RESEARCH

Q1/2013
HANOI MARKET
REAL ESTATE SNAPSHOT
Knight Frank

Apartment For Sale

Market Performance

The overall liquidity of the Hanoi market remains low, due to many reasons, including:

- The "Wait and see" attitude continues to prevail. The information on the Government solutions to resolve the real estate market's problems has created an expectation from buyers and investors that the price will further decline.
- After "shock discounts" from the previous quarter, the price of some projects in Q1/2013 has only slightly decreased because some developers expect to receive some form of rescue package from the Government.

The market continues to favour the owner-occupiers, and now they generally only pay attention to the projects with good construction progress that will be ready for handover in the next 3 to 6 months. Some developers with adequate financial capabilities have also realised this trend and have quickly focused on the construction to make them more marketable over unfinished projects.

The projects in the west districts of Hanoi (mostly Ha Dong) have had the highest successful transaction rates compared to other districts. These have been the only few bright points within a gloomy atmosphere in Q1/2013. Ha Dong area also has the major supply of small size units and reasonable asking prices of average VND15 million (US$718)/m^2.

This quarter, there were around 11 projects launched (first and later phases) that provide a total of 4,200 units. Their selling prices range from VND13.5 million (US$645)/m^2 to VND22.2 million (US$1,062)/m^2.

Outlook

On 7 Jan 2013, the Government issued Resolution No.2/NQ-CP regarding the drastic measures to solve the current problems of the real estate market including focusing on reducing bad debt and increase liquidity. The Resolution emphasises on restructuring the supply toward the market demand.

In an effort to boost the demand, the State Bank of Vietnam recently issued a draft circular, in which it will support five commercial banks with VND30 trillion through the


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refinancing loan to offer mortgages to the low-income people in social housing projects. The interest rate will be fixed at 6% per annum for 3 years (ending 15th April 2016). The qualified buyers will be able to apply for a subsidised loan to purchase houses with the price bellow VND15 million (US$718)/m^2 and the area up to 70m^2. However, it is expected that it will take some time for these solutions to take effect and it is forecasted that the market will not warm up until at least Q3/2013.

Serviced Apartment

Market Performance

The market witnessed more residential leasing activities in this quarter compared to Q4/2012. The demand has increased from both the short and long term lease requirements. The occupancy rate of Grade A serviced apartments was recorded at 75%, a 3% increase q-o-q. The Grade B and Grade C occupancy rates are still high at an average of 92%.

The average rent remains unchanged during this quarter. It is approximately VND640,000 (US$30.5)/$m^2$/month for Grade A, VND399,000 (US$19)/ m^2/month for Grade B and VND315,000 (US$15)/ m^2/month for Grade C.

Among the main residential leasing areas, the Hanoi West area recorded more demand because of a number of corporate offices relocating to this area and an increasing interest from the expatriates working in the industrial parks. Calidas Landmark 72, Crown Plaza West Hanoi, Indochina Plaza Hanoi (non-serviced premises) are some of the projects in this area that have received a lot of interest, due to the high standard with full facilities and convenient locations. Whereas, Ciputra Hanoi International City (non -serviced premises) saw high vacancy rates as a part of the demand has moved to the West area. The rent in this area has decreased about 15% during the past year.

Calidas Serviced Residence, located at Keangnam Landmark 72

Outlook

The market expects to welcome a pending project in the Westlake area opening in the next quarter. This is a large 8,000m^2 serviced apartment project, which shall provide 150 new units to the current stock.

Retail

Market Performance

Mipec Mall, formerly known as Pico Mall is undergoing an extensive rebranding and repositioning exercise. The owners and consultants have undertaken detailed research with tenants and consumers in the past few months to highlight and identify key areas within the centre.

New external branding and signage will provide the centre with greater prominence and exposure to the extremely busy Tay Son Street, creating a vibrant shopping destination for the local catchment population throughout the day and night. An exciting new tenant mix concept will delight all consumers with a vast array of food and beverage operators, entertainment, education and lifestyle brands that will make Mipec Mall one of the top retail destinations in Hanoi.

Despite the sluggish economy, Vincom Mega Mall Royal City is reporting early success. According to its representatives, the mall has pre-leased more than 80% of a total of 230,000m^2. This could be a result of the good location linking Hanoi's center and the capital's expanded area - Ha Dong District. It is expected to officially open at the end of July 2013.

Outlook

According to the planning of the wholesale and retail network in Hanoi until 2020, with a vision to 2030 announced by Hanoi's Department of Industrial and Trade, the city has planned to build 64 trade centres, 32 shopping centres, 10 trade and service complexes, 23 large supermarkets, 111 supermarkets type 2, 965 supermarkets type 3 and 395 markets of all kinds. This will create a huge supply of retail space in the future.

Office

Market Performance

The first quarter of 2013 witnessed a slow movement of the Hanoi office market due to the long Tet holiday and fiscal year completion for every firm. However, the market has recently picked up in terms of more enquiries generated.

Small-to-medium enterprises have taken advantage of favourable reductions of the average rental rates to relocate their offices. These SMEs had the opportunities to grant their employees professional working nvironments at Grade-B office buildings such as Mipec Tower and Icon4 Tower, instead of occupying shop houses or apartments.

The tendency of relocation from the CBD and mid-town to the West has not been brought to a halt. Since the rental rate is very competitive along with high quality of construction and management, many companies have chosen a new strategic location for their offices. Therefore, Keangnam and Indochina Plaza Hanoi (IPH) still managed to fill up more space with international tenants.

The Western area has welcomed a newly launched project in Thanh Xuan District: HAPULICO Complex. The total supply of the project is 34,800m^2 of leasable area. Besides, the completion of CornerStone Building in the CBD area has added a further 26,000m^2. The building emerges as the new Grade A property in the CBD so it attracts lots of enquiries from various companies in the CBD and mid town. The building itself has already pre-leased to several tenants including VIB, Gras Savoye and FUJI Electric.

Overall, landlords are still more inclined to keep their existing tenants and attract new ones by offering different incentives in order to maintain a stable and higher face rent. Besides common incentives of rent-free period and free parking, some landlords are willing to provide allowances on fit-out costs or electricity use, in order to help tenants reduce their expenses.

Outlook

Despite the stagnant market, many new projects are expected to be completed in Q2/2013 including Hong Ha Building, EVN Tower and VCCI.

In late Q2 or early Q3/2013, the market will also welcome Coalimex Building – a new Grade A project in the Hoan Kiem District. The building has fostered their marketing plan in order to prepare for their opening in July 2013. The building is expected to attract strong interest from tenants. An exclusive collaboration between Coalimex and Knight Frank has been signed.

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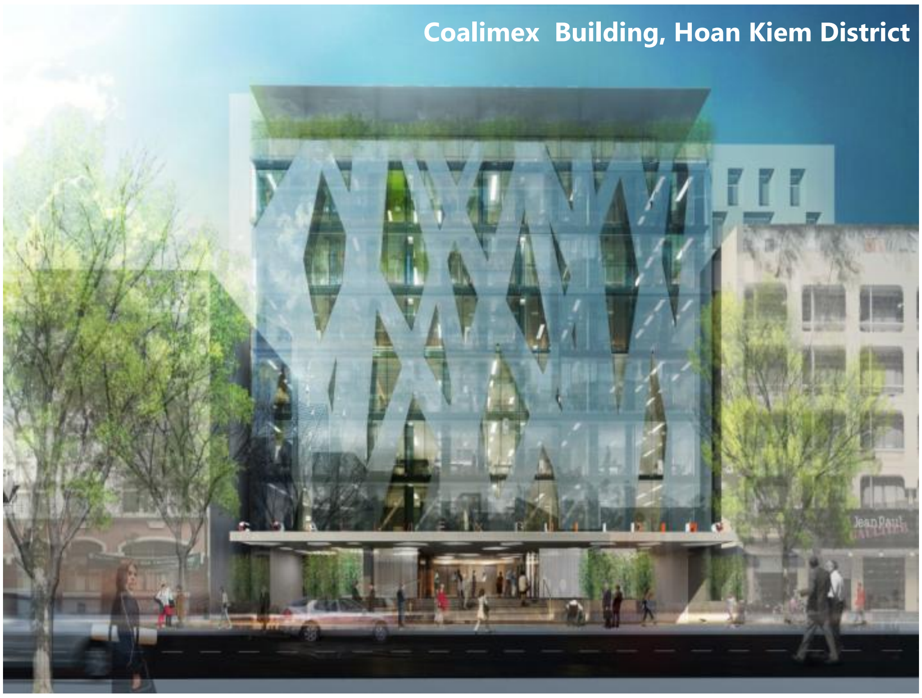
Coalimex Building, Hoan Kiem District



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