



Q4 - 2012 HANOI MARKET REAL ESTATE SNAPSHOT

Knight Frank

Apartment For Sale Market Performance

Q4, 2012 continued a downward trend from the previous quarter, in general, the apartment for sale market in Hanoi saw a low rate of successful transactions. There was a significant reduction in the selling price of many apartment projects, especially those classified within the upper middle segment. The selling rate is typically from 5% - 15% of the previous price.

Most of the discounts have already taken place, through “promotional packages” like overseas holiday trips, furniture package, car parking guarantee, gifts or direct discount on the asking price. This is perceived by the market to be a positive reaction from the developers as a further price correction to real value.

However, on the other hand, this “price reduction trend” also exacerbated the “wait and see” attitude from the owner occupiers, when the prediction of most real estate specialists that in 2013, the market will continue to observe



more reductions in price. Most of the transactions in this quarter came from the affordable segment (VND10 million (US\$480) – VND22 million (US\$1,055)/m²) and small size apartments (45 – 70m²), mainly from condominium projects in the western area of Hanoi.

The loosened bank credit and lower interest rate have had little effect on the market. The incentivized mortgage interest rates that are currently on offer generally only last for a few months and will then return to the market rate, which many buyers find unattractive.

Outlook

The market in 2013 is predicted to remain sluggish and the property price is expected to continue decreasing in the first half of the year, if no significant movement/ incentives from the Government are implemented to resolve the situation. Most of the potential transactions are expected to be focused on the affordable segment, which currently attracts the most buyers (both owner occupiers and investors).



Serviced Apartment Market Performance

In Q4/2012, the serviced apartment portion of Dolphin Plaza entered the market in the Cau Giay District. The project has a total of 70 serviced units, of which 10 units are completed. This increases the current stock up to 2,880 units.

As usual in the fourth quarter of the year, the residential leasing activities slowed a little. The market saw the decrease in both occupancy and rental rates. The occupancy of Grade A serviced apartment projects is recorded at 72%, a 5% decrease quarter-on-quarter. Due to the new supply, Grade B also witnessed a decrease of approximately 2% in comparison with Q3/2012, recording the occupancy rate at 92%. Whereas, Grade C remained stable with 92% occupied.

The average rents of Grade A and Grade B decreased 1.2% and 1.5% quarter-on-quarter respectively, achieving at VND639, 000 (US\$30, 6)/m²/month for Grade A and VND411, 000 (US\$19, 7)/m²/month for Grade B. There's no change in Grade C with the rental at VND313, 000 (US\$15)/ m²/month. The reason of the rent reductions is the pressure from new supply and non serviced apartments for lease competitiveness and the economic crisis which has culminated in the policy of tightening the accommodation allowance of many companies. Looking back throughout the entire year, although the demand is generally stable, Grade A stock has been the most affected.

With regard to non-serviced premises, except the Westlake area with houses/villas at a low vacancy rate, the condominium projects have recorded high vacancies and competitive rentals that have

decreased approximately 7% quarter-on-quarter.

Outlook

The apartment for sale market has also recognized a trend of changing the function from sale to lease. Many developers now consider turning a part of their residential project into apartments/villas for lease as the temporary policy in the tough current selling market.

Retail Market Performance

The much anticipated opening of Indochina Plaza Hanoi retail component opened its doors in Q4, 2012 boasting an impressive array of many fashion, F&B, supermarket and entertainment operators, including Pizza Hut, Burger King, Tiniworld, Elite Fitness & Spa and Citimart etc. A slowdown in the economy and increased unemployment has led to lower disposable income for many families which meant trading conditions for most retailers remained a challenge in Q4. Many retailers have to offer large discounts in order to entice shoppers to spend money in their stores, however, food and beverage and entertainment operators appear to buck the trend, with many reporting good trading conditions during this period. As always, the Christmas and Tet holiday periods will be critical for many retailers to





make money and recover from a tough year.

Rentals in prime locations remain unchanged during this period, however, secondary locations are struggling with many landlords having to offer large incentives to attract and keep retailers. In order to keep tenants during this period Landlords are finding they need to work much closer with their tenants in order to understand their business model and provide more flexible lease and rental terms.

Outlook

Many new centres such as Vincom Mega Mall, Trang Tien Plaza, Ciputra, Golden Palace and Lotte Centre will open in the next 2 years which will change the retail landscape in Hanoi and bring much more choice and variety to the shopper, it will also bring fierce competition between landlords to attract the best tenants, in addition, many existing landlords of shopping centres will need to be take a pro-active approach to manage their centres in order to



keep their tenants and shoppers happy.

Office Market Performance

The big transactions of the year, which were FPT Information System and Nissan Techno, were officially concluded in Q4/2012. With a total space of more than 18,000m², these impressive office space acquisitions helped Keangnam to fill up almost 50% of its space.

On the supply side, Indochina Plaza Hanoi (IPH) was opened in Q4/2012 and it contributed nearly 14,500m² to the market. A few major deals were transacted at IPH, making it one of the highlighted projects in the West of Hanoi. In the centre, CornerStone Building and 19-12 Building in the Central Business District are coming close to their pre-opening period and are planned to launch in early 2013. These two new properties total approximately 32,500m² of NLA and are among a few new office buildings in the central area of the city. As a new premium quality grade A building in the CBD, CornerStone has achieved a significant number of enquiries to date including high profile companies. A number of transactions have been carried out at CornerStone and it will be the highlight of Q1/2013.

In terms of demand, more enquiries for office buildings in the CBD and

from companies that want to relocate from older buildings to new ones and from mid-town to the CBD. Some investors were in need of liquidity, so there have been more and more of those who want to sell their invested portfolio. A major long term lease acquisition was completed by Tan A Dai Thanh Group for the 5,500m² building at 124 Ton Duc Thang Street. This acquisition is one example of how there are local firms that want to occupy on entire building for their own office operation and at the same time for their branding purposes.

Outlook

In Q1/2013, the office market is foreseen to remain stable with few activities from both local and foreign firms due to the long period of lunar Tet holiday and fiscal year completion.



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