



DECEMBER 2019

VIETNAM REPORT

CONSTRUCTION MARKET
UPDATE

RLB

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PALM HEIGHTS



HO CHI MINH CITY, VIETNAM

CLIENT: SOUTH RACH CHIEC CITY LIMITED LIABILITY COMPANY
ARCHITECT: INTERNATIONAL CONSTRUCTION & INVESTMENT CONSULTANCY
SERVICE: QUANTITY SURVEYING (FULL SERVICE)
COMPLETION: 2019

Located within Palm City District 2, HCMC, Palm Heights comprises 816 premium apartment units spread across three 35-storey towers. Palm Heights is a second phase of Palm City with comprehensive amenities including shopping centre, kindergarten, international and bilingual schools, hospital and greenery parks together with 2.7- km riverside walkway..

VIETNAM ECONOMY

Vietnam's economy grew by 7.02 per cent in 2019, representing an increase from the National Assembly's target of 6.6 per cent to 6.8 per cent, according to its General Statistics Office. The main pillar of overall economic growth was the robust expansion of the processing and manufacturing sector at 11.29 per cent, the highest in seven years. This marks the second consecutive year the country's gross domestic product (GDP) has exceeded 7 per cent.

Economists predict the GDP growth to cool to 6.7 per cent in the coming year on the back of weaker growth forecast for the United States and China, two of Vietnam's biggest export markets. However, citing companies' commitment to expanding factory capacity, the expected pick-up in global semiconductor trade and policy rate cuts made in recent months, economists noted that the slowdown would not be too sharp.

Despite the slowdown, Vietnam exports are expected to outperform the rest of South-east Asia in 2020.

Inflation for 2019 came in at 2.79 per cent. However, Ho Chi Minh City's consumer price index (CPI) for housing and construction material increased by approximately 4 per cent. For the year 2020, the Asian Development Bank forecast an inflation rate of 3.5 per cent for the country.

Separately, in the fintech industry, Vietnam is the fastest-growing digital economy in the region, largely due to investment inflow, with an annual average growth of 35 per cent. From 2016 to 2019, approximately US\$1 billion in funding was funnelled into Vietnam's e-commerce sector. With nearly 50 million smartphone subscribers, the sector is expected to beat the previous revenue forecast of US\$10 billion in 2020.

In the medium term, Vietnam's economic growth is expected to achieve a rate of 6.5 per cent with banking, tourism and retail sales driving the growth. While its open trade network makes Vietnam an attractive destination for foreign direct investment (FDI), this also makes the country vulnerable to the slowing global demand.



VIETNAM CONSTRUCTION MARKET

The construction industry registered a growth of 8.9% in 2019, an increase from the 8.5 per cent growth in 2018.

In 2019, the central bank issued a road map to tighten control over property loans for fear of defaults. The risk ratio of loans for the real estate sector was adjusted upward, causing banks to be increasingly cautious when offering loans to real estate firms. In Ho Chi Minh City, legal bottlenecks, the tightening of administrative procedures and the slow issuance of construction licenses have contributed to the reduced number of new construction project permits. In Hanoi, the sharp increase in land prices would be passed on to the buyers, potentially affecting sales.

Vietnam Real Estate Association warned that the market could face challenges in 2020 as a result of these restrictions. They noted that the issue has shifted from an oversupply with low demand in the last decade to a short supply with high demand at the start of the new decade.

Real estate drew in US\$3.88 billion (or 10.2 per cent) of registered FDI capital in 2019, second only to processing and manufacturing. The Ministry of Construction reported the real estate market developed “rather stably in terms of supply, transaction numbers, prices, outstanding credit and foreign investment” in 2019.

Market trends also point to a shift in foreign investments to industrial projects in the North of Vietnam (Phu Tho, Bac Ninh and Hai Phong Provinces) and South of Vietnam (Binh Duong and Long An Provinces). In particular, the northern port city of Hai Phong has attracted more than 300 foreign-invested projects with the capital totalling US\$14.8 billion as of 2019. The high level of foreign investment was attributed to the country’s effective economic development strategy and the city’s efforts to accelerate administrative reforms.

Major ongoing projects in Vietnam include Vinhomes Golden River and Empire City in Ho Chi Minh City, the construction of the mass rapid transport (MRT) lines in Hanoi and Ho Chi Minh City, and two of Vietnam’s largest road projects – the Nha Trang-Phan Thiet Expressway and Dau Giay-Lien Khuong Expressway. Projects in the pipeline include Thu Thiem Eco Smart City in Ho Chi Minh City and the North-South expressway.

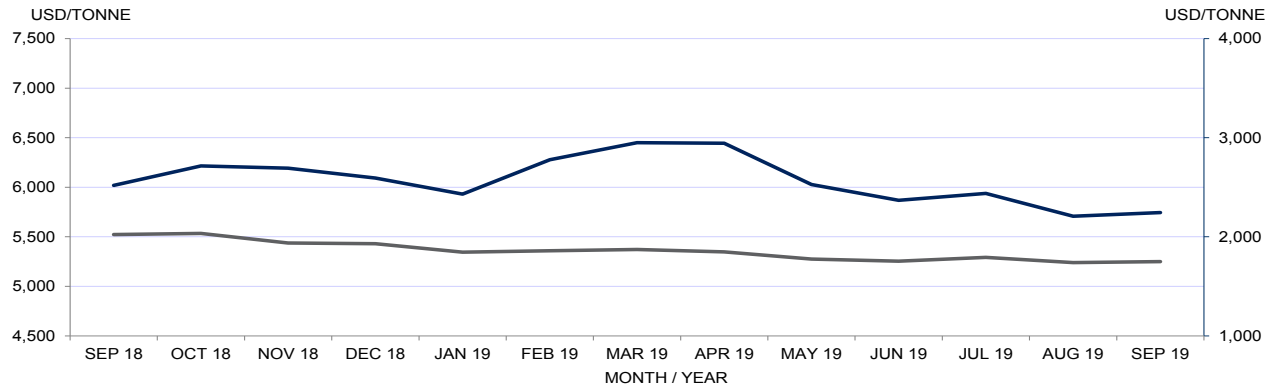
While the coronavirus (COVID-19) is expected to have a material impact on the imports and exports in the first quarter of 2020, experts believe that the COVID-19 also have the potential to create economic opportunities in part due to Vietnam’s cheaper labour market.

Based on present cost and price trends, RLB estimates that construction costs in Ho Chi Minh City are projected to increase in the order of 4 per cent to 6 per cent escalation for 2020.



MARKET PRICES AND CURRENCY EXCHANGE

METAL PRICES



| | AVG 2Q'19/ 3Q'19 CHANGE | SEP 2018 | OCT 2018 | NOV 2018 | DEC 2018 | JAN 2019 | FEB 2019 | MAR 2019 | APR 2019 | MAY 2019 | JUN 2019 | JUL 2019 | AUG 2019 | SEP 2019 |
|-----------|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Copper | -5.2% ↓ | 6019 | 6215 | 6192 | 6093 | 5931 | 6277 | 6450 | 6444 | 6027 | 5868 | 5939 | 5707 | 5745 |
| Aluminium | -1.8% ↓ | 2022 | 2034 | 1937 | 1931 | 1845 | 1859 | 1872 | 1848 | 1775 | 1753 | 1792 | 1740 | 1749 |

Data Sources: London Metal Exchange (LME)

CONSTRUCTION MATERIAL PRICES

| MATERIAL | UNIT | AVERAGE SUPPLY RATE (VND) | | | |
|---|----------------|---------------------------|------------|------------|------------|
| | | 4Q2018 | 1Q2019 | 2Q2019 | 3Q2019 |
| Concreting Sand | m ³ | 290,000 | 312,000 | 350,000 | 350,000 |
| Stone Aggregate (20mm) | m ³ | 270,000 | 285,420 | 300,000 | 300,000 |
| Ordinary Portland Cement (PCB40) | kg | 1,580 | 1,580 | 1,600 | 1,600 |
| Reinforced Concrete (Grade 30 MPA) | m ³ | 1,340,000 | 1,340,000 | 1,350,000 | 1,350,000 |
| Reinforced Concrete (Grade 40 MPA) | m ³ | 1,460,000 | 1,460,000 | 1,480,000 | 1,480,000 |
| High Tensile Steel Bars (10 - 40mm) | kg | 14,675 | 14,425 | 14,000 | 14,000 |
| Mild Steel round bars (6 - 20mm) | kg | 14,570 | 14,270 | 13,860 | 13,860 |
| Structural Steelwork (U-beam, stanchions) | tonne | 15,390,000 | 15,670,000 | 15,272,000 | 15,272,000 |
| Timber Sawn Form-work | m ² | 150,000 | 153,000 | 155,000 | 155,000 |
| Clay Bricks (100mm thick brick-wall) | m ² | 103,000 | 105,000 | 110,000 | 110,000 |

Data Sources: Ho Chi Minh City Construction Department

Exclusions: • Plant and Equipment • Transport • Wastage • Overheads and Profit • Tax Expenses (VAT)

Notes: All supply prices stated above are only applicable for building construction projects in Ho Chi Minh City. Specific cost consultancy should be sought for your particular factual situation prior to utilising this information.

CURRENCY EXCHANGE

| CURRENCY | UNITS PER USD | | | |
|-----------------------|---------------|--------|--------|--------|
| | 4Q2018 | 1Q2019 | 2Q2019 | 3Q2019 |
| Vietnamese Dong (VND) | 23,379 | 23,243 | 23,202 | 23,125 |

Data Source: Oanda

HO CHI MINH CITY CONSTRUCTION PRICES

HO CHI MINH CITY CONSTRUCTION PRICES

| DEVELOPMENT TYPE | COST PER CFA VND ('000) / m ² | COST PER CFA USD / m ² |
|-----------------------------------|--|-----------------------------------|
| OFFICE | | |
| Good Quality, 10 to 25 storeys | 23,430 - 26,420 | 1,010 - 1,140 |
| Good Quality, 26 to 40 storeys | 24,580 - 26,490 | 1,060 - 1,140 |
| Prestige, 10 to 25 storeys | 25,480 - 31,560 | 1,100 - 1,360 |
| Prestige, 26 to 40 storeys | 26,730 - 32,930 | 1,150 - 1,380 |
| HOTEL (Excluding FF&E) | | |
| Three Star | 25,170 - 32,550 | 1,080 - 1,400 |
| Four Star | 32,240 - 38,220 | 1,390 - 1,640 |
| Five Star | 35,830 - 42,980 | 1,540 - 1,850 |
| COMMERCIAL | | |
| Retail / Shopping Mall | 20,770 - 27,650 | 890 - 1,190 |
| RESIDENTIAL | | |
| Good Quality Condominium | 16,050 - 19,220 | 690 - 830 |
| Luxury Condominium | 17,400 - 24,340 | 750 - 1,050 |
| INDUSTRIAL | | |
| Warehouse | 6,200 - 9,400 | 270 - 400 |
| Factory | 6,500 - 9,800 | 280 - 420 |
| CARPARK | | |
| Multi Storey | 9,210 - 13,750 | 400 - 590 |
| Basement outside CBD | 17,060 - 23,720 | 730 - 1,020 |
| Basement, CBD | 18,920 - 25,850 | 810 - 1,110 |

Notes: Construction Floor Area (CFA) - The area of all building enclosed covered spaces measured to the outside face of external walls including covered basement and above ground car park areas.

All Ho Chi Minh City construction prices stated herein are as at 3rd Quarter 2019, and include a general allowance for foundation and external works. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

Exchange Rate Used: USD 1.00 = VND 23,125

Exclusions: • Land cost • Legal and professional fees • Development charges • Authority fees • Finance costs • Loose furniture, fittings and works of art • Tenancy work • Site infrastructure work • Diversion of existing services • Resident site staff cost • Models and prototypes • Future cost escalation • Value-added tax

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