

FIGURES | HANOI REAL ESTATE MARKET | Q2 2022

Positive results recorded across sectors

▲ 6.42%
VIETNAM GDP

▲ 3.82%
HCMC GRDP

▲ 7.79%
HANOI GRDP

▼ 20.00%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** Rents increased in both grades while strong leasing momentum ensured a stable absorption rate
- **Retail:** In April 2022, after 5 consecutive quarters without new supply, Hanoi market welcomed Vincom Mega Mall Smart City in Tay Mo ward, Nam Tu Liem district, with net leasable area of 49,000 sqm. Concerns about challenges and inflationary pressures in the coming time are expected to affect the retail sector as costs of raw materials, production costs and consumer goods prices expect to increase further, affecting consumer spending and consumer confidence.
- **Condominium:** After a quiet quarter, the market saw new supply booming to 15,528 units in Q2 2022. The improvement in price of suburban projects has not only caused the segmentation change in new supply but also driven primary pricing growth.
- **Industrial:** The industrial market recorded many positive signals after Vietnam reopened the borders. The market expects strong pipeline over the next three years.

Vietnam Economic Overview

Vietnam's socio-economy in the first 6 months of 2022 still maintained quite positive results in many fields. The economy achieved a growth rate of 6.42%, which is quite a growth rate compared to other countries in the region and the world; macroeconomic stability; inflation is controlled at an appropriate level. Supply and demand of essential goods were guaranteed, goods procurement, consumption and export activities increased.

Generally, in the first 6 months of 2022, the total import and export turnover of goods reached US\$371.17 billion, up 16.4% over the same period last year, of which exports increased by 17.3%; imports increased by 15.5%. The balance of trade in goods in the first 6 months of 2022 is estimated to have a trade surplus of US\$710 million.

Realized foreign direct investment in Vietnam in the first six months of 2022 was estimated at US\$10.06 billion, up 8.9% over the same period last year. This is the highest level of realized capital in the first 6 months of the year in the past 5 years, led by Singapore (with a total investment capital of over US\$4.1 billion, accounting for 29.5% of total investment capital), followed by Singapore. Korea (over US\$2.66 billion, accounting for nearly 19%), Denmark (over US\$1.32 billion, accounting for 9.4%, including Lego project with total investment of over US\$1.3 billion).

According to the General Statistics Office, in the first 6 months of 2022, the number of international visitors to Vietnam reached 602,000 visitors, an increase of 582.2% over the same period in 2021.

Office

No new supply in Q2/2022

In Q2 2022, there is no new additional supply in Hanoi office market. 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. Despite limited new supply in the first half of 2022, the Hanoi market recorded an absorption rate of more than 20,000sqm, with Grade A projects accounting for the majority of office space absorption. The Hanoi office market is expected to welcome three Grade A office projects and two Grade B office projects in the second half of 2022. Strong leasing momentum would ensure a stable absorption rate.

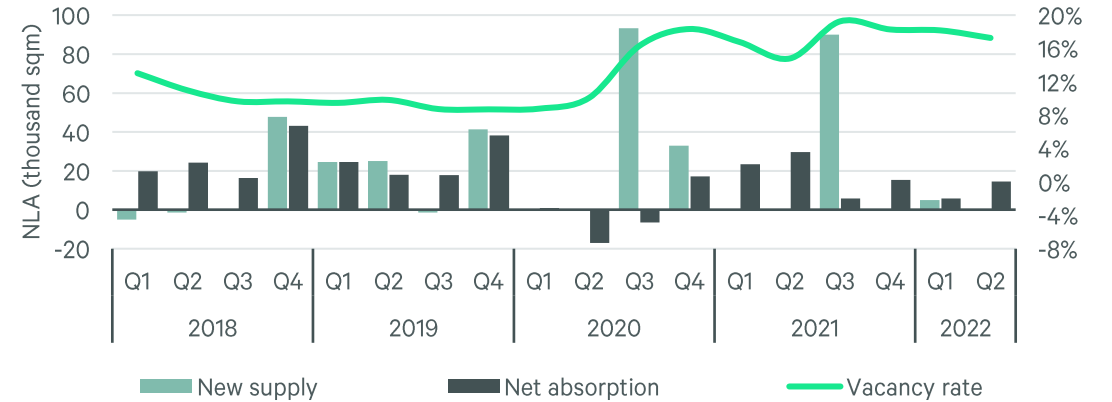
Rents continued to increase

Following the improvement of market performance from the previous quarter, rents in Q2 2022 continued to increase. Specifically, in Q2 2022, Grade A office asking rents reached US\$25.8/sqm/month, up 3.8% q-o-q. Likewise, Grade B office rents increased by 1.8% q-o-q and 2.6% y-o-y, to US\$14.30/sqm/month. Rental growth at the Capital Place, in particular, has pushed average rents of Grade A in the Midtown area close to the level of Grade A rents in the CBD. Furthermore, average vacancy rates of existing office projects decreased when vacancy rates of Grade A offices reduced to 28.7%; down 1.9 ppts q-o-q. At the same time, average vacancy rates of Grade B offices decreased slightly by 0.3 ppts q-o-q and 1.3 ppts y-o-y, reaching 10.4%. Rents in both grades are expected to remain stable until the end of the year.

While IT/Tech continues to dominate demand, Co-working spaces have made headway

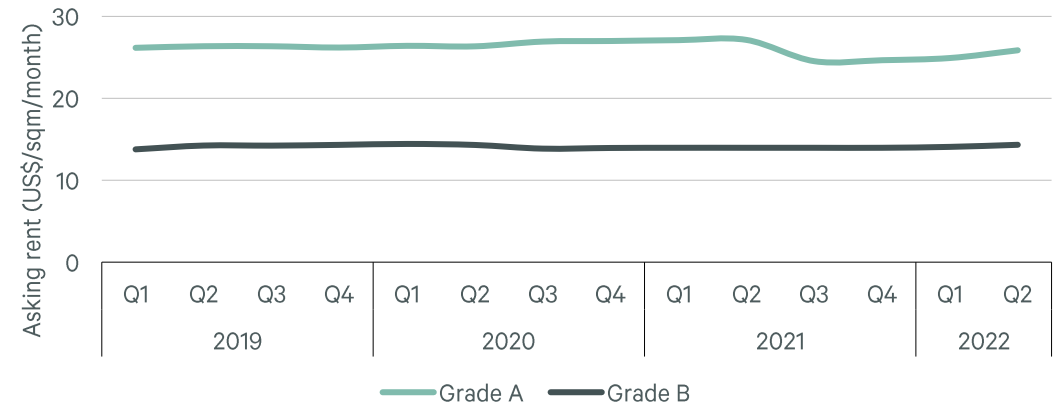
In terms of demand, office expansion and relocation demand continued to contribute to the majority of CBRE transactions in Hanoi, accounting for more than 82% of total transactions. IT/Tech and Banking/Finance/Insurance continued to dominate the market, accounting for 37% of all transactions in Hanoi. With decision-making for expansion typically taking only 3 to 6 months, the fast-paced information technology industry, with strong capital back-up, continues to expand their leased premises. CBRE also recorded several transactions from local real estate firms establishing new offices in Hanoi. Another demand driver during the review period is co-working space, with transactions accounting for 17% of total transaction volume in the first half of 2022. The number of leasing inquiries and site inspections received and conducted by CBRE this quarter was also 40% higher than the previous quarter, with foreign corporations primarily interested in medium- and large-sized offices ranging from 300sqm to more than 1,000sqm.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research & Consulting, Q2 2022

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research & Consulting, Q2 2022
Asking rent is exclusive of service charge and VAT.

Retail

New Supply Recorded in Q2 2022

In April 2022, after 5 consecutive quarters without new supply, Hanoi market welcomed Vincom Mega Mall Smart City in Tay Mo ward, Nam Tu Liem district, with net leasable area of 49,000 sqm. Total net leasable area of Hanoi Retail market as of H1 2022 was recorded at 1,064,739 sqm.

Growth in Asking Rents

Asking rents on the ground floor and the first floor (excluding VAT and service charges) in non-CBD locations in non-CBD shopping centers showed signs of recovery, reaching 25 USD/sqm/month, up by 8.0% q-o-q and 3.7% y-o-y. Vacancy rates of malls in non-CBD locations increased slightly by 1.2pt y-o-y due to new supply.

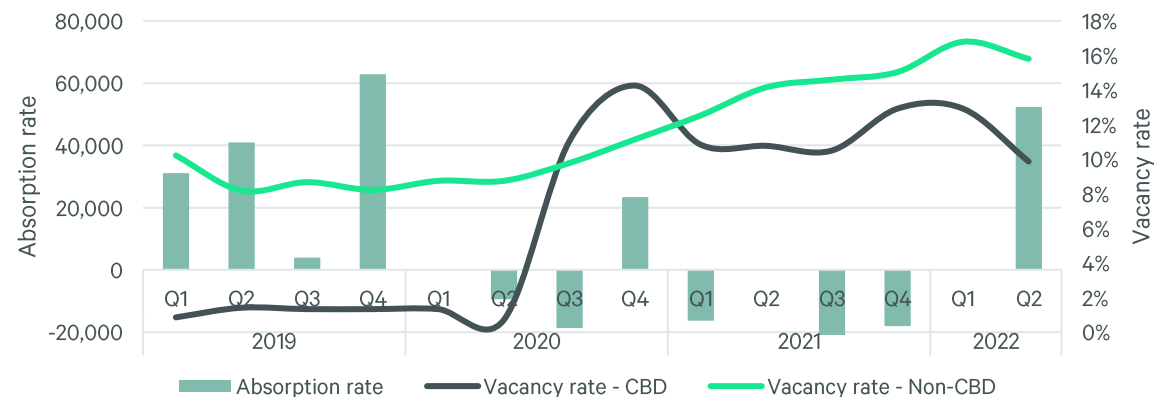
In the CBD, signs of recovery were seen more clearly when asking rents increased sharply at US\$132/sqm/month, up 23.8% q-o-q and 27.1% y-o-y as tenants in fashion, food & beverage and accessories were actively looking for quality space in the CBD to welcome a large number of visitors after Covid-related restrictions had been lifted. Vacancy rates in the CBD area did not fluctuate much compared to the last quarter while down by about 0.9 ppts y-o-y.

Future supply

In H2 2022, Hanoi expects an additional 19,000 sqm of NLA of new retail space from The Zei in Tu Liem district and Hinode City in Hai Ba Trung district. As much as 300,000 sqm of NLA of retail space is expected to be put into operation over the period leading up to 2024. The majority of these projects are concentrated in non-CBD area. Two large-scale projects, Lotte Mall Hanoi and Aeon Mall Hoang Mai, are expected to be completed in 2023-2024, of which Aeon Mall Hoang Mai has almost completed land clearance process.

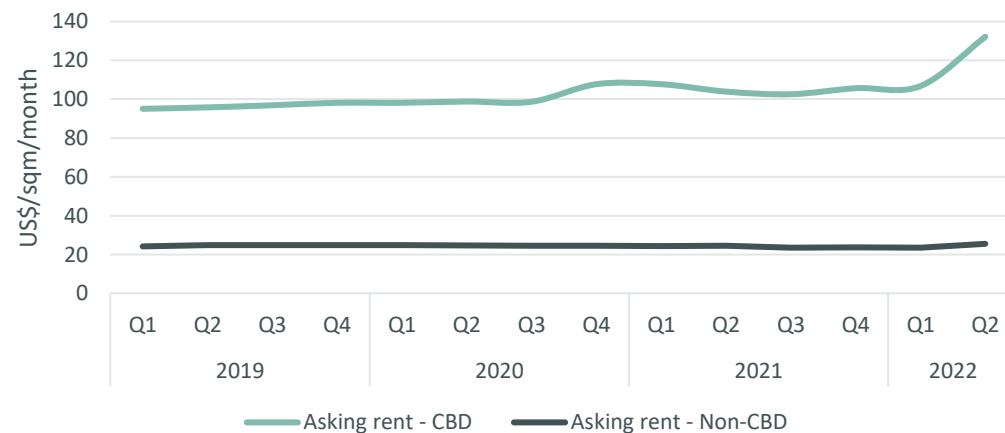
Looking forward, CBRE anticipates that with demand for prime locations remaining firm, space in city centres and along prime high streets will remain keenly sought-after in the coming time. In addition, brick-and-mortar stores remain and will continue to maintain momentum based on consumer analytics. Physical retail stores will focus on facilitating consumer experience by integrating in-store utilities and enhancing online order fulfilment capabilities, a trend already evident within the F&B sector. Retailers are still expressing optimism about the economy this year, although rising inflationary pressures on the economy may slow the pace of the sector's recovery. Concerns about challenges and inflationary pressures in the coming time are expected to affect the retail sector as costs of raw materials, production costs and consumer goods prices expect to increase further, affecting consumer spending and consumer confidence.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research & Consulting., Q2 2022

FIGURE 4: Average Ground Floor Asking Rent, Hanoi Retail



Source: CBRE Research & Consulting., Q2 2022

Condominium

High-end products led the new supply in H1 2022

In the first half of 2022, there were approximately 8,200 condominium units launched in Hanoi. There was a total of 15 projects launched during the first six months of the year, in which, only three projects were firstly introduced to the market. In terms of segment, high-end products accounted for 55% of total new supply in H1 2022 – the highest portion in new launch since 2011. In terms of location, West contributed 53% of total new launch.

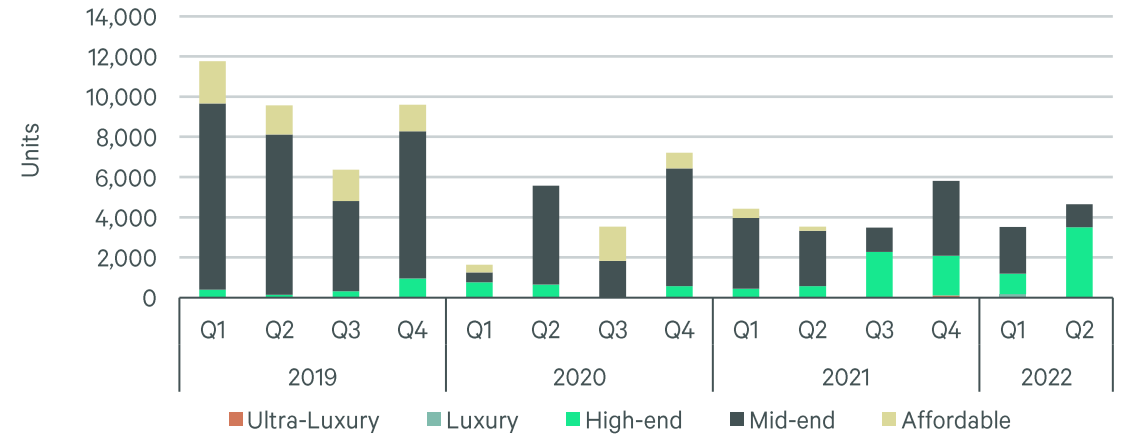
In terms of sales performance, sold units continued to surpass new launch in H1 2022 amid moderate new launch. The number of sold units recorded in the first six months of 2022 is around 10,800 units. Projects in township developments showed positive absorption and strongly contributed to the total sold units during the reviewed period.

Upgrading project positioning drove primary pricing growth

In Q2 2022, primary prices of Hanoi market averaged US\$1,872 psm (net of VAT and maintenance fee), up by 27% y-o-y due to higher share of high-end products in the total stock available for sale. Apart from the upgraded positioning of township developments, the launches of high-end and luxury projects in Dong Da and Tay Ho districts contributed to higher primary prices during the quarter. In the secondary market, the increases in selling prices were recorded in various locations. Average secondary selling prices reached US\$1,293 psm, up by 9% y-o-y. High-end projects in central districts such as Hai Ba Trung, Dong Da and Ba Dinh recorded growth of more than 10% y-o-y. Due to increasing selling prices and still muted rental demand, rental yields in major residential hubs in Hanoi have not shown significant improvement. In Q2 2022, average rental yields in Hanoi hovered around 4.0% – 5.5%.

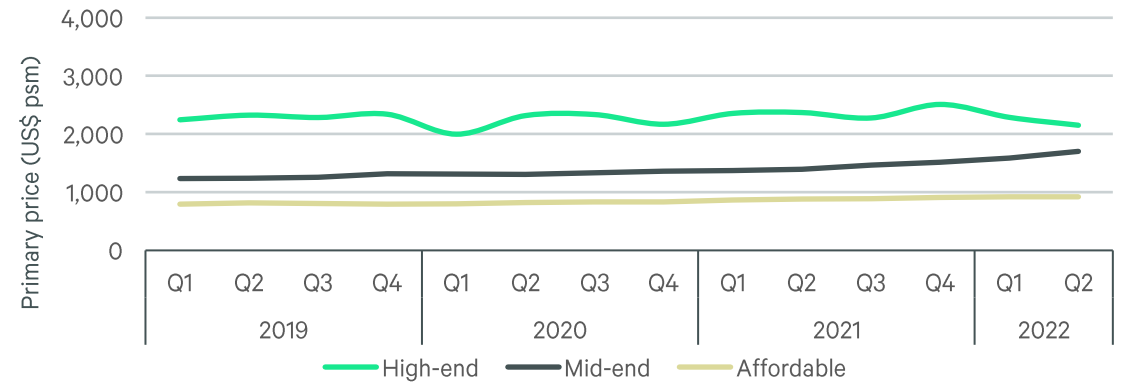
Moving forwards, new launch supply is expected to bounce back in 2022, reaching around 20,000 – 22,000 units in Hanoi – lower than previous forecast due to delays of some projects until 2023 onwards. As the level of new launch is expected to stay at a moderate level, the number of sold units are expected to exceed number of units launched during the year. Average primary prices are expected to increase at CAGR of 8 – 10% until 2024.

FIGURE 5: New supply, Condominium, Hanoi



Source: CBRE Research & Consulting, Q2 2022

FIGURE 6: Average primary price, Condominium, Hanoi



Source: CBRE Research & Consulting, Q2 2022

Villa & Townhouse

Large Number of New Launch Supply

For landed property segment, there were 5,849 units launched from 5 projects in H1 2022, equivalent to an increase of about 3.3 times compared to H1 2021. In Q2 2022, the market recorded another 5,553 units launched from 4 new projects with a large supply coming from The Empire – Vinhomes Ocean Park project.

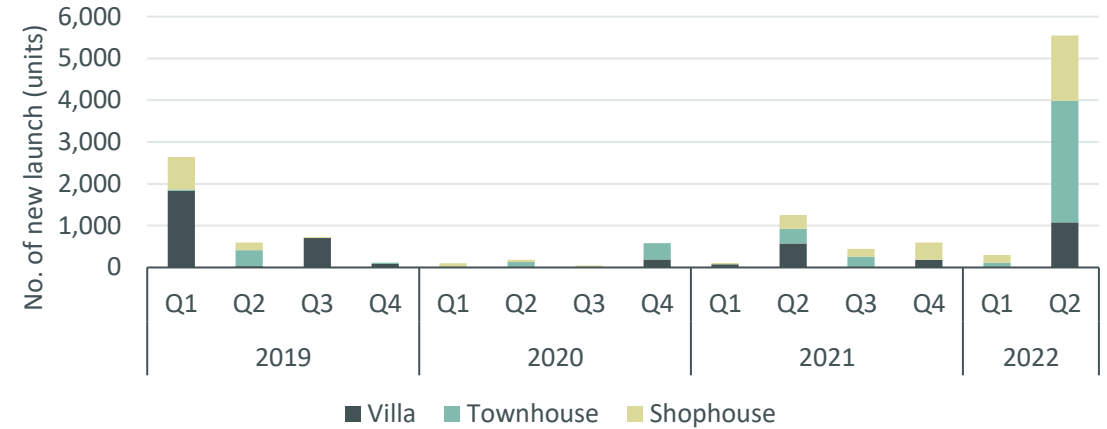
There were over 6,333 units sold by H1 2022, with 5,380 units sold in Q2/2022 alone, equivalent to the growth rate of almost eight times y-o-y, showing high growth of market absorption to landed products.

Regarding the market performance, new products recorded prices averaging \$7,300/sqm, much higher than the level of \$5,000/sqm recorded of projects launched during Q2 2021. In terms of secondary selling prices, Q2 2022 also recorded growth of between 5-17% y-o-y among projects at various locations in Hanoi, depending on the segment.

Future Supply

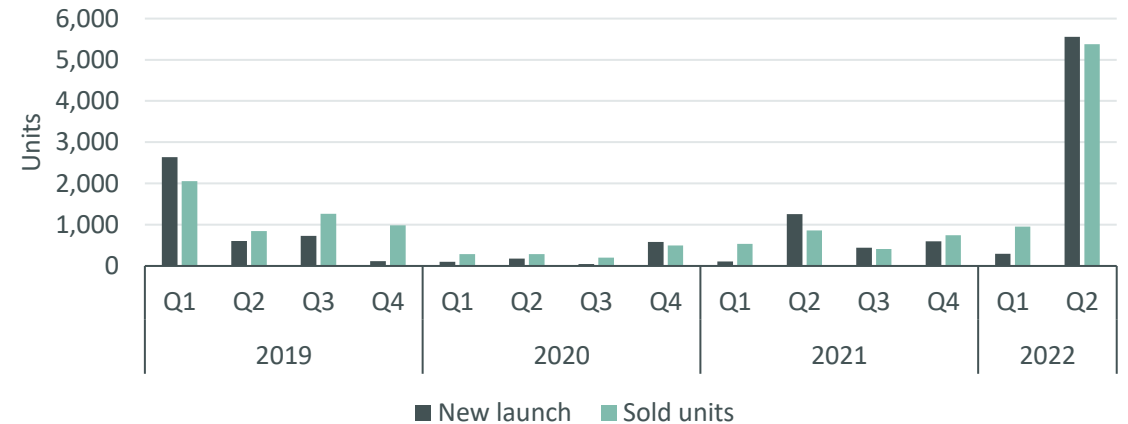
In the coming quarters, Hanoi urban area and the surrounding area are expected to see new projects launching. The total supply of new launches in 2022 is expected to reach about 7,000-8,000 units. In terms of sales rates, although demand of both investors and buyers remains high for this segment, this trend is forecast to cool down in H2 2022 as interest rates begin to rise along with credit being tightened. The price trend is expected to continue to grow but at a slower pace due to macro factors being adjusted.

FIGURE 7: New Launch, Hanoi Landed Property



Source: CBRE Research & Consulting., Q2 2022

FIGURE 8: Sold Unit, Hanoi Villa and Townhouse



Source: CBRE Research & Consulting., Q2 2022

Northern Industrial

Leasing momentum picked up

In Q1 2022, several events continue to disrupt the global supply chain, such as the continuous in the first half of 2022, although the global supply chain is still being affected by geopolitical factors and Mainland China's Zero Covid policy, Vietnam's industrial real estate market still recorded many positive signals after the country reopened its borders. A series of industrial parks and warehouse projects across locations started construction. Leasing demand started to pick up, and accordingly, the number of inquiries for industrial and warehouse land leases received by CBRE increased by 10% and 7% y-o-y, respectively.

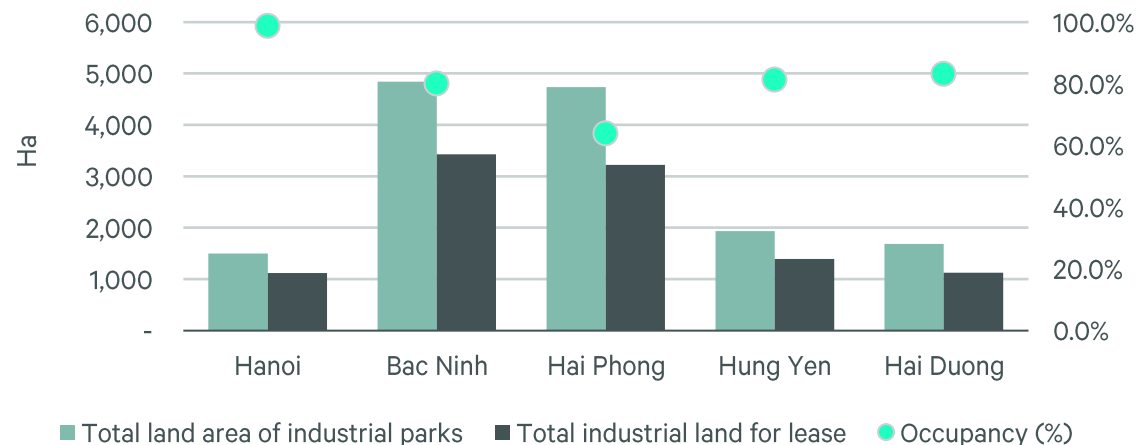
Regarding market performance of industrial land, Tier 1 markets recorded positive occupancy rates of 80% in Northern region during H1 2022. As the occupancy rates remained at positive levels, average land rent of Tier 1 markets recorded a growth of 5-12% y-o-y in the North.

There is strong demand from automotive and electronics sectors, which is expected to drive healthy occupancy rate of industrial parks, especially in the North. In the first half of 2022, the enquires from these sectors cover 22% of CBRE's enquiries in the North. In addition, electronics sector also continued to expand further with the presence of some big names such as Samsung, LG Display, Xiaomi, Goertek, who expanded in factory scale, or started to lease new factory space for production in Vietnam

Industrial Land Prices to Remain at a High Level, albeit Facing more Competition

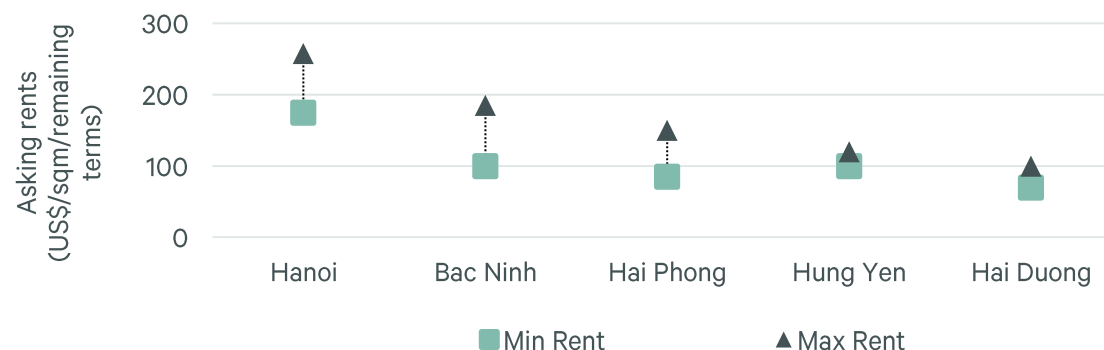
Within the next three years, supply of industrial land will be increasing by more than 14,000 hectares for both markets. Second-tier industrial provinces will account for about 21% to 42% of the supply in the South and the North, respectively. Some industrial parks that are expected to come into operation in the second half of 2022 and early 2023 have achieved positive pre-commitment rates, as much as 40% - 100% of the first phase of deployment. With positive demand, industrial land rents expect to increase by 5-10% in the next three years in the North and 8-13% in the South.

FIGURE 9: Supply, Industrial land, Northern area



Source: CBRE Research & Consulting., Q2 2022

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



Source: CBRE Research & Consulting., Q2 2022

Serviced Apartment

No New Supply in Q1/2022

In Q2 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.

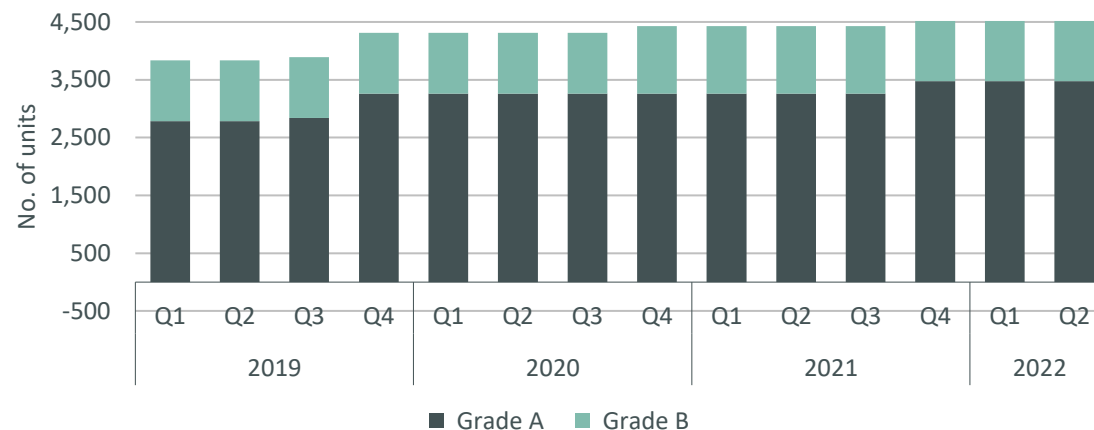
Among the large pipeline, approximately 95% are Grade A apartments by branded international operators. This shows potential demand growth for high-end, good quality serviced apartments and interest from international players. Meanwhile, Grade B serviced apartment is facing fierce competition from buy-to-let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

Signs of Recovery is Noticed

As social distancing order was lifted while the economy and tourism have been improving recently, recovery in rental rates were recorded in both Grade A and Grade B projects. Grade A continued to record an increase regarding its average asking rent, averaging US\$27.97 per sqm per month, up by 2.09% q-o-q and 3.41% y-o-y. Similarly, Grade B’s asking rents increased 3.34% q-o-q and 2.88% y-o-y to US\$17.04 per sqm per month.

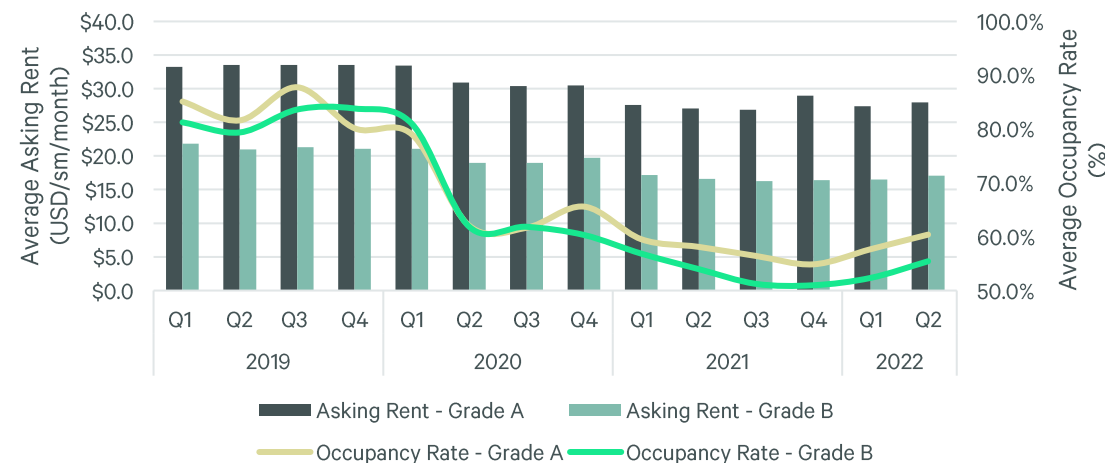
In terms of the vacancy rate, similar trend was seen as the pandemic is contained and signs of recovery is noticed. Compared to the previous quarter, vacancy of both Grades continued to decrease. Grade A segment recorded a vacancy rate of 39.6%, down by -2.7 ppts q-o-q and -2.3 ppts y-o-y. A similar trend was seen in the performance of Grade B, whose average vacancy rate decreased by -3.1 ppts q-o-q and -1.5 ppts y-o-y, to 44.6%. Renovations work has also seen in some rooms at some projects to welcome guests again.

FIGURE 11: Total supply, Serviced Apartment



Source: CBRE Research & Consulting., Q2 2022

FIGURE 12: Asking price, Serviced Apartment



Source: CBRE Research & Consulting., Q2 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.

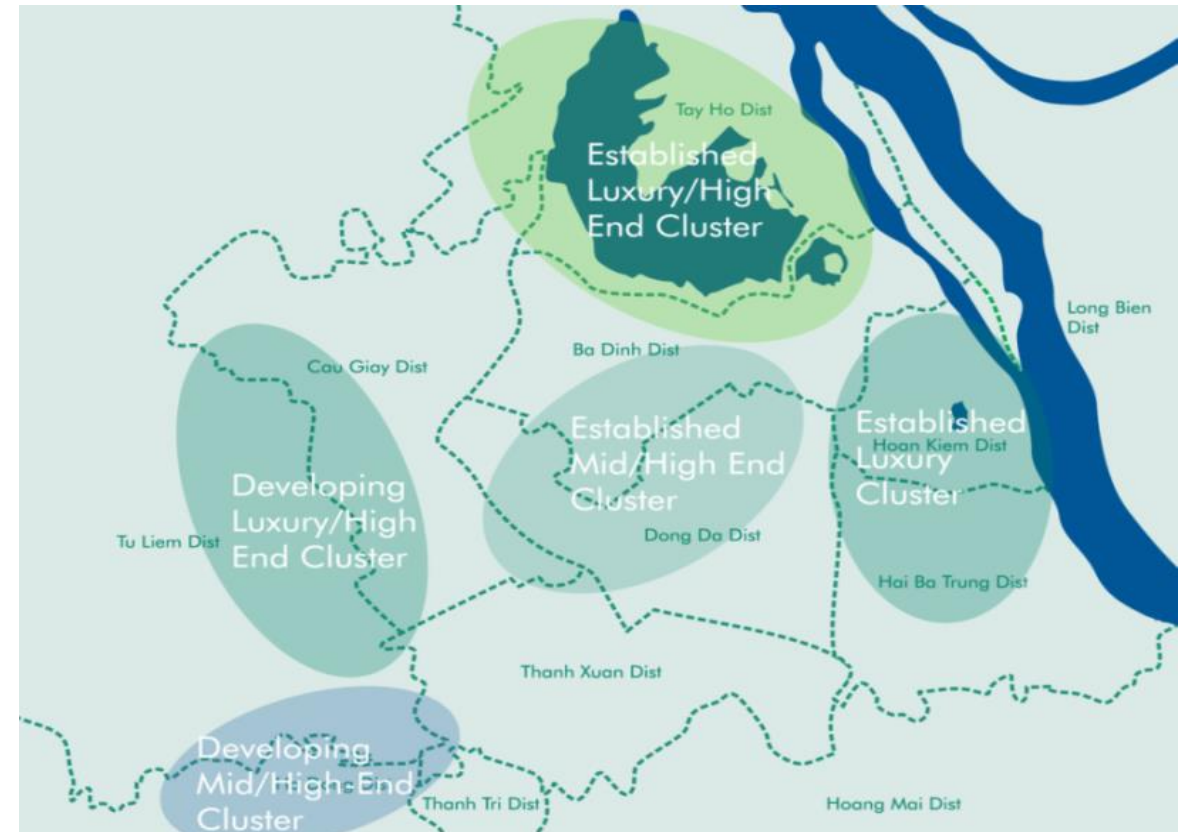
Rents or average room rates are quoted on the following basis:

- 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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