

Supply Trends

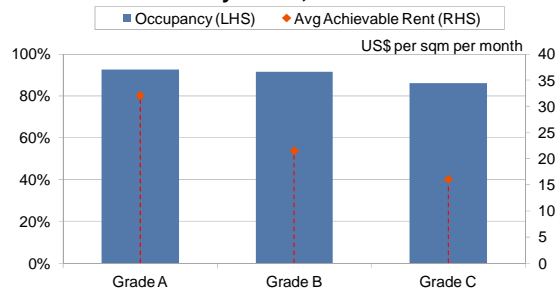
Serviced apartment supply saw a small change against Q3/2010 when four units from a project in Hoan Kiem district were sold as long-term lease apartments. A total of 41 projects supply 2,250 units, showing a year-on-year increase of 2 per cent.

Projects with the largest number of serviced apartments (from 206 to 270 units) all belong to the Grade 'A' segment, which accounts for approximately 55 per cent of the total supply.

Market Performance

The market performed better in Q4 than in the previous quarter. Overall occupancy increased by 1 per cent to 92 per cent and the estimated average achievable rent increased slightly by 1 per cent to US\$26.4 per sqm per month.

Market Performance by Grade, Q4/2010



Source: Savills Research & Consultancy

*Estimated average achievable rent and service charge, exclusive of VAT, on a net area basis.

Grade 'A' performed the best among all grades with improvement in both average achievable rent and occupancy. Approximately 93 per cent of Grade 'A' apartments were occupied, showing a 3 per cent quarter-on-quarter increase.

On the other hand, both Grade 'B' and Grade 'C' had lower quarter-on-quarter occupancy rates. The average achievable rent of Grade 'B' serviced apartments increased by 0.1 per cent while that of Grade 'C' decreased by 0.5 per cent.

Demand Trends

Serviced apartments usually have more space, privacy and comfort than hotels and therefore are often the preferred choice of international visitors who conduct repeated short-term stays for business purposes.

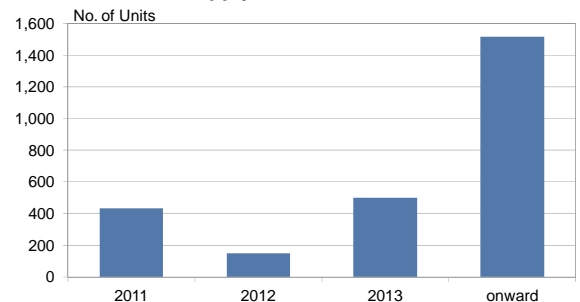
Demand in some districts such as Thanh Xuan, Tu Liem, Long Bien and Gia Lam has not been met, as there are no existing serviced apartment projects in these areas.

Demand for serviced apartments may also be affected by competition from large, well-managed apartment-for-sale projects as, after these projects are completed, a certain number of apartments in these projects may be leased out.

Outlook

Supply in coming years may be triple the current supply when 31 known future projects come online. Eleven of these 31 projects plan to provide approximately 2,600 units, while the number of units in the other 20 projects is yet to be ascertained.

Estimated Future Supply, 2011 and 2013 & onward



Source: Savills Research & Consultancy

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