DTZ

Press release

Date: 18 July 2011

Challenging market conditions in Q2 2011 for Ho Chi Minh City property market, says DTZ Research

Rents continue to fall in office market

According to a recent report released by DTZ Research, the office sector in Ho Chi Minh City (HCMC) remains a challenge in Q2 2011.

Rents throughout all grades of office softened during the quarter, albeit at a slower rate than Q1 2011. Average Grade A rents in the CBD fell by 1.3% quarter-on-quarter (QOQ) from USD33.75 to USD33.30 per sq m per month. Average rents for Grades B and C offices also fell during the quarter by approximately 2.3% and 2.0% respectively.

The average occupancy in the second quarter was 82.5% across all grades of office accommodation, an increase from around 79.8% at the end of Q1 2011. Occupancy continued to be lowest for Grade A office accommodation at approximately 66% although it is an increase from 63% in Q1 2011. This low occupancy is largely due to the continued high vacancy in recently completed Grade A stock. Grade B and C stock had higher occupancy rates at over 80%.

The current stock in HCMC rose to approximately 1.23 million sq m (NLA), with approximately 255,000 sq m (NLA) of new supply forecast for the remainder of 2011.

Trang Le, Manager of DTZ Occupier Services department, commented, “Office landlords for all grades are still facing challenging times at the end of the first half of 2011. In addition to reduced rental rates, tenants are being offered increasingly flexible terms when negotiating their leases. These incentives include increased rent-free and fit-out periods, stepped rents or complimentary parking spaces. We are seeing the trend of many tenants across HCMC looking to use this period to upgrade to office space with higher specifications.”

Consumer confidence drops but occupancy rates remain high and rents stable in HCMC retail sector

The first half of 2011 was marked by a fall in consumer confidence due to fears about the economy. While consumer spending increased by 22.6% in the first 6 months of 2011 compared to the same period of 2010, the General Statistics Office of Vietnam estimates that if price rises were excluded the growth would be just 5.7%.

Nevertheless, occupancy remained at high levels, at approximately 98% in the CBD, having fallen by 1% in the last quarter. Overall, occupancy across HCMC dropped 1.0 percentage-point to 93.5%, with non-CBD areas seeing occupancy rates remaining stable with no new major stock completed.

Asking rents were stable in Q2 2011 for both CBD and non-CBD accommodation, with average retail rents in the CBD remaining at between USD100 and USD125 per sq m per month.

The current stock contains 38 developments providing approximately 315,000 sq m (NLA) of accommodation, while future supply is expected to be approximately 540,000 sq m (NLA) if all projects currently in the development pipeline are completed according to schedule.

KP Singh, General Director of DTZ Vietnam commented, “Although consumer confidence has fallen in the first half of 2011, we have seen a relatively stable retail property market in Q2 2011. In the short term we would expect to see occupancy rates slip slightly as new stock is completed outside the CBD. However we are still seeing many retail developers indicating that in the mid- to long-term, there are good opportunities outside the CBD where land prices are reasonable and population densities are high. In the CBD, although there has been a minor reduction in occupancy rates, vacancy levels are still very low.”

Continuing challenges throughout the condominium market due to credit restriction and high finance rates

During Q2 2011, conditions in the residential market remained challenging caused by credit restrictions and the high level of borrowing rates.

This has led to demand for condominiums slowing across all areas of the market, including the affordable end of the sector, which in previous quarters has been witnessing stronger demand than mid- to high-end units.

The lack of demand resulted in a slight reduction in average asking prices by 1.65% over the quarter. However, at present, we are seeing secondary market prices under greater pressure than primary prices. Prices in the primary market in Q2 2011 for affordable condominiums ranged from USD500 to USD950 per sq m and between USD950 and USD1,700 per sq m for mid-end units. High-end accommodation prices are upwards of USD1,700 per sq m.

At the end of Q2 2011, the supply of condominiums in HCMC is estimated at approximately 44,900 units from 174 completed projects. In terms of future supply, if all projects at the planning stage or under construction are delivered, this will provide approximately 45,000 units before the end of 2013 and 77,000 units before the end of 2015.

Lu Thanh Tu, Manager of DTZ's Residential Sales and Marketing department, commented, "High financing rates and credit restrictions continue to dampen demand in the residential sector, and in particular for condominiums. Nevertheless, we remain confident that although the market is challenging at present, there is pent-up demand in the mid-term. If the government relaxes its monetary tightening policies and finance becomes cheaper and more readily available, we expect to see a corresponding increase in demand."

-end-

For further information contact:

KP Singh
General Director, DTZ Vietnam
Email: kp.singh@dtzvietnam.com
Tel: +84 903 912 725

Danny Dao
Head of Valuation, Consulting and Research
Email: danny.dao@dtzvietnam.com
Tel: +84 907 809 958

Lu Thanh Tu
Manager,Residential Sales & Marketing
Email: tu.lu@dtzvietnam.com
Tel: +84 903 030 543

Le Nguyen Thi Thuy Trang
Manager,Occupier Services
Email: trang.le@dtzvietnam.com
Tel: +84 908 723 716

Note to Editors

DTZ is a global real estate services firm with offices in 140 cities and 42 countries (across Europe, Middle East and Africa, Asia Pacific and the Americas). The firm provides advice and on-the-ground delivery to investors, developers, corporate and public sector occupiers and financial intermediaries. DTZ works with clients across the breadth of their real estate needs, spanning all real estate sectors and encompassing Investment Agency, Leasing Agency and Brokerage, Property Management, Project Management and Building Consultancy, Valuation, Investment and Asset Management, Consulting, and Research. The parent company, DTZ Holdings plc, has been listed on the London Stock Exchange since 1987. **www.dtz.com**