

CONDOMINIUM

FROM BOOM TO STEADY GROWTH



2018 confirmed a new stage of Vietnam condominium market from boom to steady growth, which is expected to continue in the future. Via new policies and guidelines, the government has played a stronger role in mitigating risks while developers are enhancing resilience to meet high demand for housing market driven by a growing young population and a growing expat community.

LEVERAGING OPPORTUNITIES FROM STABLE DOMESTIC DEMAND AND INCREASING FOREIGN INTEREST

Demand for housing in Vietnam, especially in HCMC and Hanoi, is rising due to high pace of urbanisation. According to the World Bank, with the current trend of urban migration in Vietnam, the share of urban population is expected to reach 50% by 2040. Additionally, the steady growth of population in Hanoi and HCMC of average 2% per annum each city as seen over the past five years will drive constant housing demand.

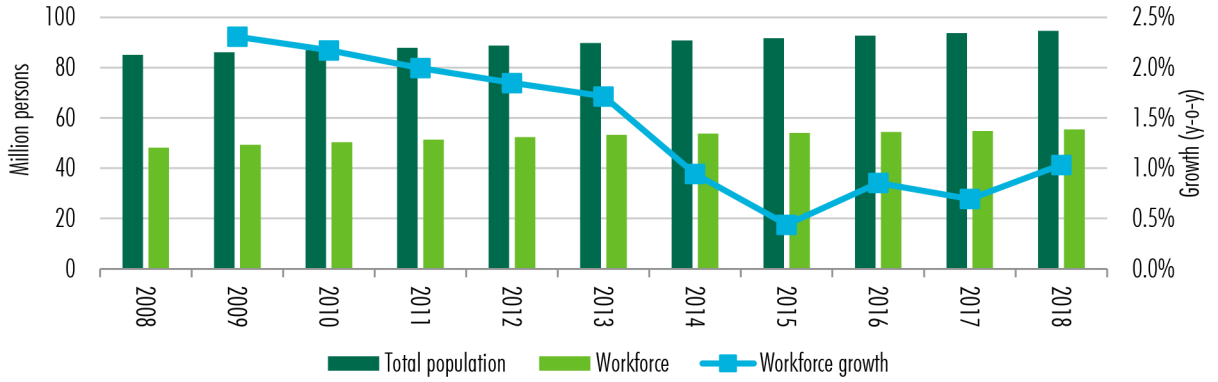
Overseas demand was fuelled by FDI inflow. Vietnam is expected to benefit from the recent US-China trade

conflicts and the relocation trend of factories from China to South East Asia countries. This leads to the growth of expat communities in Vietnam.

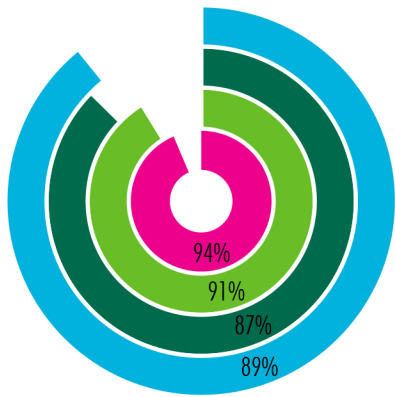
Vietnam condominium market is becoming more attractive for both end-user and investor demand, especially in the context that regional markets are more tightened to foreign buyers while Vietnam is recently opening up.

High demand is shown in the number of pre-sale reservations – especially at certain high-end and luxury projects where the number of reservations is recorded double or four times higher than the expected new launch units. This trend is mostly seen in projects at prime locations.

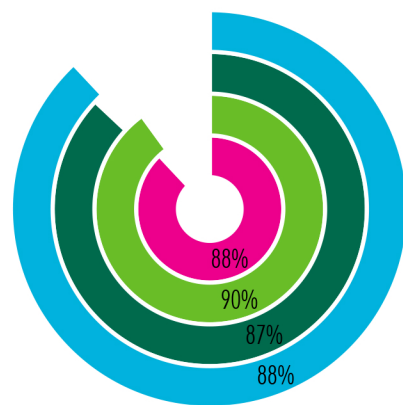
Growth of Population and Workforce, Vietnam



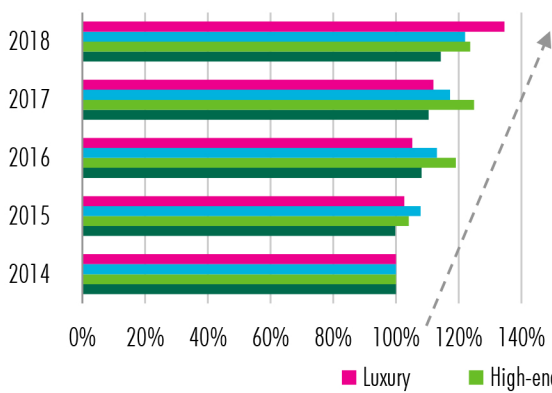
HCMC Condominium, Accumulated Sold Rate by Segment as of 2018



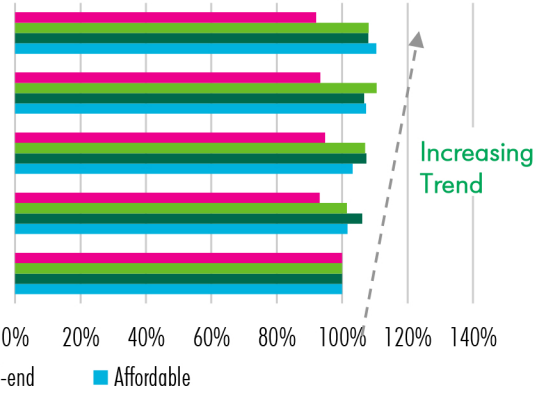
Hanoi Condominium - Accumulated Sold Rate by Segment as of 2018



HCMC Condominium, Primary Pricing Index



Hanoi Condominium, Primary Pricing Index



Calculation: 2014 is the based year and the indexes of each segment is 100%. Other years' indexes are calculated as percentage of average primary pricing of each segment of the year to 2014's primary pricing of the same segment

CONDOMINIUM

HO CHI MINH CITY

POSITIVE MARKET SENTIMENTS TO SUSTAIN

To tap high demand from end-users, many developers have prepared the land bank in city fringe districts and surrounding provinces including Binh Duong, Dong Nai and Long An. The focus on those provinces are in line with HCMC proposed master plan. Lower tier segments are expected to be active in 2019 and onward continues from large-scale projects. Regarding locations, the eastern part of HCMC is expected to be the highlight, especially District 9 and Thu Duc District.

Over the next three years, HCMC is expected to welcome approximately 90,000 units. New launch in 2019 will be slightly lower than 2018 due to slow licensing process. By 2020, with the removal of restriction for condominium development in central area, new launch supply will reach 33,000 units. In 2021 together with the completion of Metro Line No. 1, the market is expected to have additional 35,000 units.

Mid-end segment is expected to reach 75% of 2019 new launch supply, the highest number since 2007, thanks to large scale projects in the East and the South. In 2020, launches of luxury and high-end segment are expected to increase by 35% y-o-y thanks to new projects in District 1 and Thu Thiem area. Affordable segment expects to

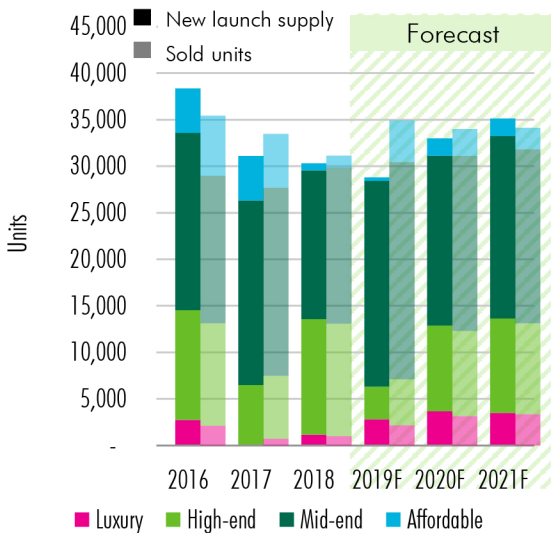
maintain a stable growth rate.

Selling prices in mid-end and affordable segments are expected to post modest growth rates from 1%-3% due to high competition from a large volume of supply. High-end projects in District 2 and District 7 are expected to see higher selling prices, representing 5% y-o-y growth. For approved luxury projects in District 1 and District 3, selling prices are expected to increase from 5%-7% per year, due to scarcity of land bank in the city centre. This growth rates are similar to 2018 in most segments.

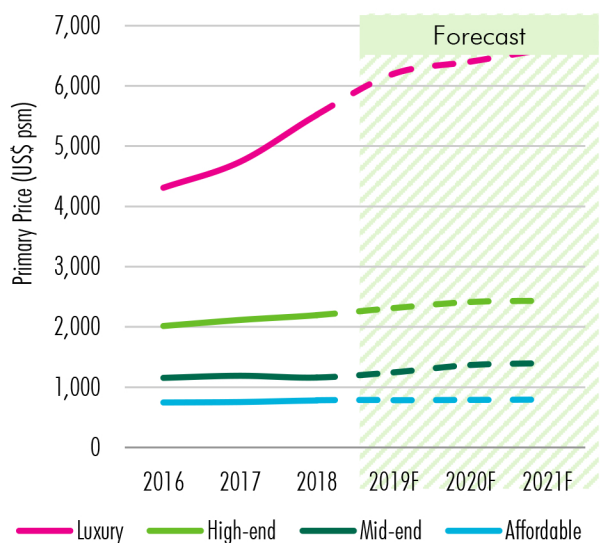
Secondary market will be more active in 2019 thanks to shortage of new supply, especially in District 1, 2 and Thu Thiem area. Projects in these areas can achieve up to 30% price growth compared with launched prices.

Buyers are becoming more discerning on both units and projects quality. They are more concerned on safety issues and management quality. Infrastructure issues such as potential flooding and traffic congestion, condominium management services are keys to influence buyers' decisions. Product enhancements will be the key to improve sales performance for projects targeting end-users. While large-scale townships will offer wide range of amenities, single projects are expected to pay more attention to unit design and building specifications.

HCMC Condominium, New launch and Sold units



HCMC Condominium, Primary Prices



CONDOMINIUM

HANOI

ENHANCING RESILIENCE

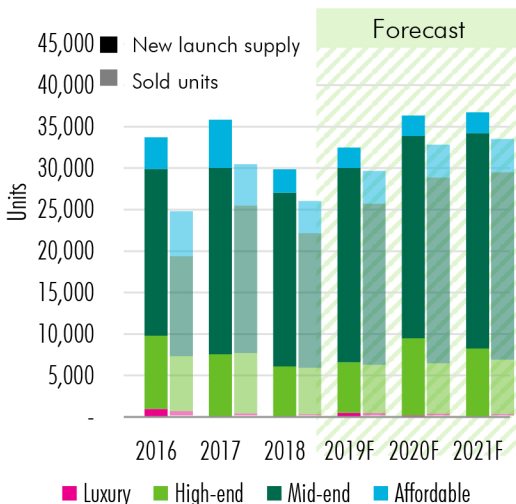
Over the past few years, Hanoi condominium market has been expanding further and further away of more than 10 km to the CBD. The market has witnessed increasing new supply from suburban districts such as Dong Anh and Gia Lam. In particular, the share of suburban districts to total new supply has increased from 11% in 2016 to 20% in 2018. This trend is expected to continue from 2019 onwards since there is limited land bank at core districts such as CBD or Midtown. Additionally, it also highlights that the future supply will be more focused on large-scale townships instead of small to medium scale projects as seen commonly in the past. While customers are more discerning, the projects launched from townships have certain advantages in terms of amenities and landscaping. However, the total volume of supply from these large-scale projects will challenge their developers to set proper phasing to avoid pressure on selling efforts.

The level of new supply is expected to stay at above 32,000 units in 2019 – a relatively similar volume as seen from 2016 – 2018. The mid-end segment still dominates the market with forecasted share to new supply of around 65 – 70% pointing out that Hanoi market is end-users-oriented. Sales performance, thus, is forecasted to reach 28,000 – 30,000 units in 2019.

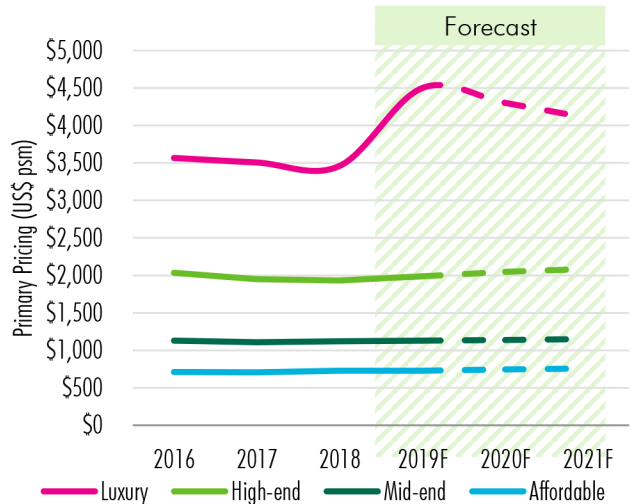
While mid-end products are common in condominium market, recent progresses seen at prime sites in core districts and Tay Ho area signal the return of luxury after two years absent of new supply. Luxury primary pricing is expected to reach around US\$4,500 psm much higher in comparison with previous launch levels of US\$3,5000 - \$4,000. For high-end segment, it is expected that there will be more product upgrades and offerings from both local and international developers to meet the demand of investors and high-income end-users. Pricing growth of mid-end and affordable segments is predicted to be modest at around 1-2% in 2019 given strong pipeline from these segments.

In terms of demand, local end-users are forecasted to continue to drive the demand, supporting the absorption of mid-end and affordable stocks. Investors, on the other hand, will seek opportunities at locations with higher rental yields than current market average of 5%. The projects with close distance to industrial parks, expat communities are those drawing attention of these investors. Noticing the different needs of each buyer group, developers are more focusing on design and concept differentiation and marketing strategies to promote the project's uniqueness. While there are many similar products available in the market, there are opportunities for developers to introduce new standards quality and unique product's features

Hanoi Condominium, New launch and Sold units



Hanoi Condominium, Primary Price



CONDOMINIUM VIETNAM

The condominium markets in Hanoi and HCMC have significantly grown over the past few years. Positive sentiments are expected to persist in the foreseeable future, although there might be temporary issues to be addressed.

INFRASTRUCTURE IMPROVEMENT AND MASTER PLANNING SUPPORT DECENTRALISED TREND

The Hanoi and HCMC markets have been expanding further away from the core districts with significant improvements in infrastructure including upcoming completion of the Metro line No. 2 in Hanoi and Metro line No. 1 in HCMC.

There are still some issues on funding for infrastructure projects leading to long delay of key projects such as Metro line No. 1, 2 in HCMC and 3 in Hanoi as well as flooding presentation system. Meanwhile, progresses in Metro line no. 2A and elevated Ring Road 2 in Hanoi brings better outlook for projects in surrounding areas.

HCMC adjustment of land use planning: HCMC government announced the government's Resolution 80/NQ-CP, dated 19 June 2018, on adjusting land use planning until 2020 in HCMC. New land bank for residential development will be added in decentralized area. This will support the current trend of development that developers need to go further for land bank.

CONDOMINIUM RESTRICTION IN HCMC LEADS TO LOWER NEW LAUNCH SUPPLY

HCMC to restrict condo developments in downtown area until 2020: According to the HCMC's housing development plan between 2016 and 2020, new housing projects cannot be developed in the centre area including District 1 and 3. HCMC will be more selective in choosing high-rise condominium projects.

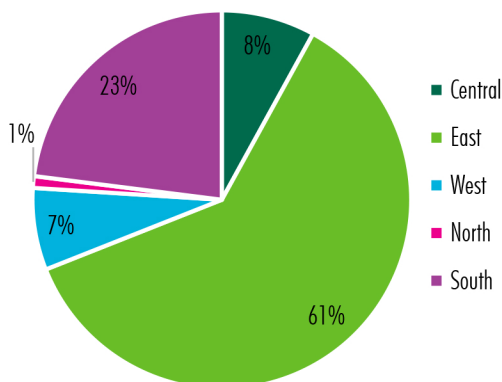
Project investigation and reclaiming "long-pending" projects to control the quality of projects and avoiding the vacant land plots in prime location across all the city.

These actions from the government leads to a reduction in new launch supply in 2019. Low period in 2019 will allow the market to absorb the remaining stock. Developers also review their product strategy to meet buyer's needs.

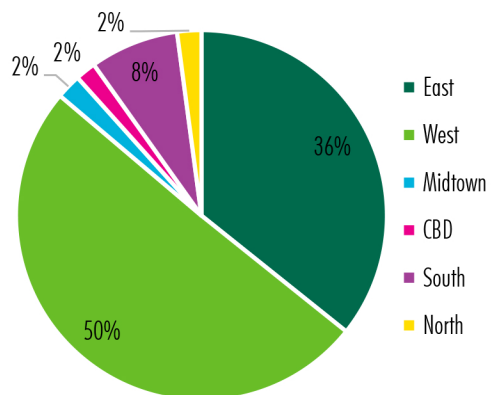
CONCERNS ON OWNERSHIP FOR HYBRID PRODUCTS AND TO FOREIGN BUYERS

Hybrid products ownership: while hybrid products such as office-tel, condo-tel, shophouse at condominium podium have been introduced to the market for a while, the lack of legal framework backed up for these products has posed risks for buyers. The lack of legal framework might negatively impact on the marketability and stability of these product types.

HCMC Condominium, New Launch Supply by Location, 2019



Hanoi Condominium, New Launch Supply by Location, 2019



CONDOMINIUM VIETNAM

CONCERNS ON OWNERSHIP FOR HYBRID PRODUCTS AND TO FOREIGN BUYERS (CONT'D)

Concerns on condominium title and paperwork for foreign buyers were addressed to a certain extent by the various city governments in 2019. In February, Department of Construction of Da Nang City announced 17 projects that are allowed foreigner to receive pink book. In March, Department of Construction of Hanoi approved for one project to sell to foreign buyer. This is a positive news for foreign buyers that their concerns will be solved. The market is looking forward to this list extended in other cities, especially HCMC. This concern has been affecting foreign buyer decisions even though market still records high interest from this group. Prime location projects reached 30% quota for foreign buyers quickly. Secondary market for this group is also more dynamic due to limited supply.

OPPORTUNITIES FOR BETTER PRODUCTS AMID INCREASING COMPETITION

Expansion and New entrance: Local developers showed aggressive move in expanding their land bank to other provinces from their core markets. There have been increasing new developments in second-tier cities such as

Bac Ninh, Hung Yen in the North and Dong Nai, Long An in the South showing strong expansion of residential markets. Meanwhile, developers based in Hanoi also find new opportunities in HCMC and vice versa. At the same time, foreign developers look for partnership with local players with main focus on HCMC and Hanoi. Given the more active participants of both local and foreign developers, it is expected that better product quality and new features will be introduced to the markets.

Competitive rental market: Handovers of completed units lead to growing competition on the rental market especially in Binh Thanh District and District 2 area in HCMC and the West area of Hanoi. Short term leasing platforms (such as Airbnb) have proved a popular channel for residential leasing, with potentially higher short-term rates than traditional lease terms, but typically requiring better management and more frequent housekeeping.

Last but not least, **land prices for both development sites and land plots are increasing.** While developers might enjoy the latter, they also have to cope with challenges from the former. The market is expected to see further segmentation of residential product types, from affordable condominium units, to high value villa units, catering to the increasingly broader demand spectrum.

OUTLOOK

- **Slow licensing process in HCMC** will challenge the launching of new projects while **Hanoi to see level of new launch supply to sustain**
- Strong demand from **first home buyers** across the major cities, while **investment demand is increasing from foreign buyers.** Local investors to look **outside of the two major cities** for new opportunities.