

FIGURES | HCMC 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:** There was a clear sign of recovery as the total net absorption being over 40,000 sqm in Hanoi and HCMC. Expansion made a fair contribution to overall improved occupancy levels.
- **Retail:** the HCMC retail market has not yet seen significant changes in Q1 with no new supply. There were cautious expansion movements among retailers cross trade categories.
- **Condominium:** The negative impact of the licensing issue from 2019, lack of land bank and cautious market sentiment after experiencing two years of the pandemic resulted in temporarily limited supply in the short run.
- **Industrial:** The industrial market remained resilient in the Southern region. New industrial supply will be operated in late 2022.

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

A clear sign of recovery

There was no new office building in Q1 2022. The total net leasable office supply in HCMC stayed at 1.5 million sqm. The HCMC office market recorded a good recovery, with the total net absorption in Q1 being 17,000 sqm, equivalent to 32% in 2021. The average vacancy rate of Grade A and Grade B decreased 1 ppt q-o-q and 2 ppt y-o-y due to no new supply and improved market sentiment. The current vacancy rate of Grade A was 11.6%, and Grade B was 7.9%.

As of Q1 2022, the rental rate of Grade A increased to USD44.9/sqm/month, up 5.1% q-o-q and 5.3% y-o-y. The rental rate of Grade B is relatively stable at USD25.9/m2/month, up 1.7% q-o-q and 3.1% higher y-o-y.

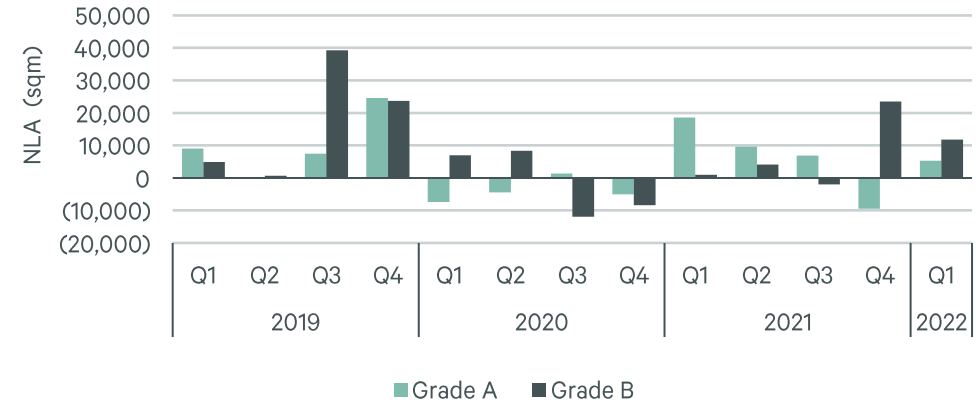
HCMC expects to welcome a total of 96,000 sqm NLA (Net leasable area) in 2022 from two Grade B buildings and one Grade A building. Rental rates of both grades are predicted to rise in 2022, with Grade A rents to reach a new high in 2023, along with a new wave of Grade A supply in the current CBD and Thu Thiem NUA.

55% of the total number of transactions was from relocation. IT and logistics were still expanding their offices.

Occupiers actively expanding in Q1 were industries that were not heavily impacted by the pandemic, such as Information Technology (IT) and Logistics. These two emerging industries accounted for nearly 60% of total transacted areas. As IT, E-commerce and Logistics are still the most active industries and have received good investment in Vietnam in recent years, CBRE expects them to continue contributing significantly to the office leasing market.

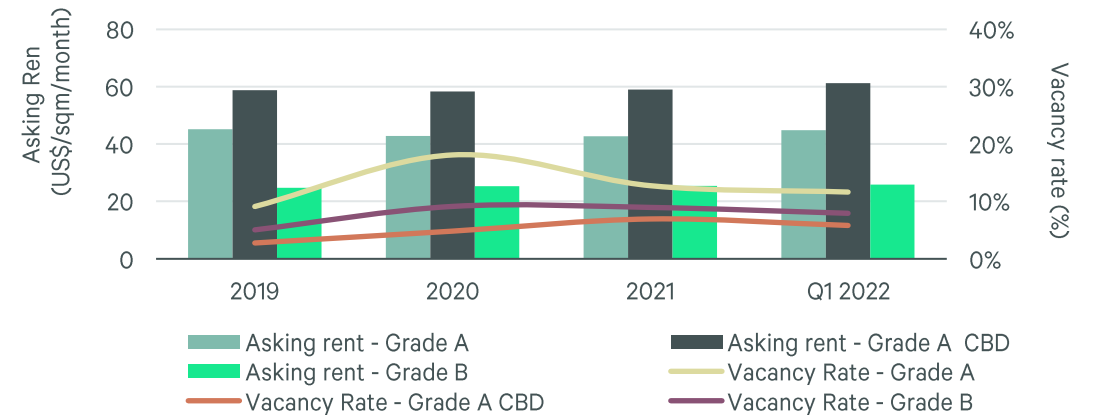
For leasing purposes, relocation still accounted for the most significant proportion with 55% of total transactions, and the remaining transactions were for renewal and expansion (25% and 20%, respectively). There were transactions of large leasing areas (over 1,000 sqm) in some high-quality Grade B buildings in both CBD and other hubs such as Thu Thiem NUA, District 7 and District 10.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q1 2022

FIGURE 2: Asking rent and Vacancy rate, Office, HCMC



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

Retail

The market was stagnant in Q1 with no new supply, and retailers remain cautious

The HCMC retail market has not yet seen significant changes in Q1. According to the HCM City Department of Statistics, the total retail sales of consumer goods and services reached VND 266,942 billion in the first three months, reduced by 4.8% over the same period. The decrease was mainly from the service industries such as karaoke, discotheques, massage, and tourism, which resumed operation one by one after the lockdown (due to Covid-19).

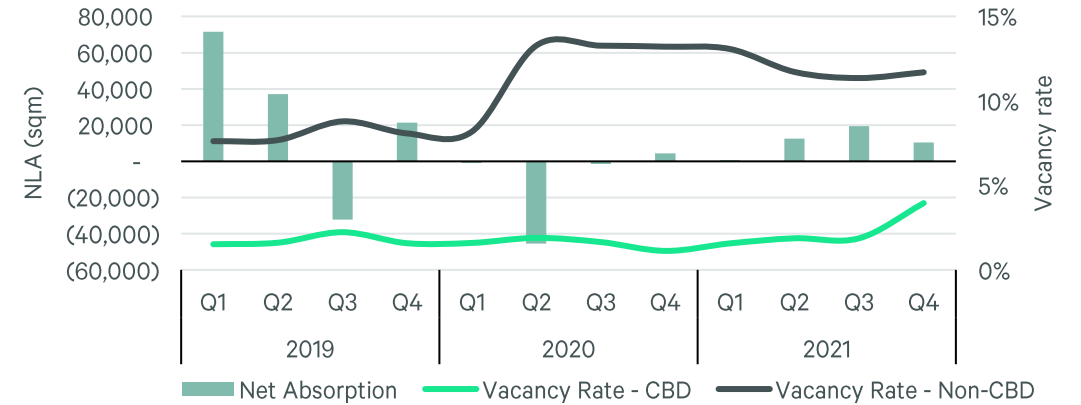
HCMC retail real estate market had no new supply in Q1 2022. The total retail supply in HCMC remained unchanged, with a total net leasable area of 1,068,128 sqm. Market activity recorded varying levels of recovery across regions. The average rental price of the non-CBD, in general, decreased by 10-20% compared to the previous year. However, a few large-scale shopping centres recorded an excellent recovery with high foot traffic and a significant increase in rents, leading to a 7.5% increase in the average price of the non-CBD area compared to the previous quarter and 2.5% compared to last year. The average rent for the ground floor and first floor of the shopping centres in the CBD area was US\$145.1/sqm/month, four times the rate in the non-CBD area (US\$35.5/sqm/month) (Asking rent excludes service charges and VAT). The vacancy rate in the CBD was very low with only 3.5%, equivalent to 3,800 sqm, mainly recorded at Icon 68 shopping centre of Bitexco Financial Center. Meanwhile, the vacancy rate in the non-CBD area was 13.7%, equivalent to 131,300 sqm, up 2% compared to Q4/2021 and 0.6% compared to the same period last year.

Cautious expansion movements among retailers cross trade categories

The future supply from 2022-2024 is expected to reach about 235,000 sqm NLA. However, the construction of projects in the CBD area is still delayed. The leasing activity of these new shopping centres has been slow, as retailers tend to be much more cautious than before in expansion.

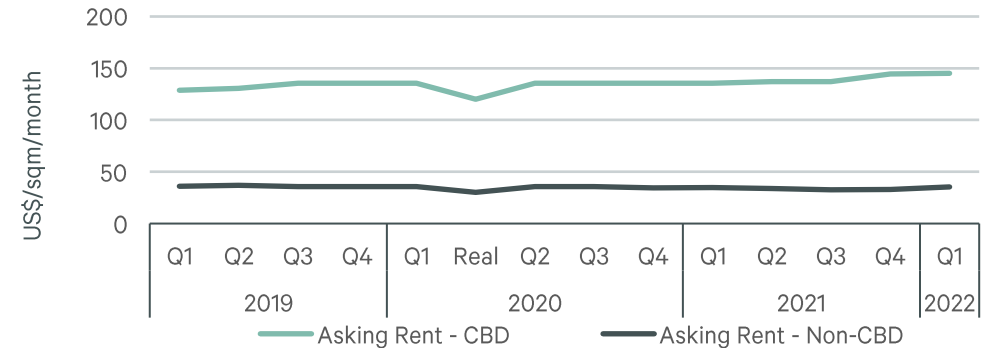
For the prospect of the retail market, it is expected that shoppers return to malls with an urge to spend, mainly in the central area. The surge in tourism during February's Tet Holidays proved that consumers are set to pay for "travel and shopping revenge" as soon as allowed. While consumers' confidence is expected to rebound by the second half as pandemic headwinds wane, macro-economic headwinds such as inflationary pressure and rising interest rates could potentially dampen consumer demand. Therefore, expansionary movements among retailers are expected to be uneven among different trade categories.

FIGURE 3: Market performance, Retail, HCMC



Source: CBRE Research & Consulting, Q1 2022

FIGURE 4: Asking rent, Retail, HCMC



Source: CBRE Research & Consulting, Q1 2022
 Asking rent is average for Ground floor and First floor, net of service charge and VAT.

Condominium

Lowest new quarterly supply since 2013

In Q1 2022, the market recorded only one subsequent phase of an existing project with 884 products (Akari City – Binh Tan District), corresponding with the lowest quarterly new supply since 2013. The negative impact of the licensing issue from 2019, lack of land bank and cautious market sentiment after experiencing two years of the pandemic resulted in temporarily limited supply in the short run.

The high-end segment continued to maintain its leading position since 2020, with a share of more than 50% of the new supply. New projects in suburban locations were levelled up from mid-end to high-end. Mid-end and affordable apartments gradually disappear from the HCMC market, forcing homebuyers to accept higher prices or redirect to neighbouring provinces, including Binh Duong, Dong Nai and beyond.

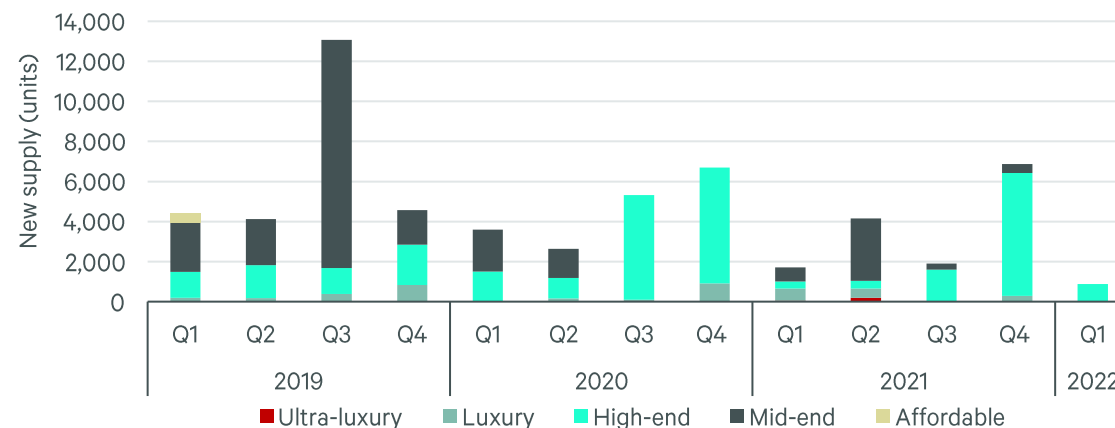
Positive absorption as a result of limited supply

The average selling price on the primary market was US\$2,390 psm, up 3.9% q-o-q and 7.8% y-o-y. The average price level continued to increase due to the structural shift from affordable, mid-end to high-end and luxury segments. However, the average price growth has slowed down from 2021 because prices of new launches are at the entry-level of the high-end or luxury segments. Notably, the first luxury projects in An Phu, Thao Dien included Masterise Lumiere Riverside, Thao Dien Green and the first high-end projects in Binh Tan, Binh Chanh, namely Moonlight Center Point, Mizuki Park MP9 – MP10, the next phase of Akari City.

Q1 2022 had 1,247 units sold, down 78% q-o-q and 53% y-o-y. The scarcity of new supply was the main reason for the drop in sold units. However, the absorption of the new project is around 90%, showing robust housing demand.

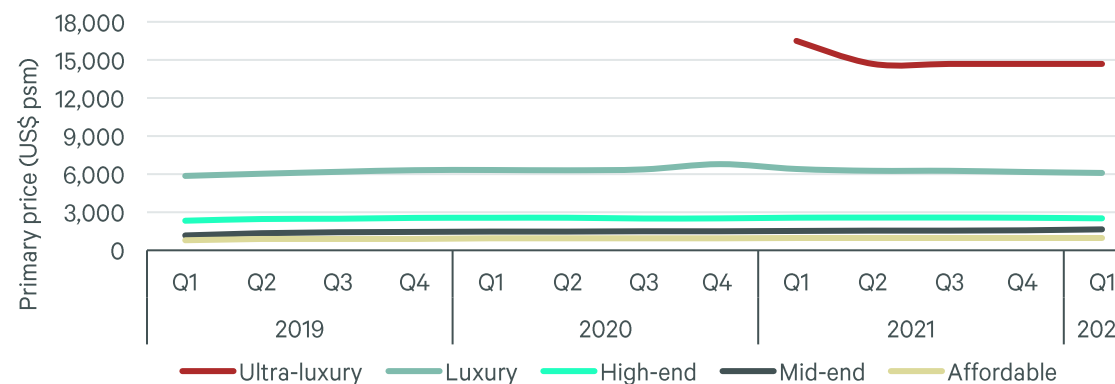
Developers are still approaching the market cautiously. Although the first quarter of 2022 recorded limited launch units, developers are preparing for launch in the next quarters: introducing new projects, holding kick-off events, and receiving bookings (Lancaster Legacy, Urban Green, The 9 Stellars, Peak Garden). New supply is expected to boom and reach over 20,000 units this year as the market enters the "new normal", international routes are resumed, and market confidence recovers, helping. The average primary price will increase slowly, matching the structural shift in non-CBD districts.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q1 2022

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q1 2022

Villa & Townhouse

Higher supply from township projects

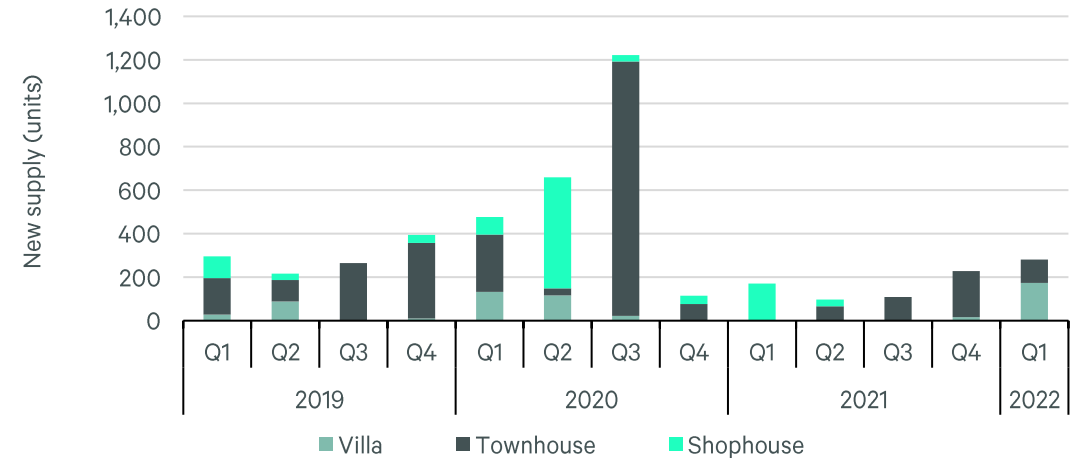
In Q1 2022, HCMC landed property market recorded 280 newly launched units, up 23.3% q-o-q and 64.7% y-o-y. New supply was improved thanks to new launches in township developments such as The Global City, Van Phuc City and Mizuki Park in Districts 2, 12, Thu Duc and Binh Chanh. Townhouse represented 38% of total new supply while that of villa was 62%. No new supply of shophouse was recorded.

Prices of new projects in Thu Duc City reach a new high

As of Q1 2022, the market saw a cumulatively sold rate of 98%, maintaining the same level as the last quarter. Driven by new high record prices of new supply in Thu Duc City, the average primary price increased by 26.1% q-o-q and 35.5% y-o-y to US\$5,910 per sqm on the land area. In particular, the average primary asking price levels were US\$5,682 per sqm on the land area for a townhouse (up 55.4% q-o-q and 72.3% y-o-y), US\$5,642 per sqm on the land area for a villa (up 31.3% q-o-q and 42.0% y-o-y), and 6,405 per sqm land for shophouse (up 5.0% q-o-q and 10.2% y-o-y).

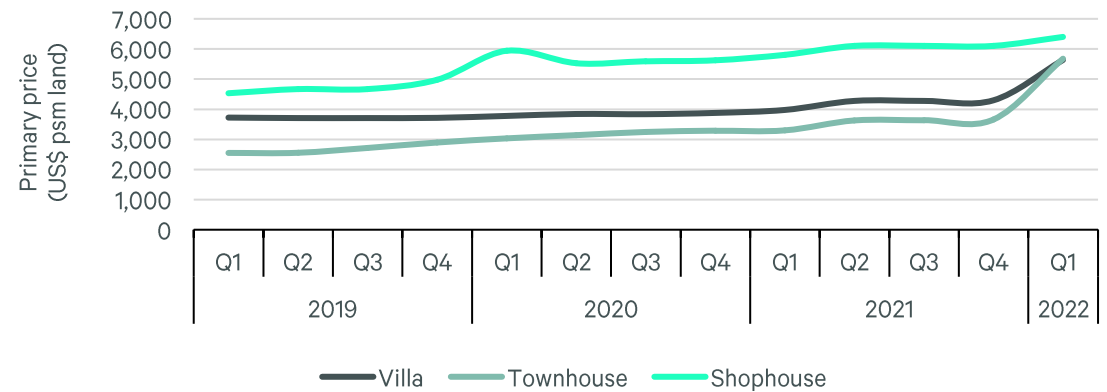
Positive signals from infrastructure projects such as Thu Thiem 2 Bridge and Long Thanh International Airport are driving forces promoting the Eastern market and HCMC and Dong Nai in general. Moreover, the fact that developers actively expand their land bank shows the development orientation of leading enterprises in the real estate industry and the optimistic outlook for the future. The East and South areas are expected to welcome more new stock, especially in subsequent phases of existing township developments. New supply with high record prices was absorbed well, encouraging the positive price growth in HCMC landed property market.

FIGURE 7: New supply, Landed property, HCMC



Source: CBRE Research & Consulting, Q1 2022

FIGURE 8: Average primary price, Landed property, HCMC



Source: CBRE Research & Consulting, Q1 2022

Southern 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.

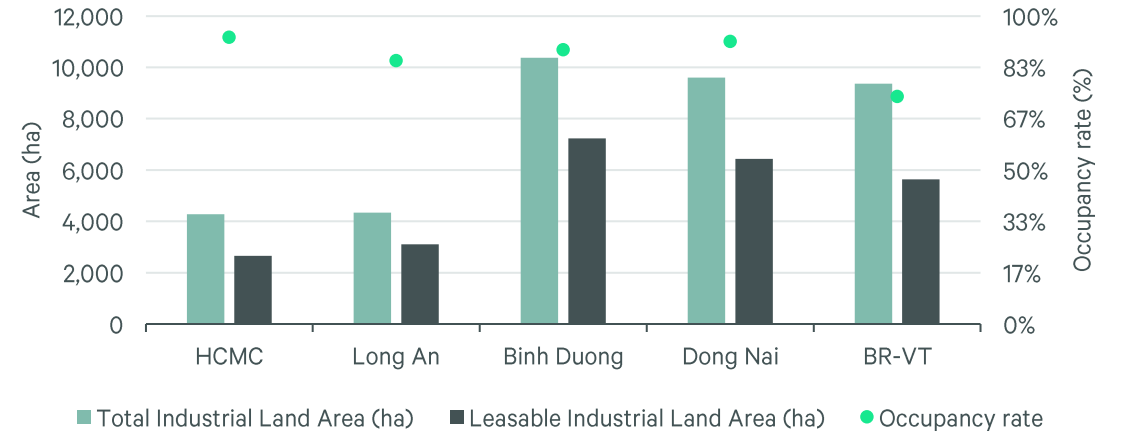
In Q1 2022, average occupancy rates of existing industrial parks in four key Southern industrial cities and provinces reached 89.9%, up by 2.6 ppt y-o-y. Due to improving occupancy rates, average asking rents were stable in major industrial cities/provinces. Significantly, industrial parks within a 1-hour distance from HCMC, such as Long An, increased asking rents by 21%-46% y-o-y.

In terms of demand by industry, logistics and electronics were active with various transactions in Vietnam's Northern and Southern regions. In addition, the furniture and medical equipment industries were emerging with the increasing number of deals done in the South.

New industrial supply in late 2022

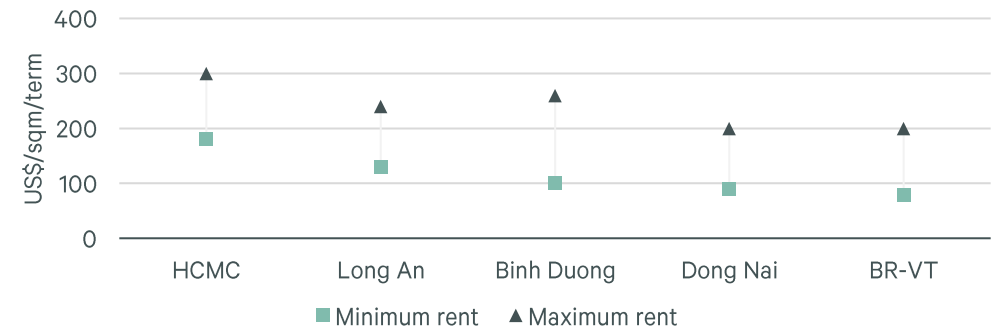
By the end of 2022, Binh Duong and Dong Nai are expected to have two new industrial parks (VSIP III and AMATA Long Thanh) completed and ready to lease. VSIP III in Binh Duong, a full scale of 1,000 ha, has just started construction in March. AMATA Long Thanh is working on major roads and connection roads to the HCMC – Long Thanh – Dau Giay Expressway. During the construction time, developers start to collect interest from potential tenants, such as LEGO signing the MOU with VSIP III. In terms of ready-built factories and warehouses, several projects are under construction and expected to complete in 2022. Some notable names are SLP, BWID, KCN Vietnam, JD.com,... with the total new supply being approximately 800,000 sqm.

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.

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:

$$\begin{aligned} \text{net absorption} &= \text{new completions} \\ &+ \text{vacancy figures at the beginning of the period} \\ &- \text{demolition - vacancy figures at period-end} \end{aligned}$$

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

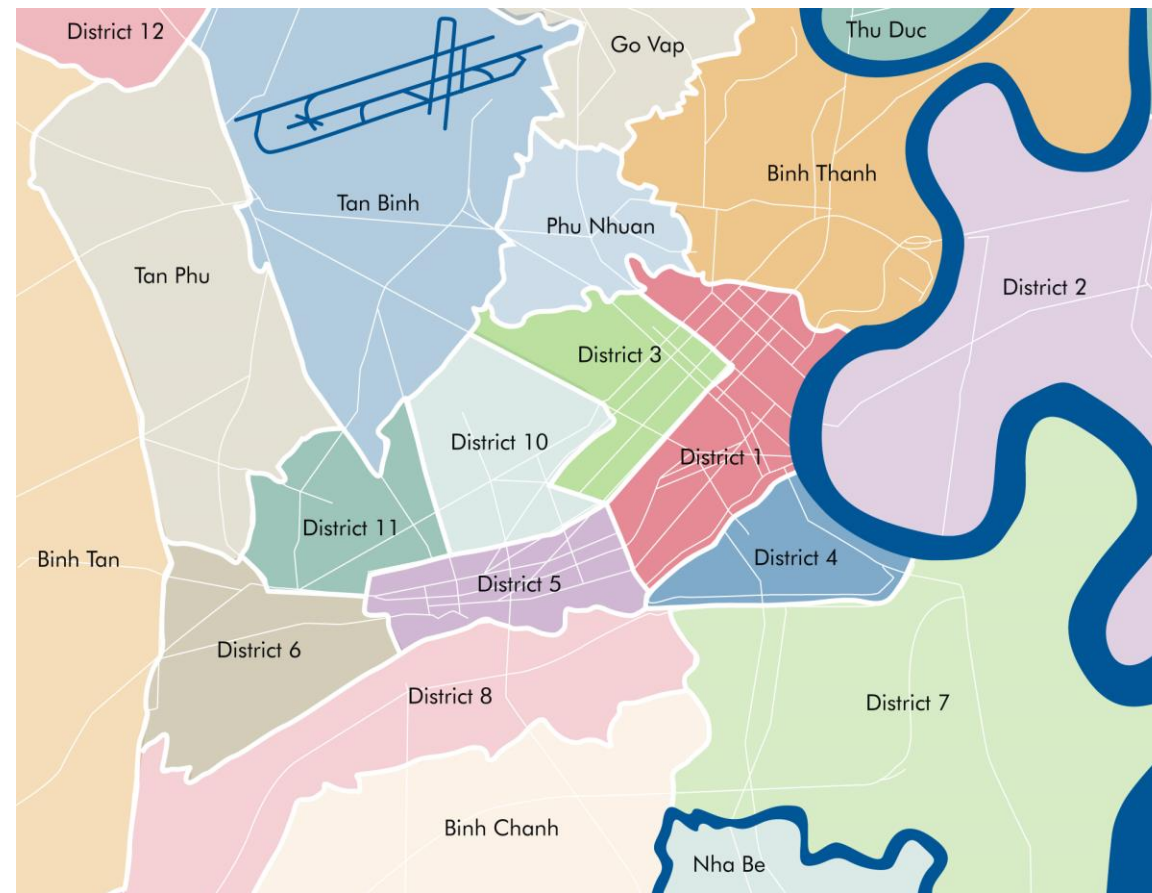
Luxury: projects that have primary prices over US\$4,000 per sq.m

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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