

An aerial night photograph of a city skyline, likely Hanoi, Vietnam. The image shows a dense cluster of high-rise buildings, many of which are illuminated with warm yellow lights. A prominent skyscraper with a dark facade and a spire stands out on the right side. In the foreground, a wide river flows through the city, with several boats visible on its surface. The sky is a deep twilight blue, and the overall scene is a vibrant display of urban architecture and infrastructure.

JUNE 2019

# VIETNAM REPORT

CONSTRUCTION MARKET  
UPDATE





## PALM HEIGHTS ▲

### VIETNAM

<b>CLIENT</b>	PALM HEIGHTS
<b>ARCHITECT</b>	INTERNATIONAL CONSTRUCTION & INVESTMENT CONSULTANCY
<b>ID DESIGN</b>	SOUTH RACH CHIEC CITY LIMITED LIABILITY COMPANY
<b>VALUE</b>	USD 65 MILLION
<b>SERVICES</b>	QUANTITY SURVEYOR (FULL SERVICE)
<b>COMPLETION</b>	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.



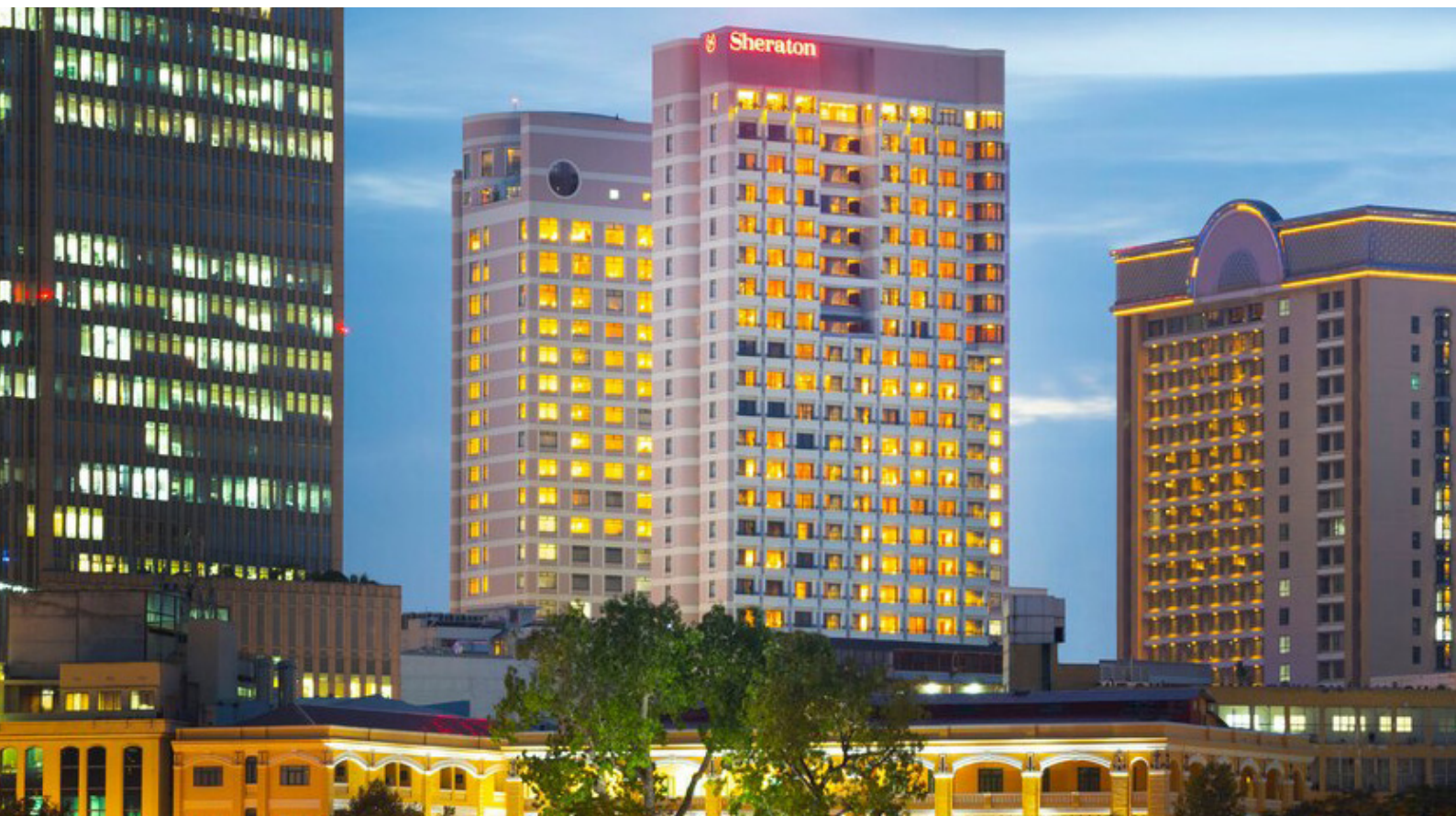
## VIETNAM ECONOMY

Vietnam is going through a transformative period and economic reforms undertaken have transformed the country into one of the fastest growing economies in the world. Vietnam achieved a gross domestic product (GDP) growth of 7.08 percent in 2018, the highest rate over the past 10 years, up from the annualized target of 6.5% to 6.7%, according to its General Statistics Office. Vietnam is forecast to achieve a stable economic growth of 6.9 percent in 2019, buoyed by a strong manufacturing sector, government infrastructure expenditure and supported by foreign direct investment (FDI).

Vietnam has signed to date altogether sixteen bilateral and multilateral free trade agreements, including the recent Trans-Pacific Partnership (TPP) agreement. These trade ties will put Vietnam's export-oriented economy in a favourable position as it could tap into the foreign consumer markets while allowing foreign investment inflows. With the on-going US-China trade dispute, Vietnam may benefit from tariffs imposed on China as low-cost manufacturers may be inclined

to shift production from China to Vietnam. Rising Chinese labour costs will also expedite this move, notwithstanding the differential in labour productivity rates in Vietnam.

Vietnam's medium term economic outlook appears favourable, with downside risks arising mainly from global financial volatility, weaker external demand, foreign exchange fluctuations and credit tightening. Vietnam is among the few ASEAN countries to consistently record positive FDI growth in recent years, mainly led by growing investments in manufacturing. Other growth sectors include infrastructure, agricultural products and the higher value-add segments of electronics, automotive, and digital financial services. Its current account surplus is around 2.1 % of GDP in 2019, which indicates that surplus is anticipated to narrow slightly from 2.2 % in 2018. Vietnam is one of the two countries running a current account surplus among the Mekong region countries, with the other being Thailand.



## VIETNAM CONSTRUCTION MARKET

The construction industry registered a growth of 8.5% in real terms in 2018 and an output value of US\$ 57.5 billion. Growth is expected to continue at a compound annual growth rate of 7.87% over the next five years based on projected investments in infrastructure construction, tourism and hospitality projects and residential developments. Residential construction is the largest market sector, accounting for 44.2% of the total value of the industry in 2018, followed by infrastructure (22.6%), energy and utilities (13.6%), industrial (8.9%), commercial (7.4%) and institutional (3.2%). Up to 70% of new FDI used to be mainly invested in manufacturing. However, over the last two years, owing to a relaxation of foreign ownership, investors have shifted capital into the real estate sector.

The main focus of Vietnam's infrastructure reforms will mostly reside within the transport and logistics sectors. Investment in infrastructure will have a multiplier effect resulting in more jobs, increased mobility and business efficacy which will create a more vibrant economy. There is a growing demand for more efficient transport networks that could reduce logistics costs. Logistics costs represent about 21% of Vietnam's GDP whereas by comparison this figure is double that in the more advanced countries.

Vietnam's railway infrastructure is over 130 years old and currently it has more than 20 rail projects in the pipeline. Some of these projects include the modernization and expansion of the national railway network and the construction of mass rapid transport (MRT) lines in Hanoi and Ho Chi Minh City. A North-South High-Speed Rail line linking major cities and economic zones across the country is also in the works.

Construction cost escalation is projected to be in the order of 3% for 2019, based on the current market and tendering trends. It is observed that construction tenders have largely remained at competitive levels. Material and labour prices have been fairly stable over the last year. Vietnam is on the upward trending phase of its market cycle, as the construction growth continues strongly over the next five years on the back of a resilient property market.

Key risks in the Vietnam's continued growth of the construction sector include political instability and changes, economic dependence on FDI inflows, fiscal policies, construction productivity and the increased pace of technology displacing its lower-skilled work force.

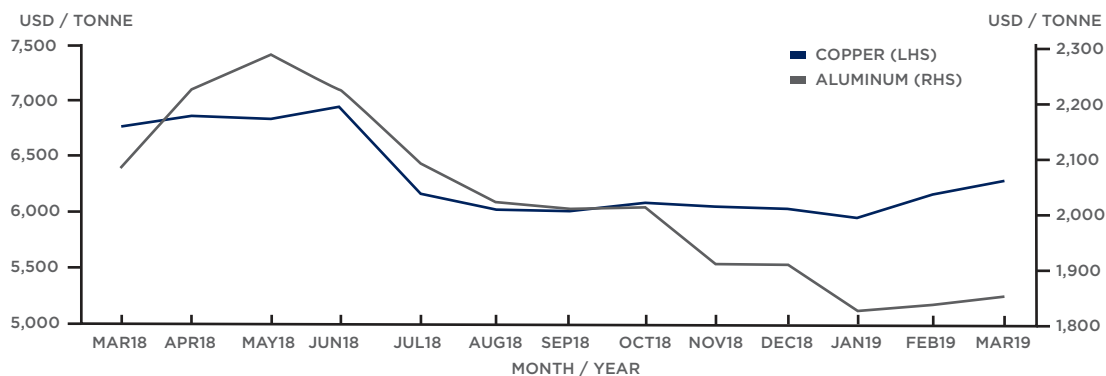
## SHERATON SAIGON HOTEL ◀

### VIETNAM

<b>CLIENT</b>	OCEAN PLACE JOINT VENTURE COMPANY.,LTD
<b>ARCHITECT</b>	NOOR VIETNAM LTD., CO
<b>ID DESIGN</b>	EMESAE DESIGN CORPORATION
<b>VALUE</b>	USD 88 MILLION FOR CONSTRUCTION AND USD 17 MILLION FOR REFURBISHMENT
<b>SERVICES</b>	QUANTITY SURVEYOR (FULL SERVICE)
<b>COMPLETION</b>	2020

Sheraton Saigon Hotel is a 22-storey high tower located in District 1 of Ho Chi Minh City. The 5-star hotel was built in 2003, partial Renovation in 2016 and last Renovation will finished in 2020 including total of 484 high-end guest rooms with modern and convenient facilities, casino, restaurant and entertainment.

## METAL PRICES



	AVG 3Q'18/ 4Q'18 CHANGE	MAR 2018	APR 2018	MAY 2018	JUN 2018	JUL 2018	AUG 2018	SEP 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019
Copper	0.9% ↑	6795	6838	6821	6954	6247	6039	6019	6215	6192	6093	5931	6277	6450
Aluminium	-5.5% ↓	2076	2245	2290	2240	2098	2045	2022	2034	1937	1931	1845	1859	1872

Data Sources: London Metal Exchange (LME)

## CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE (VND)			
		2Q2018	3Q2018	4Q2018	1Q2019
Concreting Sand	m <sup>3</sup>	398,943	300,000	290,000	312,000
Stone Aggregate (20mm)	m <sup>3</sup>	280,000	280,000	270,000	285,420
Ordinary Portland Cement (PCB40)	kg	1,465	1,580	1,580	1,580
Reinforced Concrete (Grade 30 MPA)	m <sup>3</sup>	1,200,000	1,210,000	1,340,000	1,340,000
Reinforced Concrete (Grade 40 MPA)	m <sup>3</sup>	1,310,000	1,335,000	1,460,000	1,460,000
High Tensile Steel Bars (10 - 40mm)	kg	14,480	14,725	14,675	14,425
Mild Steel round bars (6 - 20mm)	kg	14,710	14,570	14,570	14,270
Structural Steelwork (U-beam, stanchions)	tonne	15,420,000	15,580,000	15,390,000	15,670,000
Timber Sawn Form-work	m <sup>2</sup>	150,000	152,000	150,000	153,000
Clay Bricks (100mm thick brick-wall)	m <sup>2</sup>	103,000	104,000	103,000	105,000

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			
	2Q2018	3Q2018	4Q2018	1Q2019
Vietnamese Dong (VND)	22,736	23,304	23,379	23,243

Data Source: Oanda

## HO CHI MINH CITY CONSTRUCTION PRICES

DEVELOPMENT TYPE	COST PER CFA VND ('000) / m <sup>2</sup>	COST PER CFA USD / m <sup>2</sup>
<b>OFFICE</b>		
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	24,810 - 30,730	1,070 - 1,320
Prestige, 26 to 40 storeys	26,020 - 32,060	1,120 - 1,380
<b>HOTEL (Excluding FF&amp;E)</b>		
Three Star	24,500 - 31,690	1,050 - 1,360
Four Star	31,390 - 37,200	1,350 - 1,600
Five Star	34,900 - 41,850	1,500 - 1,800
<b>COMMERCIAL</b>		
Retail / Shopping Mall	20,220 - 26,900	870 - 1,160
<b>RESIDENTIAL</b>		
Good Quality Condominium	16,050 - 19,220	690 - 830
Luxury Condominium	17,400 - 24,340	750 - 1,050
<b>INDUSTRIAL</b>		
Warehouse	6,200 - 9,400	270 - 400
Factory	6,500 - 9,800	280 - 420
<b>CARPARK</b>		
Multi Storey	8,960 - 13,380	390 - 580
Basement outside CBD	16,600 - 23,100	710 - 990
Basement, CBD	18,420 - 25,170	790 - 1,080

**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 1st 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 23,243

**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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