Approaching a turning point?

▲ 8.83%	▲ 9.71%	▲ 9.69%	▼ 14.5%
VIETNAM GDP	HCMC GRDP	HANOI GRDP	VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

– Office: Rent and occupancy for both grades improve, with the net absorption in 9M hitting 60,406 sqm, almost equivalent to the pre-epidemic level. The average vacancy rate of the Grade A office was only 6%.

– Retail: Asking rents in the CBD still maintain upward momentum, especially in prime locations (reaching US$185-250/m2/month). Meanwhile, the vacancy rate in non-CBD tends to decrease slightly as some brands shift their expansion trend towards the non-CBD area.

– Condominium: New supply fell sharply q-o-q after a "surge" in Q2, with only 2,851 units being offered for sale, down 80% q-o-q. The primary selling price has not shown any sign of cooling down. The high-end and luxury segments will continue to lead the new supply in the last three months of this year, with 66% from the high-end and 31% from the luxury segment.

– Industrial: The industrial market in the South remains active, with an average occupancy rate of 95% in the Tier-1 market. Industrial land price is expected to stay at a high level, albeit facing more competition.

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

Rent and occupancy for both grades improve, with Grade A in CBD reaching a new high

Cobi Tower 1 & 2 from Cobi Group (Korea) in District 7 were open in Q3 with a total Net Leasing Area of 26,932 sqm.

In Q3 2022, the average vacancy rate of the Grade A office was reduced to 6%, down by 4.1 ppts q-o-q and 4.6 ppts y-o-y. Grade A office supply in the CBD area is greatly limited, with prime buildings such as Saigon Center and Deutsches Haus having vacant space of less than 500sqm. Grade A average asking rent continued to rise 2.2% q-o-q and 8.7% y-o-y, reaching 45.9 US$/sqm/month. This average asking rent has recovered to the same level as pre-Covid 2019.

Albeit new supply, the average vacancy rate of Grade B remained stable at around 9.5%, down by only 0.2 ppts q-o-q and 0.3 ppts y-o-y. The average asking rent of Grade B is almost unchanged compared to last quarter and up by 3.1% y-o-y, reaching US$25.9/sqm/month.

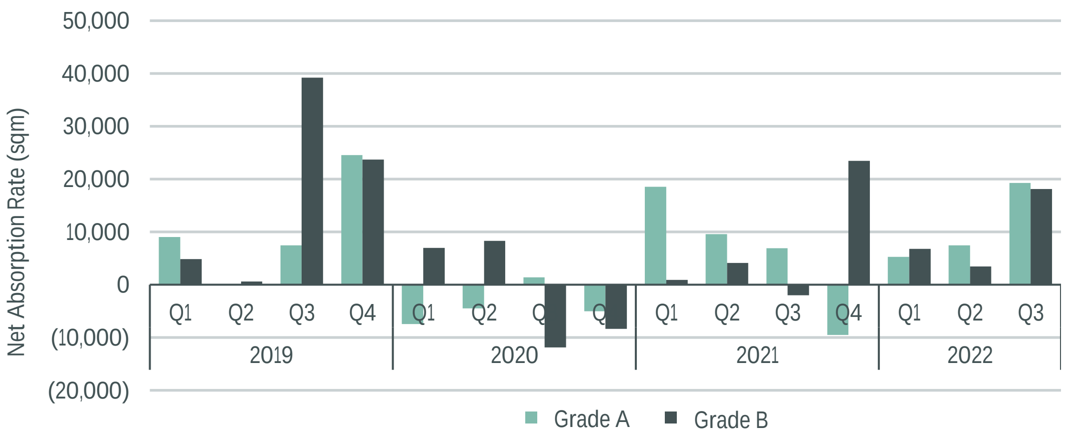
Net absorption in 9M hit 60,406 sqm, almost equivalent to the pre-epidemic level. The average vacancy rate of the Grade A office was only 6%

Together with the economic growth, the net absorption rate of the whole market also showed a positive signal with a total new leasing area for Grade A and Grade B of 19,000 sqm and 18,000 sqm, accordingly. Whereby the total new lease area of the first three quarters of 2022 reached 60,000sqm, almost back to the net absorption rate of pre-pandemic in 2019 (~61,000sqm).

Tenants in Finance – Banking makes up more than 50% of new transactions within the quarter, followed by Services, Manufacturing, and Information Technology. For leasing purposes, relocation still plays a significant role with 41% of the total transaction, while expansion also improved their share to 39%.

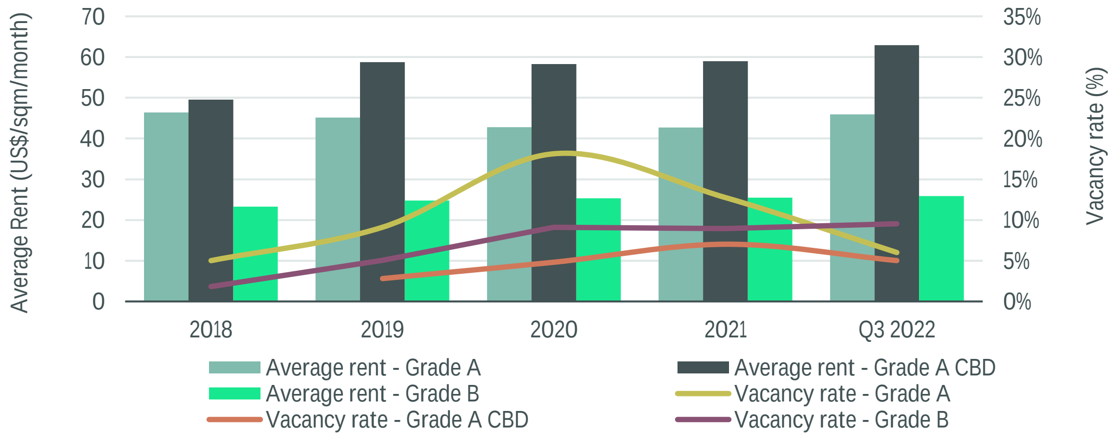
With the positive signal from the office market, many office projects actively went back to reconstruction, bringing a new vibrant face to the city. To 2023, most new pipeline comes from Grade A buildings with a total supply of approximately 183,000sqm.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q3 2022

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



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

Retail

Asking rents in the CBD still maintain upward momentum, especially in prime locations (reaching US$185-250/m2/month)

Total retail sales of consumer goods and services in the first nine months of 2022 in HCMC reached VND 805,000 billion, up 26% over the same period last year and recovering to about 84% of the pre-pandemic level.

In Q3 2022, in HCMC, the average asking rent on the ground floor and first floor of shopping centres in the CBD area in the range from US$185 to250/sqm/month, increased by 52.1% year-on-year, more than five times higher than the rent in the non-CBD area (US$38/m2/month) (Rent is excluding VAT and service charge). With only 53,577 sqm, shopping centres in the CBD are always the most sought-after.

Meanwhile, the vacancy rate in non-CBD tends to decrease slightly as some brands shift their expansion trend towards the non-CBD area

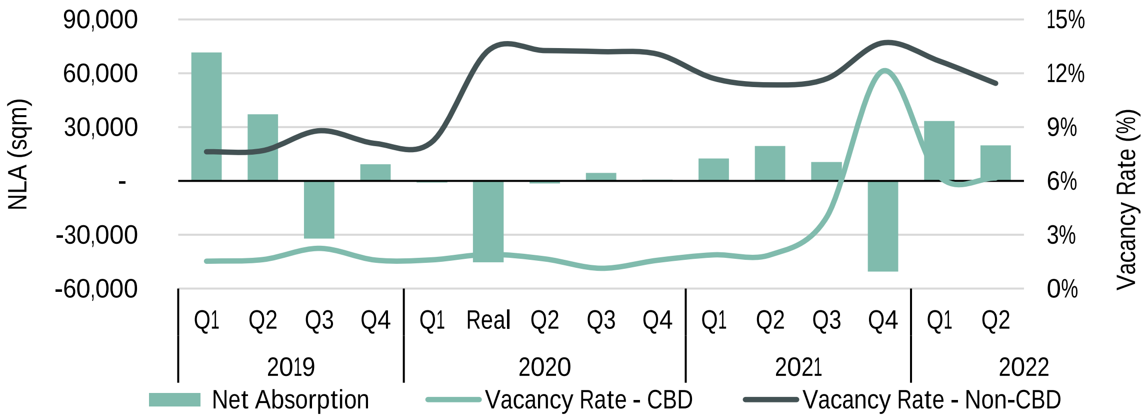
HCMC recorded improved occupancy in both CBD and non-CBD compared to the previous quarter. Specifically, the occupancy in CBD and non-CBD was 93.8% and 88.6%, respectively, up around 1 ppts q-o-q.

In Q3 2022, the market continued to witness the expansion of foreign investors with the appearance of many international brands in the fashion, sports, and F&B industries.

Regarding future supply, HCMC is expected to have one new mall by the end of this year with 35,000sqm NLA from Thiso Shopping Center in District 2, and over 170,000sqm NLA in the period of 2023-2024.

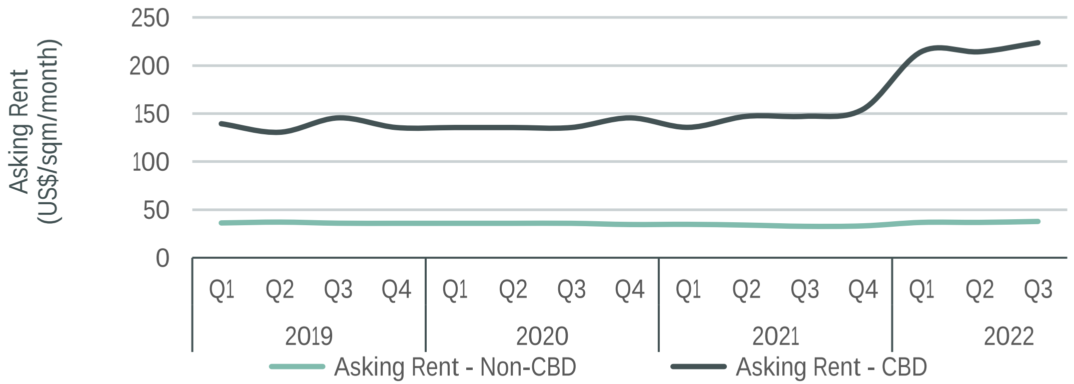
Looking forward, CBRE anticipates that retail spaces at prime locations will remain highly sought after in the coming time, with sustained demand for rent leading to further rental growth prospects in this area. In addition, brick-and-mortar stores will be required to continue to focus on facilitating 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 the market outlook of the retail industry 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, Retail, HCMC



Source: CBRE Research & Consulting, Q3 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, Q3 2022.

Condominium

New supply decreased sharply compared to the previous quarter

After a "surge" in supply in Q2, the market recorded a sharp drop in new supply, with only 2,851 condominiums for sale, down 80% q-o-q but up 49% y-o-y. Most new launches offer a limited supply, with an average of 200 condominiums/project. In which the majority of projects are in the East and South of HCMC.

Although the new supply in Q3 decreased, over the first 9 months of 2022, the number of new launches increased by 142% y-o-y, and 59% higher than the same period in 2020. It is equivalent to 83% of the new supply in 9M 2019. This proves that the market has shown positive signs of recovery after the pandemic.

The high-end segment leads the market, accounting for 76% of new supply, the luxury segment accounts for 13%, and the mid-end segment accounts for about 3%. The affordable segment continues to be absent from the market since 2019.

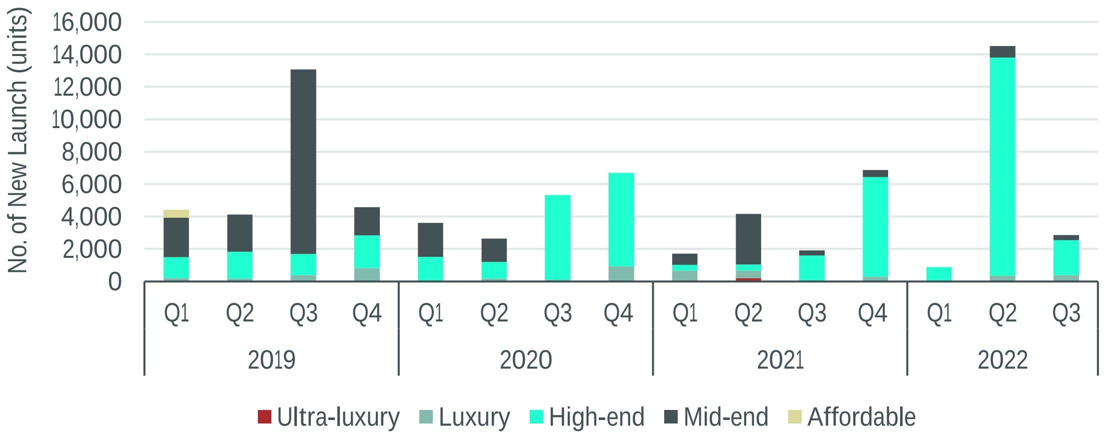
Limited new supply allows for positive absorption during the quarter albeit primary prices continued to set new heights

The price improvement of new projects and lower supply of mid-end and affordable projects in the primary market have pushed the selling price of condominiums to increase continuously throughout the recent quarters. The average primary price in the whole market was US$2,545 psm, up 3.4% q-o-q and 12% y-o-y.

In the third quarter of 2022, 6,726 condominiums were sold, down 36% q-o-q due to low new supply. The number of sold units was 2.4 times higher than the new launch, showing the high demand for the condominium market.

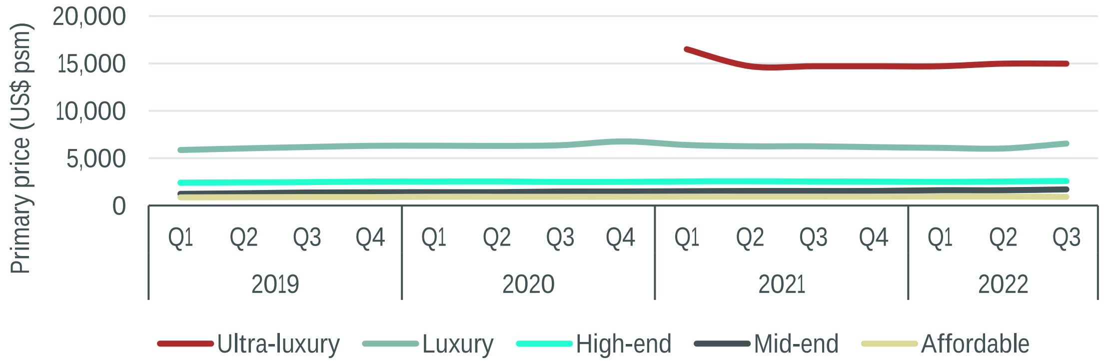
In Q4 2022, Ho Chi Minh City will welcome about 1,822 new condominiums from 11 projects (65% mainly in the East of HCMC), bringing the expected total new supply in 2022 to 20,054 units. The high-end and luxury segments will continue to lead the new supply in the last three months of this year, with 66% of new supply in the high-end segment, 31% in the luxury segment and only 3% in the mid-end segment. Moving forwards, asking prices in HCMC are expected to increase at a more moderate pace, around 3-4% in 2022-2024.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q3 2022

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q3 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

New supply increased, but the number of new projects was still limited

In Q3 2022, HCMC's Townhouse/Villa market recorded 891 new units, 2.7 times higher than the previous quarter and eight times higher than last year. Townhouses are the most popular product, accounting for 97% of the total new supply, Shophouses account for 2%, and Villas account for only 1%. The new launch in this quarter mainly comes from existing projects, namely The Global City (District 2), The Classia (District 9), Celesta Avenue (Nha Be) and Senturia An Phu (District 2).

Townhouse/Villa primary price continued to increase

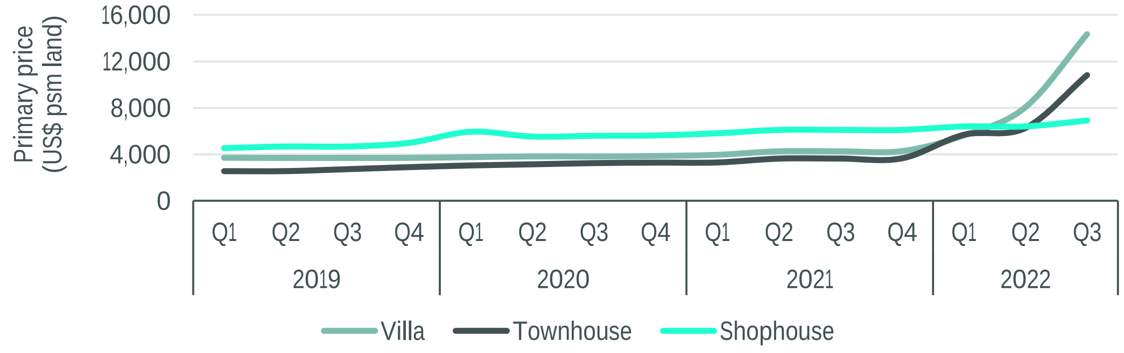
Landed Property primary price continued to increase with limited inventory.

By the end of Q3/2022, the market had a cumulatively sold rate of 96.5%, remaining stable compared to the previous quarter (97.2%) and the same period last year (97.1%). The average primary price of the whole market skyrocketed by more than 54.7% q-o-q and 128.9% y-o-y to US$10,692 psm. The average primary price was US$10,827 psm for townhouses (up 72.7% q-o-q and 197.9% y-o-y), and US$14,341 psm for villas (up 77.8% q-o-q and 235.4% y-o-y), and US$6,909 psm for shophouses (up 7.9% q-o-q and up 13.2% y-o-y). New projects in the East and the South drive this significant increase.

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, Q3 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

Southern Industrial market sustained the positive performance

Given the complex global macro landscape, Vietnam became a bright spot for foreign investment with its macro economic stability. The industrial market has gained increasing attraction from investors. In the first 9 months of 2022, Vietnam recorded an FDI capital of US$ 18.7 billion, of which the manufacturing sector ranked first and accounted for 64.6%, followed by the real estate sector with 18.7%.

Regarding the market performance of the southern industrial market, the average occupancy rate reached 95% in the Tier-1 market, including Ho Chi Minh City, Dong Nai, Binh Duong, and Long An. The total land scale of these four regions is more than 30,000 ha as of Q3 2022.

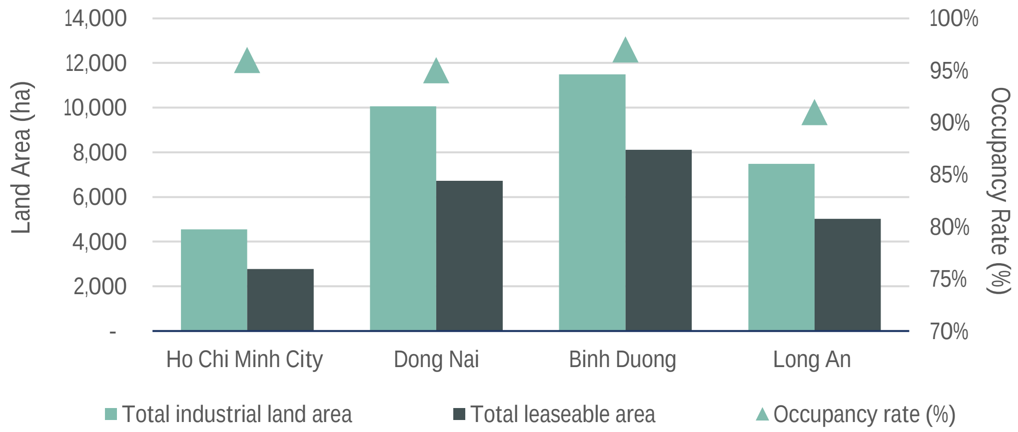
The sustained demand in the industrial market kept the price elevated. In HCMC, the highest asking price could reach up to US$ 300/sqm/remaining lease term at prime locations.

Following the previous outlook, the future pipeline is expanding to Tier-2 provinces as limited expansion availability for land in Tier-1 regions. Notably, in August 2022, the groundbreaking ceremony of Son My 1 industrial park, Binh Thuan province, was held by the developer IPICO Company, with an area of 1,070 ha. When fully invested, it will become an electricity centre of the province, attracting investment and developing the energy, industrial and logistics industries.

Industrial land price is expected to remain at a high level, albeit facing more competition

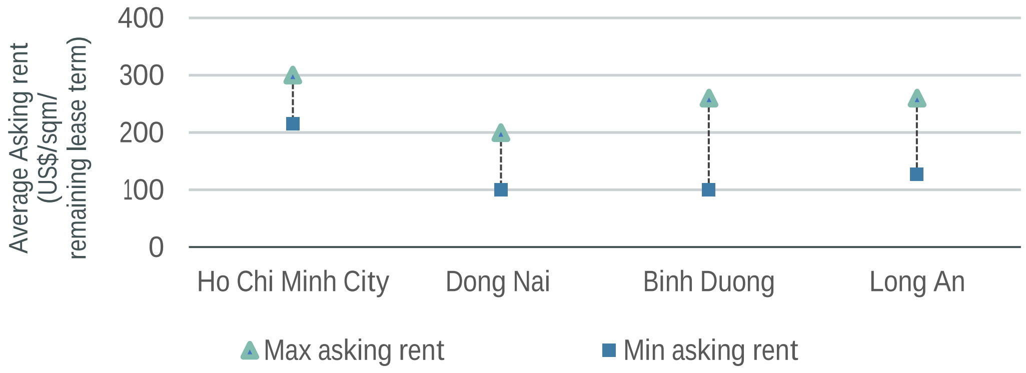
Positive market sentiments continued as the market recorded some notable transactions from 1.5-6.0 ha of land during the quarter and several warehouse transactions from 5,000-29,000 sqm in Long An, Binh Duong, and Dong Nai. The significant transactions are primarily from the logistics sector.

FIGURE 9: Supply, Industrial land, Southern area



Source: CBRE Research & Consulting., Q3 2022

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



Source: CBRE Vietnam 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:

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

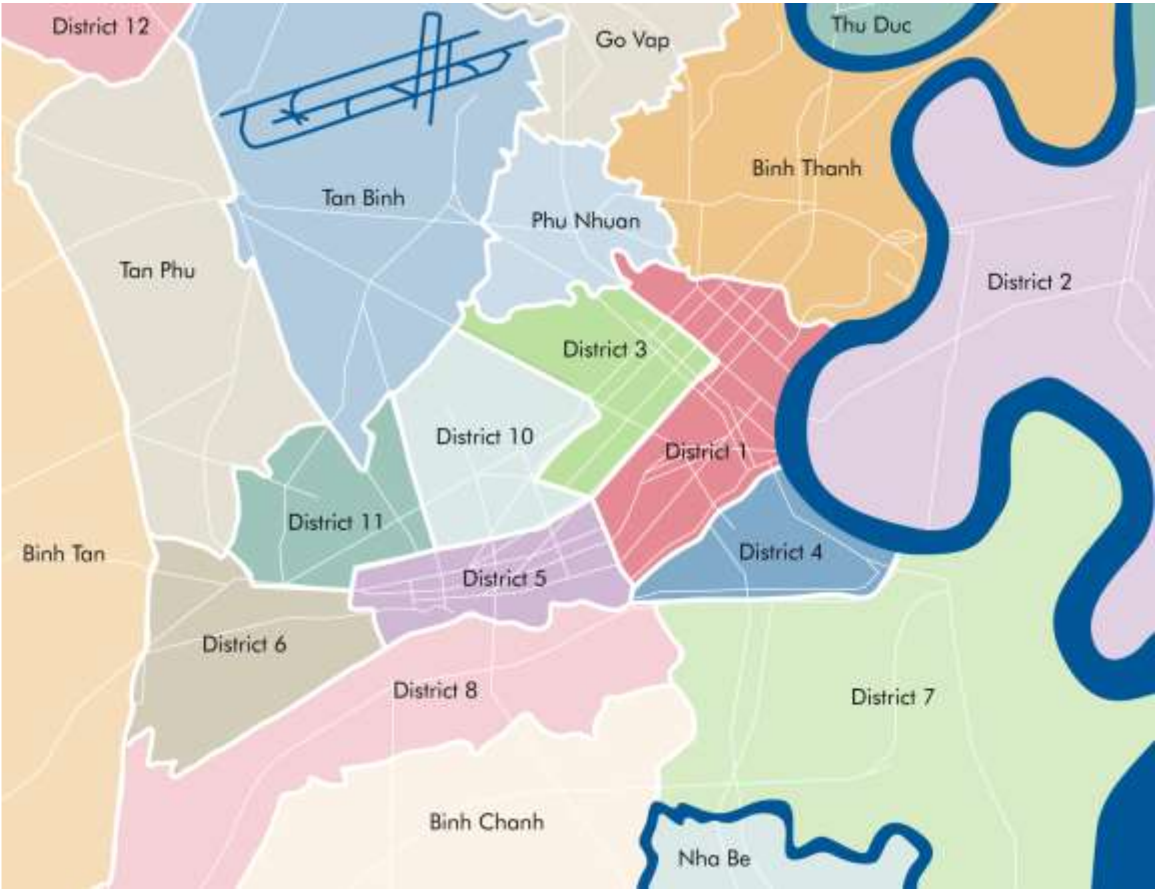
Luxury: projects that have primary prices over US$4,000 per sq.m

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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