

DKRA Property Briefing Takeaways

Real estate market recuperates if mid-end housing dominate the new supply

Event: We attended an analyst briefing with property firm DKRA in Ho Chi Minh City on July 4. The firm presented their views on the property market trends in 2Q19 and outlined their expectations for 2H2019. In this note, we present a brief summary what was new and/or interesting to us from the briefing.

Map of Ho Chi Minh City



DKRA's View

- Legal issues have resulted in a persistent supply shortage in HCMC.
- High-end condos in big projects account for 53% of total HCMC supply.
- Supply in the east and the south sections of HCMC is driving the market

Our View

- A slowdown in luxury and high-end housing is reasonable given the shortage of new supply in HCMC.
- The authorities are likely to undertake measures to stabilize supply in HCMC.

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Company profile: DKRA is a major property brokerage based in southern Vietnam. The firm also offers services including research, project development consulting, real estate valuation, and sales services.

Supply in 2019(units)	Q1	Q2	Growth (QoQ)
Land lots	259	291	12%
Townhouses	183	383	109%
Apartments	2,700	2,559	-5%
Luxury	540	358	-34%
High-end	675	1,356	101%
Mid-end	1,485	589	-60%
Affordable	0	256	

Source: DKRA

Land market in 2Q19

- Supply increased 12% QoQ and absorption rate remained stable.
- Supply is concentrated in suburban area such as Thu Duc, Cu Chi, Hoc Mon Districts.
- Secondary transactions increased by 2-5% QoQ

Condo market in 2Q19

- Supply is now the lowest it has been since 2016.
- Supply in high-end housing dominates the market, accounting for 53% of total supply.
- Supply in HCMC's east and south areas account for 31% of total supply.
- Secondary selling prices increased 5-7% QoQ and liquidity improved, largely in mid-end and affordable housing (i.e., home price levels of under VND2.0 bn).

Townhouse and villa segments in 2Q19

- Supply increased 109% QoQ and absorption rate increased 138% QoQ.
- Supply in Districts 9 and 2 dominate the market.
- Secondary market activity increased slightly compared to 1Q19, with transactions mainly comprising houses priced at less than VND10 bn.

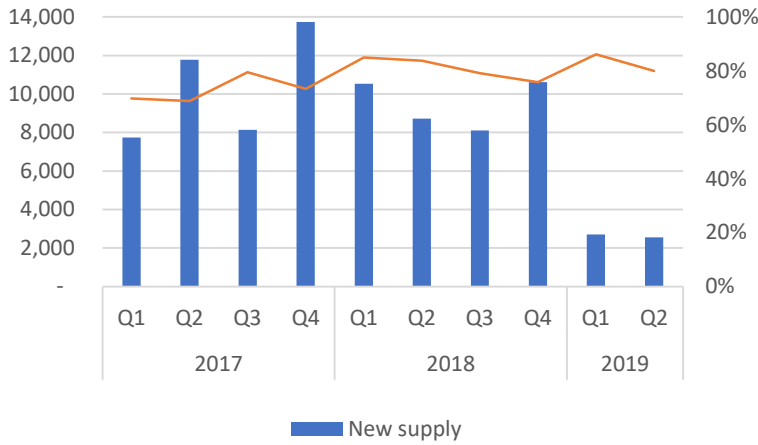
DKRA's overall outlook for 2H2019

- Condo supply might reach c. 6,500 units (excluding Vinhomes Grand Park) per quarter.
- Absorption rate should remain stable or increase slightly, but will be lower than FY18.

Our view: Since 2018, inspections and investigations of real estate deals have caused delayed licensing for property developments, leading to a sharp fall in new supply in HCMC's central districts (luxury/high-end housing). We believe this has led developers to shift to suburban areas (and mid-end/affordable housing). In the long term, we expect the authorities to ensure that the supply shortage is not prolonged. Based on our discussions with industry players, projects that do NOT involve landbank sourced from state-owned enterprises and BOT agreements (which exchange infrastructure for land) seem to more easily obtain licenses. Therefore, we expect HCMC's real estate market to stabilize gradually going forward.

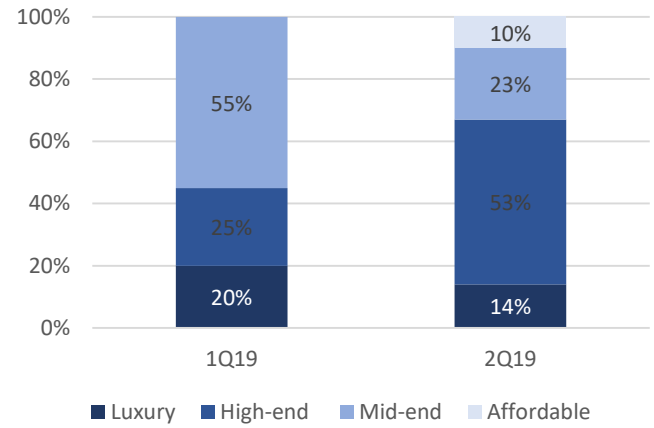
CONDO MARKET

Figure 1: Launched supply and absorption rate



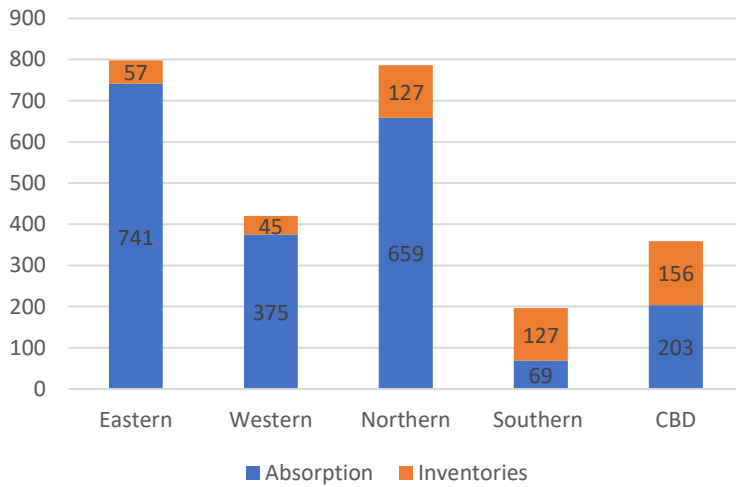
Source: DKRA

Figure 2: Launched supply by segment



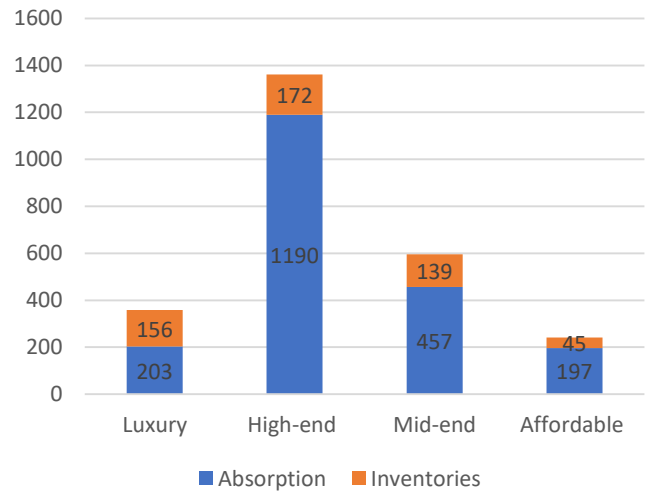
Source: DKRA

Figure 3: Absorption by area



Source: DKRA

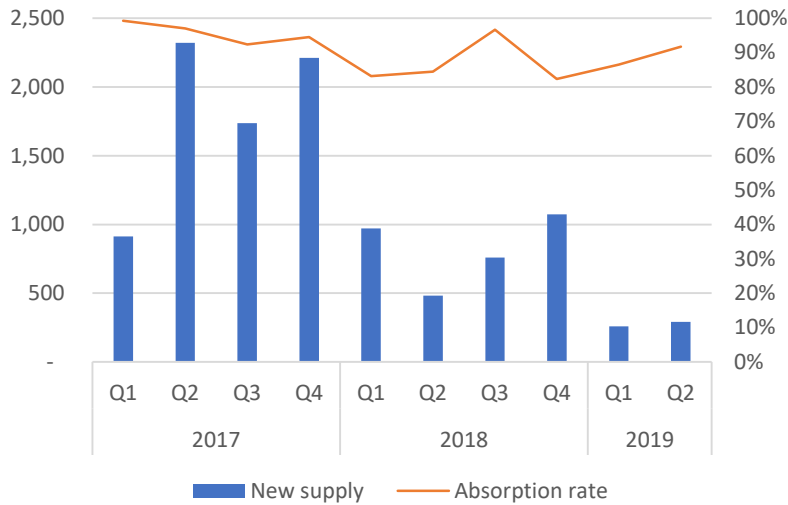
Figure 4: Absorption rate by segment



Source: DKRA

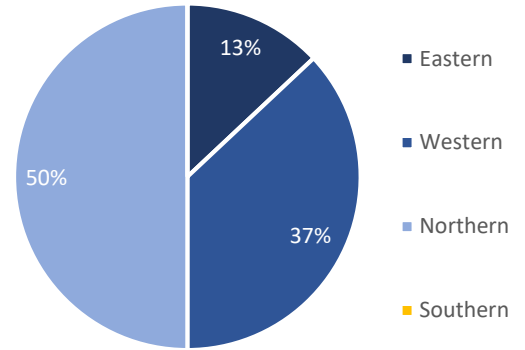
LAND MARKET

Figure 5: Launched supply and absorption rate



Source: DKRA

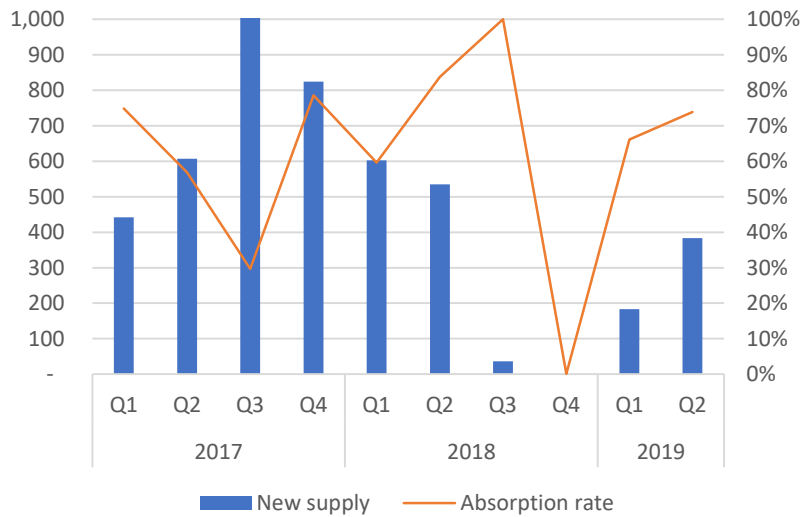
Figure 6: Launched supply by area



Source: DKRA

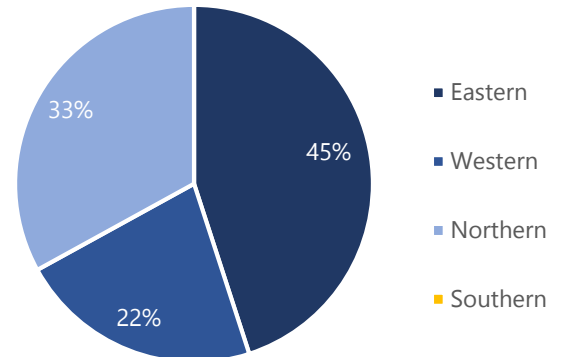
TOWNHOUSE / VILLA MARKET

Figure 7: Launched supply and absorption rate



Source: DKRA

Figure 8: Launched supply by area



Source: DKRA

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Ratings	Total expected return within the next 12 months
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HOLD	Between -10% to +10%
SELL	Below -10%

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HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

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