# Staying cautious amidst economic uncertainties

▲ +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**: Q4 2022 welcomed a new supply in non-CBD area. Asking rents in both CBD and non-CBD area at the end of 2022 reached the highest level of rent ever recorded. Vacancy rates citywide declined q-o-q thanks to robust expansion activities from retailers. Looking forward, rents is anticipated to continue to rise but at a slower pace. Concerns about continuing inflationary pressures may put pressure on both consumer spending and asking rents of the retail market.
- **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 2022, Vietnam's GDP growth reached 8.0%, recording the highest growth rate in 25 years, backed by strong domestic retail sales and exports.
- As of December 20, 2022, the total registered foreign direct investment (FDI) in Vietnam reached US$27.720 billion, equivalent to 89% of the FDI capital in 2021. Singapore remained Vietnam's leading source of FDI, followed by Republic of Korea, Japan, China and Hong Kong. By the location, Ho Chi Minh, Binh Duong, Quang Ninh, Bac Ninh, Hai Phong and Ha Noi are the top provinces/cities with the highest FDI.
- Vietnam's total import and export turnover in 2022 reached US$732.500 billion, up by 9.5% y-o-y. The United States is the largest export market while China is the largest import market.
- In 2022, Vietnam recorded a y-o-y growth of 3.2% in the consumer price index (CPI). Starting from October 25 2022, the refinancing interest rate will be set at 6% per year, rediscount at 4.5%, and overnight inter-banking lending rate at 7%.
- The total retail sales of consumer goods and services in 2022 was estimated at VND5,679 trillion, up by 19,8% compared to last year.
- In 2022, the number of international arrivals in Vietnam was recorded at 3.661 million people, about 23.3 times higher than last year, and down by 79.7% compared to 2019 (before COVID-19)

# Office

## No new supply in Q4/2022

In Q4 2022, no new project was launched; however, a grade B project began leasing out one more floor to the total office supply. As a result, by the end of the review period, Hanoi's total office supply had surpassed 1.626 million sqm NLA, 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 nearly 36,500sqm in 2022. Net absorption is expected to improve in upcoming quarters when new projects are scheduled to come into operation in Q1 2023.

## A quiet quarter

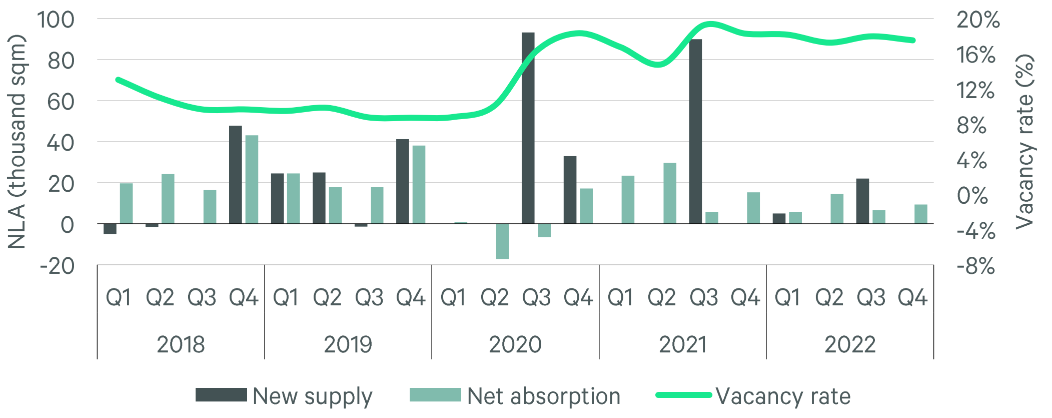
The fourth quarter of 2022 was a quiet quarter for the office market, with rents and vacancy rates in both grades remaining stable from the previous quarter but still better than those of 2021. As of Q4 2022, Grade A and Grade B office asking rents remained unchanged to previous quarter, reaching US$25.9/sqm/month, a 5.2% increase y-o-y, and US$14.5/sqm/month, a 4.0% increase y-o-y, respectively. Similarly, Grade A office vacancy has dropped to 27.6%, down 0.7 ppts q-o-q and 3.7 ppts y-o-y. Meanwhile, vacancy rates in Grade B have fallen to 11.6%, a 0.3 ppts decrease q-o-q and a 1.1 ppts increase y-o-y due to the new launch in the previous quarter.

In term of leasing purposes, office expansion demand, which accounted for more than 43% of all CBRE transactions in Hanoi in 2022, continued to contribute to the majority of transactions. In terms of tenants' industries, IT/Tech continued to rule the market, accounting for 35% of all transactions in Hanoi. Banking, finance, and insurance come in second and third, with percentages of 18% and 15%, respectively. The West is the most desired location for these industries, accounting nearly 50% of total enquiries received by CBRE in 2022, followed by the Midtown and the CBD. Meanwhile, selected tenants in commerce or real estate sectors have contracted the space or delayed their expansion plans.

## Rents will remain steady in 2023

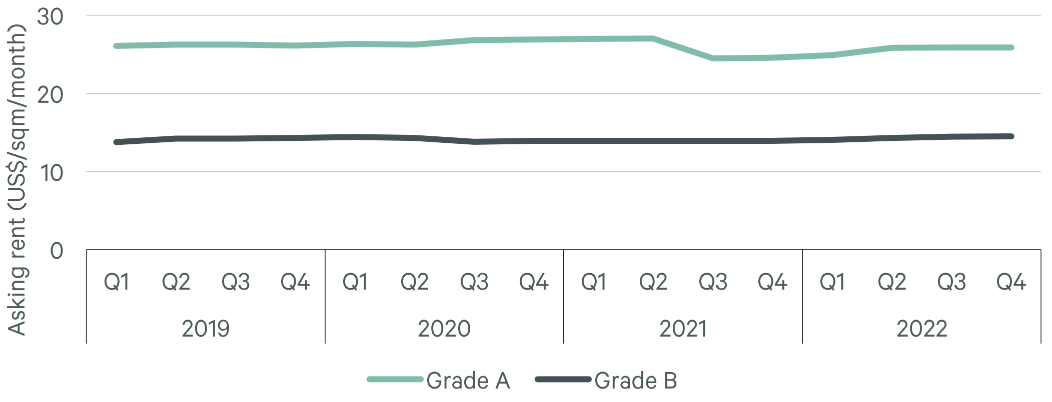
In Q1 2023, the Hanoi office market is scheduled to welcome two Grade A office projects and one Grade B office project, bringing total new supply during this reviewed period to 73,600 sqm NLA. Rents in both grades are anticipated to remain stable as landlords are being more cautious to the macroeconomic headwinds. Abundant supply is also anticipated to put pressure on vacancy rate as well.

FIGURE 1: Market Performance, Office, Hanoi




Source: CBRE Research & Consulting, Q4 2022

FIGURE 2: Asking Rent, Office, Hanoi




Source: CBRE Research & Consulting, Q4 2022
Asking rent is exclusive of service charge and VAT.

# Retail

## New Supply in non-CBD

In Q4 2022, Hanoi welcomed the operation of The Zei Plaza in Nam Tu Liem District, West of Hanoi. Total net leasable area (NLA) of Hanoi Retail market accumulated at the end of 2022 increased to 1,070,239 sqm with 2 new supplies coming from Vincom Mega Mall Smart City and The Zei Plaza, both of which located in Nam Tu Liem District.

## Recovery in Asking Rents

By the end of 2022, Hanoi CBD rents (excluding VAT and service charges) recorded at US$ 144/sqm/month, up 36.4% y-o-y due to no new supply. This is the highest level of rents ever recorded in CBD locations. On the other hand, vacancy rates of the area in Q4 dropped significantly due to the re-merchandising of Vincom Center Ba Trieu – Tower 2, leading to a series of openings from several new tenants including Uniqlo, ADLV, Nine West. CBD vacancy rates in Q4 2022 estimated at 4.8%, equivalent to a decrease by 5.4ppts q-o-q and 1.4ppts y-o-y.

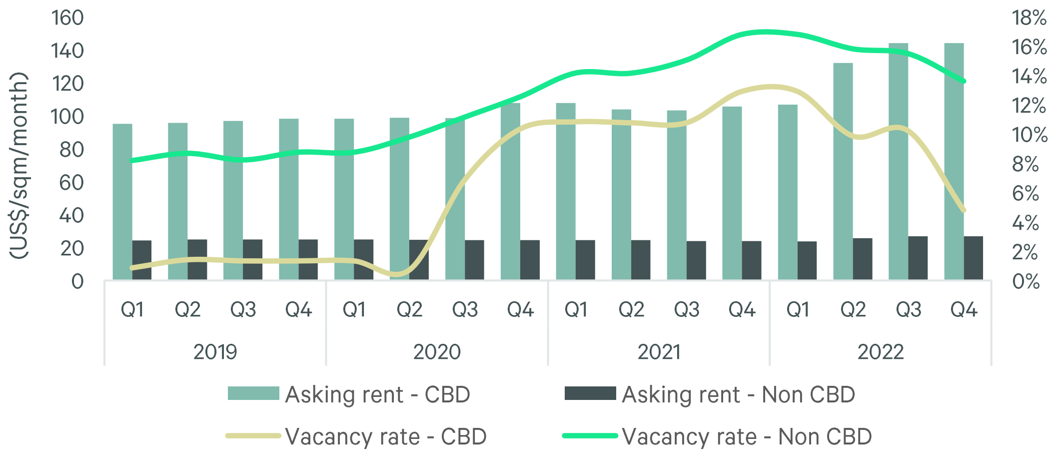
For non-CBD locations, rents slightly increased or decreased depending on projects compared to Q3 2022. In average, non-CBD rents recorded at US$ 27/sqm/month at the end of 2022, which was an increase of 12.4% y-o-y. Thanks to the robust expansion activities of retailers, non-CBD vacancy rates in non-CBD area also went down by 8.1pt q-o-q and 3.2pt y-o-y. Major openings from retailers in non-CBD area included the openings of 2 Uniqlo stores in Vincom Center Tran Duy Hung and Vincom Mega Mall Royal City.

## Future supply

It is expected that an additional supply of as much as 300,000 sqm of NLA of retail space will be put into operation during 2023-2024. The majority of these projects are concentrated in non-CBD area, among which two large-scale projects, Lotte Mall Tay Ho and Aeon Mall Hoang Mai, are expected to provide a total of more than 150,000 sqm NLA of retail space.

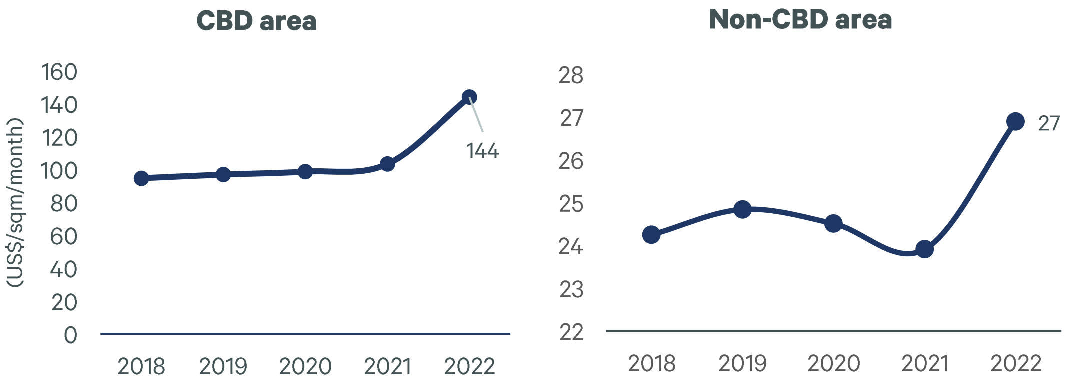
Looking forward, CBRE anticipates that rents will continue to increase but at a slower pace. Concerns about continuing inflationary pressures may put pressure on both consumer spending and asking rents of the retail market. Due to the scarcity of retail space in CBD area, a new trend is expected to form in the commercial market, in which retailers will seek locations in non-CBD areas to launch pop-up stores while continuing to look for prime locations and sustainable positions.

FIGURE 3: Market Performance, Hanoi Retail




Source: CBRE Research., Q4 2022

FIGURE 4: Average Ground Floor Asking Rent, Hanoi Retail




Source: CBRE Research., Q4 2022

# Condominium

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

In 2022, there were approximately 15,100 units launched in Hanoi leading to a total new launch down 12.3% y-o-y. This marked the third year of declining new supply under the impacts of various factors including COVID-19, credit tightening and licensing issues. In terms of segment, this is the first time since 2011, the new launch from high-end segment exceeded other segments to lead the new launch. During the year 2022, the high-end products covered 55% of total launched supply, followed by mid-end segment (44%). In terms of location, the West hosted the largest new supply after two years lost its position to the East due to the launches from projects from Vinhomes Smart City. This residential cluster made up 52% of new launch during the year followed by the East (35%) and the South (9%).

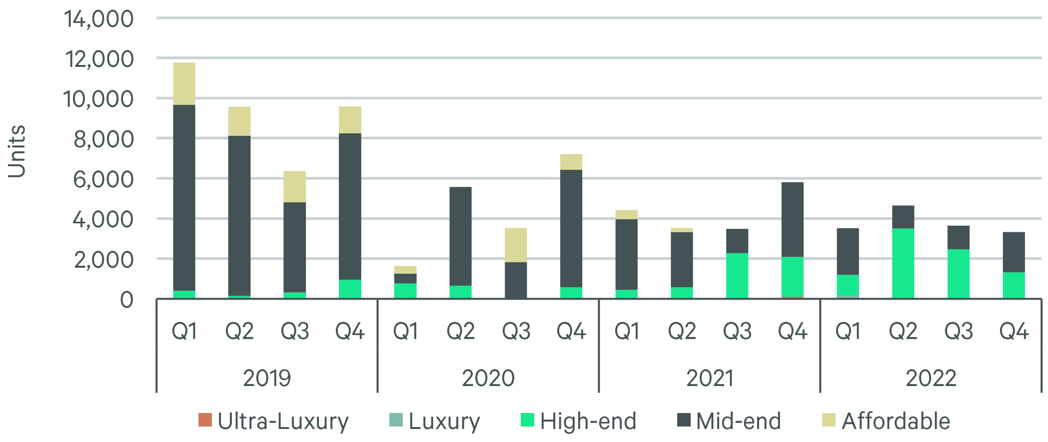
### Primary prices increased significantly due to higher share of high-end products to available stock

The number of sold units in 2022 were maintained at a relatively positive level, reaching 16,600 units, exceeding the new launch. Noticeably, 65% sold units during the year was recorded in the first half of 2022. The sales performance has been negatively impacted by recent credit tightening issues and rising interest rate environment.

The primary prices of Hanoi condominiums averaged US$1,934 psm (net of VAT and maintenance fee) by the end of 2022, up by 21.2% y-o-y due to a higher share of high-end products in the total stock available for sale. Over the past three years, as new launch supply was maintained at moderate levels, various locations in the city have witnessed upgraded positioning and thus increased prices. In secondary market, the average selling prices as of Q4 2022 reached US$1,303 psm up by 7.5% y-o-y, but down 2.8% q-o-q.

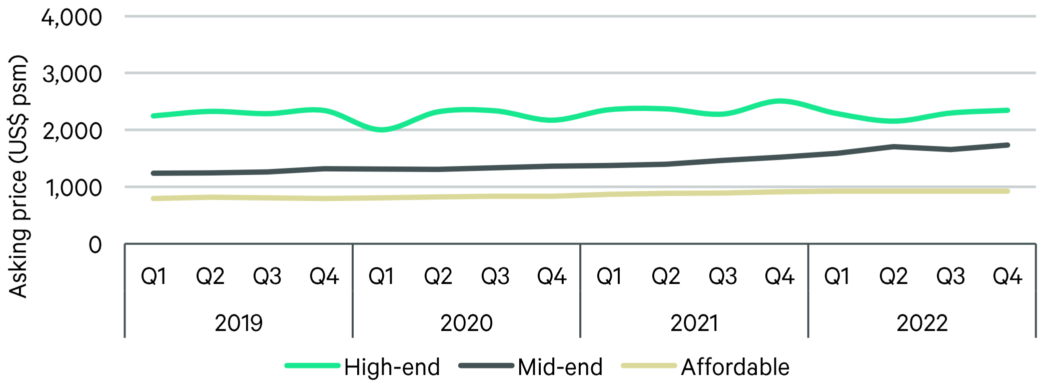
Moving forwards, the level of new launch in 2023 is expected to maintain at moderate level reaching around 14,000 – 16,000 units. Sold units are expected to sustain at similar level as 2022's while the new supply level has not recovered. Primary prices are forecasted to increase at 5-7% per annum over the next three years driven by upgraded positioning in township developments and expected launches of high-end and luxury projects in prime locations.

FIGURE 5: New supply, Condominium , Hanoi




Source: CBRE Research & Consulting, Q4 2022

FIGURE 6: Average primary prices, Condominium, Hanoi




Source: CBRE Research & Consulting, Q4 2022

# Villa & Townhouse

## New supply amidst market slow down

Hanoi landed market this quarter recorded the official launch of Vinhomes Ocean Park (VOCP) 3 – The Crown. In Q4 2022, there were a total of 5,587 units newly launched from 3 projects. Total accumulated landed units launched in 2022 reached a record high, staying at 16,249 units which became the highest launch in Hanoi within the last 5 years, even surpassed Hanoi's total new launch of condominium units this year. Majority of new launch in 2022 came from the mega townships VOCP2 and VOCP3 developed by Vinhomes.

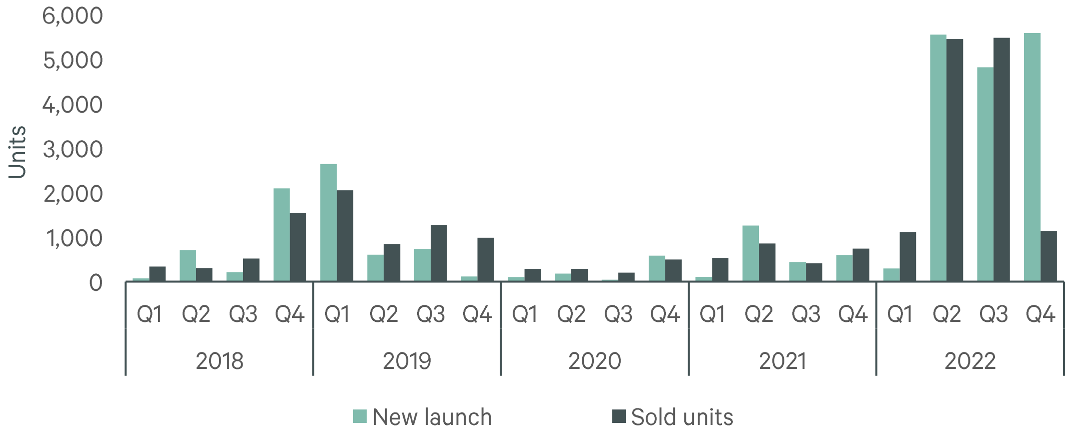
Q4 2022 sales rate took a hit from the effects of tightening of lending and credit bond issue. It was estimated that 1,136 units were sold during the quarter which was only one-fifth of the units sold in Q3, but exceeding average quarterly sold units of Hanoi market over the past five years by over 500 units. Average sales rate of 2022 was estimated at around 60%.

Primary asking prices of Hanoi landed villas and townhouses went down by 7.7% q-o-q to US$ 7,812 psm of land which was mainly due to the devaluation of VND against the US dollars during this quarter, as well as the difference in location and positioning of the projects launched in each quarter. Meanwhile, after a high-growth phase lasting from Q4 2021 to Q3 2022, landed secondary price began to decline from Q4 2022. The average price in secondary market (inclusive of construction costs and exclusive of VAT) has fallen 8% from its peak in Q3 2022 and recorded at roughly US$ 6,800 psm. By district, resales price recorded a drop rate ranging from 2% to up to 16% compared to Q3 2022, among which districts with recent booming development in terms of landed projects including Ha Dong, Hoang Mai and Dong Anh witnessed a stronger decline rate.

## Market outlook

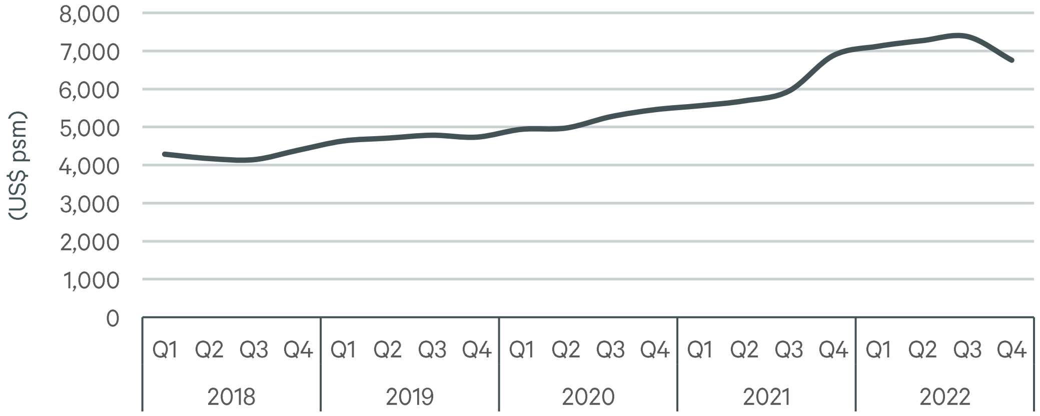
Current macro headwinds including rising interest rate and tightened credit will highly likely result in delays of launch of several upcoming projects, as well as delays in construction progress of existing projects. Total units launched in the coming time is expected to be over 16,000 units, coming from projects including VOCP3, Vinhomes Co Loa Dong Anh, Mailand Hanoi City. In terms of secondary price, upon the assumption that the situation regarding interest rate and credit crunch will be more stabilized in the second half of 2023, the downward trend may continue until the end of Q2 2023 before price begins to rise again from 2024.

FIGURE 7: New Launch vs Sold Unit, Hanoi Landed Property




Source: CBRE Research., Q4 2022

FIGURE 8: Average Secondary price, Hanoi Landed Property




Source: CBRE Research., Q4 2022

# Northern Industrial

### Industrial Market sustained the positive performance

Over the course of 2022, Northern industrial markets sustained the positive performance. By the end of 2022, the industrial land supply of Tier-1 markets in the North reached 10,291 ha, up 8% y-o-y. Bac Ninh and Hung Yen are two provinces recorded new industrial parks coming into operation.

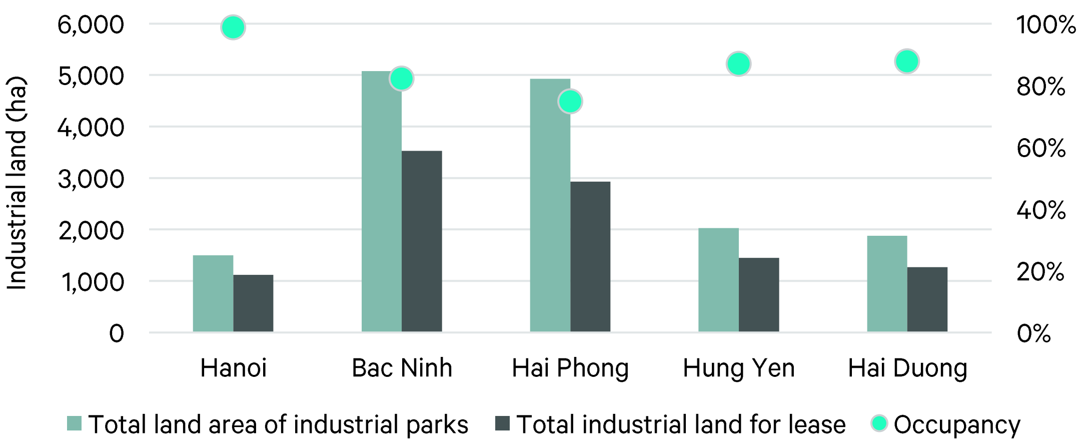
Due to strong demand from various sectors, average occupancy rates of Tier-1 markets in the Northern region reached 83.2% as of Q4 2022. The net absorption of the whole year 2022 was at 519 ha, which was similar to 2022's net absorption. The most active tenants in the North include electronics,, solar-energy and automobiles manufacturers and ready-built warehouse and ready-built factory developers.

In terms of rental rates, the average rental rates of Tier-1 markets in the North stayed at US$120/sqm/remaining terms up by 11% compared to that of 2021. During the year, selected industrial parks in Bac Ninh and Hung Yen significantly increased the rental rates as occupancy improved leading to the highest market rental growth since 2018.

Within the next three years, supply of industrial land will be increasing by more than 3,500 ha for Tier-1 markets. Due to the improvement in infrastructure system, industrial markets in the North is anticipated to expand to Tier-2 markets such as Thai Binh, Quang Ninh, etc. In 2022, CBRE recorded higher net absorption in Tier-2 markets showing this trend has happened and will continue in upcoming years.

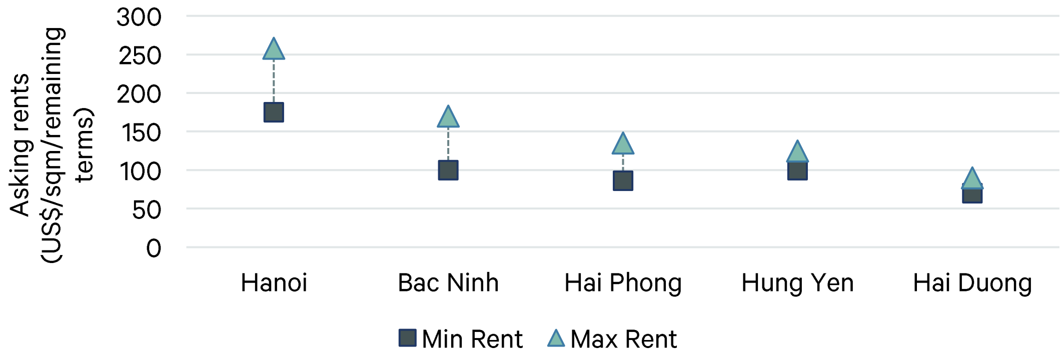
Note: Tier-1 markets include Hanoi, Hai Phong, Hai Duong, Hung Yen and Bac Ninh.

FIGURE 9: Supply, Industrial land, Northern area, Q4 2022




Source: CBRE Research., Q4 2022.

FIGURE 10: Average asking rent, Industrial land, Northern area, Q4 2022




Source: CBRE Research., Q4 2022

# Serviced Apartment

## New Supply in Q4/2022

In Q4 2022, the serviced apartment market recorded 358 new units, bringing the total supply to 4,930 units, up by 6% q-o-q. The additional supply comes from the expansion of Fraser Suites Hanoi (96 units) and the opening of one grade A project in Cau Giay District, Grand K Hotel Suites Hanoi (262 units). In addition, one grade B project, Jana Garden, suspended its operation, lowering the supply by 70 units. Grade A continued to lead the market in terms of total unit supply, accounting for 78%.

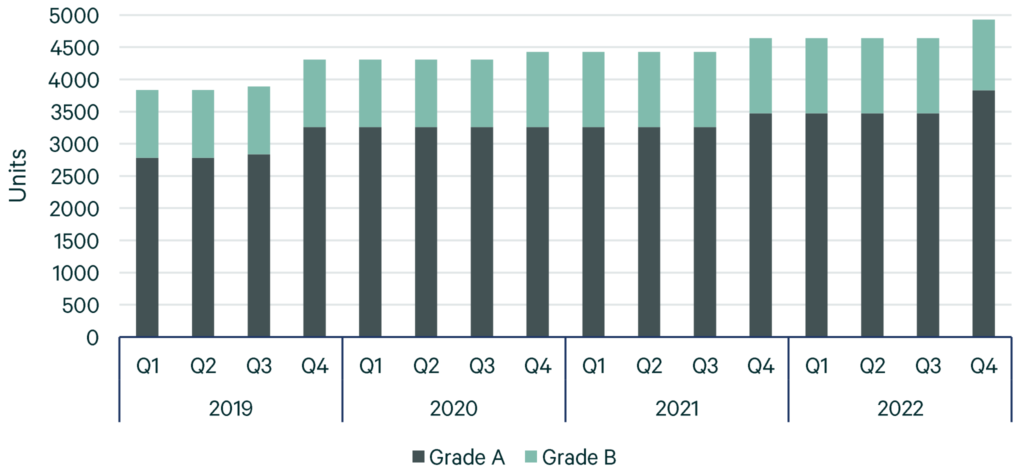
In terms of future supply, from 2023 to 2024, Hanoi's serviced apartment market is expected to welcome 2,992 new units, majority of which are Grade A apartments by branded international operators. This indicates growing demand for high-end, good quality serviced apartments and interest from international players.

## Market performance continues to recover

The average asking rent of Grade A continued to increase, recording US$28.87 per sqm per month, up by 1.43% q-o-q and 5.81% y-o-y. Following the similar trend, Grade B's asking rents recorded US$17.15 per sqm per month, up by 0.84% q-o-q and 4.95% y-o-y.

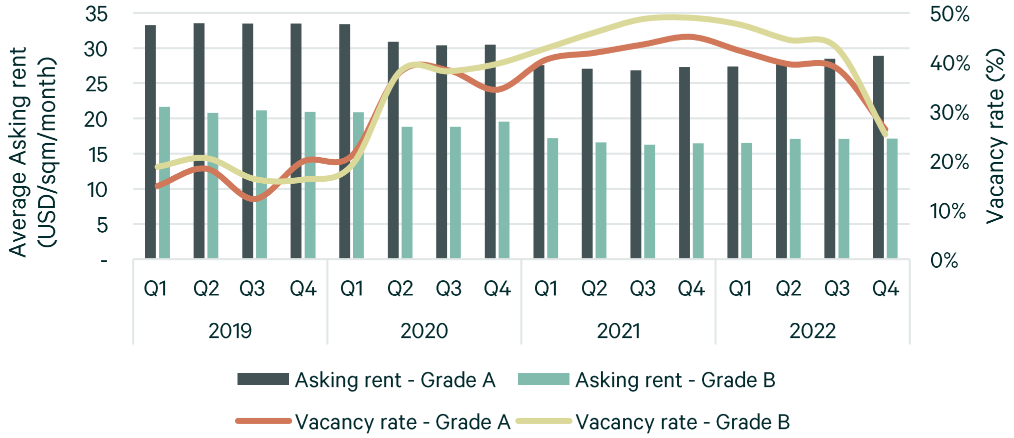
In terms of vacancy rate, vacancy of both grades remained its downward trend, closely catching up with the pre-COVID figures. Grade A recorded a vacancy rate of 26.38%, down by 12.38 ppts q-o-q and 18.76 ppts y-o-y. A similar trend was seen in the performance of Grade B with the vacancy rate of 25.34%, down by 17.59 ppts q-o-q and 23.67 ppts y-o-y.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q4 2022




Source: CBRE Research., Q4 2022

FIGURE 12: Asking price and Vacancy rate, Hanoi Serviced Apartment, Q4 2022




Source: CBRE Research., Q4 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*

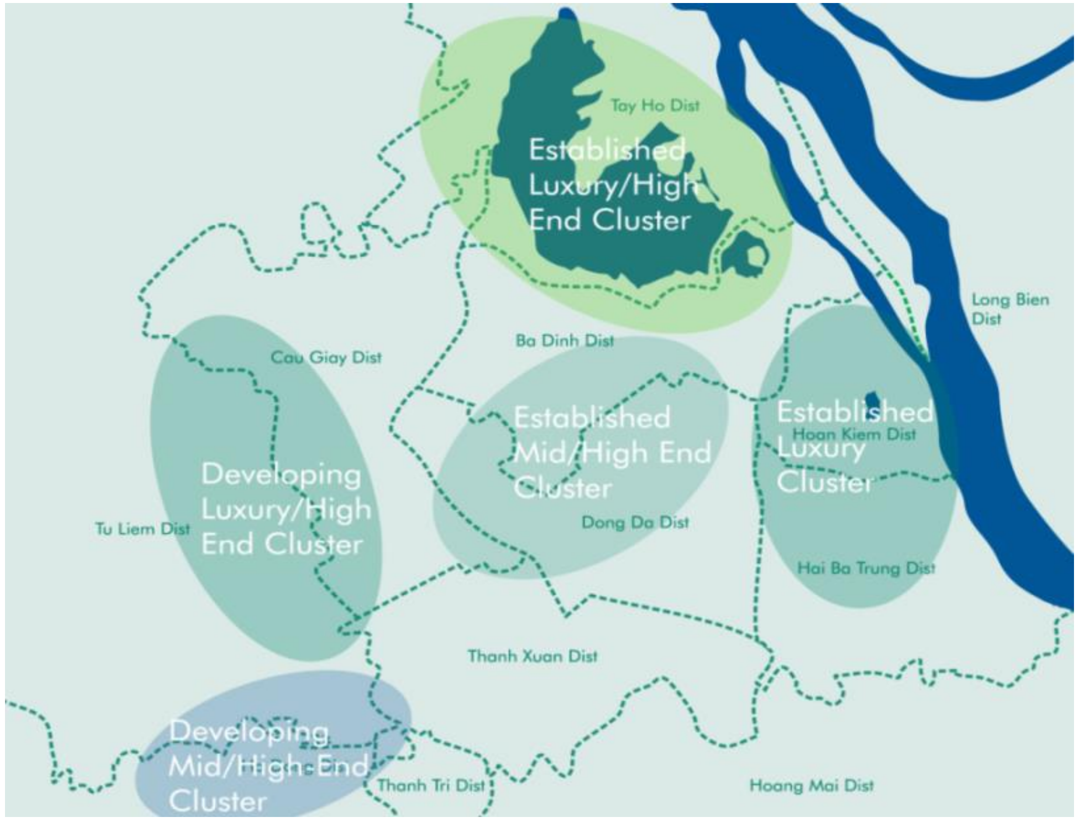
*Luxury: projects that have primary prices over US$4,000 per sq.m*

*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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