

FIGURES | HANOI REAL ESTATE MARKET | Q1 2022

Rebound to more sustainable growth

▲ 5.03%
VIETNAM GDP

▼ 1.88%
HCMC GRDP

▲ 5.83%
HANOI GRDP

▲ 25.24%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** Strong net absorption forecasted in 2022 will ensure a stable occupancy rate. With the abundant supply coming, average asking rents of current projects are expected to slightly increased 1 – 2% to year end
- **Retail:** the Hanoi retail market has not yet seen significant changes in Q1 with no new supply. However, as eased social distancing measures continue to take place along with booster-dose vaccination campaign, a strong bounce-back and optimistic market sentiment are expected in the year.
- **Condominium:** Limited new launch due to disruption of Tet holiday and a new wave of COVID-19 allowed sold units to continue to exceed new launch. Primary prices continue to rise.
- **Industrial:** Although there were three new projects coming into operation this quarter in Bac Ninh, average occupancy of industrial parks in key northern industrial markets remained positive.

Vietnam Economic Overview

In the first three months of 2022, Vietnam's production activities were well resumed, with the global supply chain opening up. Gross domestic product (GDP) in Q1 was estimated to increase by 5.03% over the same period last year, higher than the growth rate of 4.72% in the first quarter of 2021.

In the first quarter of 2022, export turnover of goods was estimated at 88.58 billion USD, up 12.9% y-o-y.

Generally, in the first quarter of 2022, the trade balance of goods is estimated to have a trade surplus of US\$ 809 million, a third of the trade surplus in the same period last year (USD 2.76 billion).

Total registered foreign investment capital in Vietnam as of March 20 reached USD 8,91 billion, down 12.1% over the same period last year. The top countries by FDI investment value include Denmark with two projects worth USD 1,319.89 million, Singapore with 40 projects worth USD 626.59 million, and China with 48 projects worth USD 379.51 million. Total international arrivals to Vietnam returned to Vietnam after the restriction was removed. There were 90,984 arrivals, mainly from China, Korea, Japan, ...

Office

Market recorded positive absorption rate despite a new wave of covid during the quarter

In Q1 2022, the Hanoi office market welcomed one large Grade A project in the CBD. The project provides to the market only 5,000 sqm NLA as most of the building space will be occupied by its owner. Overall, the total office supply in the Hanoi market exceeded 1.6 million sqm NLA, with Grade A projects accounting for 38% of total supply. Total net absorption of Hanoi was 6,000 sqm in Q1 2022, with the majority coming from Grade A space; some of Grade A leases during this quarter was an upgrade from Grade B or older Grade A space.

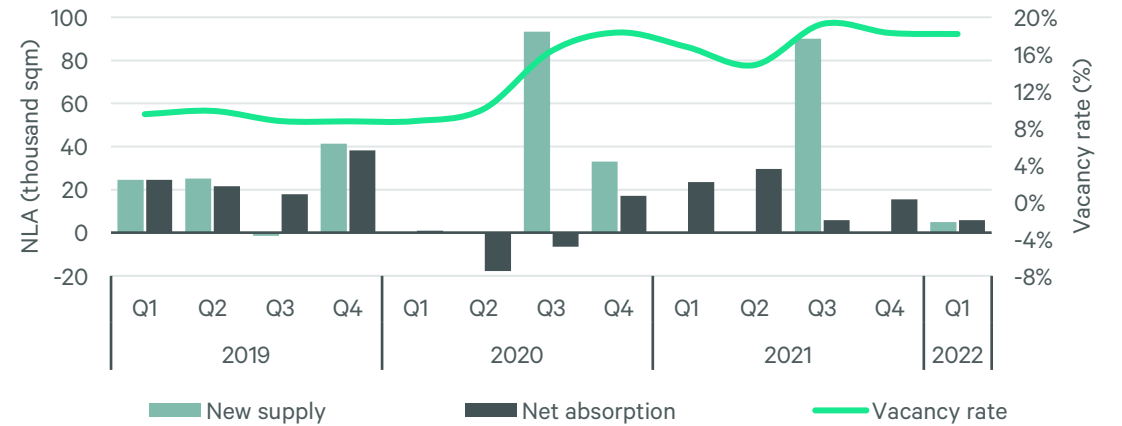
Rents started to improve after a period of stabilization during the epidemic

The return to normal activities of all business activities, including the lifting of most restrictions in business and social activities and the resumption of international flights, has brought positive signs to the landlord. As a result, rents started to rise after a period of stability during the epidemic. Specifically, in Q1 2022 Grade A asking rents reached \$27.6/sqm/month, up by 1.2% q-o-q and 1.9% y-o-y. Similarly, Grade B office rents also slightly increased by 0.8% q-o-q and 0.8% y-o-y to US\$14.1. Average vacancy rates of existing office projects also improved as Grade A vacancy rate was only 18.8%, down by 1.7 ppts q-o-q and 4.7 ppts y-o-y. Meanwhile, vacancy rates of Grade B office averaged 10.6%, a reduction of 2.7 ppts y-o-y. Rents and vacancy rates of Grade A office in Hanoi do not include the impact of the decentralized Technopark Tower project. If this project is included, rents and vacancy rates would average US\$24.91 and 30.6% respectively.

Demand for expansion and new letting started to rebound

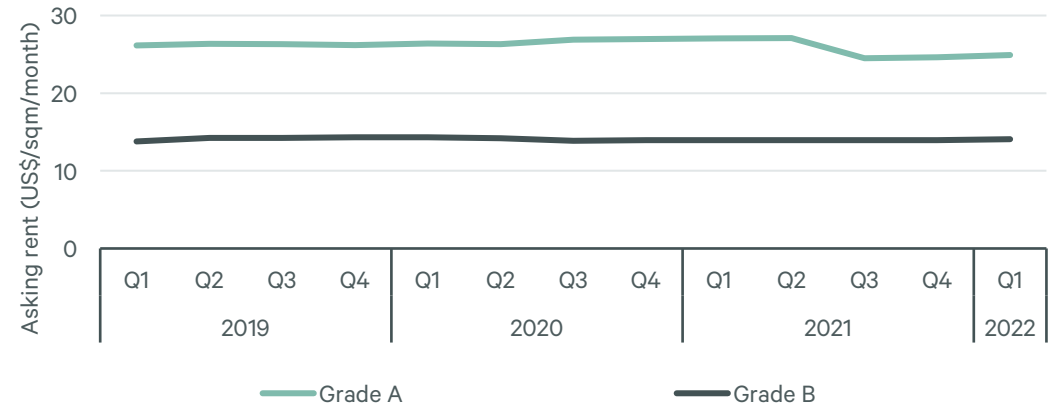
In terms of demand, according to transactions recorded by CBRE, office expansion and new letting demand started to rebound as they accounted for more than 70% of total transactions in Hanoi. Occupiers that were active in expanding in Q1 were of industries flourishing despite the pandemic such as IT/Tech and Real Estate, and their interests were in locations such as Midtown and the West. Going forward, strong absorption expected during 2022 should ensure occupancy levels at existing buildings to further improve. Upcoming strong pipeline expects to meet with robust demand coming from both domestic enterprises and foreign investments companies, while average asking rents of existing projects are expected to slightly increase by 1-2% by year end.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research & Consulting, Q1 2022

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research & Consulting, Q1 2022
Asking rent is exclusive of service charge and VAT.

Retail

No New Supply in Q1 2022

In terms of supply, the Hanoi market did not record any new projects coming into operation in the first quarter of 2022. Retail NLA remained stable at more than 1,000,000 sqm NLA.

Stagnant Asking Rents

Asking rents on the ground floor and the first floor (excluding VAT and service charges) in non-CBD locations continued to decrease due to the number of projects with high vacancy rates proposing discounts to attract new tenants, as well as retaining existing tenants to stabilize occupancy rates. Asking rents decreased by 1.1% q-o-q and 3.2% y-o-y, averaging US\$23.6/sqm/month. With regards to vacancy rates, although some expansion activities were seen, vacancy rates have remained stable compared to the last quarter while up 2.6 ppts y-o-y at 16.8%.

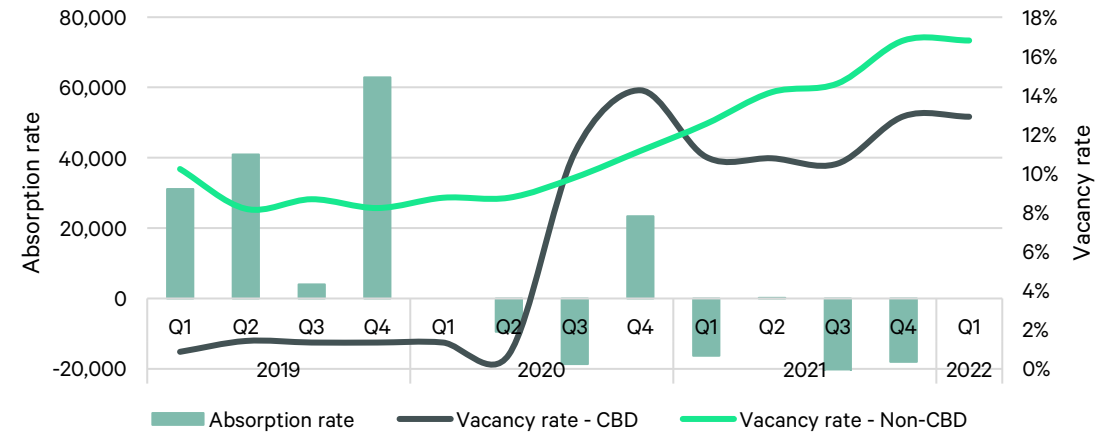
Average asking rents in the Hanoi CBD area in the first quarter have slightly increased by 1.48% q-o-q while decreasing 0.45% y-o-y, reaching US\$107/sqm/month. Vacancy rates in the CBD remained stable at 12.9% as last quarter while increased 2.1 ppts y-o-y.

Future supply

Even though the Hanoi market did not record any new supply this year, an additional of about 356,000 sqm NLA is expected to enter the market by 2024, equivalent to nearly 30% of total supply. Most of these new projects will be located in non-CBD areas. Residents in the North and South area of the city will have more options to shop and enjoy the services when two large-scale projects, Lotte Mall Hanoi and Aeon Mall Hoang Mai, are expected to be completed in 2023-2024.

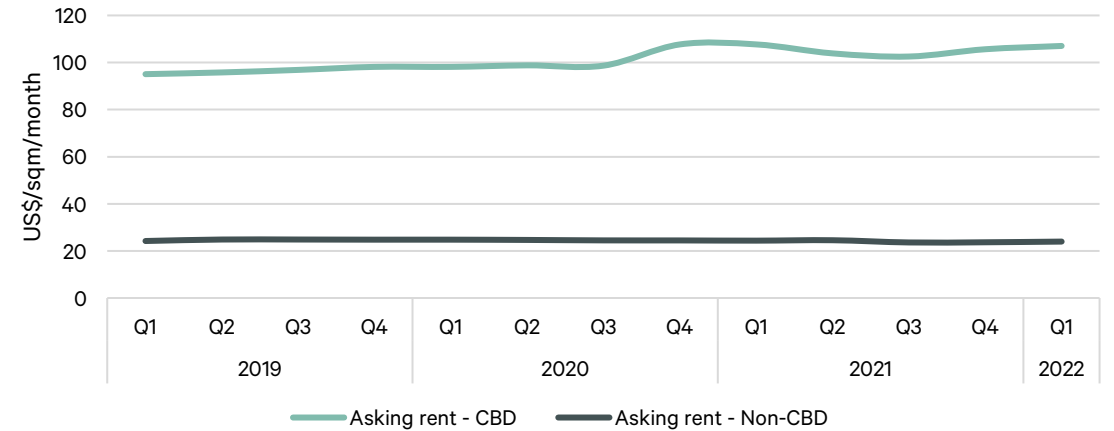
Even though the market has not performed well in 2021 due to the impacts of Covid-19, signs of recovery are seen within the first period. Increased volume of consumer traffic in shopping centers in the first quarter compared to the peak time of Covid-19, higher sales in total consumers goods and services, big corporations' new launching plans are some examples. Moreover, the recovery of retail sales as well as entries of high-end brands hopefully can lead to positive impacts on the retail leasing market in the coming months. As eased social distancing measures continue to take place along with booster-dose vaccination campaign, a strong bounce-back and optimistic market sentiment are expected in the year.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research & Consulting., Q1 2022

FIGURE 4: Average Ground Floor Asking Rent, Hanoi Retail



Source: CBRE Research & Consulting., Q1 2022

Condominium

Limited new launch

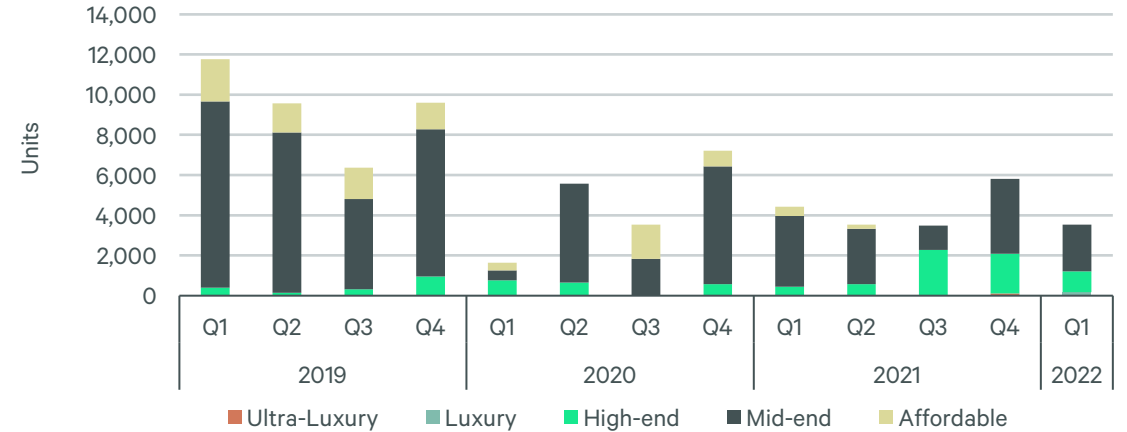
In the first quarter of 2022, there were approximately 3,500 condominium units launched in Hanoi. This level of new launch showed a q-o-q and y-o-y declines of 39% and 20%, respectively due to disruption of Tet holiday and a new wave of COVID-19 in Hanoi, which peaked and waned during March. Most of the new supply during the quarter came from follow-on launches (six projects) and there were only two new projects introduced to the market for the first time. In terms of segment, mid-end continued to be the most popular products covering 66% of total new launch. In terms of location, the West is the major source of new projects, contributing to 53% of new launch. Although there was only one new project in the East launched in Q1 2022, this location ranked second with 42% of total new launch sold units continued to exceed the new launch amid moderate new supply volume. A total of 4,800 units were recorded sold during the quarter, of which, mid-end segment recorded the highest share of 71% of total sold units.

Primary prices continued to rise

In Q1 2022, primary prices of Hanoi market averaged US\$1,655 psm (net of VAT and maintenance fee), up by 13% y-o-y and 4% q-o-q. Mid-end segment recorded the strongest y-o-y price increases of 16% on average due to further upgrades in positioning of new condos in township developments. Meanwhile, high-end segment witnessed a decrease in primary pricing of 3% y-o-y due to a higher share of projects at new residential locations in available stock. Tay Ho district recorded a new high in pricing as a project at a prime location was launched in the luxury segment during the quarter.

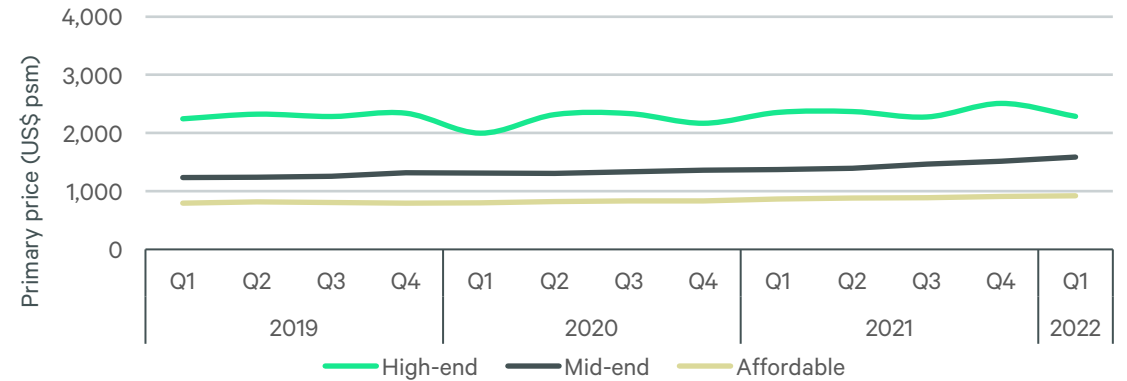
Moving forwards, new launch supply is expected to bounce back in 2022, reaching around 26,000 – 28,000 units in Hanoi. The scarcity of affordable products is forecasted to persist in the City as infrastructure connection to farther suburban areas outside Ring Road No.4 will take time to complete. Additional supply will come from township developments, continuing to account for a major share of market supply. As market sentiments remain positive, sold units are forecasted to reach 90%, or above, of total volume of new units introduced, and primary prices to increase at a more moderate rate of 5-8% during 2022. While the sentiments are strong, market movements by year-end might be subject to macroeconomic changes, with rising costs and inflationary pressure a cause of concern.

FIGURE 5: New supply, Condominium, Hanoi



Source: CBRE Research & Consulting, Q1 2022

FIGURE 6: Average primary price, Condominium, Hanoi



Source: CBRE Research & Consulting, Q1 2022

Villa & Townhouse

Moderate New Launch Supply

Amid the ongoing impacts of Covid-19, the landed property market in Hanoi gradually recovered and showed positive signs in the first quarter of 2022. In terms of new launches, there were 2 projects introduced to the market during this quarter, offering a total of 296 units.

There were over 850 units sold during the quarter, equivalent to the growth rate of almost double y-o-y, showing positive market absorption to landed products.

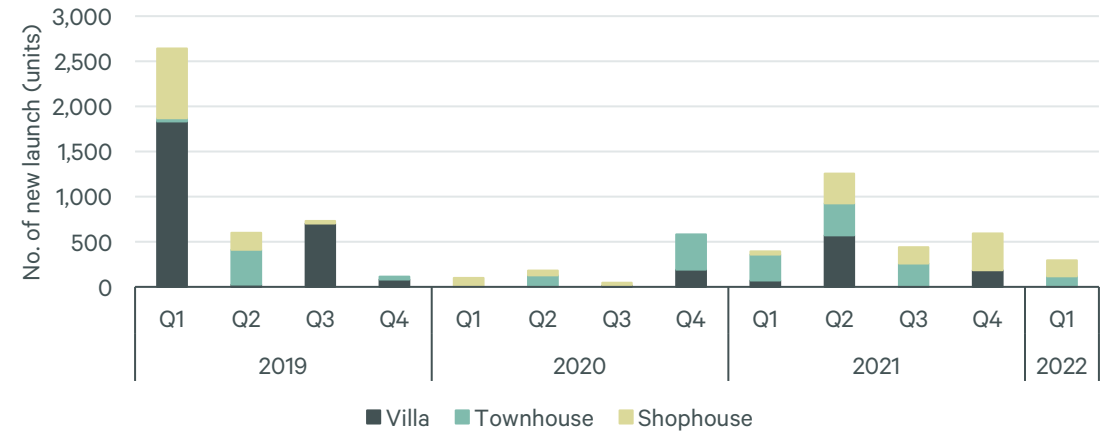
Regarding the market performance, driven by strong infrastructure development, and persistent interest in landed property products, the average secondary price for villas was at US\$7,001, which increased the most by 19.67% q-o-q, followed by townhouses at US\$7,236, raised by 6.6% q-o-q.

During the quarter, new projects introduced to the market are also concentrated in existing residential clusters in major districts and partially completed townships, thus, it is understandable that the supply remained limited. New projects launched during this asked for an average of US\$7,119 per sqm of land – this continued to be the highest level recorded over the past 4 years, with a growth rate of 12.6% q-o-q. This particular trend is reflected by the perspective of the market to recover in 2022.

Future Supply

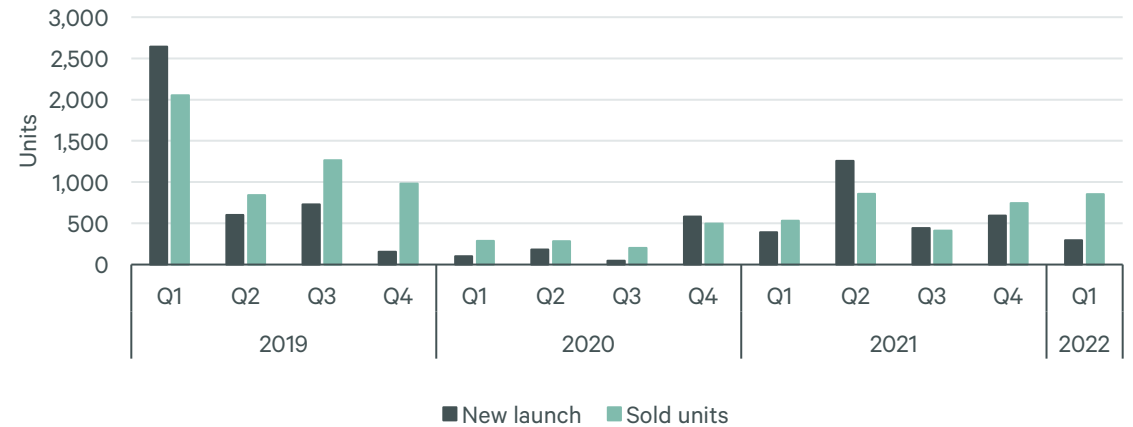
It is expected that the level of new launch will further increase in 2022, ranging around 12,631-13,277 units. While total supply remained predominantly captured by the West, future projects are expected to locate further to East.

FIGURE 7: New Launch, Hanoi Landed Property



Source: CBRE Research & Consulting., Q1 2022

FIGURE 8: Sold Unit, Hanoi Villa and Townhouse



Source: CBRE Research & Consulting., Q1 2022

Northern Industrial

The industrial market remained resilient

In Q1 2022, several events continue to disrupt the global supply chain, such as the continuous COVID-19 situation, China’s “Zero-Tolerance Policy”, and Russia’s invasion of Ukraine. As a result, the transportation cost and time increased significantly. There is high demand for warehouses, and factories close to consumer markets, and the “China-plus-one” strategy benefits Southeast Asian markets, especially Vietnam. Currently, resilience is the top priority for occupiers on production, distribution, service, and asset fronts.

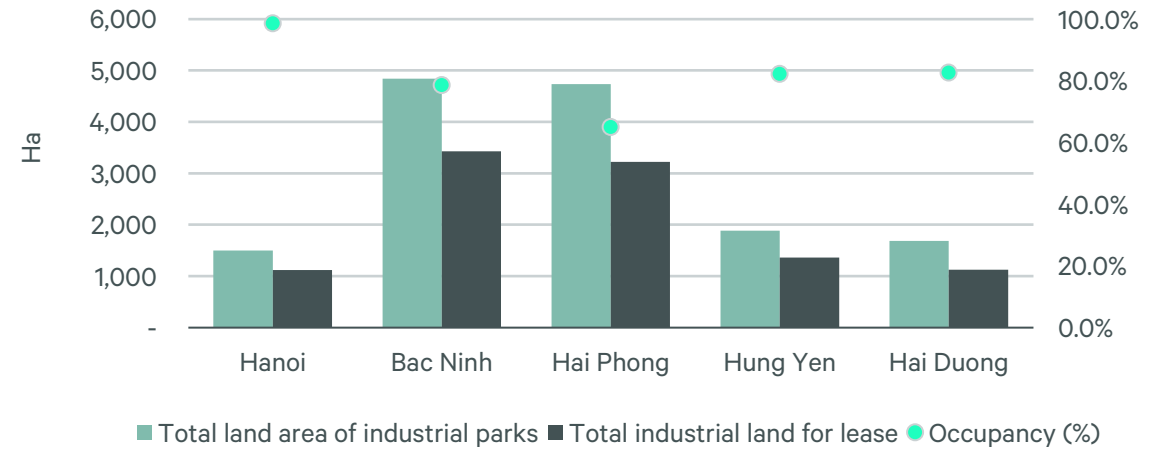
In Q1 2022, three new projects in Bac Ninh came into operations including Gia Binh IP, Yen Phong 2A and Yen Phong 2C providing more than 500ha of industrial land for lease. As such, Bac Ninh’s supply surpassed Hai Phong and led the industrial supply in the North.

As of Q1 2022, average occupancy rates of existing industrial parks in five key Northern industrial cities and provinces (Hanoi, Bac Ninh, Hung Yen, Hai Duong, and Hai Phong) reached 79%, up by 1.0 ppt y-o-y. Logistics and automotive were the most active sectors looking for industrial land according to CBRE’s leasing inquiries in the North. In terms of asking rents, Hanoi, Bac Ninh and Hai Phong were still the three markets with the highest average asking rents in the North.

Strong pipelines over the next three years

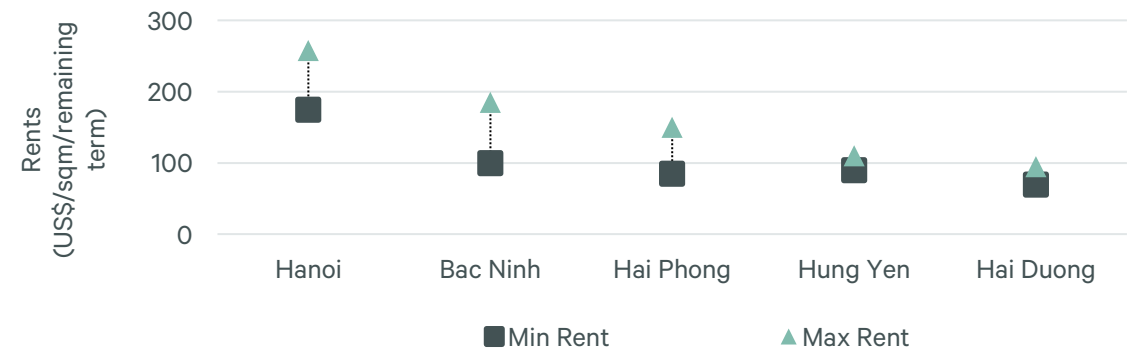
In the next three years, it is expected that there will be more than 3,300ha leasable industrial land coming online, mainly located in Hung Yen, Bac Ninh, Hai Phong. While Bac Giang, Vinh Phuc and Hai Duong, each contributed of 380 – 450ha of industrial land for lease over the next three years. Hanoi is also expected to have a new project coming into operation in late 2022.

FIGURE 9: Supply, Industrial land, Southern area



Source: CBRE Research & Consulting., Q1 2022

FIGURE 10: Average asking rent, Industrial land, Southern area



Source: CBRE Research & Consulting., Q1 2022.

Serviced Apartment

No New Supply in Q1/2022

In Q1 2022, there is no new additional supply in the serviced apartment markets. The total supply of Grade A serviced apartment market stayed the same at 3,475 units while Grade B stayed at 1,167 units.

If the Covid-19 situation becomes positive, from 2022 to 2024, Hanoi’s serviced apartment market is expected to welcome 3,152 new units. Among the large pipeline, approximately 95% are Grade A apartments by branded international operators. This shows demand growth potential for high-end, good quality serviced apartments and interest from international players. An example is the continuous expansion of The Ascott in introducing its new brands in Vietnam through 1,905 units with Sun Group’s Tay Ho View Complex in 2023.

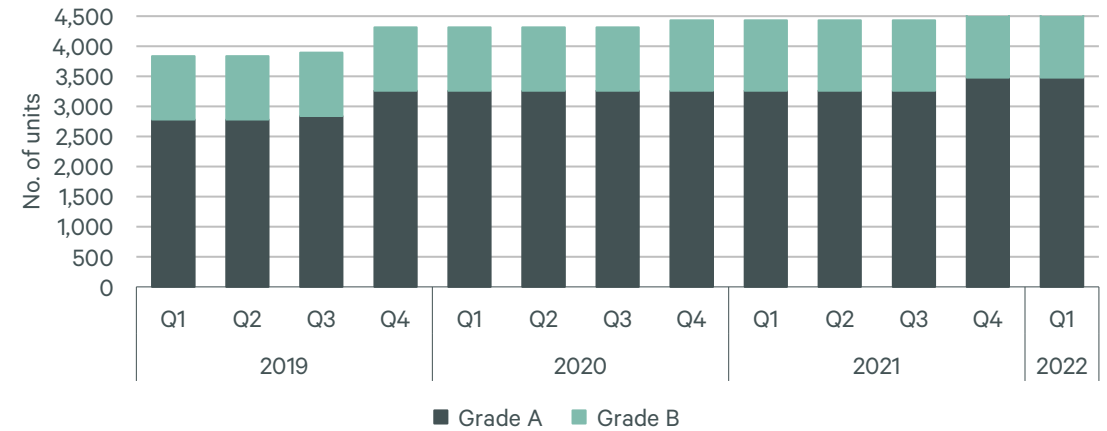
Among the large pipeline, approximately 95% are Grade A apartments by branded international operators. This shows potential demand growth for high-end, good quality serviced apartments and interest from international players. Meanwhile, Grade B serviced apartment is facing fierce competition from buy-to-let apartments.

The Tightening Visa Restrictions Resulted in A High Vacancy Rate

Although social distancing order was lifted, the economy and tourism have not improved much, leading to the stable level of tenants. Hence rental rates were not significantly affected. Grade A recorded a slight increase regarding its average asking rent, averaging US\$27.38 per sqm per month, up by 0.37% q-o-q and down by 0.64% y-o-y. Similarly, Grade B’s asking rents increased 0.48% q-o-q and decreased by 3.86% y-o-y to US\$16.49 per sqm per month.

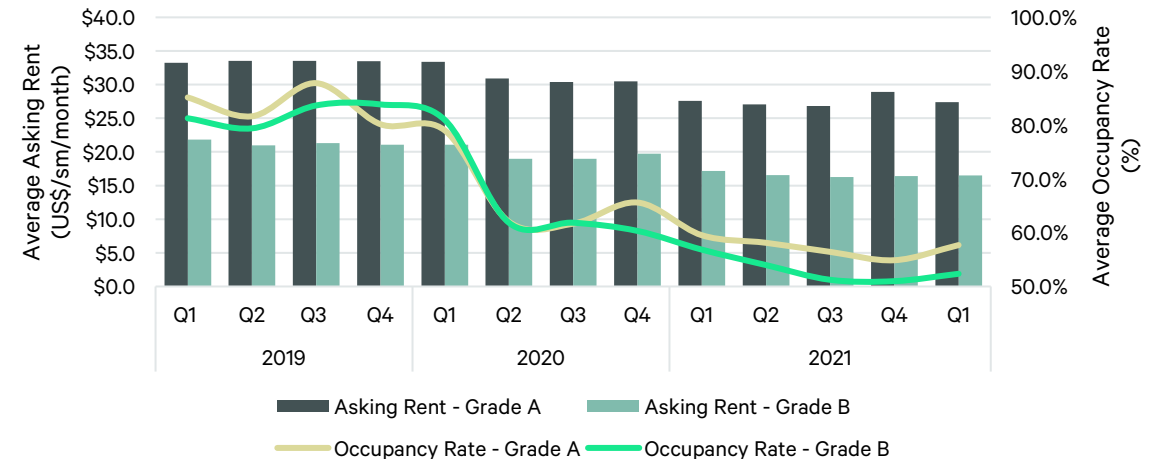
In terms of the vacancy rate, while the pandemic is somehow contained, little sign of recovery is noticed. Compared to the previous quarter, vacancy of both Grades slightly decreased. Grade A segment recorded a vacancy rate of 42.3%, down by 2.8 ppts q-o-q and up by 1.8 ppts y-o-y. A similar trend was seen in the performance of Grade B, whose average vacancy rate decreased by 1.4 ppts q-o-q while up 4.5 ppts y-o-y, to 47.6% as some Grade B serviced apartments still shutting down under the prolonging effect of the pandemic.

FIGURE 11: Total supply, Serviced Apartment



Source: CBRE Research & Consulting., Q1 2022

FIGURE 12: Asking price, Serviced Apartment



Source: CBRE Research & Consulting., Q1 2022

Terminology

Grade A, B (Office): Although no formal classification system exists, grades are generally understood as follows:

Grade A Buildings: High-rise buildings, located within the CBD, with column-free floor plates of over 1,000 sq. m., ceiling heights of 2.75 meters, professional management, premium M&E design, lift lobby, and high-efficiency access.
Grade B Buildings: Generally, 75% of Grade A amenities as well as being in the CBD or periphery, with at least seven stories and floor plates of 500-1000 sq. m.

Net absorption: Net absorption figures represent the net increase in occupied floor space in the period. The figures are determined using the following method:

net absorption = new completions
+ vacancy figures at the beginning of the period
- demolition - vacancy figures at period-end

Rent: Rent is quoted as the average “asking” rent, without accounting for any incentives. Rents are stated in US\$ per square meter (per sq. m.) as well as in these terms: Gross or net, inclusive (including management fees and/or property taxes) or exclusive (excluding management fees and property taxes) that are customarily employed in the respective sector.

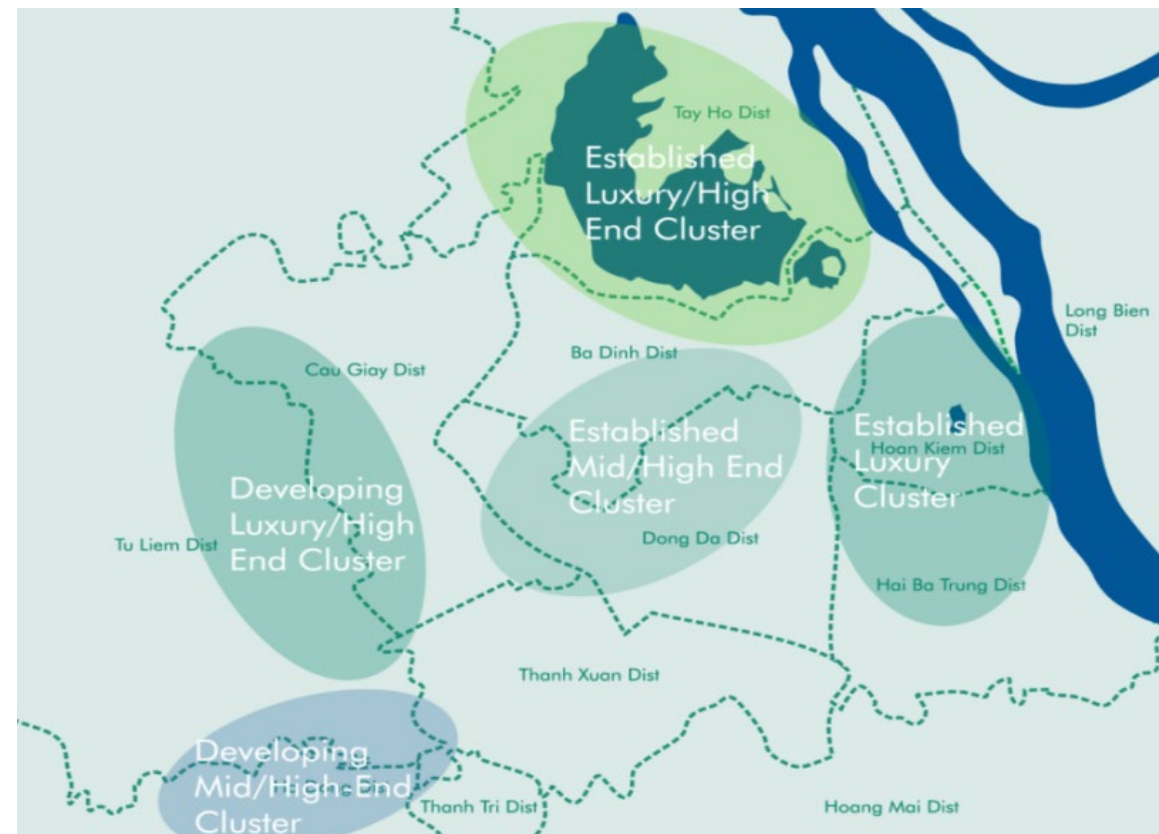
Rents or average room rates are quoted on the following basis:

Office: Rents, NLA, exclusive of VAT and service charges.
Flexible Workspace: Rents, per person, inclusive of amenities but exclusive of VAT.
Retail: Rents, NLA, exclusive of VAT and service charges.

CBRE’s condominium ranking criteria:

Ultra Luxury: projects that have primary prices over US\$12,000 per sq.m
Luxury: projects that have primary prices over US\$4,000 per sq.m
High-end: projects that have primary prices from US\$2,000 psq.m to US\$4,000 per sq.m
Mid-end: projects that have primary prices from US\$1,000 psq.m to US\$2,000 per sq.m
Affordable: projects that have primary prices under US\$1,000 per sq.m

Saleable area: The saleable area of a unit is measured up to the center line of the wall separating adjoining units. The full thickness of the walls separating the units from common areas, lift shafts, light wells, staircases, etc., is included.





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