

FIGURES | HO CHI MINH CITY 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:** The recovery trend continued with improved indicators in all grades and total net absorption at 21,000 sqm in HCMC. Co-working space are coming back with high occupancy rate of more than 90% and operators continued to seek for expansion.
- **Retail:** The market witnessed new reach of rental rate in CBD area of more than US\$200/sqm/month. Overall, retailers are still optimistic about the business situation this year.
- **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

## Recovery trend to extend

There was only one new small office building in Q2 2022, which is CMC Creative Space in District 7. The total net leasable office supply in HCMC was roughly 1.5 million sqm. Although there was limited supply, HCMC office market still recorded a good net absorption in H1 2022 being 10,400 sqm, equivalent to 38% in 2021. The average vacancy rate of Grade A decreased by 1.6 ppt q-o-q and 2.1 ppt y-o-y to 10.1%, mainly due to the major absorption in decentralization cluster, District 7. Meanwhile, the average vacancy rate of Grade B remained at 9.7%, almost the same as of last year.

As of Q2 2022, the rental rate of Grade A increased to USD 44.9/sqm/month, up 0.15% q-o-q and 6.6% y-o-y. The rental rate of Grade B is relatively stable at USD 25.9/sqm/month, down 0.1% q-o-q and 3.3% higher y-o-y.

HCMC expects to welcome nearly 30,000 sqm NLA in the second half of 2022 from three Grade B buildings and two Grade A buildings. Alongside Saigon riverbanks, the previously pending buildings due to Covid have resumed construction, shaping up a very promising development of a well-planned and magnificent skyline for the neighborhood. The total supply of this area alone is 250,000 sqm.

**The second quarter of 2022 also marked the return of flexible working spaces with a high occupancy of more than 90%. Operators have been actively looking for new locations to expand their business and meet the customer’s stronger demand.**

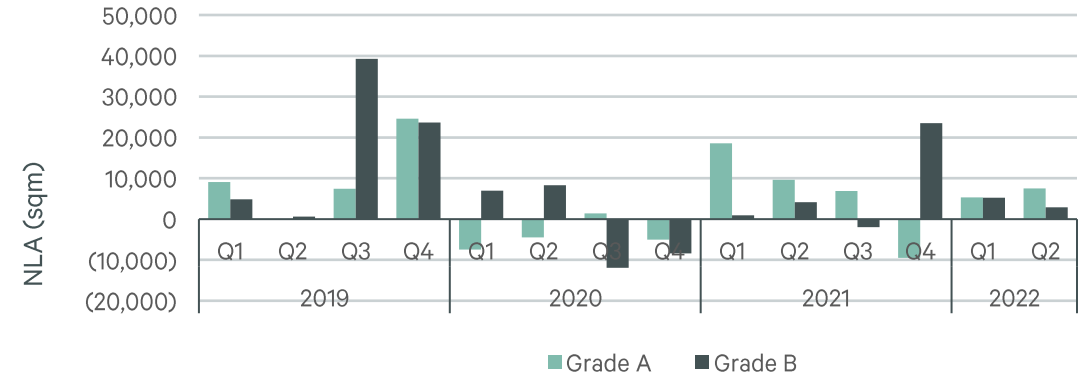
Information Technology (IT) and Service industries accounted for more than 50% of total transacted areas. IT firms with growing business and investment continue to expand their leasing premise and quickly finalize their decision within only 3 – 6 months. With the recovery of manufacturing after the pandemic, sourcing companies are coming back to Vietnam and actively seeking premise to settle down their office.

For leasing purposes, relocation still accounted for the most significant proportion with more than 50% of total transactions, and the remaining transactions were for expansion, renewal and new letting (27%, 12% and 10%, respectively). Luckily, there was no more contraction enquiry like in 2020 and 2021.

## Slight Adjustment in the future

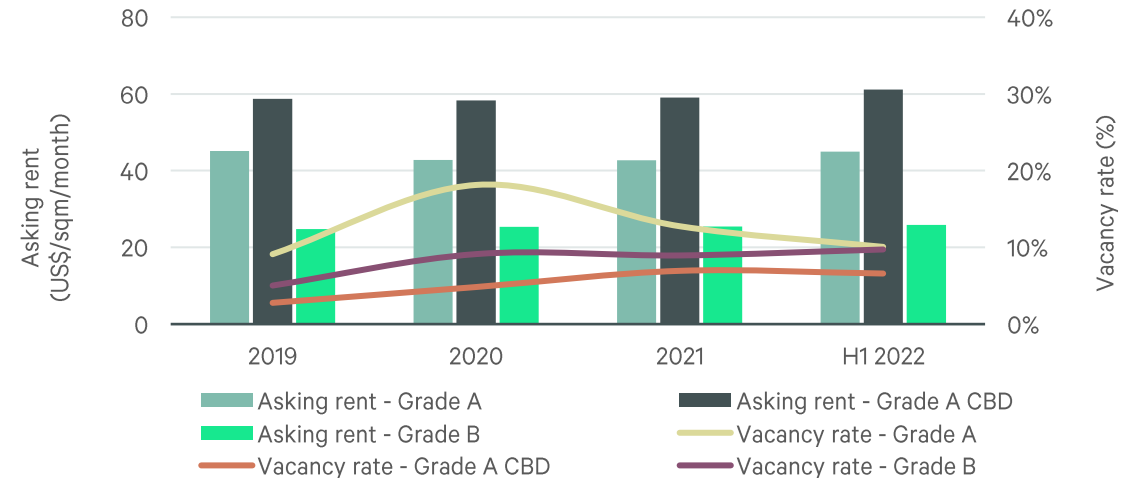
Due to most of the new supply of the latter half of 2022 are from non-CBD areas, rent of both grades are forecasted to stabilize until 2024. Vacancy rate of Grade A, after a period of recovery since Q2/2021, is expected to rise to more than 25% in 2024 when a new wave of Grade A being launched. Meanwhile, Grade B’s vacancy rate is also predicted to grow within the next two years but soon to be back to year 2021 vacancy rate of 9%, when the future supply becomes limited.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q2 2022

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



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

# Retail

## The market witnessed new reach of rental rate in CBD area of more than US\$200/sqm/month.

According to the General Statistics Office, for the first 6 months of 2022, the total retail sales of consumer goods and services is estimated at VND 2,717 trillion, up 11.7% over the same period last year. The total retail sales of consumer goods and services in the first 6 months of 2022 has a larger scale and growth rate than the same period in the past 5 years. The reason for this increase was mainly due to the low revenue of the same period last year. Revenue from accommodation and food services in the first 6 months of 2022 increased sharply at 20.9% compared to the same period last year. Due to the high demand for entertainment and tourism in the summer, the industry's revenue in June 2022 also increased by 80% over the same period last year.

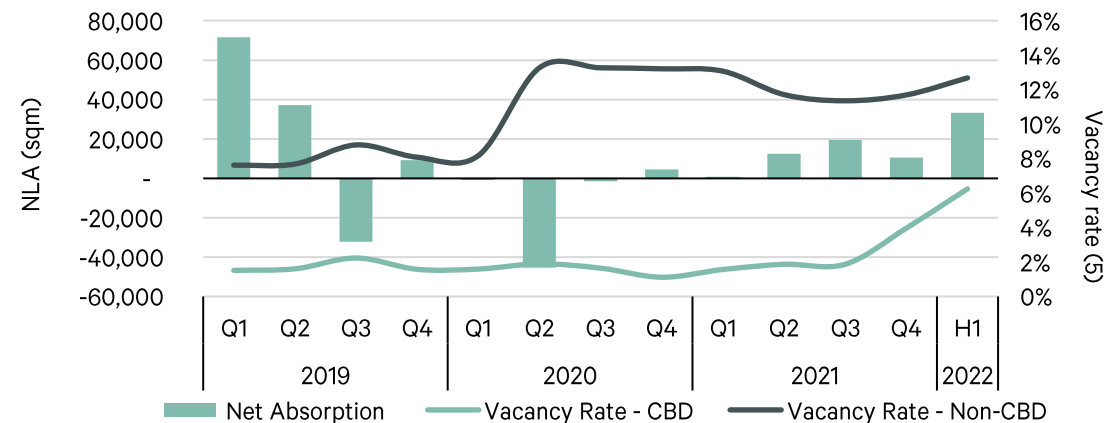
In Ho Chi Minh City, there is still no new supply and total supply is nearly 1.1 million NLA sqm. The market expects to see a strong pick up following significantly increasing number of enquiries. Malls have started to refresh their tenant mix to provide sharper shopping experiences. In Ho Chi Minh City, the average asking rent for the ground floor and first floor of the shopping centres in the CBD area reached new peak of US\$206/sqm/month, or about 50% year-on-year, more than 5.5 times the rate in the non-CBD area (US\$37/sqm/month) (Asking rent excludes VAT and service charges). Notably, the rate at some prime assets in CBD is even recorded up to US\$250-350/sqm/month. Regarding the vacancy rate, the central and non-CBD areas in HCMC recorded uneven vacancy rates. The city saw improved occupancy rate in CBD at nearly 96%, increased by 1.0 ppts on yearly basis. Meanwhile, the area outside the center of HCMC is vacant at more than 12%. Retailer's earnings are hindered by increases in product and fit-out costs, supply chain issues.

## Overall, retailers are still optimistic about the business situation this year, although increasing inflationary pressure on the economy may make the market recovery affected.

In term of pipeline, HCMC will expect to welcome 1 new supply in late this year with NLA of 35,000 sqm from Thiso Shopping Center (previously known as Socar Mall), the future supply in next 2 years will reach 230,000 sqm net leasable area.

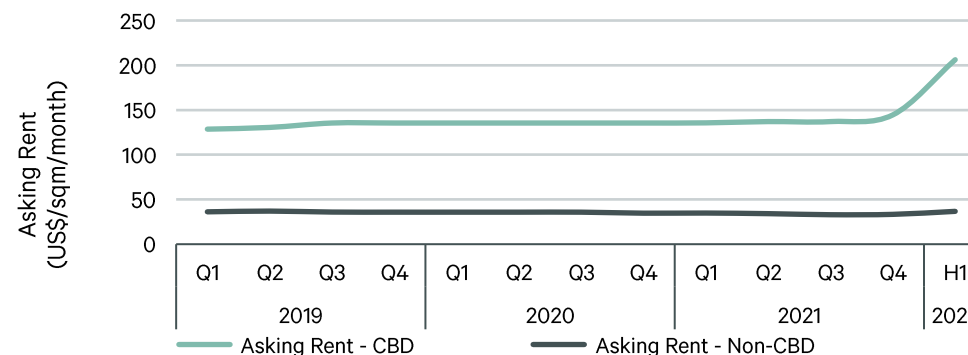
Shopping centres in CBD have seen foot traffic returning to the pre-pandemic level. Rental rates in the CBD are reaching a new high. However, non-CBD malls will need longer time to recover. CBRE expects that with rental demand in prime locations continuing to be maintained, rental booths in the city center and along main streets will be highly sought after. In the coming time, the rental price in this area will continue to increase.

FIGURE 3: Market performance, Retail, HCMC



Source: CBRE Research & Consulting, H1 2022

FIGURE 4: Asking rent, Retail, HCMC



Note: Asking rent is calculated for Ground Floor and First Floor, excluding VAT and Service charge.  
Source: CBRE Vietnam Research & Consulting, H1 2022.

# Condominium

## Booming new supply after a quiet quarter

In the post-pandemic era, residential market maintained its position as a sustainable investment channel for mid- to long-term investors in HCMC. After a quiet quarter with lower than 900 newly launched units, the market saw new supply rocketing in Q2 2022. New supply was booming to 15,528 units from 12 new launches, exceeding total new stock of 2021. The Eastern area, especially Thu Duc City, contributed up to 88% of quarterly new supply thanks to the entrance of subsequence phases of township development - Vinhomes Grand Park.

Supported by upgrading project positioning in suburban districts, the high-end segment continued to dominate the market, representing 93% of new supply this quarter. Mid-end segment had only one new launch in Q2 2022 while affordable segment went extinct since Q1 2019. However, the mid-end products which meet the majority of end-user demand were most popular in HCMC with share of 41% of total accumulated supply.

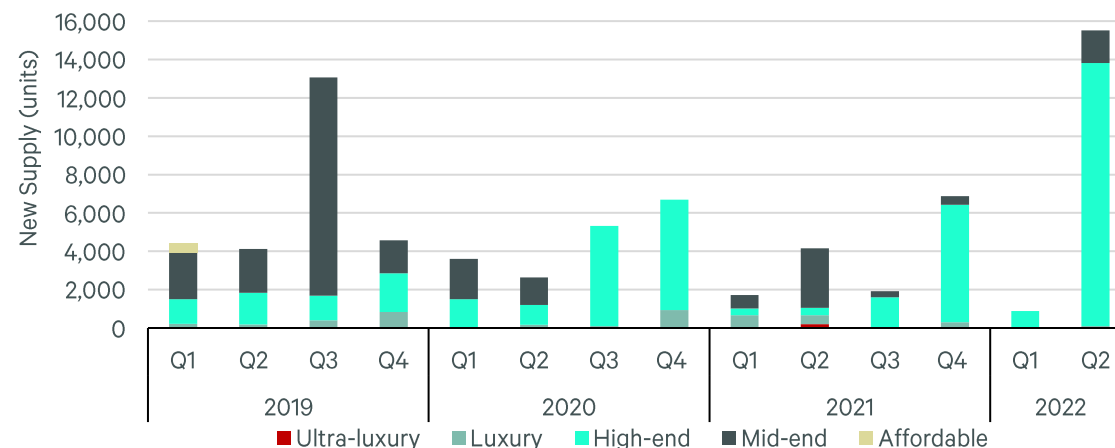
## Increasing primary price driven by upgrading project positioning in the suburbs

The improvement in price of suburban projects has not only caused the segmentation change in new supply but also driven primary pricing growth. The average primary price recorded at US\$2,455 psm, increasing 2.7% q-o-q and 8.6% y-o-y. The mid-end segment benefited the most from upgrading project positioning in non-CBD areas with a price increase of 1.9% q-o-q and 7.0% y-o-y while the luxury and high-end segments suffered price drops of -0.6 to -3.8% y-o-y.

New supply soaring resulted at a jump in sales volume with 11,259 units sold, up nearly 1.4 times y-o-y. Despite a new supply boom, the absorption of new launches maintained unchanged y-o-y at around 72%.

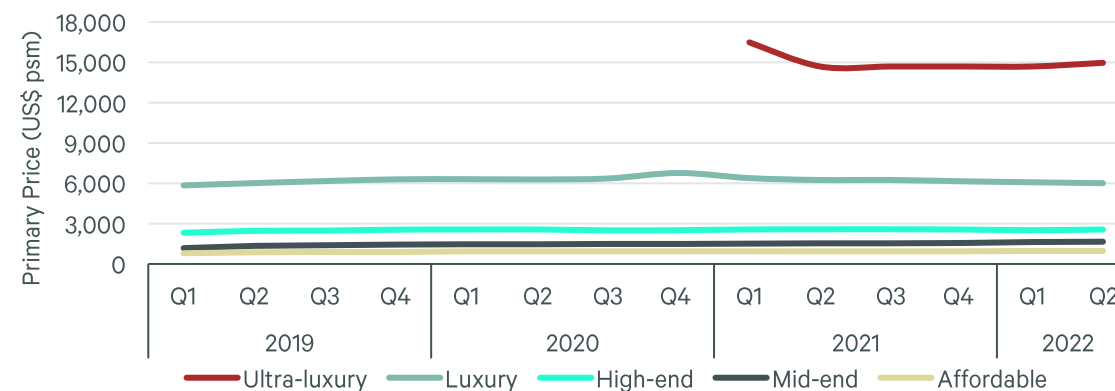
With a positive growth of supply in the first half of the year 2022, the market is expected to welcome approximately 22,000 units this year. The high-end and luxury segments will lead new supply with numerous upcoming launches in Thu Duc City and Nha Be District. Under the impact of price improvement in the suburbs, HCMC's average primary price will continue to enjoy slight growth as prices of new launches are launched at the entry-level of the high-end or luxury segments. Satellite provinces namely Binh Duong, Dong Nai, Long An and beyond continued to be hub of mid-end and affordable condominium.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q2 2022

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q2 2022

Average Primary Price: US\$ psm (excluding VAT and quoted on NSA), this index tracks all projects available for sales during the review quarter, regardless of being launched during the quarter or previously

# Villa & Townhouse

## Subsequent phases from township developments led the market

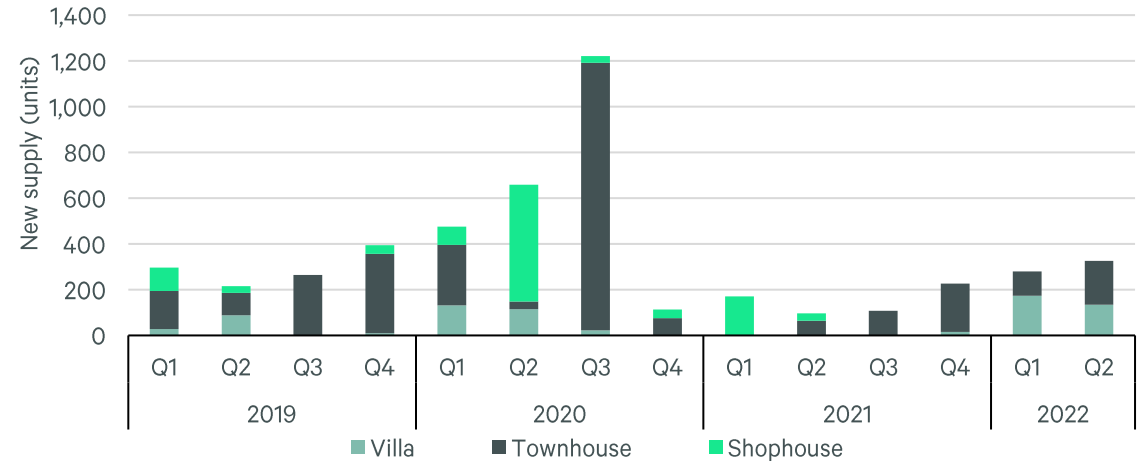
In Q2 2022, HCMC landed property market recorded 326 newly launched units, up 16.4% q-o-q and 236.1% y-o-y. New supply was driven by new launches in township developments in Thu Duc City including The Rivus, The Global City, Van Phuc City. Townhouse represented 41% of quarterly new supply while that of villa was 59%. No new supply of shophouse was recorded in the first six months of 2022.

## New projects set record price

As of Q2 2022, the cumulative sold rate maintained at 97.2%, nearly unchanged compared to last quarter. Supported by new high record prices of new supply in Thu Duc City, the average primary price increased by 17.6% q-o-q and 48.1% y-o-y to US\$6,913 per sqm on the land area. In particular, the average primary asking price levels were US\$6,271 per sqm on the land area for a townhouse (up 12.2% q-o-q and 72.8% y-o-y), US\$8,064 per sqm on the land area for a villa (up 42.9% q-o-q and 88.6% y-o-y), and 6,405 per sqm land for shophouse (stable q-o-q and up 5.0% y-o-y).

The East and South areas are expected to welcome more new stock, especially in subsequent phases of existing township developments. Although positive signals in early this year, the market has faced with many headwinds ahead including (1) licensing issues, (2) changes in regulations and credit policies, (3) rising costs and (4) mismatch of supply and demand. These challenges will force both developers and buyers to closely watch out for movements in the macro-economy and plan their optimal solutions.

FIGURE 7: New supply, Landed property, HCMC



Source: CBRE Research & Consulting, Q2 2022

FIGURE 8: Average primary price, Landed property, HCMC



Source: CBRE Research & Consulting, Q2 2022

Average Primary Price: US\$ psm (excluding VAT and quoted on land area), this index tracks all projects available for sales during the review quarter, regardless of being launched during the quarter or previously

# Southern Industrial

## The industrial market recorded many positive signals after Vietnam reopened the borders

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 up to 90% in the Southern region during H1 2022. CBRE’s data for 4 key industrial cities/provinces in the South including Ho Chi Minh City, Dong Nai, Binh Duong, and Long An with total land scale of more than 30,000 ha.

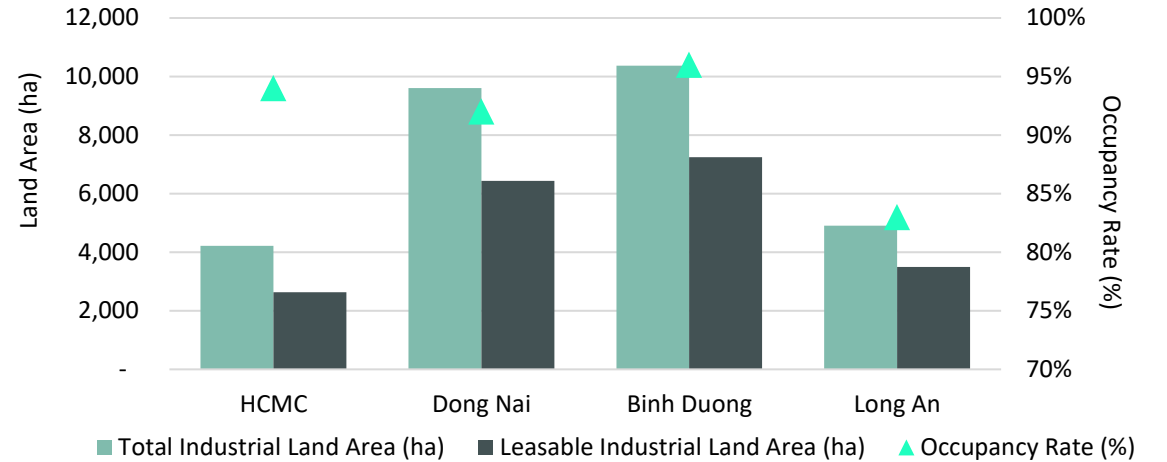
Thanks to positive occupancy rates, average land rent of Tier 1 markets recorded a positive growth in the South. As per CBRE’s record, for selected industrial parks in each region, rents can increase by up to 26%. Industrial land prices are to stay at a high level, while warehouse and RBF’s rents are to slightly increase at 0-3%.

## Strong pipeline over the next three years

Both industrial land and warehouse/ready-built factory are expected to see supply growth across regions supported by healthy demand across sectors. With increasing demand for logistics due to the wave of shifting production facilities to Vietnam, active construction sites were observed across asset types during H1 2022; for example, the groundbreaking of VSIP 3 - the 11th VSIP industrial park in Vietnam in Binh Duong province with an area of over 1,000 ha.

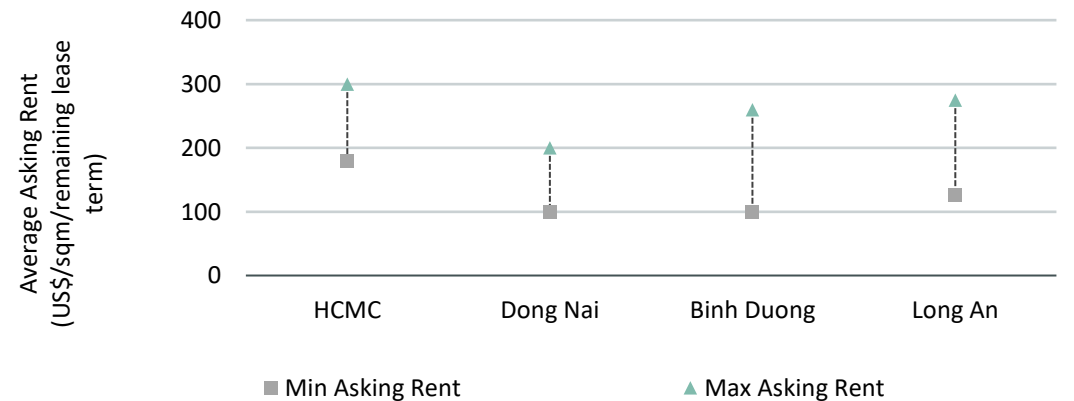
Within the next three years, supply of industrial land will be increasing by approximately 9,800 hectares for Southern region. Second-tier industrial provinces will account for about 21% of the supply in the South. Some industrial parks that are expected to come into operation in the second half of 2022 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 8-13% in the South.

FIGURE 9: Supply, Industrial land, Southern area



Source: CBRE Research & Consulting, H1 2022

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



Source: CBRE Vietnam Research & Consulting, H1 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.

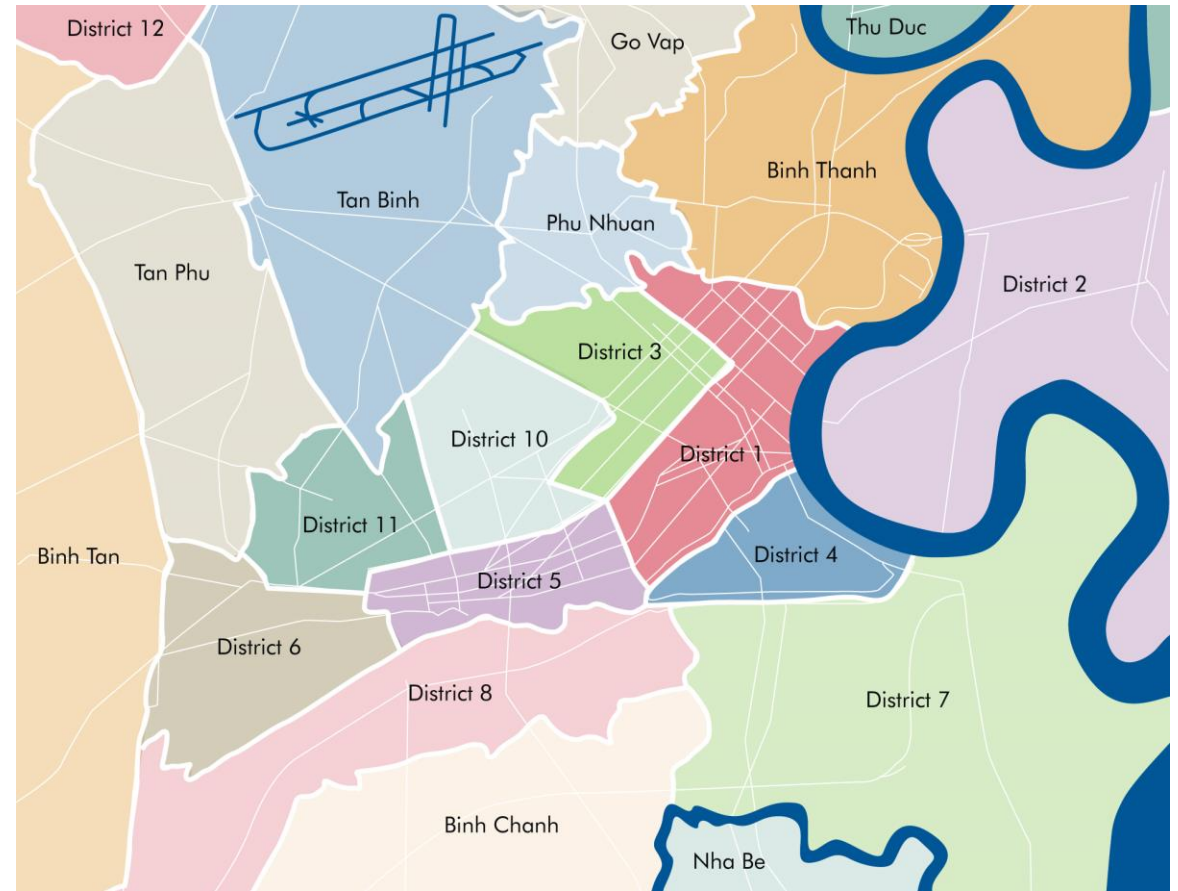
Rents or average room rates are quoted on the following basis:

*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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