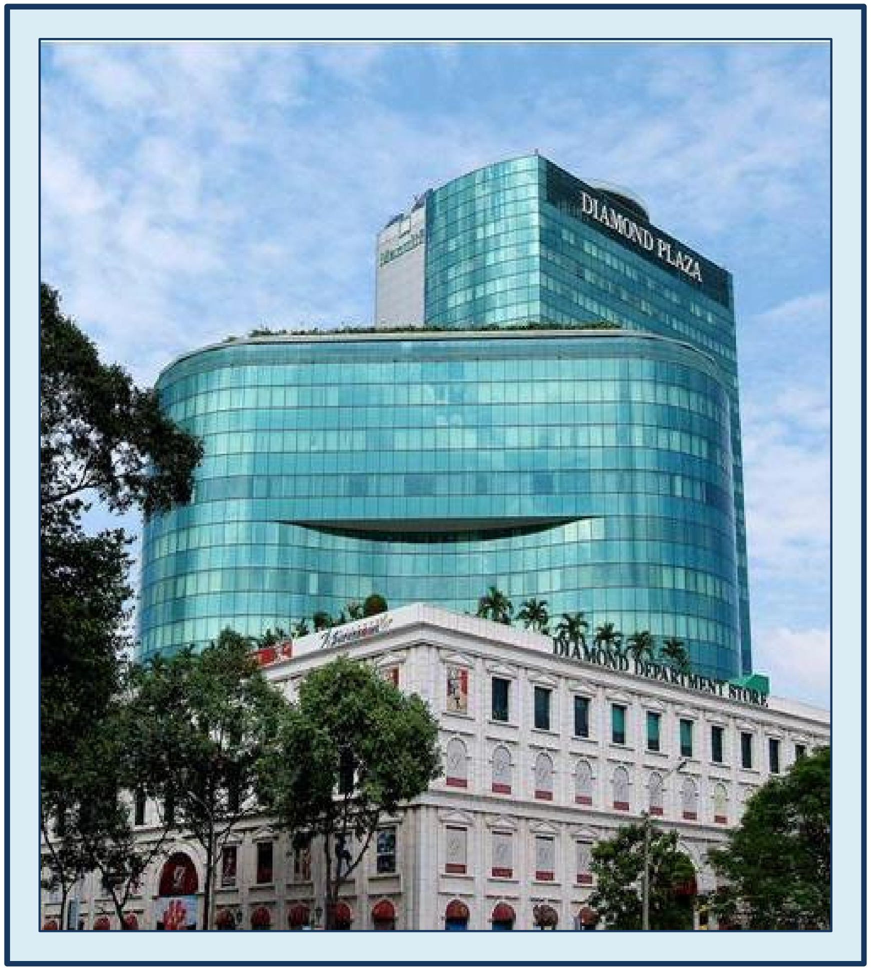
# Savills Vietnam
## HCMC Office Market Q3 2010

Savills World Leading Property Services

HCMC Office Report

# CONTENTS





# OFFICE 'GRADE' DEFINITIONS

| | GRADE A | GRADE B | GRADE C |
|---|---|---|---|
| **Location** | Central CBD - approx. 1-2 km radius around Notre Dame Cathedral and/or Town Hall. | All districts of HCMC. | All districts of HCMC. |
| **Building Specs.** | • Internationally developed<br>• Open fl plate (1,000m2 +)<br>• 10,000 NLA +<br>• 2.7m ceiling height<br>• High speed lifts/internet<br>• 100% back up power<br>• High quality finishing<br>• 24 security / access<br>• Centralized air conditioning<br>• International management standards | • Typically developed & owned as JV between local & international developer.<br>• Less efficient floor plate than Grade A.<br>• NLA 3,000 m2 +.<br>• Building finishing & services of reasonable standard. although generally inferior to that of Grade A.<br>• Centralized air conditioning. | • Typically, Vietnamese developed and owned.<br>• Basic bld. management.<br>• Small to medium size floor plates (average >400m2 NLA).<br>• Sub standard building finishing & services.<br>• Split air con. system.<br>• Typically managed by Vietnamese company. |
| **Example** | Sunwah Tower  | Sailing Tower  | Alpha Tower  |

# HCMC OFFICE Q3 2010 OVERVIEW


## Supply

- Total supply: 154 buildings (988,000 sq m): 6 Grade A, 36 Grade B and 112 Grade C
- New supply: one Grade B and six Grade C buildings of about 35,000 sq m, increased by 4% q-o-q

## Market performance

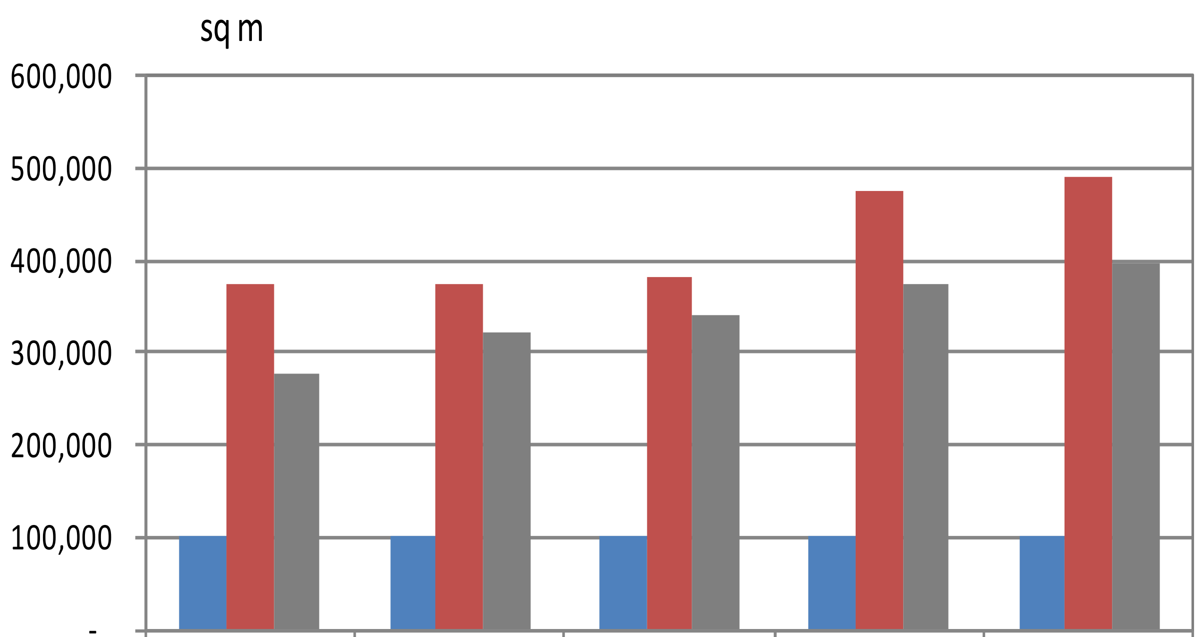
- Avg. occupancy: 85%, remain stable q-o-q
- Grade A asking rents: US$57 (down 3% q-o-q)
- Grade B asking rents: US$33 (down 2% q-o-q)
- Grade C asking rents: US$22 (down 2% q-o-q)
- Local foreign banks expanding business

## Outlook

- Around 100,000 sq m to come online by end 2010, (Bitexco Financial Tower 37,000 sq m, 25Bis NTMK Building 15,500 sq m)

*** NOTE: QUOTED RENTALS CALCULATED ON NET AREA & INC. SERVICE CHARGE**

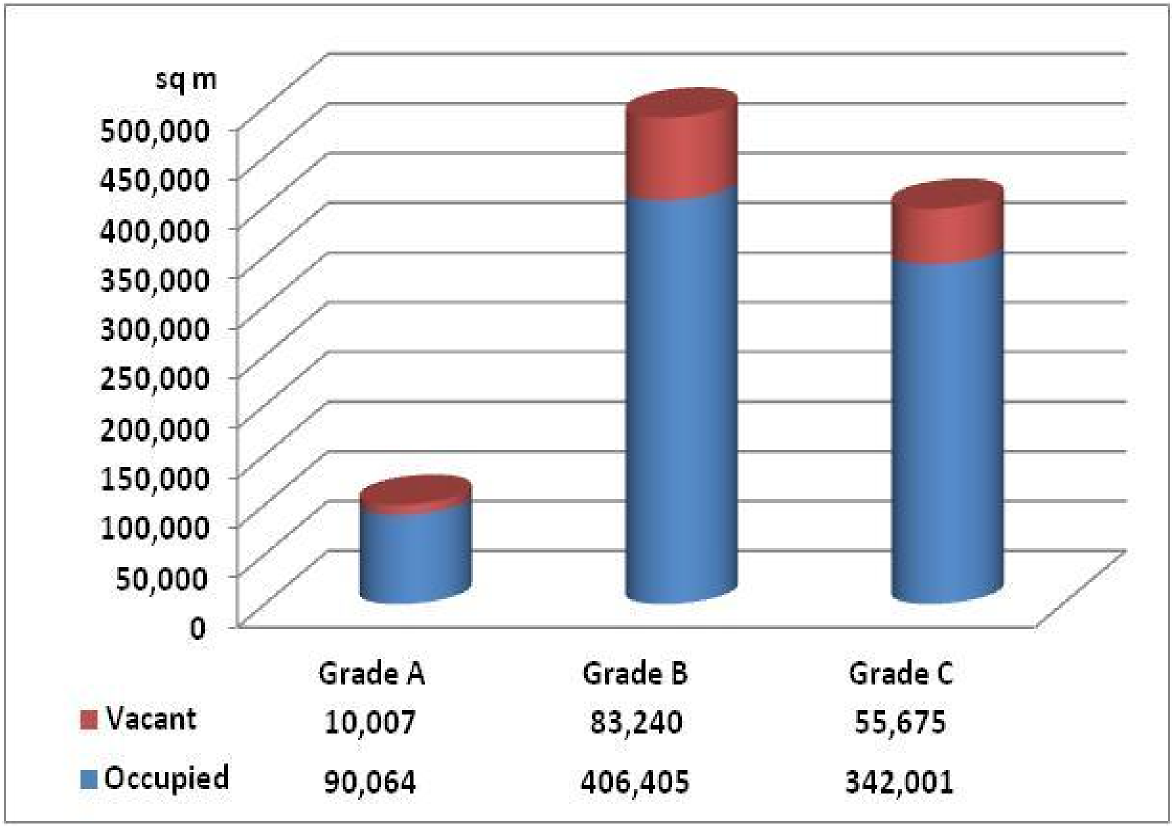
# HCMC EXISTING OFFICE SUPPLY




| | Q3 2009 | Q4 2009 | Q1 2010 | Q2 2010 | Q3 2010 |
|---|---|---|---|---|---|
| Grade A | 100,071 | 100,071 | 100,071 | 100,071 | 100,071 |
| Grade B | 374,356 | 374,356 | 383,946 | 476,042 | 489,645 |
| Grade C | 277,914 | 321,739 | 340,156 | 376,075 | 397,676 |

- From Q3 2008 to Q3 2010 office supply has more than doubled.
- District 1 represents 57% of the office supply.
- Grade A represents 10% of market share.
- Grade B represents 50% of market share.
- Grade C represents 40% of market share.

# OCCUPANCY RATES BY GRADE




- Occupancy across all grades remained stable at 85% from previous quarter.

- New tenants entering market as well as businesses shifting from private houses into office buildings.

- Grade A occupancy rate: 90% (increase 9% q-o-q).
- Grade B occupancy rate: 83% (down 3% q-o-q).
- Grade C occupancy rate: 86% (increase 2% q-o-q).


Tan Binh District
AIRPORT
Phu Nhuan District
savills
HO CHI MINH CITY
GRADE 'A'
BUILDING ASKING
GROSS RENTS
NOTE: AVG. ASKING RENT INC. SERVICE CHARGE & EXC. VAT. CALCULATED ON NET AREA.
Binh Thanh District
District 2
District 3
CBD
District 10
District 1
6 Buildings
$57 + pmth
District 11
District 5
District 4
District 8
Image © 2010 DigitalGlobe
Image © 2010 GeoEye
District 7
Google

# HO CHI MINH CITY GRADE 'B' BUILDING ASKING GROSS RENTS

NOTE: AVG. ASKING RENT INC. SERVICE CHARGE & EXC. VAT. CALCULATED ON NET AREA.

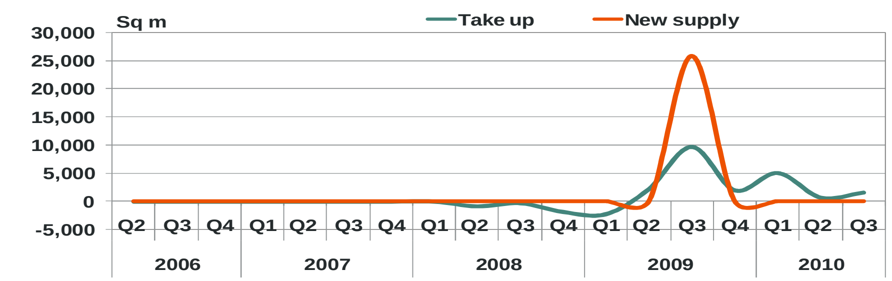

HO CHI MINH CITY
GRADE ‘C’
BUILDING ASKING
GROSS RENTS
NOTE: AVG. ASKING RENT INC. SERVICE CHARGE & EXC. VAT. CALCULATED ON NET AREA.
AIRPORT
savills
Tan Binh District
10 Buildings
$16 + pmth
Phu Nhuan District
7 Buildings
$18 + pmth
Binh Thanh District
5 Buildings
$15 + pmth
District 2
District 3
27 Buildings
$23 + pmth
CBD
District 10
4 Buildings
$15 + pmth
District 1
45 Buildings
$26 + pmth
District 11
District 5
3 Buildings
$14 + pmth
District 4
4 Buildings
$18 + pmth
6 Buildings
$18 + pmth
District 7
District 8
Image © 2010 DigitalGlobe
Image © 2010 GeoEye
Google

# OFFICE TAKE UP VS. NEW SUPPLY

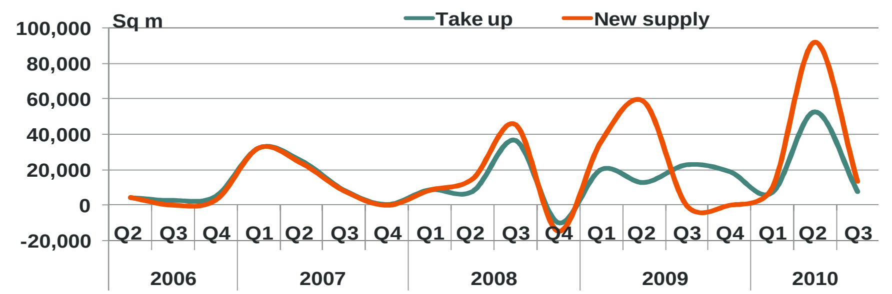
savills

- Approx. 32,000 square meters absorbed in last quarter.
- Take up of Grade A: slightly recovering in Q3 2010, expected to see a stronger recovery in next two quarters
- Take up of Grade B: reducing in Q3 2010 after the peak in Q2 2010; expected to have a level of 2009 in the next quarter
- Take up of Grade C: strong absorption of new supply and will remain strong in Q4 2010

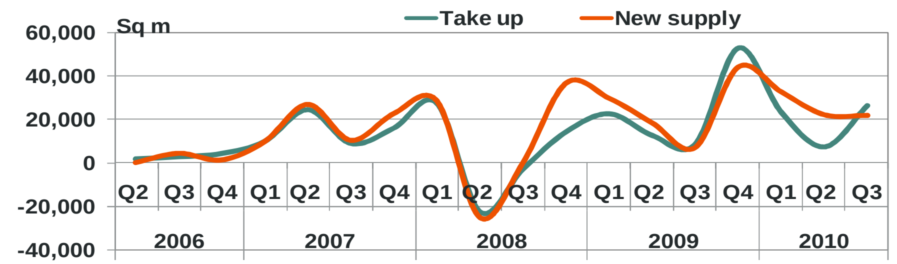
Grade A




Grade B

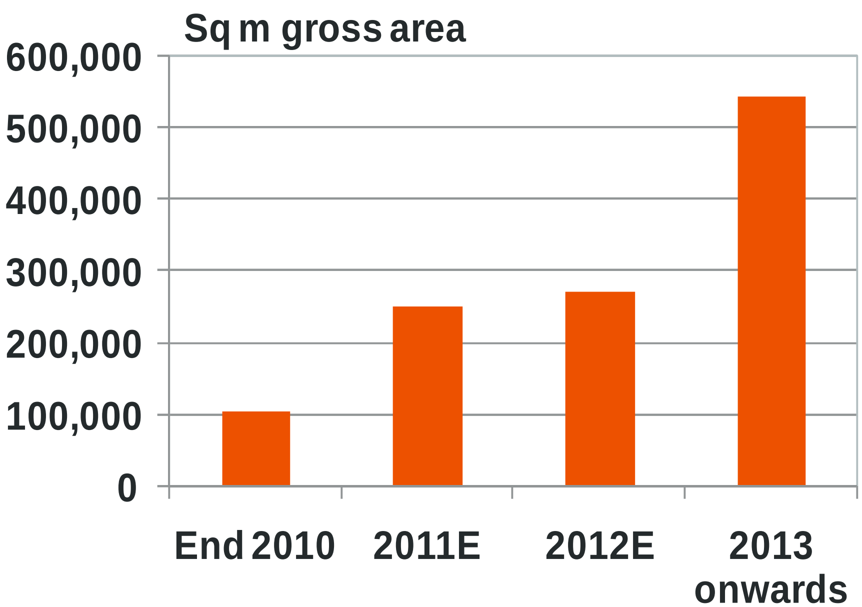


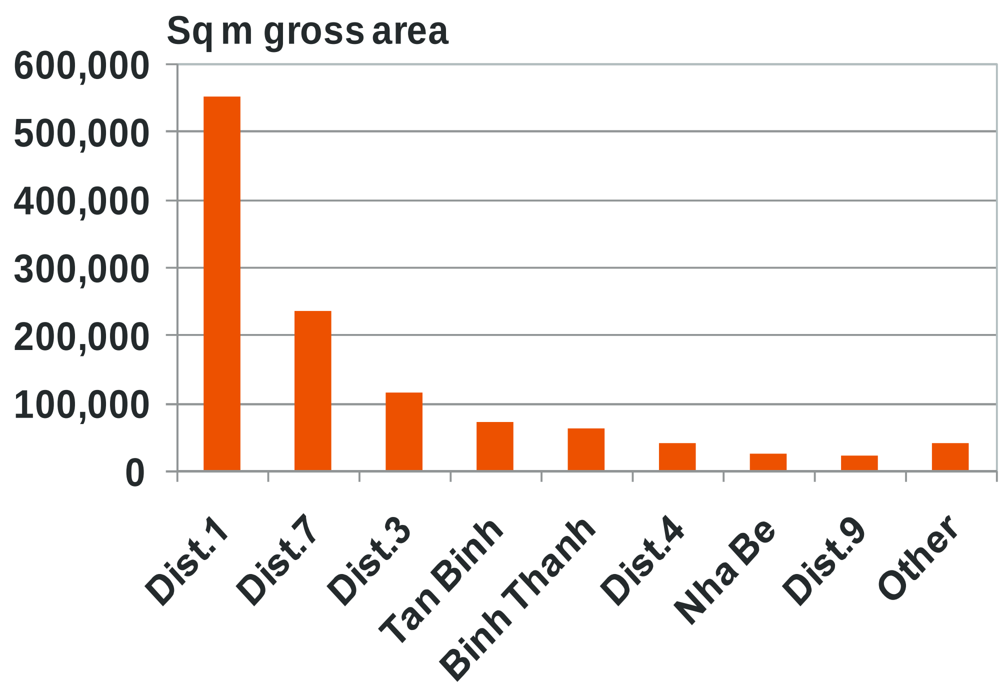

Grade C



# FUTURE SUPPLY BY DISTRICT

- Total of 1,200,000 sq m future supply in the mid term (end of 2013)
- Future supply focuses in Dist. 1 and Dist. 7




HO CHI MINH CITY
FUTURE OFFICE
SUPPLY 2010 - 2011
NOTE: TOTAL FLOOR
AREAS QUOTED IN
GROSS
2010
2011
Tan Binh District
1 Building
0 m2
5,000 m2
AIRPORT
Phu Nhuan District
3 Buildings
4,360 m2
9,030 m2
savills
Binh Thanh District
1 Building
2,800 m2
0 m2
District 2
1 Building
0 m2
10,000 m2
District 10
District 3
8 Buildings
19,971 m2
23,018 m2
CBD
District 1
10 Buildings
62,746 m2
120,611 m2
District 11
1 Building
0 m2
1,500 m2
District 5
District 4
1 Building
0 m2
25,000 m2
District 7
4 Buildings
14,194 m2
29,000 m2
NOTE: TOTAL GROSS AREA
BY 2011E = 325,730 m2
District 8
Image © 2010 DigitalGlobe
Image © 2010 GeoEye
Google

# FORECAST

- Over supply and competition pressured rents and occupancy across 3 grades.
- Competitive rental market will create high tenant mobility and a 'flight to quality'.
- 10% of current supply coming in Q4 2010. With weak economic indicators locally and globally the office market will remain 'soft' in the near term.
- Over the mid term HCMC's economy is expected to continue its strong growth path, demand for office space will firm.
- Grade A buildings are aligned with FDI inflow; while Grade B and C buildings are much more dependent on the health of the domestic economy.
- High land cost in the CBD will contrast economic rents v. market rents.
- State owned enterprises decreasing share of GDP (43% in 2000; 27% in 2009) and increasing of private enterprises (36% in 2000; 49% in 2009) will create a large white collar work force.

# A PROVEN TRACK RECORD…….


Some exclusive projects include:

- Sailing Tower (100% Occupancy)
- Fideco Tower (100% Occupancy)
- Centrepoint (90% Occupancy)
- The Crescent Plaza (85% Occupancy)

Some recent major deals include:

- HSBC - 3500m$^2$
- ANZ - 4500m$^2$
- Capgemini - 2166m$^2$
- Kimberly-Clark - 1100m$^2$
- 交通銀行 BANK OF COMMUNICATIONS - 1100m$^2$
- TOTAL - 1100m$^2$

# A PROVEN TRACK RECORD…….

savills

**And more………**

# OUR LEASING SERVICES INCLUDE…….

savills

Quarterly Market Report

Project Analysis (SWOT)

Details of Prospective Projects

Relocation/Expansion Consultant

Rental Analysis

Negotiate Terms & Conditions

# CONTACT

*HCMC Office*
18th Floor, Fideco Tower
81 - 85 Ham Nghi street, District 1, HCMC
Tel: (08) 3823 9205
Fax: (08) 3823 4571
Leasing. hcmc@savills.com.vn

*Ha Noi Office*
6th Floor, Sentinel Place
41A Ly Thai To, Hoan Kiem, Hanoi
Tel: (04) 3946 1300
Fax: (04) 3946 1302
Hanoi-info@savills.com.vn