

FIGURES | HANOI REAL ESTATE MARKET | Q3 2022

Approaching a turning point?

▲ 8.83%
VIETNAM GDP

▲ 9.71%
HCMC GRDP

▲ 9.69%
HANOI GRDP

▼ 14.5%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** New supply has emerged and is anticipated to rise further in the upcoming quarter
- **Retail:** Asking rents in both CBD and non-CBD area soared to new heights, as no new supply recorded during Q3 2022. Concerns about inflationary pressures may dampen market outlook of the retail sector as costs of raw materials, production costs and consumer goods prices have been rising, affecting consumer spending and consumer confidence, especially for non-necessities goods.
- **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

In the first nine months of 2022, Vietnam's socio-economy reported positive results in many fields, with a GDP growth rate of 8.83%. Inflation is controlled at 4%.

The total import and export turnover reached US\$282.5 billion, up 17.3% y-o-y, of which exports increased by 17.3%; imports increased by 13%. The trade balance in the first 9M 2022 is a surplus of US\$6.52 billion. Realized foreign direct investment in Vietnam was estimated at US\$15.43 billion, up 16.3% over the same period last year. This is the highest level of realized capital in the first nine months of the year in the past five years, led by Singapore (31%), followed by Korea (nearly 25%), Japan (12%), and Denmark (with US\$1.32 billion including Lego's project).

International visitors are returning to Vietnam with 1,6 million in 9M, a significant increase over the same period in 2021.

Office

New supply in Grade B in Q3/2022

During 9M 2022, the Hanoi office market welcomed one Grade B project in the West area, with a total NLA of 22,000 square meters. The overall office supply in Hanoi had exceeded 1.623 million sqm NLA by the end of the review period, with Grade A projects accounting for 37% of total supply. Due to relatively limited supply, the Hanoi market recorded only a moderate net absorption rate of more than 27,000sqm. As new supply is expected to be added to the market over the next 3 months, net absorption is likely to improve.

Rents continued to increase

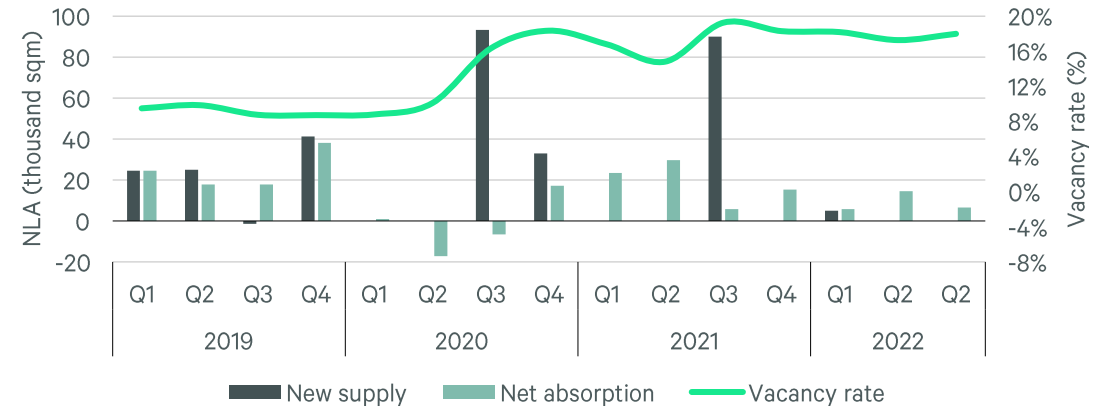
Following the improvement of market performance from the previous quarter, rents in Q3 2022 continued to increase. Specifically, in Q3 2022, Grade A office asking rents reached US\$26.0/sqm/month, up 0.6% q-o-q and 6.0% y-o-y. Likewise, Grade B office rents increased by 0.6% q-o-q and 3.2% y-o-y, to US\$14.4/sqm/month.

Vacancy rates of existing Grade A office buildings decreased, with Grade A offices seeing vacancy reduced to 28.2%; down 0.5 ppts q-o-q and 4.0 ppts y-o-y. Meanwhile, as Grade B welcomes the opening of one new office project in the Cau Giay District, the segment's vacancy rates have increased to 11.9%, slightly up by 1.6 ppts q-o-q and 0.4 ppts y-o-y.

Market is expected to be swamped with new supply in Q4/2022

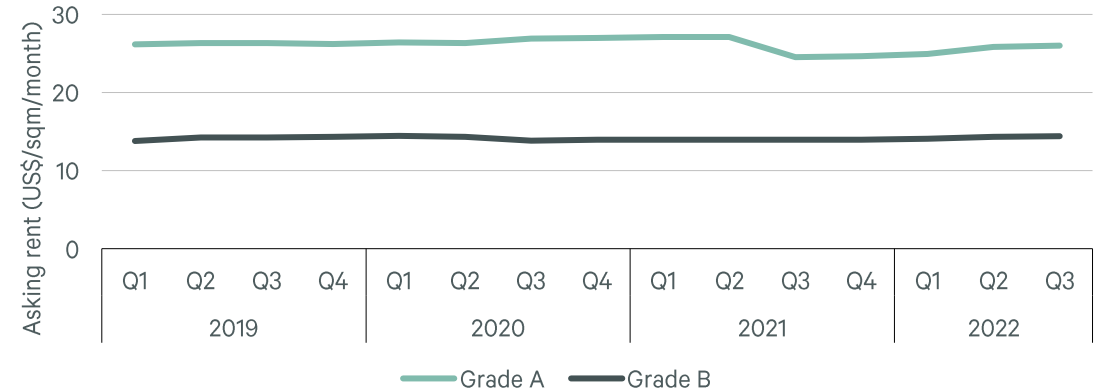
In the last three months of 2022, the Hanoi office market is scheduled to welcome three Grade A office projects and one Grade B office project, bring total new supply during 2022 to 103,600 sqm NLA. Rents in Grade A are anticipated to rise by 1% to 2% from now to the end of year as a result of the new supplies being developed by reputable developers and equipped with high-quality specifications and modern amenities. Abundant supply is also anticipated to put pressure on vacancy rate as well. Rents in Grade B are expected to remain stable.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research & Consulting, Q3 2022

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research & Consulting, Q3 2022
Asking rent is exclusive of service charge and VAT.

Retail

No new Supply in Q3 2022

In Q3 2022, Hanoi market recorded no new supply. Total net leasable area of Hanoi Retail market accumulated in the first 9 months of 2022 remained at 1,064,739 sqm.

Significant Growth in Asking Rents

Asking rents on the ground floor (excluding VAT and service charges) in CBD area reached US\$ 144/sqm/month, up 9.0% q-o-q and 39.5% y-o-y. This is the highest level of rents ever recorded in CBD locations. Vacancy rates in the CBD area saw relatively little difference as the number decreased 0.6pt compared to the same period last year.

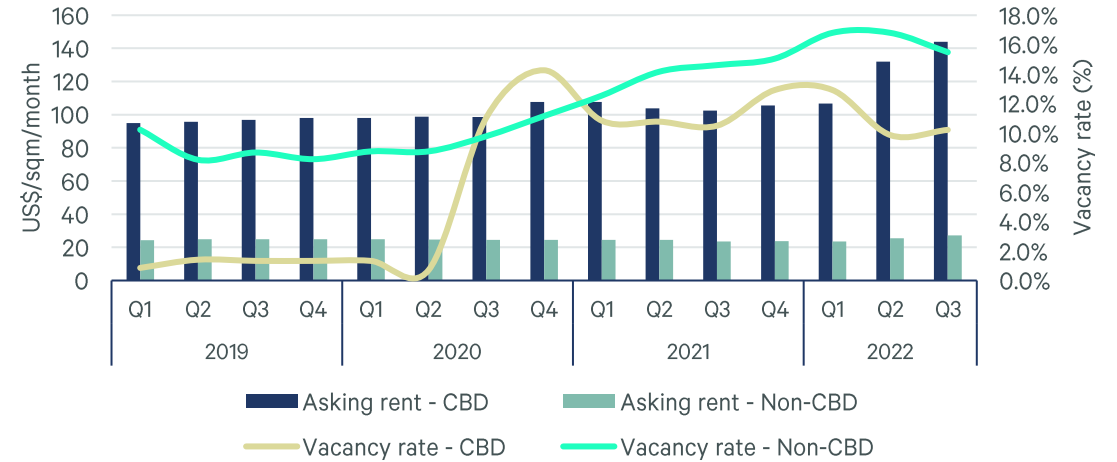
For non-CBD locations, recovery has been going strong with asking rents posting strong growth, reaching US\$ 27/sqm/month, equivalent to a 6.9% increase q-o-q and 14% increase y-o-y. Non-CBD vacancy rates slightly went up by 0.4pt y-o-y.

Future supply

It is expected that in Q4 2022, there will be an additional supply of 19,000 sqm NLA of new retail space from The Zei (Tu Liem District) and Hinode City (Hai Ba Trung District), and as much as 300,000 sqm of NLA of retail space put into operation by 2024. The majority of these projects are concentrated in non-CBD area, of which two large-scale projects, Lotte Mall Hanoi and Aeon Mall Hoang Mai, are expected to provide a total of more than 150,000 sqm NLA of retail space in 2023-2024.

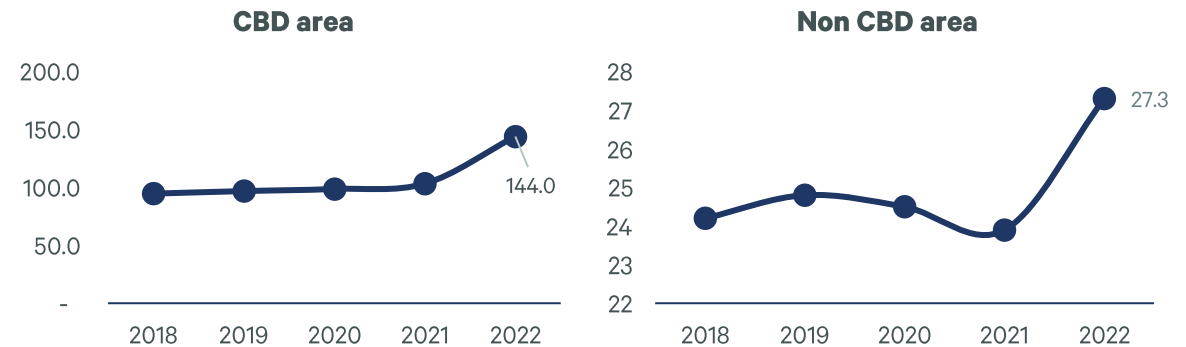
Looking forward, CBRE anticipates that retail spaces at prime locations will remain highly sought after in the coming time with sustained demand for rent, leading to further rental growth prospects in this area. In addition, brick-and-mortar stores will be required to continue to focus on facilitating consumer experience by integrating in-store utilities and enhancing online order fulfilment capabilities, a trend already evident within the F&B sector. However, concerns about inflationary pressures may dampen market outlook of the retail sector as costs of raw materials, production costs and consumer goods prices have been rising, affecting consumer spending and consumer confidence, especially for non-necessities goods.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research & Consulting., Q3 2022

FIGURE 4: Average Ground Floor Asking Rent, Hanoi Retail



Source: CBRE Research & Consulting., Q3 2022

Condominium

New launch supply had not shown recovery signals compared to pre-COVID-19's level

In the first nine months of 2022, the total new launch of apartments in Hanoi slightly increased compared to that in the same period last year, though still significantly lower than pre-COVID-19's levels. In particular, the total new launch during the first three quarters of the year was 11,805 units, up 3% y-o-y, of which Q3 2021 recorded 3,640 units launched, up 5% y-o-y. Macroeconomic factors that are shifting quickly, such as bank and debt financing restrictions, increasing interest rates, ongoing licensing issues amid various movements in the regional and global markets have caused developers to more cautious launching activities. New launch supply during the first nine months of 2022, thus, had not shown recovery signals compared to pre-COVID-19's level. In terms of segment, there were only high-end and mid-end products launched in Q3 2022 with high-end segment covering 67% of the total new launch during the quarter. During the first nine months of 2022, the market continued to witness the shift toward high-end segment, in which, this segment covered around 59% of total new launch of the period.

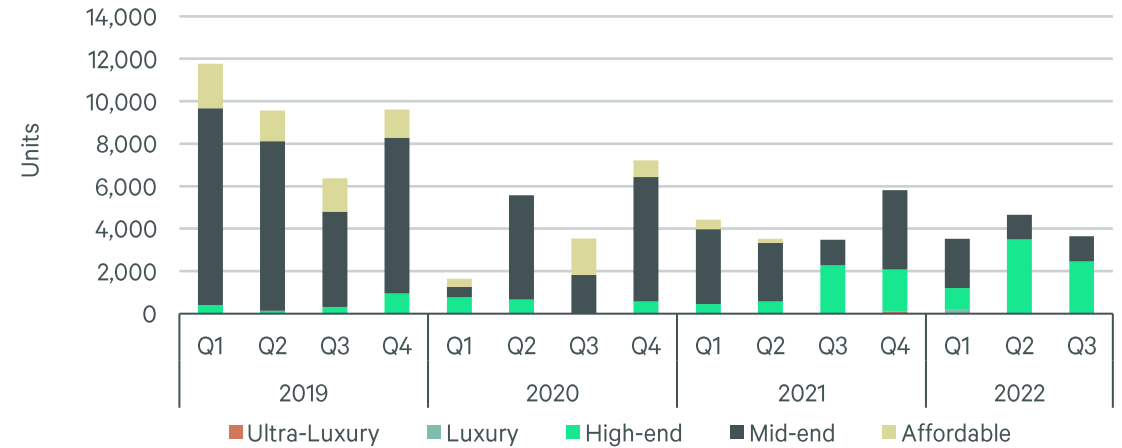
Limited new supply allows for positive absorption during the quarter albeit primary prices continued to set new heights

The number of sold units were maintained at a relatively positive level, reaching 3,624 units in Q3 2022. Although the number of sold units is lower than that of the previous two quarters, it is still 22.2% higher than the level recorded in Q3 2021 – the period when market was negatively impacted by COVID-19 restrictions.

In Q3 2022, primary prices of Hanoi condominiums averaged US\$1,896 psm (net of VAT and maintenance fee), up by 23% y-o-y due to a higher share of high-end products in the total stock available for sale. Over the past two years, as new launch supply was maintained at moderate levels, various locations in the city have witnessed upgraded positioning and thus increased prices, especially in districts with large ongoing township developments such as Tu Liem and Gia Lam, where average primary prices recorded during the review quarter were 62% to 82% higher than pre-COVID-19's levels.

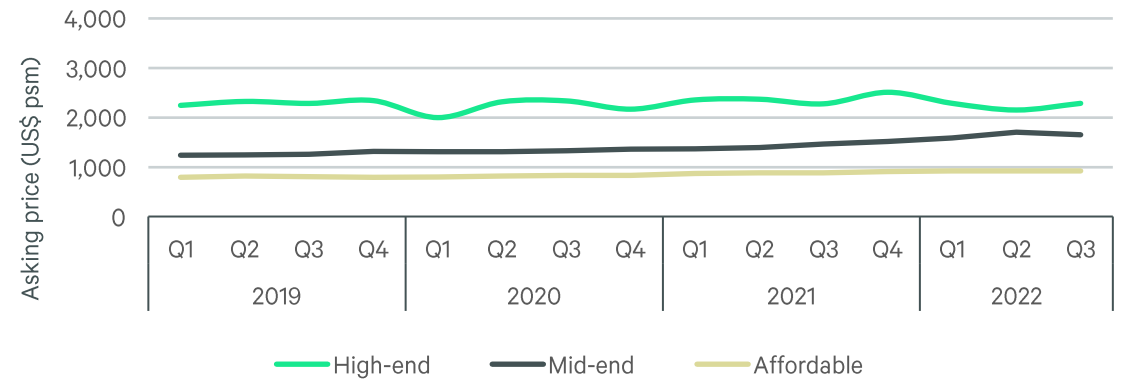
Moving forwards, new launch supply by year end is expected to reach 18,000 – 20,000 units in Hanoi – lower than CBRE's previous forecast due to delays of several projects. As the level of new launch supply is rather limited, the number of sold units is expected to exceed the number of units launched during the year. Average primary prices are expected to continue to increase at CAGR of 8 – 10% until 2024.

FIGURE 5: New supply, Condominium, Hanoi



Source: CBRE Research & Consulting, Q3 2022

FIGURE 6: Average primary price, Condominium, Hanoi



Source: CBRE Research & Consulting, Q3 2022

Villa & Townhouse

Large Volume of New Launch Supply

For landed property segment, there were 4,918 units launched from 10 projects in Q3 2022, the majority of which came from Vinhomes Ocean Park 2 (VHOCP2) – The Empire project. Units launched from VHOCP2 during Q2 and Q3 alone was almost 89% of the total units launched over the 4-year period from Q1 2018 to Q1 2022.

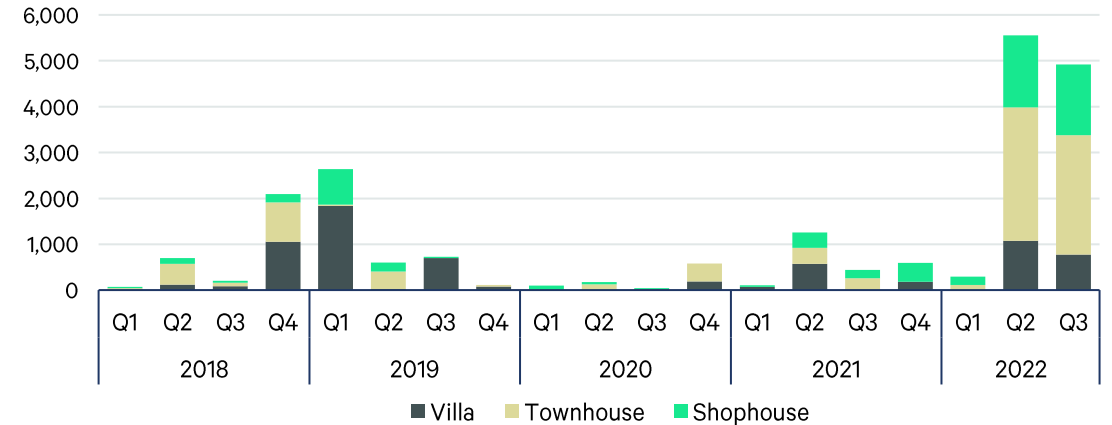
Q3 2022, together with Q2 2022, recorded a significant amount of sold units compared to previous quarters, following strong launching volume from mostly Vinhomes Ocean Park 2 – The Empire project.

Many new products released in this quarter belonged to projects with high-end positioning developed by reputable developers such as Vinhomes and Bitexco, therefore average primary prices were recorded at a high level of \$8,462/sqm, equivalent to a 36% increase compared to the prices recorded in the same period last year. Secondary prices continued to move up, registering price increases between 18-25% y-o-y depending on locations and segments.

Future Supply

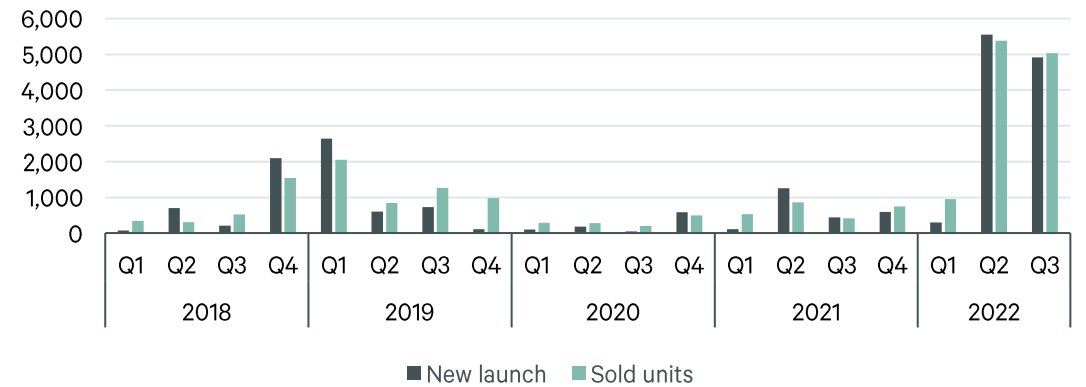
Total new supply of landed properties in 2022 is expected to reach almost 11,000 units, two to three times higher than typical annual supply volume between 2017 and 2021. After two quarters of notable supply from Vinhomes Ocean Park 2, the last quarter of the year expects new supply coming from yet another Vinhomes development named Vinhomes Ocean Park 3 – The Crown Dai An Project, also in Hung Yen province bordering Hanoi to the southwest. Current macro headwinds including tighter loan conditions and rising interest rates would put upcoming new launch to test, especially as asset prices have enjoyed a high growth period over the past few years.

FIGURE 7: New Launch. Hanoi Landed Property



Source: CBRE Research & Consulting., Q3 2022

FIGURE 8: Sold Unit, Hanoi Villa and Townhouse



Source: CBRE Research & Consulting., Q3 2022

Northern Industrial

Industrial Market sustained the positive performance

During the reviewed quarter, there is one new industrial park coming into operation in Tier-1 market. The new project is Thuan Thanh I industrial park in Bac Ninh with the scale of 182 ha.

In Q3 2022, the average occupancy rates of Tier-1 market is 80.2% down by 0.3 ppt q-o-q due to the operation of new supply. In terms of asking rents, average rental rates were remained the same as compared to those of previous quarter in Hanoi, Hai Dung, Hai Phong. For Bac Ninh, the rental rates slightly decreased by 0.5% q-o-q as new project is asking at lower level compared to average market rents of existing projects. Meanwhile, Hung Yen recorded a q-o-q growth of 2.4% because selected projects increased their asking rents when occupancy rates improved.

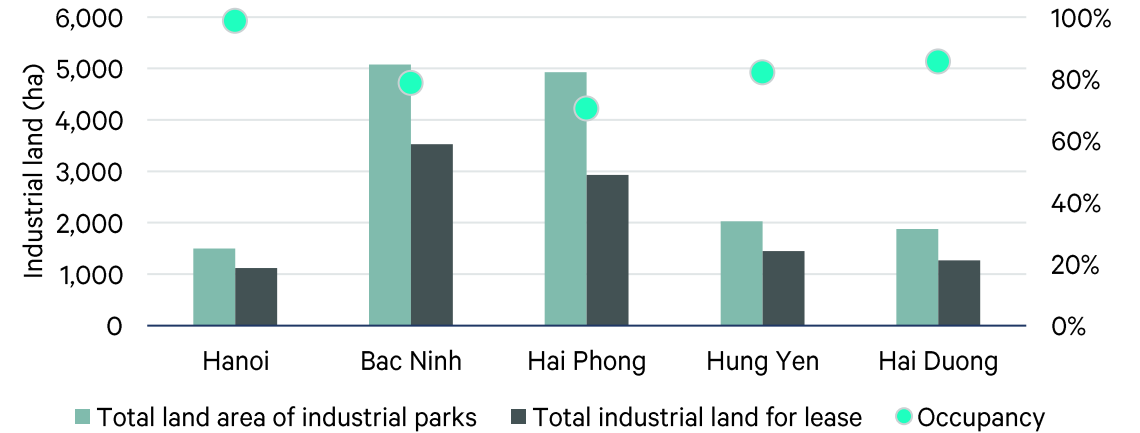
Positive market sentiments continued as the market recorded large transactions of 10 – 50ha during the quarter. Accordingly, the net absorption of Tier-1 market is 133 ha during the reviewed quarter, 12.7% higher than that of the previous quarter. The significant transactions from sectors such as Electronics, Solar Energy and Logistics.

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 2,300 ha for Tier-1 market. Selected industrial parks that are expected to come into operation in 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.

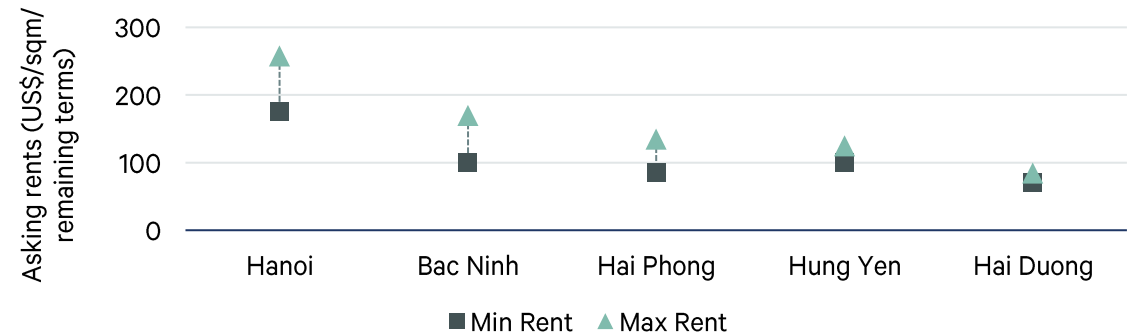
Note: Tier-1 markets include Hanoi, Hai Phong, Hai Duong, Hung Yen and Bac Ninh.

FIGURE 9: Supply, Industrial land, Northern area



Source: CBRE Research & Consulting., Q2 2022.

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



Source: CBRE Research & Consulting., Q3 2022

Serviced Apartment

No New Supply in Q3/2022

Q3 2022 marked the fourth consecutive quarter with no new supply in the serviced apartment markets. The total supply of Grade A serviced apartment stayed the same at 3,475 units while Grade B remained at 1,167 units.

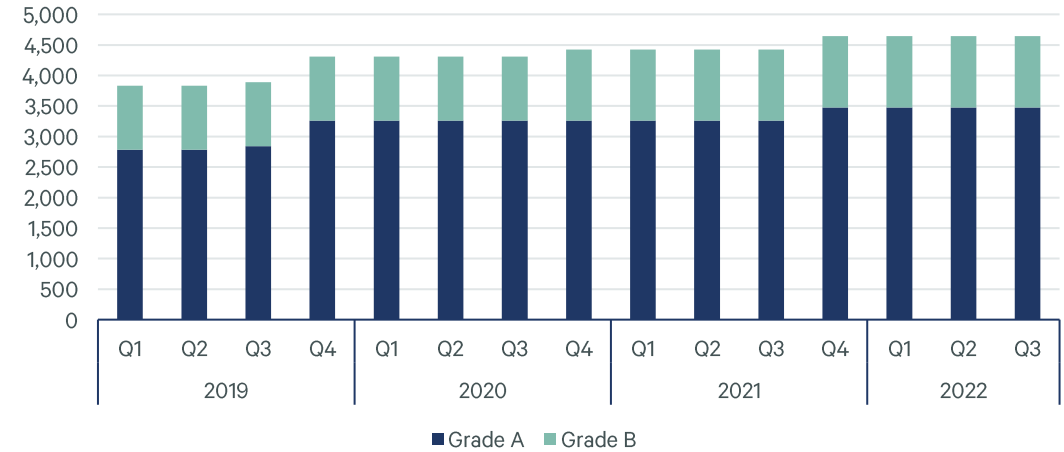
In terms of future supply, from 2022 to 2024, Hanoi’s serviced apartment market is expected to welcome 3,152 new units, majority of which are Grade A apartments by branded international operators. This indicates growing demand for high-end, good quality serviced apartments and interest from international players.

Market performance continues to recover

Due to no new supply, average asking rent of Grade A continued to increase, recording US\$28.47 per sqm per month, up by 1.76% q-o-q and 6.06% y-o-y. Similarly, Grade B’s asking rents recorded US\$17.08 per sqm per month, which was a slight increase of 0.22% q-o-q and 5.11% y-o-y.

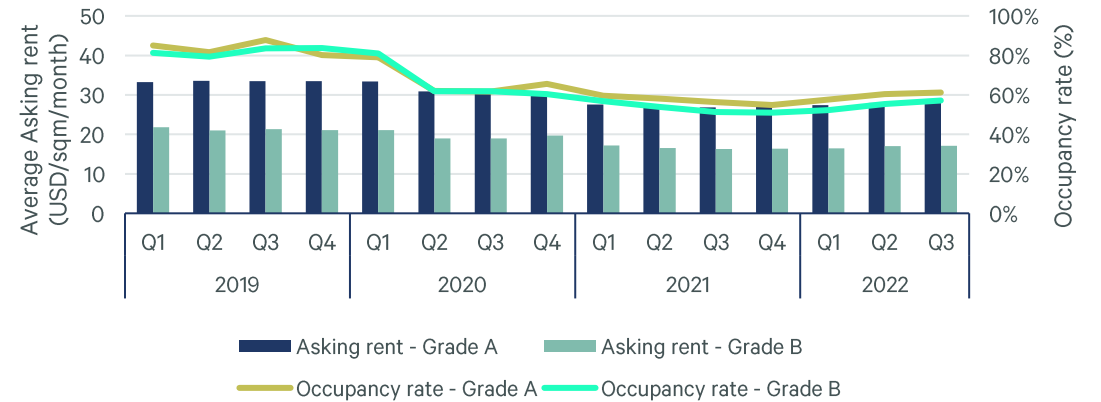
In terms of vacancy rate, vacancy of both Grades remained its downward trend, indicating strong recovery after Covid-19 pandemic. Grade A segment recorded a vacancy rate of 38.76%, down by -1.63 ppts q-o-q and -5.83 ppts y-o-y. A similar trend was seen in the performance of Grade B, whose average vacancy rate decreased by -1.06 ppts q-o-q and -5.14 ppts y-o-y, to 39.81%.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q3 2022



Source: CBRE Research & Consulting., Q3 2022

FIGURE 12: Asking price, Hanoi Serviced Apartment, Q3 2022



Source: CBRE Research & Consulting., Q3 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.

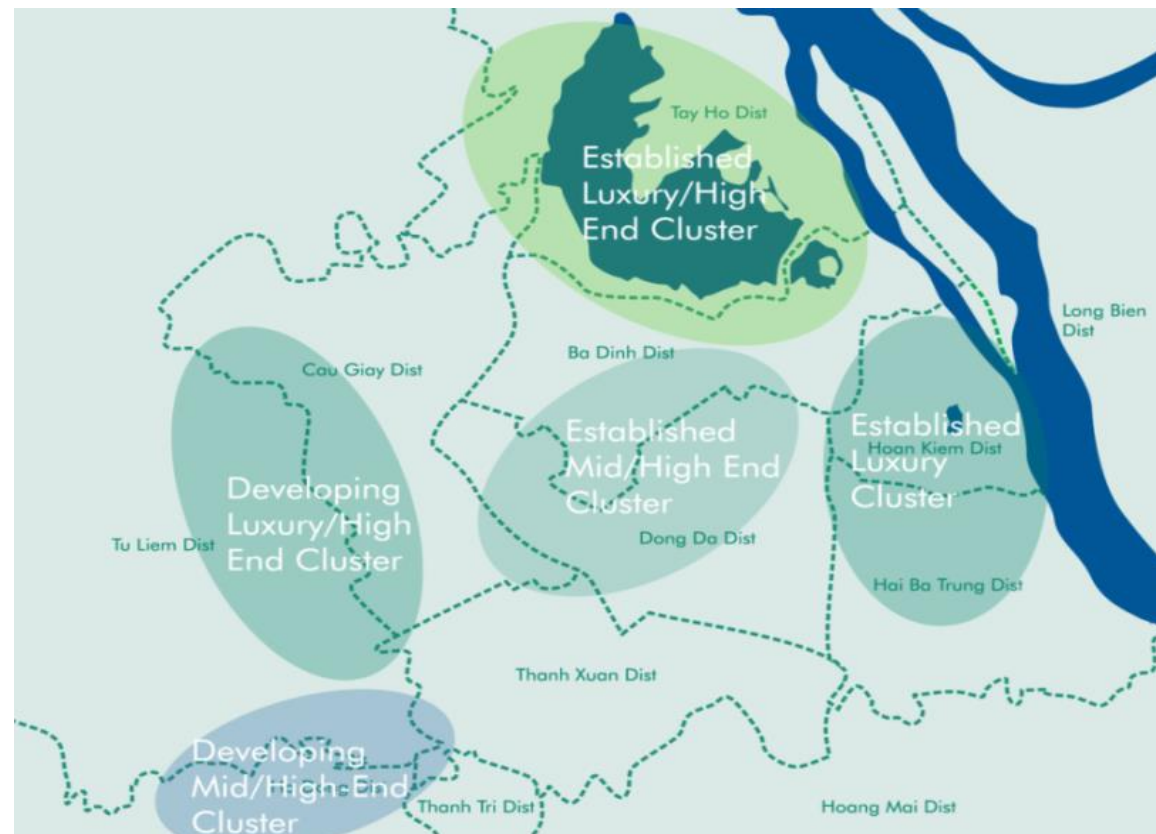
Rents or average room rates are quoted on the following basis:

- 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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Contact

Dung Duong

Senior Director, Research & Consulting
CBRE Vietnam
+84 28 6284 7668 ext. 4035
dung.duong@cbre.com

An Nguyen

Director, Research & Consulting
CBRE Hanoi Branch Director
+84 24 6288 6379 ext. 4506
an.nguyen@cbre.com

Thanh Pham

Associate Director, Research & Consulting
CBRE Vietnam
+84 28 6284 7668
thanh.pham@cbre.com