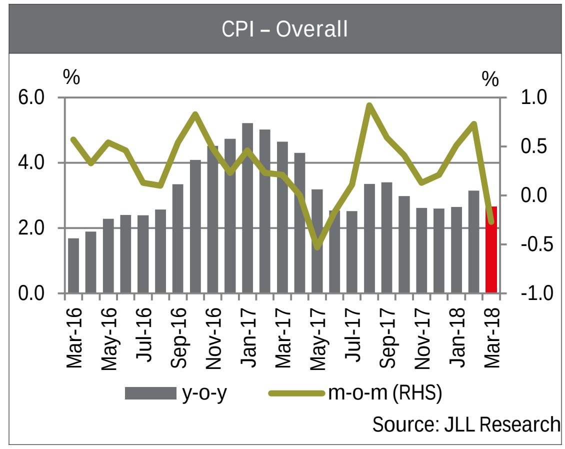


Vietnam's FDI continues to attract the majority of investments from Asian countries: In the January-March period, foreign investment capital poured more than USD 5.8 billion in Vietnam, but was lower than that in 1Q17. Of this, there were 618 newly registered projects and 1,285 capital contributions and share purchases of foreign investors with a total FDI of more than USD 4.0 billion in 1Q18, contributing 69.1% to the total FDI. By investment industry, processing and manufacturing still remained at the top sector, attracting USD 3.4 billion and accounting for 59.4% of total capital. The wholesale and retail and the real estate sectors ranked at second and third with USD 0.53 billion and USD 0.49 billion, respectively. Amid 76 countries and territories investing in Vietnam, South Korea was the leading investor with more than USD 1.8 billion and reaching 31.6% of the FDI, followed by Hong Kong with USD 689 million and Singapore with USD 649 million.

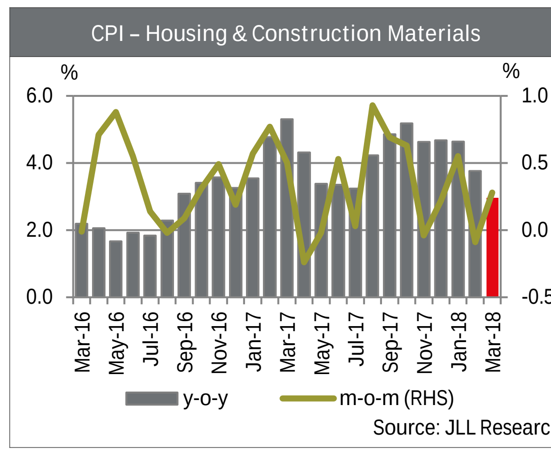


VIETNAM ECONOMY

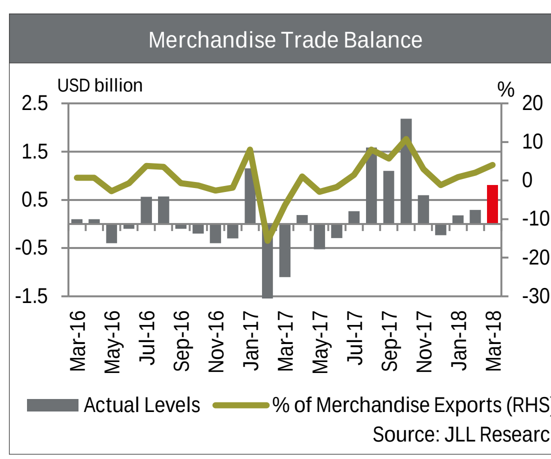
Average CPI of Vietnam in 1Q18 rose by 2.82% y-o-y: The CPI in March 2018 grew 2.66% y-o-y, but dropped slightly 0.27% m-o-m. The overall CPI saw an average increase of 2.82% for the first three months of this year versus the same period in 2017. Among the reported groups of goods and services, nine out of eleven sectors saw price increases, largely driven by the high demand for medical and health services (up 26.4%) and education (up 6.6%). The index of housing and construction materials in the quarter showed a boost of 3.78% y-o-y on average. The only two categories in which prices witnessed a slowdown compared to the same period last year were the food and catering services and the postal and communicational services, which inched down 0.12% and 0.43%, respectively. Inflation is expected to remain at a rate of less than 4% in 2018.



Exports surpassed imports by USD 1.3 billion in the first quarter of 2018: According to the General Department of Vietnam Customs' statistics, the country's total trade surplus was estimated to have achieved USD 1.3 billion as of 1Q18. Overall, the export turnover in the period was recorded at more than USD 54.3 billion, indicating a y-o-y hike of 22%, while the import value was around USD 53 billion, up 13.6% compared to the same period in 2017. The EU and the United States continued to be the two largest export markets, totalling USD 19.4 billion, with some key products such as phones and devices, electronic appliances and textile products. Meanwhile, China and South Korea were still the key import sources, with USD 14.3 billion, up 13.7% and USD 11.9 billion, up 19%, compared to that in 1Q17, mainly due to increased imports of machinery, electronic equipment, computers and devices.



The number of newly registered enterprises continues to improve: During the first three months of 2018, there were 26,785 newly established enterprises with a total registered capital of VND 278.5 trillion, rising by 1.2% for the number of companies and 2.7% in registered capital from 1Q17. By business activity, the number of new businesses in the real estate industry were up 32.7% in the number of enterprises to more than 1.2 thousand companies, accounting for 4.6% of the total number of new enterprises. In the quarter, 3,321 enterprises completed the process for dissolution, up 1.6% y-o-y, and 20,337 enterprises terminated business activity, falling by 1.4% compared to the same period in 2017.



HCMC OFFICE

Supply and Demand	Grade A	Grade B	Total
Total Stock (sqm NFA)	249,209	885,254	1,134,463
Occupancy Rate (%)	92.7%	95.5%	94.9%
Q-o-Q Change (bps)	▲100	▼93	▼45

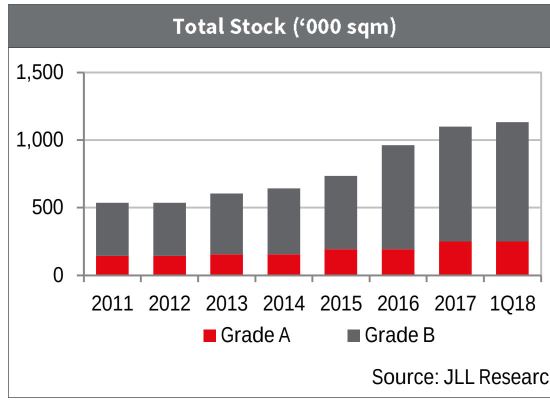
Source: JLL Research

SUPPLY SLIGHTLY INCREASES

- After the opening of Saigon Centre Phase 2 and Deutsches Haus in the second half of 2017, no new Grade A building entered the market.
- Etown Central started its operation within the quarter, adding 34,000 sq. m of Grade B office space into the total stock.

POSITIVE DEMAND

- Net absorption of Grade A and Grade B was totally more than 27,000 sqm . Grade B segment saw major absorption.
- The overall occupancy rate slightly decreased due to new supply but still kept at high level, showing healthy demand in the market.

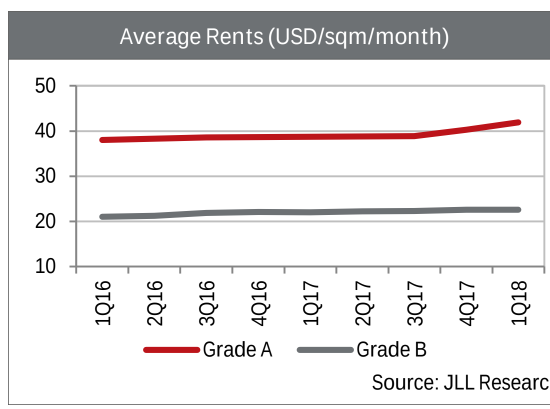


Asset Performance	Grade A	Grade B
Average Gross Rent (USD/sqm/month) [1] [2]	49.7	28.1
Average Net Rent (USD/sqm/month)	41.9	22.6
Q-o-Q Change (%) [2]	▲ 4.0	◀▶0.0

Source: JLL Research

RENT KEEPS ON UPTREND

- HCMC office market continue to record strong rent growth on the back of healthy demand in both Grade A and Grade B segments, with landlords of Grade A buildings increasing asking rents.
- Grade B average rent kept moderate growth rate despite new supplies that entered the market. New Grade B buildings recently improved building quality and kept the rent affordable to compete with Grade A buildings.



OUTLOOK

- Supply increase
  - After Etown Central, 2018 is expected to welcome Thaco Complex (District 2) to join the stream. The building continues to show good construction progress.
- Rents continue to rise
  - Grade A rent will rise with slower pace while Grade B average will keep its moderate pace until the end of 2018.
  - Enquiries for new set-up is likely to increase while relocation and expansion will continuously drive market demand.

Indicator	Outlook by end-2018	
	Grade A	Grade B
Supply	↔	↑
Occupancy rate	↑	↑
Rental rate	↗	↗

Source: JLL Research

[1]: Gross rent includes service charges/management fees but exclusive of VAT.
[2]: Average gross rent, q-o-q and y-o-y changes are adjusted to remove the effects of supply additions / removals (i.e. changes are on a like-for-like basis).

HCMC RETAIL

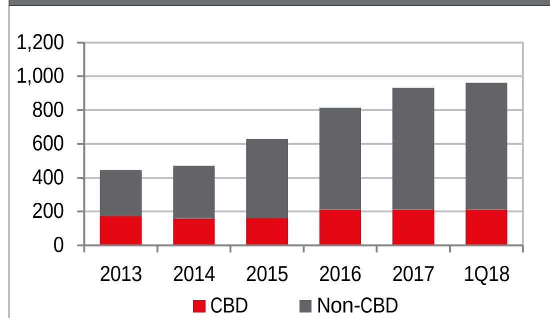
Supply and Demand	Shopping Centre	Bazaar	Supermarket/Hypermarket	Convenience Store
Total Stock (sqm)	962,058	39,850	488,500	272,000
Occupancy Rate (%)	90.8	91.0	N/A	N/A
Q-o-Q Change (bps)	▲ 165	◀▶ 0.0	N/A	N/A

Source: JLL Research

NEW SUPPLY IN 1Q18

- The quarter saw the opening of a Grade A shopping centre in District 10 - Van Hanh Mall with a total retail space of 55,000 sqm enter the sub-market and the withdrawing of 26,000 sqm from Parkson Flemington Department Store to convert the space.
- As of 1Q18, there were more than 1,800 active convenience stores and mini-marts with total area of approximately 272,000 sqm citywide, up 5.1% q-o-q.

Total Stock (sqm)



Source: JLL Research

LIMITED VACANT SPACE AND HEALTHY DEMAND

- The overall vacancy rate dropped 165 bps q-o-q to 9.3% in the quarter, a result of improving leasing activity and rising purchasing power of the city households.

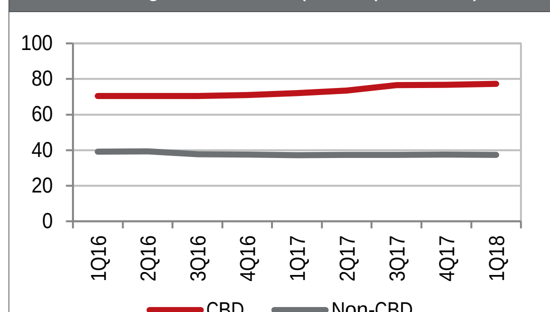
Asset Performance	Shopping Centre		Bazaar
	CBD	Non-CBD	
Average Gross Rent (USD/sqm/month) [1] [2]	77.4	37.5	150
Q-o-Q Change (%) [2]	▲ 0.7	◀▶ 0.0	◀▶ 0.0

Source: JLL Research

RENTS RECORD STEADY GROWTH

- Overall market rent was at around USD 47 per sqm per month, growing by 1.1% compared to the same period of 2017.
- The CBD sub-market witnessed advancing rents as good performance continued from multiple tenants, with a strong focus on the F&B, fashion, health and entertainment retail sub-categories.

Average Gross Rents (USD/sqm/month)



Source: JLL Research

OUTLOOK

- More new retail supply in the pipeline
  - In the next quarter, nearly 50,000 sqm in suburban areas is expected to complete, accounting for around 25% of total future supply in 2018.
  - Lifestyle concept and co-working space will likely attract interest of experiential retail operators in the market.
- Improvement in retail performance
  - The occupancy rate and rental growth is forecast to move upward over the remaining quarters of 2018, mainly due to stronger leasing demand.

Indicator	Outlook by end-2018	
	CBD	Non-CBD
Supply	↔	↑
Occupancy Rate	↑	↓
Rent	↑	↑

Source: JLL Research

[1]: Gross rent includes service charges/management fees but exclusive of VAT.
[2]: Average gross rent, q-o-q and y-o-y changes are adjusted to remove the effects of supply additions/removals (i.e. changes are on a like-for-like basis).

HCMC RESIDENTIAL

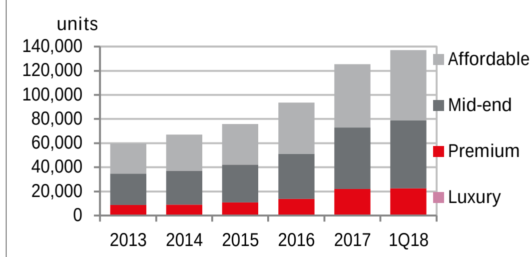
Supply and Demand	Apartment	Villas/Townhouses [1]
Completed Supply (units)	136,000	9,000
Uncompleted Supply (units) [2]	72,000	6,800
Unsold Inventory (%) [3]	5.7	7.2

Source: JLL Research

STRONG NEW LAUNCHES [4], MAINLY FOCUS ON MID-END

- Apartments: New launches in 1Q18 totalled 13,647 units, down 10% q-o-q but up 59.3% y-o-y. Notably, a number of projects already have had soft launches in pervious quarters. Mid-end segment accounted for 62% of total launches.
- Villas/Townhouses: New supply reached 1,512 units, down 16.1% q-o-q but up 12.6% y-o-y, with the majority of activity coming from District 9, District 8, Thu Duc and Binh Chanh.

Total Stock (Completed Supply) - Apartments



Luxury accounts for less than 1% of total stock
Source: JLL Research

CONSIDERABLE DEMAND

- Apartments: In line with strong new launches, sales reached 15,586 units, up 91.5% y-o-y, thanks to the aggressive marketing strategies of the developers with soft-launch events and strong market momentum.
- Villas/Townhouses: Sales totalled 1,573 units, with an average of around 10 -20 units sold per month.

Asset Performance	Primary Market		Secondary Market	
	Q-o-Q [5]	Y-o-Y [5]	Q-o-Q [5]	Y-o-Y [5]
Apartments	▲ 0.9%	▲ 2.8%	▲ 0.6 %	▲ 0.2%
Villas/Townhouses	▲ 7.8%	▲ 11.6%	▲ 1.6%	▲ 5.4%

Source: JLL Research

PRIMARY PRICE UPTREND CONTINUES

- Primary market
  - Apartments: Prices were higher on quarterly basis, with the popular growth rates by project recorded at around 1-2% q-o-q.
  - Villas/Townhouses: Price keep increase, in line with the continued good demand from both owner-occupiers and investors.
- Secondary market
  - Apartments: Prices increased slightly by 0.6% y-o-y. Most of Affordable and Mid-end segments experienced the price growth.
  - Villas/Townhouses: Prices extended uptrend, with considerable increases of 5-7% q-o-q recorded in some low-priced projects.

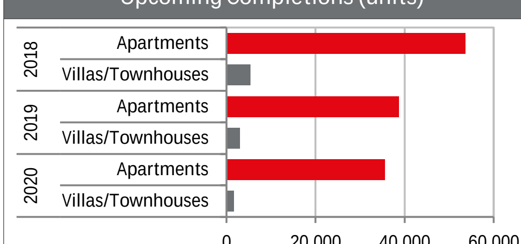
Average Asking Price by Segment (USD/sqm)

Source: JLL Research

OUTLOOK

- High supply in low-priced segment
  - Until end-2018, new launches of apartments may reach nearly 45,000-50,000 units, dominated by Affordable and Mid-end sector.
  - New launches of villas/townhouses in 2018 are expected to reach 3,800 units by year-end, mainly focus on District 9.
- Good sales rate forecast, especially in the low-end segment
  - The low-priced sectors targeting owner-occupier demand will likely drive future sales, supported by better infrastructure development.
  - The sales rate is likely to remain in positive territory towards end-2018, especially in the villas/townhouse market.

Upcoming Completions (units)



Source: JLL Research

[1] Excludes land plot projects [2] Excludes planned projects not launched for sale yet. Includes fully sold projects. [3] The percentage of [2] that remains unsold at quarter-end. [4] Projects are only considered as officially launched when the Sale Purchase Agreements can be signed upon the completion of foundation. [5] Q-o-Q and Y-o-Y changes are adjusted to remove effects from supply additions / removals.

HANOI OFFICE

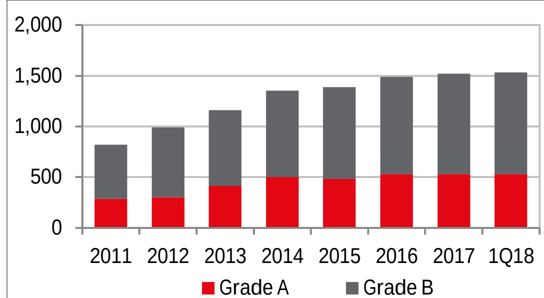
Supply and Demand	Grade A	Grade B	Total
Total Stock (sqm NFA)	529,000	1,003,197	1,532,000
Occupancy Rate (%)	93.3	93.7	93.6
Q-o-Q Change (bps)	▲76	▲85	▲82

Source: JLL Research

SLIGHT CHANGE IN SUPPLY

- No new Grade A building entered to the market during the quarter. The market welcome one new Grade B building, Eurowindow Office Building, adding 12,400 sqm office space to Hanoi total office stock.
- Hoan Kiem District accounted for the largest amount of overall office stock, followed by Dong Da District.

Total Stock (‘000 sqm)



Source: JLL Research

HEALTHY DEMAND

- In 1Q18, Grade A & B net absorption was approximately 24,000 sqm, mainly contributed by newly completed Grade B buildings.
- An increase of overall occupancy rate was recorded in spite of new supply. Demand in the market was continuously driven by relocation purpose.

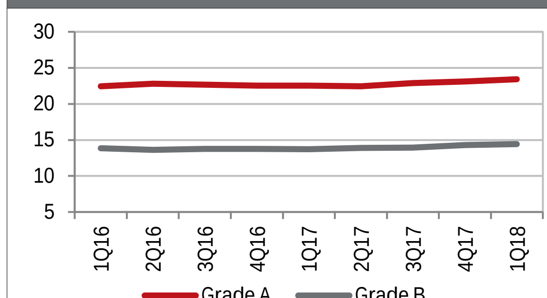
Asset Performance	Grade A	Grade B
Average Gross Rent (USD/sqm/month) [1]	29.3	19.3
Average Net Rent (USD/sqm/month)	23.4	14.4
Q-o-Q Change (%) [2]	▲ 1.0	▲ 1.6

Source: JLL Research

MODERATE INCREASE IN RENT

- Given the healthy demand in the market and increasingly limited available space, landlords have become more confident to increase the asking rent.
- The market continued to see moderate increase in average gross rent across the board. Grade A and Grade B buildings moderately increased, by 1% q-o-q and 1.6% q-o-q, respectively.

Average Rents (USD/sqm/month)



Source: JLL Research

OUTLOOK

- Supply increase
  - A large amount of new supply is expected to put into operation in 2018, mostly in Cau Giay, Thanh Xuan and Nam Tu Liem districts due to the lack of land bank in the CBD area.
- Positive demand continue
  - Demand is expected to be positive in 2018 due to good economic prospects and the rise in the number of newly registered companies .
  - Rents are expected to increase slightly in the coming quarters in line with the expected positive demand.

Indicator	Outlook by end-2018	
	Grade A	Grade B
Supply	↔	↑
Occupancy rate	↑	↘
Rental rate	↗	↗

Source: JLL Research

[1]: Gross rent includes service charges/management fees but exclusive of VAT.
[2]: Average gross rent, q-o-q and y-o-y changes are adjusted to remove the effects of supply additions / removals (i.e. changes are on a like-for-like basis).

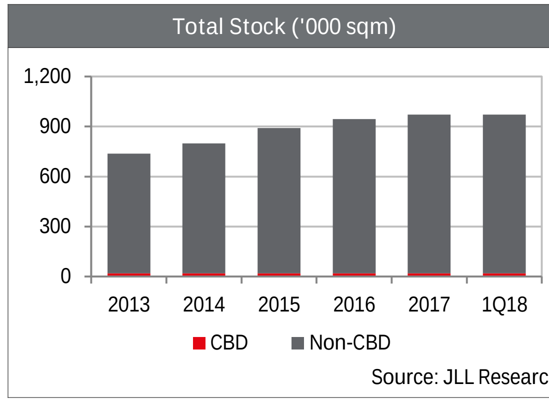
HANOI RETAIL

Supply and Demand	Shopping Centre	Prime Retail Space	Supermarket/Hypermarket	Convenience Store
Total Stock (sqm)	963,000	8,000	170,000	62,000
Occupancy Rate (%)	83.1	86.5	N/A	N/A
Q-o-Q Change (bps)	▲ 71	▲ 123	N/A	N/A

Source: JLL Research

NO NEW SUPPLY ENTERING THE MARKET

- There was no new completion in 1Q18, keeping total stock unchanged compared to the previous quarter, at more than 971,000 sqm, up nearly 3% compared to the same period of 2017.
- Convenience stores continued to improve with an expanding presence of branded retailers. As of 1Q18, total existing space reached over 62,000 sqm, almost all from suburban districts.



STABLE DEMAND

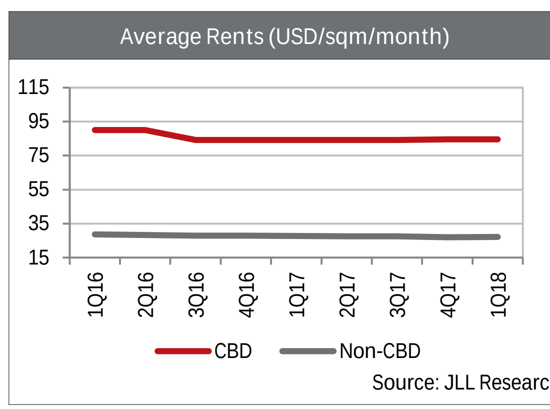
- Overall, the occupancy rate edged up by 0.7% q-o-q, resulting in an increase in net absorption of 6,900 sqm in the quarter, mostly driven by F&B and family and children's leisure operators that target the younger customers.

Asset Performance	Shopping Centre		Prime Retail Space
	CBD	Non-CBD	
Average Gross Rent (USD/sqm/month) [1]	100	27.3	40.0
Q-o-Q Change (%) [2]	◀▶ 0.0	▲ 0.8	▲ 0.5

Source: JLL Research

MODEST RENT GROWTH

- The asking rent was recorded at USD 28.5 per sqm per month in 1Q18, a soft rise of 0.8% from the previous quarter.
- The rent of the city retail market grew at slightly slower pace because of the lower rent in new projects.



OUTLOOK

- Suburban supply is expected to dominate new supply
  - More than 30,000 sqm of retail space is expected to be completed in suburban area in the next quarter, accounting for approximately 10% of the total future supply in 2018.
  - Demand from the F&B and entertainment sectors remains mainly active and will focus on quality buildings.
- The performance is expected to see mild improvement
  - A slight increase in rent is expected in the coming quarters, yet at a moderate level, a result of growing competition from online shopping recently.
  - The occupancy rate is projected to decline, most likely due to the introduction of new properties in suburban area.

Indicator	Outlook by end 2018	
	CBD	Non-CBD
Supply	↔	↑
Occupancy Rate	↑	↓
Rent	↔	↗

Source: JLL Research

[1]: Gross rent includes service charges/management fees but exclusive of VAT.
[2]: Average gross rent, q-o-q and y-o-y changes are adjusted to remove the effects of supply additions/removals (i.e. changes are on a like-for-like basis).

HANOI RESIDENTIAL

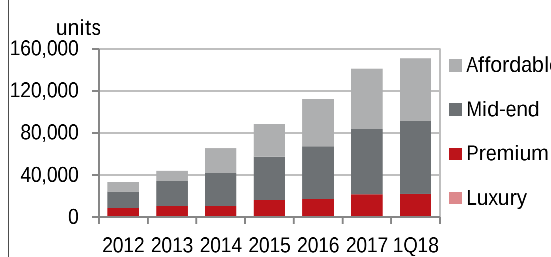
Supply and Demand	Apartment
Completed Supply (units)	151,000
Uncompleted Supply (units) [1]	59,000
Unsold Inventory (%) [2]	17.1

Source: JLL Research

STRONG NEW LAUNCHES

- Approximately 9,000 units were newly launched in 1Q18, down 5.3% q-o-q. Of the total, nearly 67% came from Hoang Mai, Thanh Xuan, Nam Tu Liem and Ha Dong District.
- Prices quoted for the new launches mostly ranged between USD 1,000 and USD 1,500 per sqm, accounting for 47% of the total.

Total Stock (Completed Supply)



Luxury accounts for less than 1% of total stock
Source: JLL Research

SALES RATE IMPROVES

- Nearly 10,600 were sold in 1Q18 in the primary market, an increase of 7.7% q-o-q and 29.7% y-o-y. Sales rates of total available units improve 3.5 bps from 31.5% in previous quarter.
- Among existing projects, sales remained good, with an average sale velocity of around 35-50 units sold per month during 1Q18.

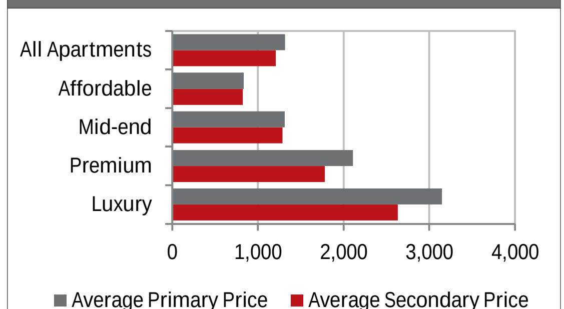
Asset Performance	Primary Market		Secondary Market	
	Q-o-Q [3]	Y-o-Y [3]	Q-o-Q [3]	Y-o-Y [3]
Apartments	▲ 1.2%	▲2.1%	▲ 0.7%	▼ -9.5%

Source: JLL Research

PRICES ARE STABLE

- Primary market
  - Average market prices stood at USD 1,317 per sqm, down 3.9% q-o-q, resulting mostly from the extension of low-priced segment in the quarter.
  - Although registering a decrease on a non-chain-linked basis, the slight increase in chain-link prices were seen in many projects, the growth was at around 1% q-o-q.
- Secondary market
  - Prices in the secondary market averaged at USD 1,208 per sqm, remain stable q-o-q and down 9.5% y-o-y. The decreases in secondary prices were seen in more buildings than in recent quarters, owing to increasing supply over the period.

Average Asking Price by Segment (USD/sqm)

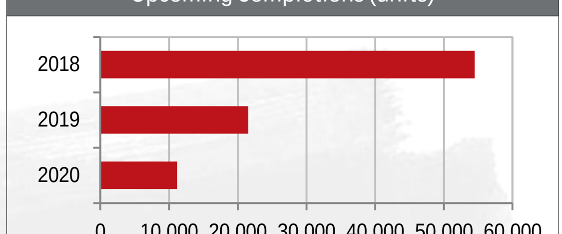


Source: JLL Research

OUTLOOK

- The market will welcome a wave of project completions
  - More than 47,000 new units are expected to complete until end-2018, 80% comes from the Affordable and Mid-end segments.
- Low-priced segment leads the market.
  - Affordable and Mid-end apartments will continue to attract buyers, especially young families.
  - Sales rates next quarter may be impacted slightly, following the recently emerging concern about the apartment fire safety.

Upcoming Completions (units)



Source: JLL Research

[1] Excludes planned projects not launched for sale yet. Includes fully sold projects. [2] The percentage of [1] that remains unsold at quarter-end.
[3] Q-o-Q and Y-o-Y changes are adjusted to remove effects from supply additions / removals ("non-chain-link")

NORTHERN REGIONAL INDUSTRIAL

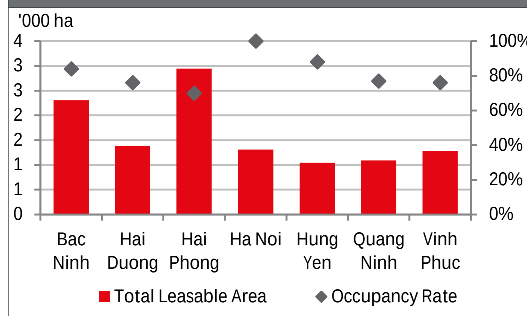
Existing Supply	Hanoi	Hai Phong	Bac Ninh	Quang Ninh	Hai Duong	Hung Yen	Vinh Phuc
Total Gross Area (ha)	1.710[1]	4.133	4.835	1.609	2.181	1.451	1.859
Total Leasable Land Area (ha)	1.314	2.944	2.306	1.091	1.390	1.043	1.278
Occupancy Rate (%)	100	70	84	77	76	88	76

Source: JLL Research

SUPPLY INCREASE

- The total leasable industrial land area across the Northern Key Economic Zone ("NKEZ") was recorded at 11.366 ha at end-1Q18, nearly half of the Southern region's 2017 figure and increased more than 1.100 ha compared to 3Q17.
- Hai Phong and Bac Ninh contributed 46% of total stock, continuously led the industrial supply. Given its favourable location and the well-established seaports system, these provinces have witnessed a strong expansion in total supply recently.

Total Stock and Occupancy Rate



Source: JLL Research

STRONG DEMAND

- The average occupancy rate was 81% as at 1Q18, an increase of 9% compared with 3Q17, recorded mostly in Hanoi, Bac Ninh and Hung Yen provinces.
- Bac Ninh and Hai Phong are recognised as the most favourable locations for industrial investment amongst NKEZ provinces thanks to their synchronised infrastructure development, good accessibility to skilled workforce and improved FDI policies. The demand for warehouses and ready-built factories were also increased recently.

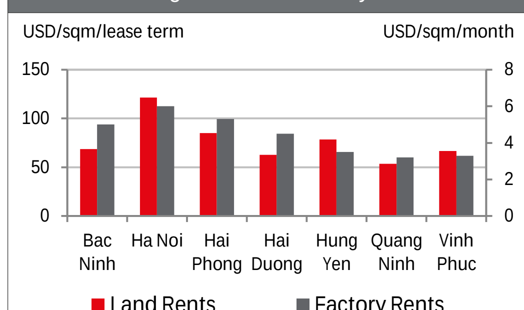
Asset Performance	Hanoi	Hai Phong	Bac Ninh	Quang Ninh	Hai Duong	Hung Yen	Vinh Phuc
Land Rent (USD/sqm/term)[2]	121.3	85.0	68.5	53.6	62.8	78.6	66.5
Factory Rent (USD/sqm/month)	6.0	5.3	5.0	3.2	4.5	3.5	3.3

Source: JLL Research

MARKET RECORDS A GOOD RENT LEVEL

- In general the average land rent increased slightly, averaged at USD 76.6 per sqm per lease term. Notably, Hanoi's average rent increased significantly by nearly 6% compared to 3Q17 to USD 121.3 per sqm per lease term, owing to the limited supply available in this city.
- When it comes to factory space, the monthly rent ranged from USD 3.2 to USD 6.0 per sqm for a short to medium lease term, which is in line with the Southern Vietnam's figure.

Average Land and Factory Rents



Source: JLL Research

OUTLOOK

- Strong new supply
  - Roughly 18.116 ha of industrial land is predicted to launch in the Northern market until 2020, mainly from Hai Phong, Quang Ninh and Vinh Phuc.
- Demand will continuously improve
  - Occupancy levels, in both industrial land and warehouse/factory product types, will be in fine fettle and increase thanks to strong FDI, mostly from Asian countries like Japan, Taiwan, Korea and the government efforts to stimulate the business environment and investments.

Indicator	Outlook by end 2018	
	Land	Factory
Supply	↑	↑
Occupancy Rate	↗	↗
Rents	↗	↗

Source: JLL Research

[1] Excluding Hoa Lac High-tech park owing to its special characteristic.
[2] Infrastructure maintenance and service fees and VAT are not included in the average rent.

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