

FEBRUARY 2016
HCMC CENTRAL BUSINESS DISTRICT
CBD MONTHLY MARKET REPORT



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COVER PAGE: Saigon skyline



PERFORMANCE

Improvement has been shown in Grade B's average occupancy rate reaching 94% over the month, increasing 1.95ppt m-o-m. Landlords have made great efforts in filling up vacant space in their Grade B buildings with none incentives. Grade A recorded a nominal drop of 0.1ppt m-o-m, maintaining its rate at 92.4%.

Average net asking rents of Grade B increased to USD24.2/sqm/month as landlords are gaining confidence in market fundamentals. Grade A's asking rents remained unchanged at USD36.2/sqm/month.

SUPPLY

In 2016, Grade B stock is expected to increase approximately 38,000 sqm NLA from Waterfront Saigon and Hai Quan Tower. No new Grade A supply this year means that new Grade B buildings with professional management services and quality facilities will see more opportunities to secure high profile tenants.

2017 will be the year for high-quality Grade A when Saigon Centre (phase 2) and Deutsches Haus complete, providing an additional 65,859 sqm NLA. Saigon One project is expected to restart this year, which will bring to the market 49,000 sqm NLA of large floor plates from 1,500 sqm to 2,500 sqm.

DEMAND

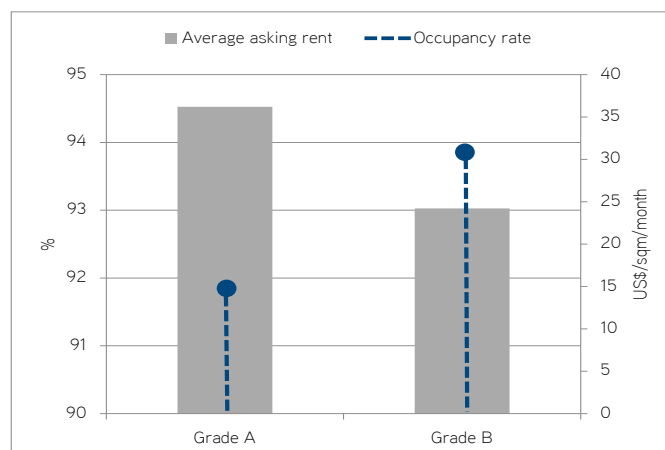
Location is one of the most important factors when looking for an office space. With prime locations and in close proximity of traffic hubs, CBD office buildings will continue to attract both foreign and domestic tenants in demand.

Start up business, expansion and relocation will drive demand in the year ahead while business confidence encourages leasing activity.

OUTLOOK

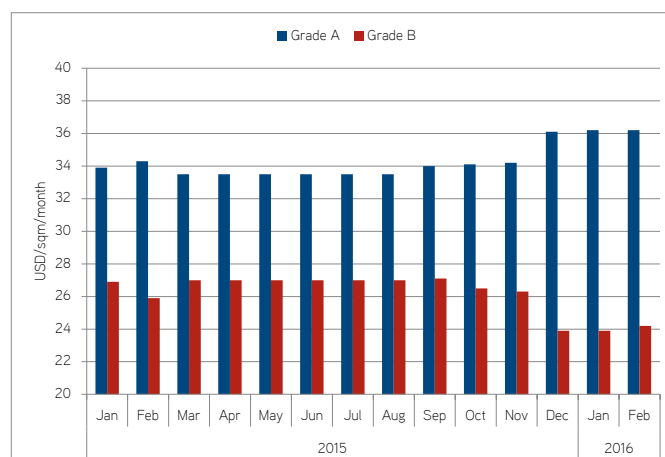
The CBD office market will remain its healthy performance in the near term as moderate pace of new supply will meet leasing demand. Bright prospect from economic growth and international integration will increase the number of newly registered foreign and local enterprises. Strong demand will support rental growth across all grades, which is forecasted to be approximately 4% in 2016 and 9% in 2017.

Figure 1: Office, Market performance by grade



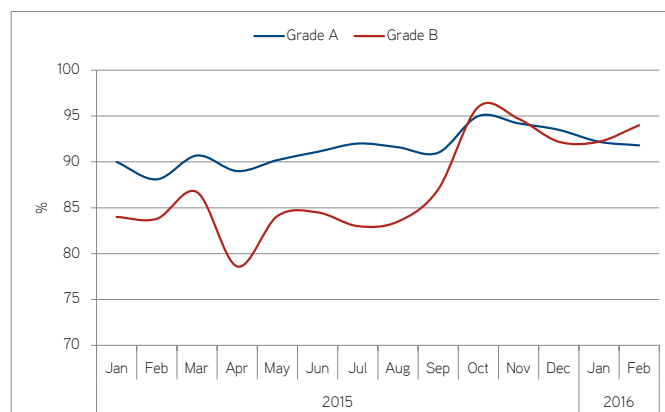
Source: Colliers International Research

Figure 2: Office, Average asking rent by grade



Source: Colliers International Research

Figure 3: Office, Occupancy rate by grade



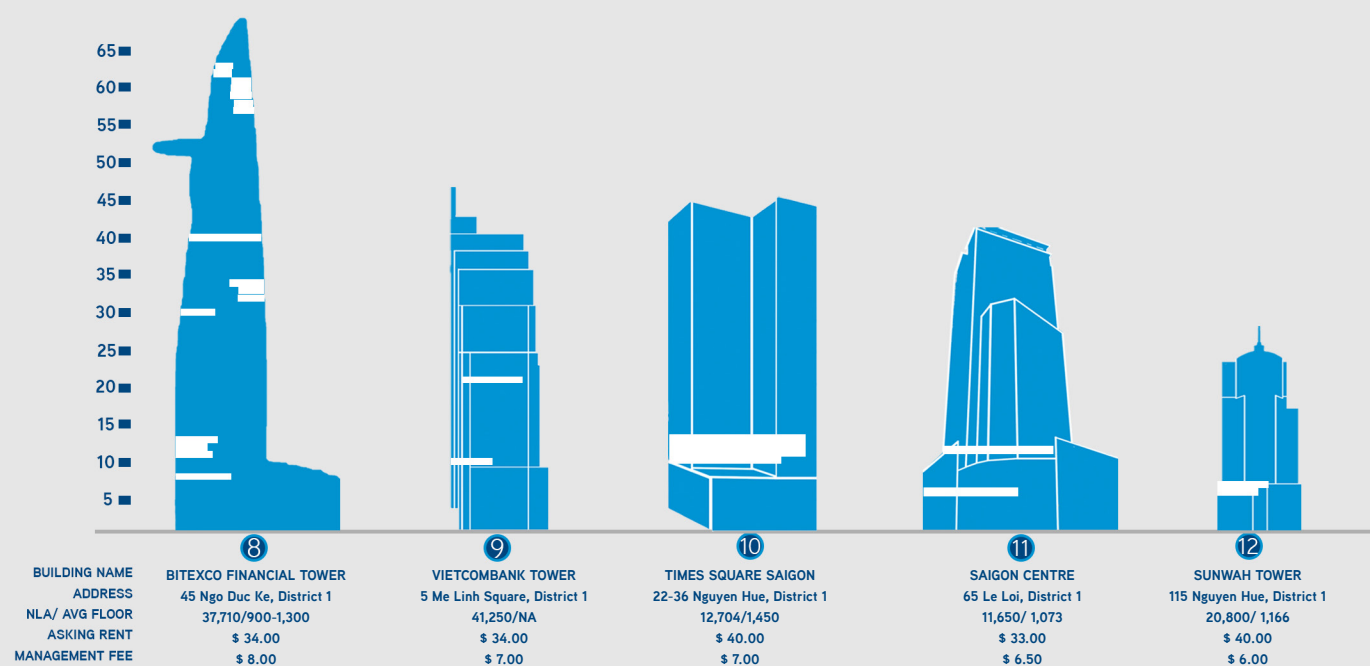
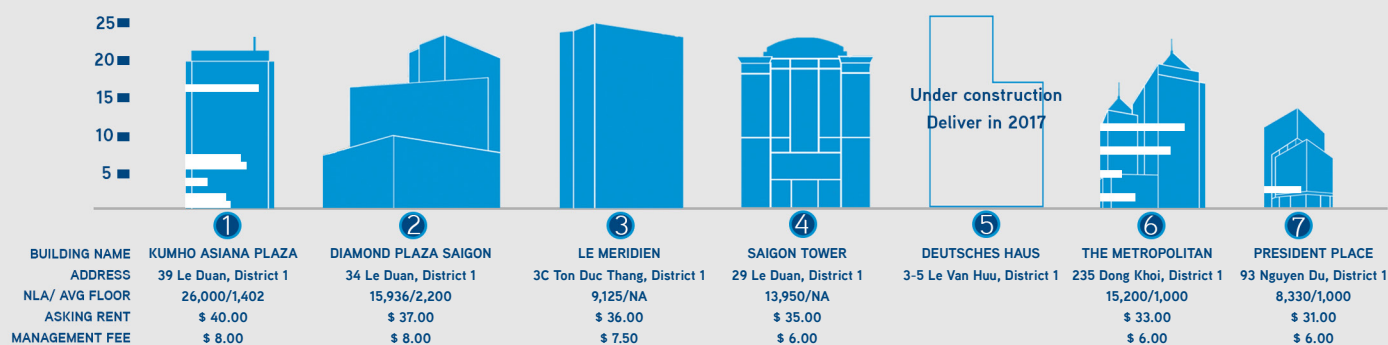
Source: Colliers International Research

Table 1: Significant Office Projects

No	Name	Address	Completion Year	NLA (sqm)	Service Charges (*)	Occupancy rate	Average asking rent (**)
1	Saigon Centre	65 Le Loi	1996	11,650	6.5	99%	33.0
2	Saigon Tower	29 Le Duan	1997	13,950	6.0	99%	35.0
3	Sunwah Tower	115 Nguyen Hue	1997	20,800	6.0	98%	40.0
4	The Metropolitan	235 Dong Khoi	1997	15,200	6.0	85%	33.0
5	Diamond Plaza	34 Le Duan	1999	15,936	8.0	77%	37.0
6	Kumho Asiana Plaza	39 Le Duan	2009	26,000	8.0	89%	43.0
7	Bitexco Financial Tower	45 Ngo Duc Ke	2010	37,710	8.0	98%	34.0
8	President Place	93 Nguyen Du	2012	8,330	6.0	100%	31.0
9	Times Square	22-36 Nguyen Hue	2012	12,704	7.0	88%	40.0
10	Le Meridien	3C Ton Duc Thang	2013	9,125	7.5	81%	36.0
11	Vietcombank Tower	5 Me Linh Square	2015	41,250	7.0	93%	34.0
Grade A				212,655	7.1	92.4%	36.2
1	VTP-OSIC	8 Nguyen Hue	1993	6,500	6.0	98%	25.0
2	Yo Co Building	41 Nguyen Thi Minh Khai	1995	5,000	3.0	100%	23.0
3	Somerset Chancellor Court	21-23 NguyenThi Minh Khai	1996	3,200	5.0	100%	22.0
4	Central Plaza	17 Le Duan	1997	6,094	6.5	95%	24.0
5	Harbour View Tower	35 Nguyen Hue	1997	8,000	5.0	94%	20.0
6	Saigon Riverside Office	2A-4A Ton Duc Thang	1997	10,000	5.0	100%	28.0
7	Saigon Trade Center	37 Ton Duc Thang	1997	31,416	6.5	71%	24.0
8	MeLinh Point Tower	2 Ngo Duc Ke	1999	17,600	6.0	97%	27.0
9	Zen Plaza	54-56 Nguyen Trai	2001	11,037	5.0	86%	22.0
10	Bitexco Building	19-25 Nguyen Hue	2003	6,000	6.0	92%	27.0
11	The Landmark	5B Ton Duc Thang	2005	8,000	6.0	100%	20.0
12	Opera View	161-167 Dong Khoi	2006	3,100	7.0	100%	27.0
13	City Light	45 Vo Thi Sau	2007	10,000	5.0	100%	19.0
14	Petro Tower	1-5 Le Duan	2007	13,304	8.0	90%	33.0
15	The Lancaster	22 – 22 Bis Le Thanh Ton	2007	7,000	5.0	90%	25.0
16	CJ Building	5 Le Thanh Ton	2008	14,000	6.5	96%	25.0
17	Continental Tower	81-85 Ham Nghi	2008	15,000	6.0	99%	22.0
18	Havana Tower	132 Ham Nghi	2008	7,326	6.0	83%	22.0
19	Royal Center	235 Nguyen Van Cu	2008	14,320	6.0	100%	23.0
20	Sailing Tower	51 Nguyen Thi Minh Khai	2008	16,910	6.0	100%	26.0
21	TMS	172 Hai Ba Trung	2009	4,000	4.0	100%	24.0
22	A&B Tower	76 Le Lai	2010	17,120	6.0	96%	23.0
23	Bao Viet Tower	233 Dong Khoi	2010	10,650	5.0	100%	22.0
24	Green Power Tower	35 Ton Duc Thang	2010	15,600	6.0	99%	25.0
25	Maritime Bank Tower	192 Nguyen Cong Tru	2010	19,596	5.0	84%	22.0
26	Saigon Royal	91 Pasteur	2010	5,340	6.0	100%	23.0
27	Vincom Center	68 -70 -72 Le Thanh Ton	2010	56,600	5.0	94%	24.0
28	Empress Tower	138 Hai Ba Trung	2012	19,538	6.0	100%	30.0
29	Lim Tower	9-11 Ton Duc Thang	2013	22,000	6.0	100%	22.0
30	MB Sunny Tower	259 Tran Hung Dao, Co Giang	2013	13,200	6.0	99%	23.0
31	Lim Tower 2	Vo Van Tan	2015	8,400	6.0	95%	24.0
Grade B				405,851	5.7	94.0%	24.2

(*) US\$/sqm/month (NLA)

CBD HCMC GRADE A OFFICE BUILDINGS



PERFORMANCE

Retail centers in the CBD are highly occupied, reaching 95% on average. Vacant space is limited and normally offered for well-known retailers.

Being located in high retail catchment area, rental rate in the city center are showing large variances compared to those in non-CBD area. The CBD's average net asking rents recorded no changes since Q3 2015, staying at USD89/sqm/month.

SUPPLY

Ho Chi Minh City retail market has witnessed the decentralised trend as there is an increasing number of mid-end retail centers in new urban areas such as District 2, District 7 or Go Vap District.

Saigon Center Phase 2 is the only project that will come online in 2016, providing 50,000 sqm GFA. As the anchor tenant, Takashimaya has already pre-leased 30 % of the total retail area of this project. The long-established Japanese retailer is expected to encourage more shopping activities of city residents.

DEMAND

As outlined in a new socioeconomic development plan of the Ministry of Planning and Investment, Vietnam aims for annual economic growth of 6.5-7% in the next five years and GDP per capita of USD3,200-3,500 in 2020.

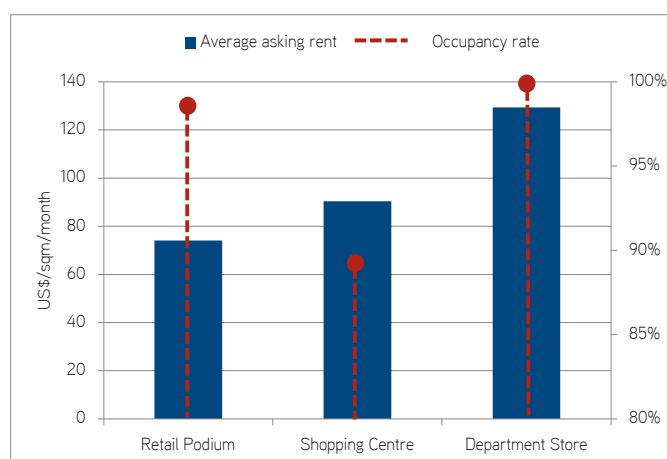
Seeing the potential domestic consumption, more foreign retailers are planning to enter the market to take advantage of opportunities created by recent free trade deals. Retail developments will perform better on the back of strong leasing demand. F&B services are forecasted to dominate the leasing market this year.

OUTLOOK

A young population and rising middle class are key driving factors of Vietnam retail market. To satisfying their sophisticated shopping activities, the retail market has seen diversified trends such as 'one-stop-shop' with retail area combining indoor entertainments, gym and sports centers.

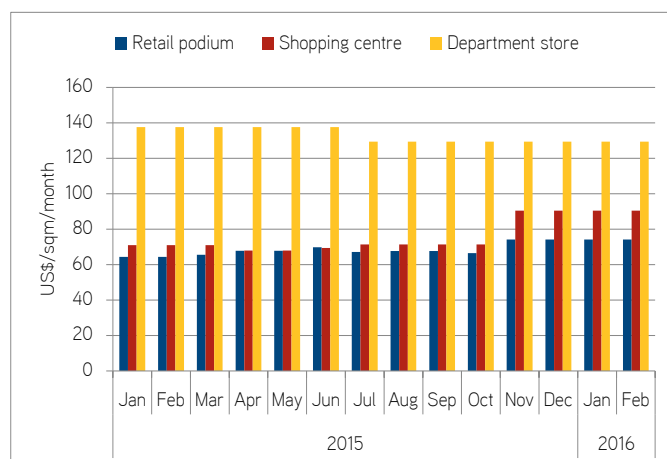
Although business performance in the CBD are better than market average, their rental growth is expected on slow pace as new supply in sub-urban area has reduced rents to 10% y-o-y in 2015.

Figure 4: Retail, Market performance by grade



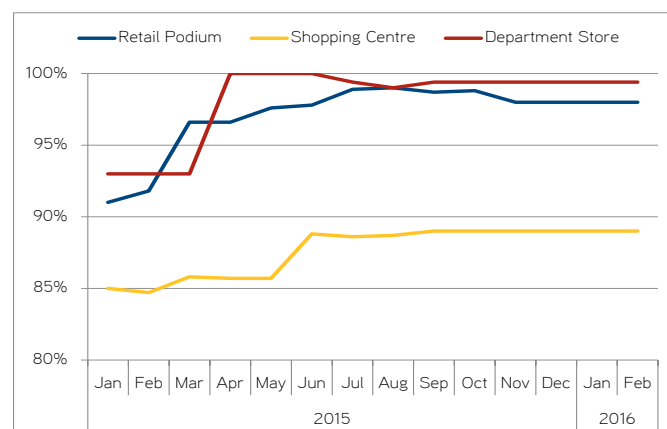
Source: Colliers International Research

Figure 5: Retail, Average asking rent by grade



Source: Colliers International Research

Figure 6: Retail, Occupancy rate by grade



Source: Colliers International Vietnam

Table 2: Significant Retail Projects

No	Name of Project / Building	Address	Location	Completion Year	NLA (sq m)	ARR (*)	Occupancy Rate
1	Saigon Center	Le Loi	District 1	1996	Renovation	Renovation	Renovation
2	Times Square	22-36 Nguyen Hue	District 1	2013	9,000	90	100.0%
3	Caravelle Hotel	19 Lam Son Square	District 1	2000	150	220	100.0%
4	Continental Saigon	132-134 Dong Khoi	District 1	2000	200	90	100.0%
5	New World Hotel	76 Le Lai Street	District 1	2000	1,000	60	100.0%
6	Zen Plaza	54-56 Nguyen Trai	District 1	2001	6,817	50	94.0%
7	Sheraton Saigon	88 Dong Khoi	District 1	2002	750	200	69.0%
8	Opera View	Lam Son Square	District 1	2006	1,260	85	100.0%
9	Kumho Asiana	35 Le Duan	District 1	2009	6,830	75	100.0%
10	Rex Arcade	141 Nguyen Hue	District 1	2010	2,000	120	100.0%
11	ICON 68	45 Ngo Duc Ke	District 1	2011	8,000	50	99.0%
12	President Place	93 Nguyen Du	District 1	2012	800	70	100.0%
Retail Podium					36,807	74.1	98.0%
1	City Plaza	230 Nguyen Trai	District 1	2000	5,250	25	100.0%
2	Parkson Saigontourist	35 Le Thanh Ton Street	District 1	2002	17,000	90	99.0%
3	Nowzone	Nguyen Van Cu Street	District 1	2008	9,000	55	100.0%
4	Vincom Center B	72 Le Thanh Ton	District 1	2010	45,000	120	99.0%
5	Union Square	171 Dong Khoi	District 1	2012	38,000	73	65.0%
6	Diamond Plaza	34 Le Duan	District 1	1999	9,000	90	100.0%
Shopping Centre					123,250	90.4	88.7%
1	Saigon Square 1	77 - 89 Nam Ky Khoi Nghia	District 1	2006	1,300	77	100.0%
2	Taka Plaza	102 Nam Ky Khoi Nghia	District 1	2011	1,000	167	100.0%
3	Lucky Plaza	38 Nguyen Hue	District 1	2013	1,000	160	98.0%
Department Store					3,300	129.4	99.4%

(*) ARR (Average Rental Rate): All rents are stated in net rents per sqm, inclusive service charge but excluding VAT



PERFORMANCE

More rooms were booked during Lunar New Year, helping to raise the average occupancy rates across all grades to 86.6%. The average asking room rates also increased to USD177/room/night.

The four-star hotels show significant improvements in both of their occupancy rates and asking room rates, reaching 87% and USD127/room/night respectively. Due to tourists' tightening budgets, the five-star segment did not have outstanding performance during the holiday season, staying at 86% and USD230/room/night.

SUPPLY

The supply pipeline will remain unchanged in 2016.

Most future projects are under planning such as Union Square, Ritz-Carlton Saigon, Lavenue Crown and Satra Tax Center. The only project that is under constructions is the expansion of Majestic Hotel. The project consists of two towers of 24 and 27 floors and four basements on the corner of Nguyen Hue and Ton Duc Thang streets. Once completed in late 2017 or early 2018, the development will provide additional 353 rooms, bringing the total rooms to 538.

DEMAND

In 2016, Ho Chi Minh City set a goal of welcoming 5.1 million international visitors and 21.8 million domestic travelers, earning a total of nearly USD4.8 billion in revenue. The tourism industry also set a target of promoting the city image as a friendly, attractive and safe destination. To achieve the targets, quality of tourism products and services has been uplifted. Rising number of tourists will strengthen demand for hotels.

OUTLOOK

As the number of tourist arrivals during the low season will drop, hoteliers is anticipated to soften their room rates and offer attractive promotion packages to push up the booking rate.

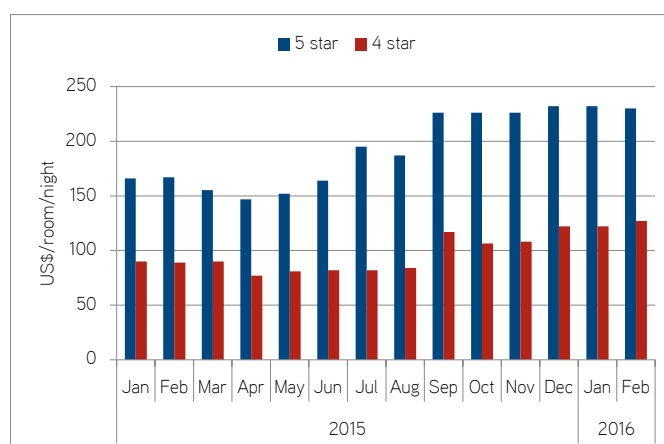
Due to increasing disposable income, domestic tourism demand is expected to play an important role in the future of the city's tourism industry.

Figure 7: Hotel, Market performance



Source: Colliers International Research

Figure 8: Hotel, Average room rate



Source: Colliers International Research

Table 3: Hotel, Future supply

Project name	District	Expected rooms	Expected completion
Majestic (Expansion)	1	353	2017/2018
Union Square	1	251	2017
Lavenue Crown	1	220-250	2018
Ritz-Carlton Saigon	1	250	2018
Satra Tax Center	1	TBA	2019

Source: Colliers International Research

Table 4: Significant Hotel Projects

No	Name of Project	Address	Location	Launched Year	Room	Occupancy Rate	ARR (*)
1	Caravelle	19 Lam Son Square	District 1	2000	335	82%	244
2	New World Saigon	76 Le Lai	District 1	2000	533	94%	170
3	Rex	141 Nguyen Hue	District 1	2000	286	98%	205
4	Sofitel Plaza Saigon	17 Le Duan	District 1	2000	286	85%	238
5	Lotte Legend Hotel Saigon	2A - 4A Ton Duc Thang	District 1	2001	283	100%	151
6	Renaissance Riverside	8 - 15 Ton Duc Thang	District 1	2001	350	85%	228
7	Sheraton	88 Dong Khoi	District 1	2002	485	95%	263
8	Park Hyatt Saigon	02 Lam Son Square	District 1	2005	259	91%	317
9	Majestic Saigon	1 Dong Khoi	District 1	2007	175	70%	151
10	InterContinental Asiana	39 Le Duan	District 1	2009	305	74%	227
11	Nikko Saigon	235 Nguyen Van Cu	District 1	2011	334	80%	213
12	Le Meridien	3C Ton Duc Thang	District 1	2013	345	86%	239
13	Pullman Saigon Centre	146 Tran Hung Dao	District 1	2013	306	84%	209
14	The Reverie Times Square	22 - 36 Nguyen Hue	District 1	2015	286	95%	404
15	Hotel Des Arts Saigon	76-78 Nguyen Thi Minh Khai	District 3	2015	168	71%	193
5-star Hotels					4,736	86%	230
1	Continental	132-134 Dong Khoi	District 1	1990	83	100%	144
2	Norfolk Hotel	117-119 Le Thanh Ton	District 1	1992	104	72%	142
3	Duxton	63 Nguyen Hue	District 1	1996	191	85%	155
4	Oscar	68A Nguyen Hue	District 1	2000	108	94%	59
5	Palace Saigon	56-66 Nguyen Hue	District 1	2000	144	96%	91
6	Royal City	133 Nguyen Hue	District 1	2000	135	66%	89
7	Paragon Saigon Hotel	22-24 Thi Sach	District 1	2009	173	91%	114
8	Liberty Central	179 Le Thanh Ton	District 1	2010	140	80%	135
9	Golden Central Saigon	140 Ly Tu Trong	District 1	2011	120	89%	98
10	Grand Silverland Hotel & Spa	125-133 Ly Tu Trong	District 1	2011	89	98%	152
11	Liberty Central Saigon Riverside	17 Ton Duc Thang	District 1	2013	170	79%	142
12	Liberty Saigon City Point Hotel	59-61 Pasteur	District 1	2014	171	81%	222
13	Eden Saigon Hotel	38 Bui Thi Xuan	District 1	2013	123	100%	103
4-star Hotels					1,751	87%	127

*Price excludes VAT

PERFORMANCE

As of January 2016, the average gross asking rents across all grades stayed at USD29.1/sqm/month. Rental rate of Grade A and Grade B were USD33/sqm/month and USD25.3/sqm/month.

The average occupancy rate was recorded at 86% in which Grade A's occupied rooms was 88.4% and Grade B's was 83.7%.

SUPPLY

The CBD supply pipeline is stable with nearly 1,500 units from 17 projects.

Another Grade A project will be launched in Q3 2016, providing 222 serviced apartments. Some other projects to be up and running in the city in 2016- 2017 include Saigon Center Phase 2, Saigon Plaza and New Pearl Residence.

DEMAND

It is observed that customers' budgets for serviced accommodation have improved. Enquiries for serviced apartments of under USD1,000/unit/month declined and those for USD2,000-4,000/unit/month went up. Notably, there are some enquiries with budget of more than USD6,000/month.

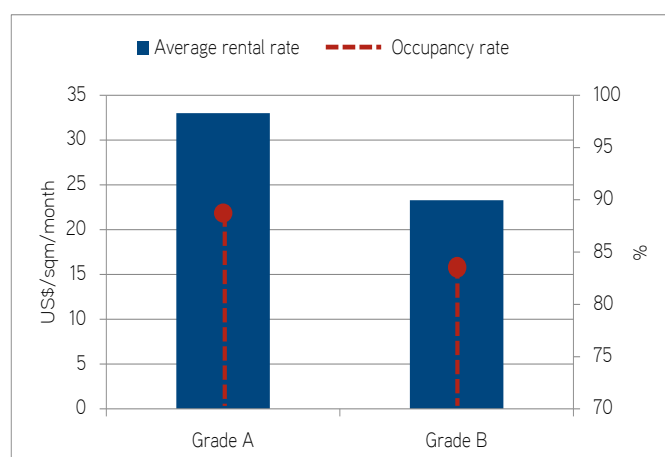
Increasing foreign direct investment and relaxed labour movement after the establishment of Asean Economic Community (AEC) might boost more demand on serviced apartments.

OUTLOOK

For the time being, landlords are watching the market movement and do not show any intentions for rent adjustment. Hence, rents are forecasted to be stable until new supply coming in the second half of 2016.

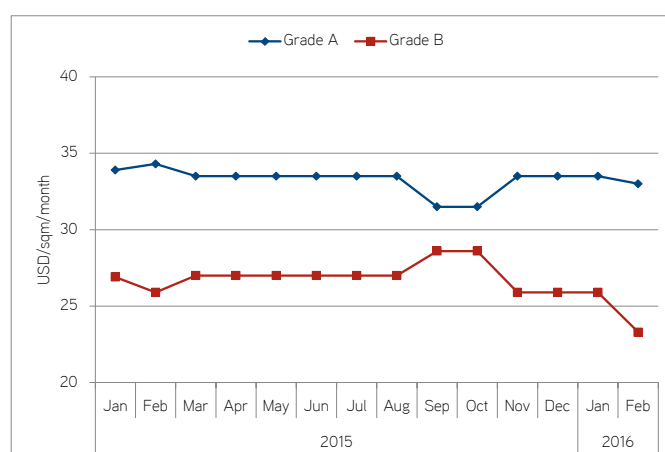
More opportunities for the serviced apartment market will be created thanks to positive macro-economic prospects.

Figure 9: Serviced apartment, Market performance



Source: Colliers International Research

Figure 10: Serviced apartment, Average rental rate by grade



Source: Colliers International Research

Table 5: Serviced apartment, Future supply

Building name	District	Expected units	Expected completion
Ascott Waterfront Saigon	1	222	2016
Saigon Center Phase 2	1	200	2017
Saigon Plaza	1	119	2016
New Pearl Residence	3	120	2016

Source: Colliers International Research

Table 6: Significant Serviced Apartment Projects

No.	Project Name	Address	Location	Completion Year	Total Room	Average Occupancy	ARR(*) (**)
1	The Landmark	5B Ton Duc Thang	District 1	1995	66	90.0%	26
2	Sedona Suites	65 Le Loi	District 1	1996	89	82.0%	30
3	Somerset Chancellor Court	21-23 Nguyen Thi Minh Khai	District 1	1996	172	90.0%	32
4	Nguyen Du Park Villas	111 Nguyen Du	District 1	2004	41	98.0%	30
5	The Lancaster	22-22 Bis Le Thanh Ton	District 1	2007	55	73.0%	37
6	Intercontinental Asian Saigon	39 Le Duan	District 1	2009	260	91.0%	36
Grade A					683	88.4%	33.0
1	Norfolk Mansion	17-21 Ly Tu Trong	District 1	1998	126	85.0%	26
2	Saigon Sky Garden	20 Le Thanh Ton	District 1	1998	154	85.0%	26
3	Somerset HCM	8A Nguyen Binh Khiem	District 1	1998	165	86.0%	23
4	Diamond Plaza	34 Le Duan	District 1	1999	42	86.0%	29
5	Garden View Court	101 Nguyen Du	District 1	2000	76	91.0%	31
6	Ben Thanh Luxury	172-174 Ky Con	District 1	2010	88	91.0%	18
7	Lafayette De SaiGon	8 Phung Khac Khoan	District 1	2010	18	95.0%	28
8	Vincom Center	45A Ly Tu Trong	District 1	2010	60	34.0%	26
9	Nikko Saigon	235 Nguyen Van Cu	District 1	2011	54	100.0%	30
10	Saigon City Residence	8A/3D2 Thai Van Lung	District 1	2011	17	84.0%	23
11	Spring Court	1Bis Phung Khac Khoan	District 1	2011	14	76.0%	23
Grade B					814	83.7%	25.3

(*) US/sqm/month

(**) ARR (Average Rental Rate): All rents are stated in gross rents per sqm, not including VAT and serviced charge

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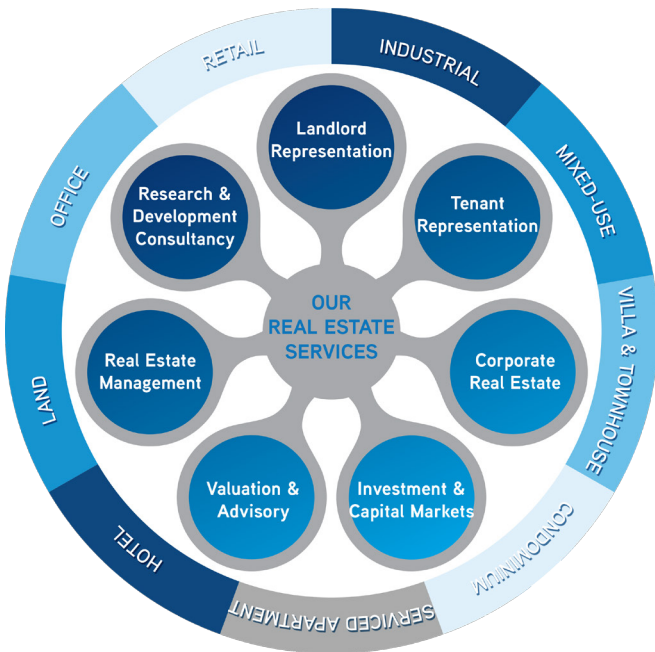
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Knowledge Report/ Market Insights	Vietnam Cities	Quarterly	All market sectors	Publicly available
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