



Q2/2013 HANOI MARKET REAL ESTATE SNAPSHOT **Knight Frank**

Apartment For Sale Market Performance

The apartment for sale market in Q2/2013 showed more positive signs compared to previous quarters. The number of transactions has increased in comparison to the first quarter's figures.

The number of customers who are actively seeking information about apartment projects, has increased again, however, their attitude toward the offerings (discount, promotional gifts & flexible finishing options) is very cautious. This is due to the fact that the projects which announced a considerably reduced asking price, decreased the level of construction quality (hand over status) in most cases. As a result, the reduction in the selling price may sound attractive at first, however, the buyers will have to spend more money to furnish the apartment units up to expectations.

Like the previous quarters, the Western & Southern Districts (Ha Dong, Hoang Mai and Hai Ba Trung) are still the major supplier for low to mid end apartments, which also resulted in a higher number of transactions.

There was no fluctuation in the ask-

ing prices for apartments in these areas during Q2/2013. For the projects which have completed super-structure or will be ready for hand-over soon, the price remained the same or increased marginally. These projects also attracted a good level of expressions of interest from the prospective buyers who had real demand, financial capability and a "wait & see" attitude from previous quarters. This may indicate that the buyer's confidence is gradually being restored with a belief that the price will not decrease any further. This could be perceived as the time to buy a house, which in the past, they may not have been able to afford.

In Q2/2013, a large number of apartments with asking prices under 1 billion dong have been launched for sales including CT6 - Dang Xa Urban Area, OCT2- Xuan Phuong Urban Area, CT8 - Dai Thanh Apartment Buildings and Phuc Thinh Towers with the asking prices ranging from VND10 - VND13.6 million (US\$478 - US\$651)/m².

The latest refinancing package is expected to support the developer who lacked financial capabilities to continue the projects and encouraging the development of new projects in the social housing segment. Also,



CT6 Dang Xa, Long Bien, Hanoi

the package helps facilitate the low income population to own houses, which is expected to generally increase the demand and promote the market. However, in reality, the implementation of this package is perceived to be rather slow, and also, there is a lot of rigid regulations which makes it difficult to access the capital.

Outlook

Vietnam's economy has shown some positive signals, including the interest rate that is forecasted to decline, the gold market that has been strictly controlled by the Government and the real estate price that has fallen substantially since Q2/2012. These can be seen as good conditions for the investors with strong financial resources to buy into property with a long term investment strategy.



Serviced Apartment

Market Performance

In Q2/2013, the market has decreased 28 apartments due to a re-design plan of the Grade B project in Tay Ho District named Golden Lodge. The current stock at the end of this quarter was recorded with approximately 2,932 units.

The occupancy rate of Grade A serviced apartments has increased up to 86%, the highest for the previous 12 months. Hanoi West area (Tu Liem and Cau Giay District) still received more enquiries from tenants than the previous quarter. In this area, the three - bedroom Grade A serviced units are at very high occupancy rates, predominately as a result of the reasonable price and high demand compared to the small supply. At the end of Q2/2013, Hanoi Club and Sofitel Plaza in Tay Ho District was recorded as 100% occupied. With the high occupancy rate, the average rent of Grade A serviced apartments also increased 2.6% q-o-q, up to VND657,000 (US\$31.4)/m²/month.

The occupancy of Grade B projects is at 93%, increasing 1% q-o-q. The rental rate remained unchanged at VND399,000 (US\$19.1)/m²/month.

For Grade C apartments, the market witnessed a decrease in both occu-

pancy and rental rates. The occupancy rate is recorded at 91% with the average rent of VND281,000 (US\$13.4)/m²/month.

In the Westlake area, the market saw much more activities and demand for both apartments and villas during the last month of the quarter. Many good quality villas with pool and landscaping are available at this time. The vacancy rate of serviced apartments in private small projects was also high because of the plentiful supply.

Outlook

We expect much more activities in the serviced apartment market in the third quarter as it is considered as one of the peak seasons.

For the supply, until the end of 2013, the market is expected to welcome three new projects and 20 renovated Grade A units.

Retail

Market Performance

South Korean retailer Lotte Mart has publically announced that they will operate their first supermarket in Hanoi in Q1/2014. We understand that Lotte Mart will acquire 4 floors (approximately 20,000m²) of retail space within Mipec Mall, formerly known as Pico Mall. Prior to the transaction, the developer had planned to undertake an extensive rebranding and repositioning exercise within the retail component in order to combat falling occupancy levels and surrounding competition. The Hanoi acquisition is the first time that Lotte Mart have ventured into a previously operating retail centre

and it will be interesting to monitor whether the Lotte brand will be able to turn around the fortunes of a project that previously did not live up to initial expectations.

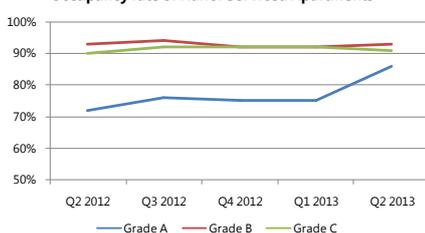
Ho Guom Plaza, Ha Dong District has reportedly leased approximately 60% of the total retail space. This project will add 23,000m² to the market, after expected completion in Q4/2013. The existing main tenants include Citimart Supermarket, Tran Anh Electronic Supermarket, Lotteria and a cinema complex.

The long awaited re-opening of Trang Tien Plaza in Hoan Kiem District has occurred in Q2/2013. The project was redesigned and extensively refurbished in its endeavours to attract high end international retailers to the center. This appears to have been achieved with many prestigious tenants under contract, including Louis Vuitton, who opened their third store in Vietnam in the Plaza.

Outlook

The Vingroup's latest retail development known as Vincom Mega Mall Times City, which forms part of an urban township, in Minh Khai Street, Hai Ba Trung District, has also reportedly attracted healthy interest. The project has reported attracted more than 200 brand names that have registered after launching their leasing options. Vincom Mega Mall Times City is planned to commence operations in Q4/2013, and will comprise a total area of approximately 200,000m², and will incorporate large hypermarket, retail shops, entertainment areas and dining areas.

Occupancy rate of Hanoi Serviced Apartments



Source: Knight Frank Vietnam Research & Consultancy



Office

Market Performance

The office market in the second quarter of 2013 picked up its pace with slightly more activity. Nevertheless, it is still less busy than the same period last year.

The appearance of new buildings in the CBD helped generate more enquiries in the area. CornerStone Building successfully completed several transactions with sizes from 100m² to 2,000m², including a large accounting firm, and some other Japanese, European and domestic companies. The building's occupancy is therefore at a good rate of over 45% within three months after its completion date. Other buildings such as ACB Building and Capital Building, previously known as 19-12 Building, also attracted certain tenants thanks to their competitive leasing strategies.

The mid-town area gained less popularity but in terms of new supply, Song Hong Park View added approximately 7,800m² to the market and in Q3/2013, the market will receive a further 28,000m² from VCCI Tower. The demand for the West is still healthy, although not at the same levels that we witnessed in 2012. However, the completion of PVI Tower in the next quarter has added to the competition, which was already fierce. Transactions of 1,000m² to 1,600m² were completed and most likely the biggest deal of 2013 of a reputable Korean company, that is expected to be com-

pleted in Q3/2013.

Despite these new lease transactions, the downturn of the economy has affected more heavily on the office plans of many companies. The market is still sluggish as the difficult economy has made many companies decide to stay and renew their leases, despite the renewed rents being higher than relocation offers, in many cases.

Outlook

There are expected to be various office activities, in terms of enquiries and transactions in Q3/2013, particularly in the CBD. The reason is the central district area will welcome a new institutional quality building named Coalimex, located right in Hoan Kiem. The building offers a total office area of over 5,000m² which is a reasonable supply addition in these market conditions and we expect it will be absorbed steadily. The building is a similar size to

Sun City and Asia Tower, and will attract tenants that appreciate factors such as column-free floor plates and one of few buildings with efficient parking spaces in the CBD. Besides, the building's unique green design of glass façade, shall definitely improve the aesthetics of the area.

Overall, with the continual new supplies added to the Hanoi office market, it is crucial for new buildings to be finished on schedule to catch up with leasing opportunities and avoid the increasing competition.

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