Staying cautious amidst economic uncertainties

+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:** No new supply within the quarter. The market started to feel the heat under the macroeconomic headwinds with stabilized performance, and net absorption slowed down. Fight for quality will remain the key theme for 2023 as green buildings are gaining momentum.
- **Retail**: Thiso Mall, the first shopping mall in Thu Thiem NUA, held a soft opening. The retail sector is recovering relatively well from the Covid-19's disruptions. Retailers continue seeking high-quality retail space in the city centre and along prime high streets.
- **Condominium:** New supply was among the lowest in the last ten years. The H1 2022 witnessed the recovery of the residential market, and this trend was expected to continue. However, turbulence in the latter half amidst the recovery has affected the recovery speed, as well as the market sentiment. Developers applied multiple sale policies to offer discounts for buyers.
- **Industrial:** Although supply chain disruption has now largely eased, companies are still looking to diversify risk by adding locations for sourcing and manufacturing. - The land price in the Southern region is anticipated to increase 7-10% per annum for Tier-1 markets and 5-7% per annum for Tier-2 regions.

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, Vietnam's total registered foreign direct investment (FDI) reached US$27.720 billion, equivalent to 89% of the FDI capital in 2021.
- Vietnam's total import and export turnover in 2022 was 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, the average CPI was 3.2%. Starting from October 25, 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 were estimated at VND5,679 trillion, up 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

Limited supply with softening demand

In 2022, the office supply in HCMC increased by only 2%, with three new projects and over 40,000 sqm of NLA. In Q4, no new building was launched, mainly because of the delay in constructing new buildings. The recent investigation into the developer's misconduct has shown its backlash in the construction progress of future pipelines, especially the Grade A – CBD projects.

On a positive note, the HCMC office market had a remarkable recovery from the Covid-19 impact in the first nine months thanks to limited available space. The net absorption improved from 55,000 sqm in 2021 to 75,000 sqm in 2022. Its average vacancy rate is only 7.8%, 2.3 ppts lower than last year. Consequently, Grade A and B's average asking rent increased by 7.4% and 2.2% y-o-y to US$45.9/sqm/month and US$26.0/sqm/month.

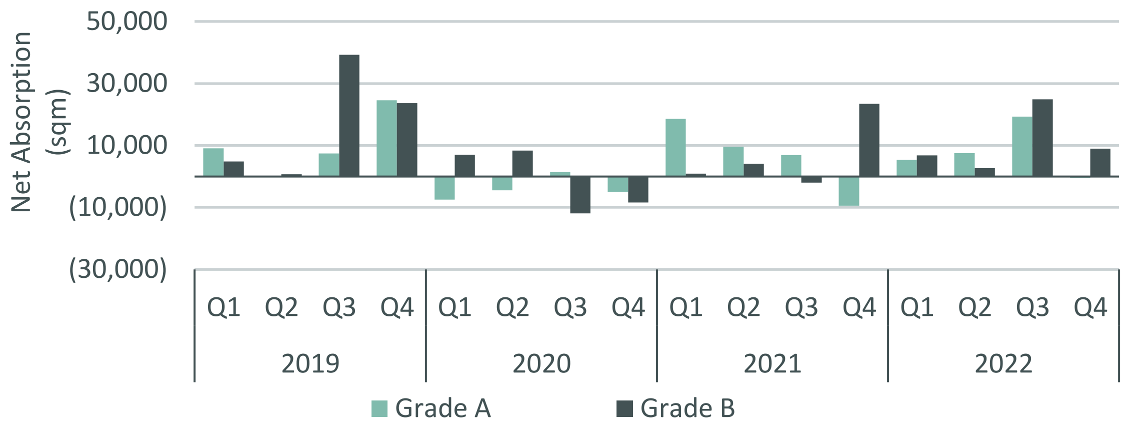
Nevertheless, in Q4, the HCMC office market started to feel the heat under the macroeconomic headwinds. Net absorption started to slow down from 44,000 sqm in Q3 to only 8,000 sqm in Q4. The total net absorption of 2022 was approximately 75,000 sqm, equal to only 69% of the pre-pandemic level in 2019. CBRE expects expansionary demand to remain muted in H1 2023 as corporate revenue growth slows. Most companies will adopt a wait-and-see mode, focusing on short-term lease renewals.

CBD Fringe is still the most sought-after location thanks to its distance to the city centre and competitive price, accounting for nearly 50% of total enquiries received by CBRE in 2022, followed by the CBD and the South area, comprise of 13% and 9%, respectively. Although the East accounted for 6% of the total enquiries received by CBRE, we expect to receive higher interest in this area with more new supplies coming. Expansion and relocation are still significant forces for leasing, with over 70% of total transactions recorded by CBRE within the year. New letting and renewal shared the rest equally, each less than 15%.

Green Buildings are gaining momentum

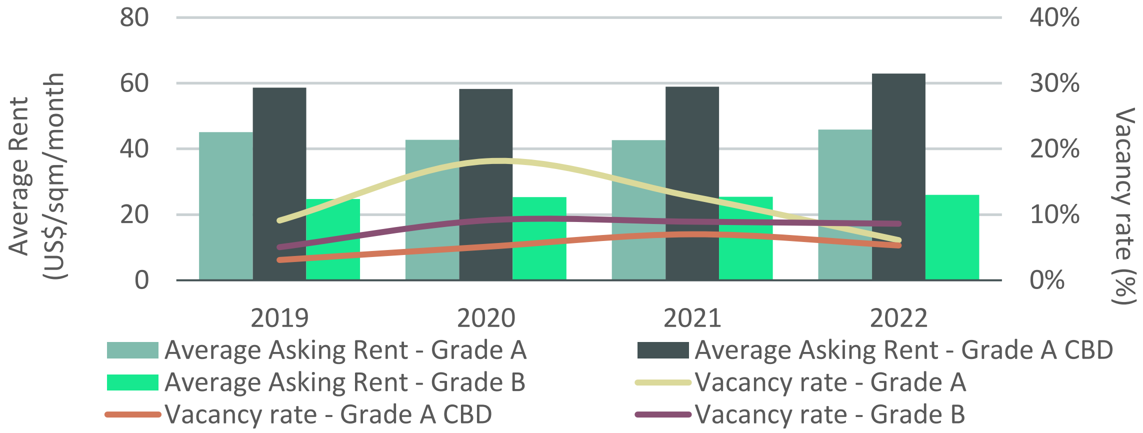
Flight to quality will remain a key theme in the HCMC office market in 2023. MNCs are setting ambitious net-zero targets and complying with ESG regulations. In 2023, the HCMC office market will welcome over 200,000 sqm of new supply, with the first two Grade A projects in Thu Thiem NUA and the first WELL-certified project in HCMC, providing occupiers with more opportunities to relocate to newer and ESG-compliant buildings.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q4 2022

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



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

Retail

One new supply in Thu Thiem New Urban Area

The retail sector is recovering relatively well from the pandemic's disruptions. According to the HCMC Department of Industry and Trade, the city's total retail sales of consumer goods and services in 2022 reached VND 1,089,446 billion, up 30.5% y-o-y. Retail sales of goods were VND 625,520 billion, increasing by 20.5% y-o-y.

In Q4 2022, Thiso Mall, the first shopping mall in Thu Thiem New Urban Area (District 2) and Sala township, held a soft opening. The mall has one basement and four floors, providing 35,000 NLA sqm. With only one new supply in the year, the HCMC's retail supply reached 1,096,628 NLA sqm.

The average asking price on the ground floor and first floor in the CBD reached US$224/sqm/month, increased by nearly 45% y-o-y, or more than 5.5 times higher than the rent in the non-CBD area (US$40/m2/month) (Rent is excluding VAT and service charges).

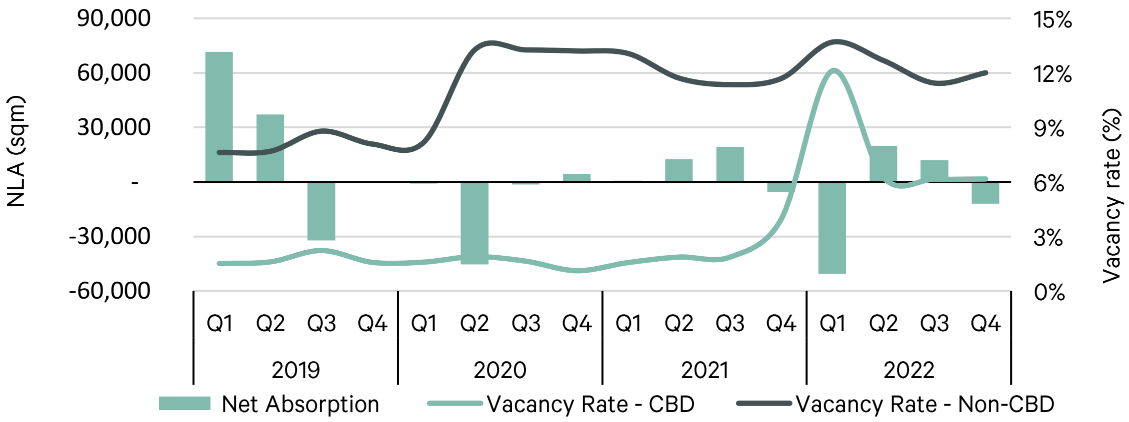
Retailers continue seeking high-quality retail space in the city centre and along prime high streets.

The average vacancy rate of shopping centres in CBD is around 6.5%, and all the prime locations are almost full. Retailers continue seeking high-quality retail space in the city centre and along prime high streets. However, as retailers try to navigate economic uncertainty and steadily rising costs, CBRE expects retailers to adopt a highly-disciplined approach to portfolio planning.

Regarding future supply in the next two years, HCMC is expected to welcome about 132,000 NLA sqm, all in non-CBD areas. The supply of retail space in the CBD continues to be limited without progress being made on the construction of future supplies such as Centennial mall (Sun Tower), IFC One (Saigon One), and One Central (The Spirit of Saigon). Because of legal issues, the launch dates of these projects are expected to be delayed until late 2024-2025 and beyond.

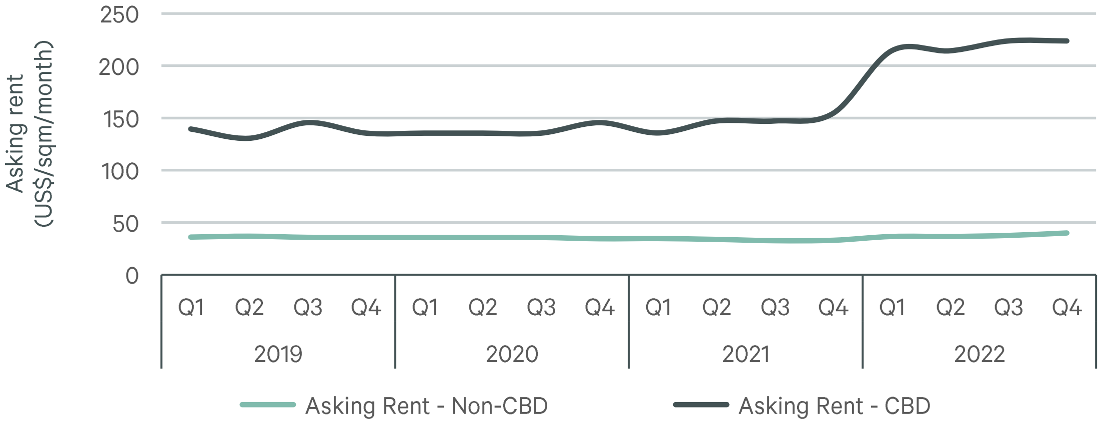
Given the scarce availability of leasing space in the HCMC-CBD in the next two years, the average rent of shopping centres in this area is expected to keep the increasing rate from 3.0 to 3.5% y-o-y, while non-CBD sees a modest growth rate at 1.0-1.5% yearly. With the limited new supply, retailers may seek more space in non-CBD areas to launch pop-up stores.

FIGURE 3: Market performance, Retail, HCMC, 2022



Source: CBRE Research & Consulting, 2022

FIGURE 4: Asking rent, Retail, HCMC, 2022



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

Condominium

New supply was the lowest in 10 years except for pandemic years

In Q4 2022, only 1,312 new condominium units were launched in HCMC, the record lowest new supply within a quarter over the recent ten years except for the two pandemic years, making the total launched units of 2022 to be 18,794 units, equal to the number of the year 2020 but only 70% of the pre-Covid 19's level in 2019. The East continued to lead the market with three newly launched projects and the next phase of one existing project, providing over 1,000 units, making up nearly 81% of the new supply. Besides the licensing issue in recent years, many developers have intentionally delayed their sales plan due to the concern of the economic recession that will affect the demand of the market.

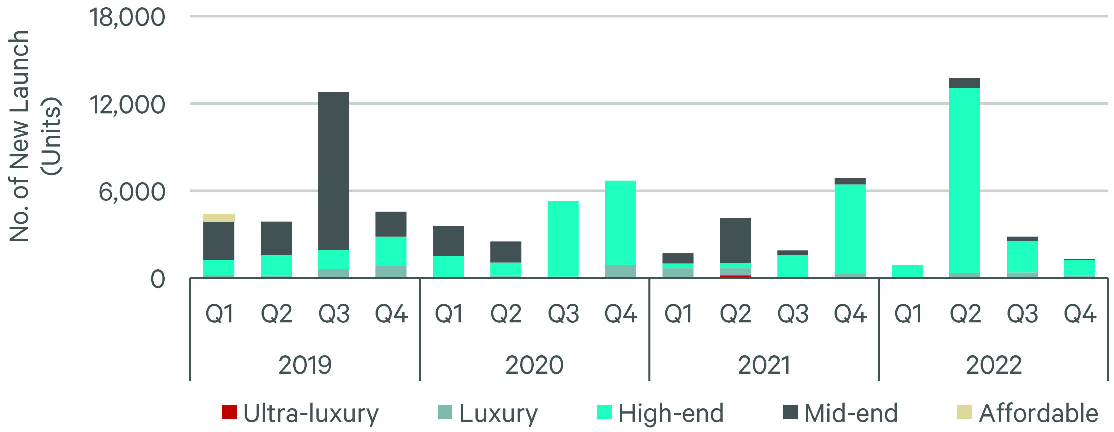
The high-end segment remained the leading segment, with over 16,850 units, accounting for 90% of the total supply within the year. Remarkably, 93% of total supply in 2022 was launched in the first three quarters and 60% of them came from different phases of Vinhomes township in District 9. All newly launched projects in 2022 are developed by major renowned developers with landbank from previous periods.

Average absorption thanks to limited supply and price stabilized.

Q4 2022 recorded 1,155 sold units, down 85% q-o-q. The number of units sold is also less than the newly launched units within a quarter for the first time since the pandemic. The borrowing rate for house buyers has hiked to a considerably higher level and can be up to 14-15% after the preferential interest period, which made capital accessibility difficult and created concern for home buyers, especially when macroeconomic conditions are still under various challenges. Frequent pessimistic news about real estate developers also holds buyers back from making any purchase. The total sold units in 2022 were 18,545, down by 37.3% compared to the pre-pandemic level in 2019.

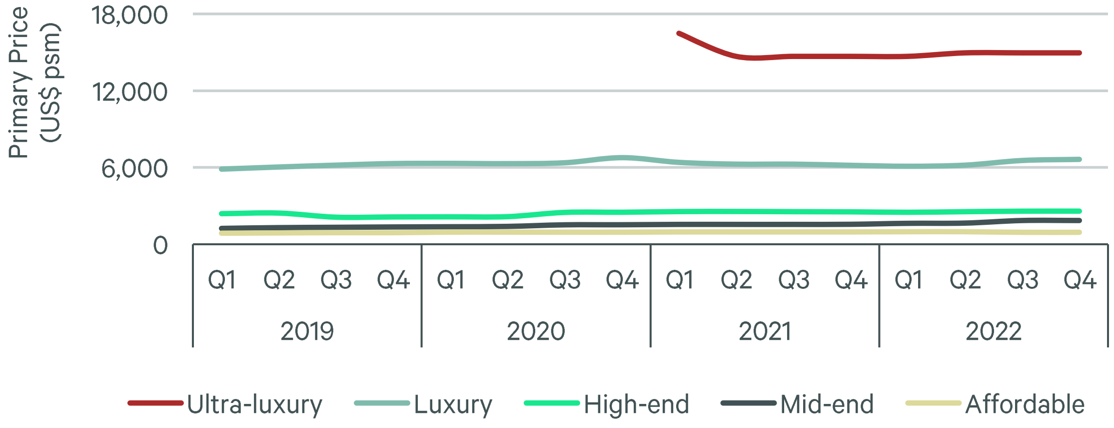
The average primary price in Q4 2022 was relatively stable compared to the previous quarter. The luxury segment is the only segment that experienced a price growth at 1.4% q-o-q, 7.8% y-o-y, while other segments' primary prices stayed at the same level as the previous quarter. However, sales policy showed a significant revision in the last quarter of the year when numerous developers offered more vigorous discount rates than usual. The discount rate ranges from 20% to 45%, depending on payment schedules and other promotional schemes. The high discount rate only comes from developers under substantial financial pressure, and the projects' legal status remains unclear.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q4 2022

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q4 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

Quiet quarter regarding new supply

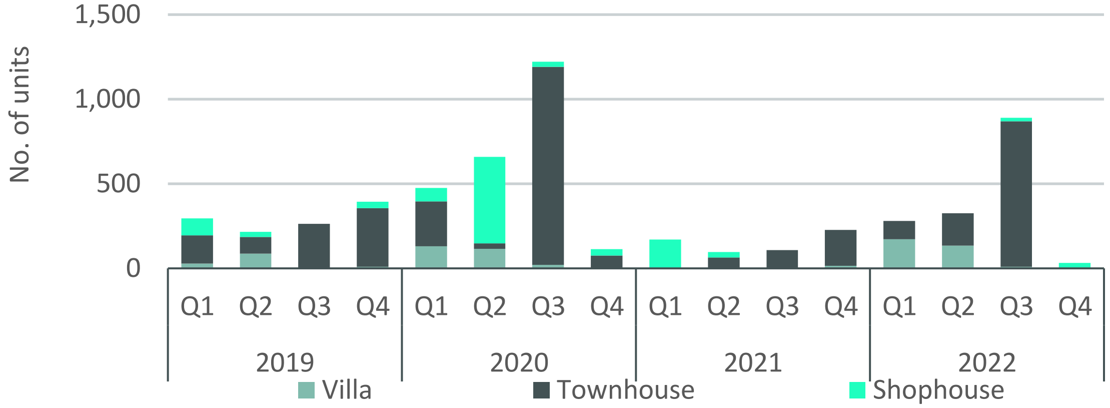
Q4 2022 was a tranquil quarter in terms of supply, with only 32 new products launched from Celesta Avenue, making the total supply of land property in 2022 only 1,529 units.

Landed Property primary price of the new launch also did not change due to limited supply with a stabilized price.

By the end of 2022, the market had a cumulatively sold rate of 96.6%, remaining stable compared to the previous quarter (96.5%) and the same period last year (97.1%). The average primary price of the whole market in 2022 skyrocketed by more than 138.9% y-o-y to US$10,139 psm. The average primary price was US$10,818 psm for townhouses (up 223% y-o-y), and US$8,141 psm for villas (up 104% y-o-y), and US$7,227 psm for shophouses (up 21% y-o-y). New projects in the East and the South drive this significant increase.

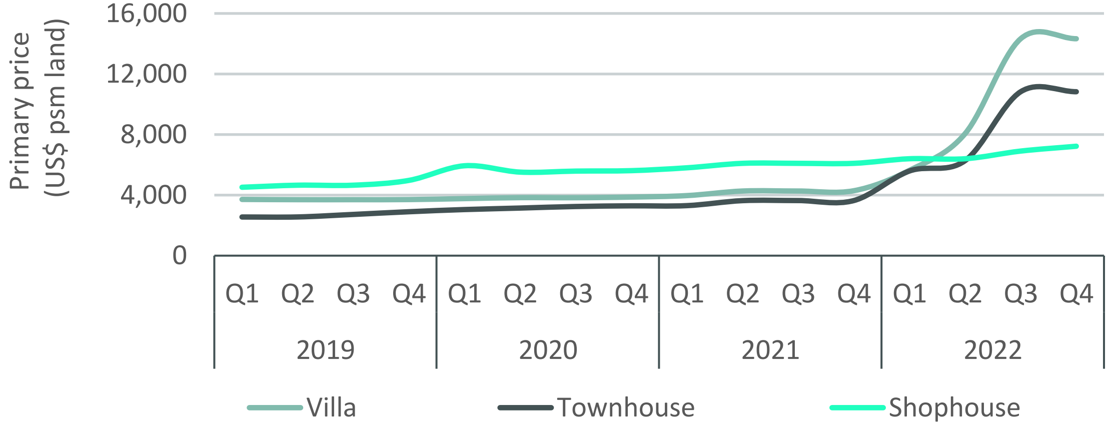
In 2023, the market will continue witnessing a limited supply of Townhouse/Villas products.

FIGURE 7: New supply, Landed property, HCMC



Source: CBRE Research & Consulting, Q4 2022

FIGURE 8: Average primary price, Landed property, HCMC



Source: CBRE Research & Consulting, Q4 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

Although supply chain disruption has now largely eased, companies are still looking to diversify risk by adding locations for sourcing and manufacturing

As of Q4 2022, the total land area of the Southern industrial market (including Ho Chi Minh City, Dong Nai, Binh Duong, and Long An) is more than 38,000 ha, of which 60% is leasable. The average occupancy rate reached 90% in the Tier-1 market. Ho Chi Minh City ranked in the top 3 investment destinations in APAC for the first time, and Vietnam continued to benefit from its status as a China-plus One destination (2023 Asia Pacific Investor Intention Survey, CBRE Research). End-users, developers and opportunistic investors are all eyeing opportunities in this market.

Industrial land performed well across regions. In Southern Vietnam, the average land price was increasing 8-13% y-o-y and reached US$166/sqm/leasing term at the end of 2022, which was about 38% higher than the average rate of the Northern region. The rents can reach more than US$280-300/sqm/leasing term in prime locations in HCMC, Binh Duong, and Long An.

For the ready-built warehouse (RBW) and ready-built factory (RBF), the market witnessed strong growth in supply in the past year, reaching 4.2 million sqm of RBW and 3.9 million sqm of RBF. The average rent of RBW and RBF is around US$4.8/sqm/month (There is no significant gap between the average rent for RBW and RBF (RBW's rent usually is about 5% higher than RBF's rent).

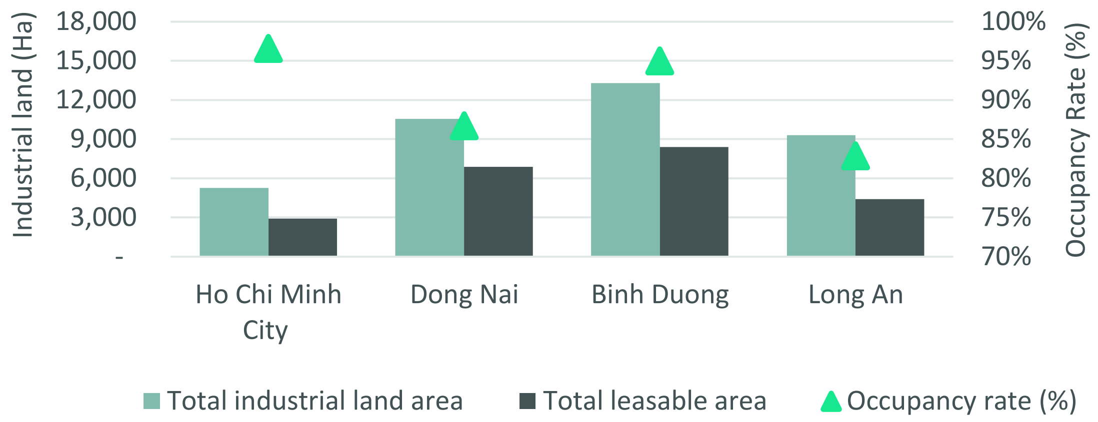
Industrial land price is expected to remain at a high level

For the next two years, the industrial land supply will increase by more than 3,500 ha for Tier-1 markets. The land price in the Southern region is forecasted to increase 7-10% per annum for Tier-1 and 5-7% per annum for Tier-2.

Meanwhile, ample new ready-built factories and warehouse supply will pressure rents. The average rent of ready-built factories and warehouses is already at its peak and is expected to remain flat in 2023-2024.

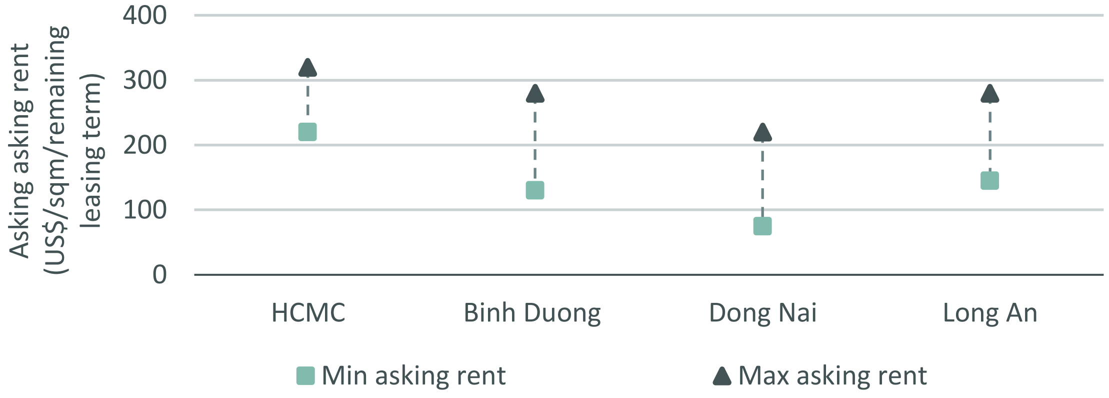
Note: Southern Vietnam is divided into Tier-1 and Tier-2 regions. Tier 1 markets include Ho Chi Minh City, Dong Nai, Binh Duong, and Long An. Tier 2 markets include Binh Thuan, Ba Ria-Vung Tau, Binh Phuoc, and Tay Ninh.

FIGURE 9: Supply, Industrial land, Southern region, 2022



Source: CBRE Research & Consulting, Q4 2022

FIGURE 10: Average asking rent, Industrial land, Southern region, 2022



Source: CBRE Vietnam Research & Consulting, 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

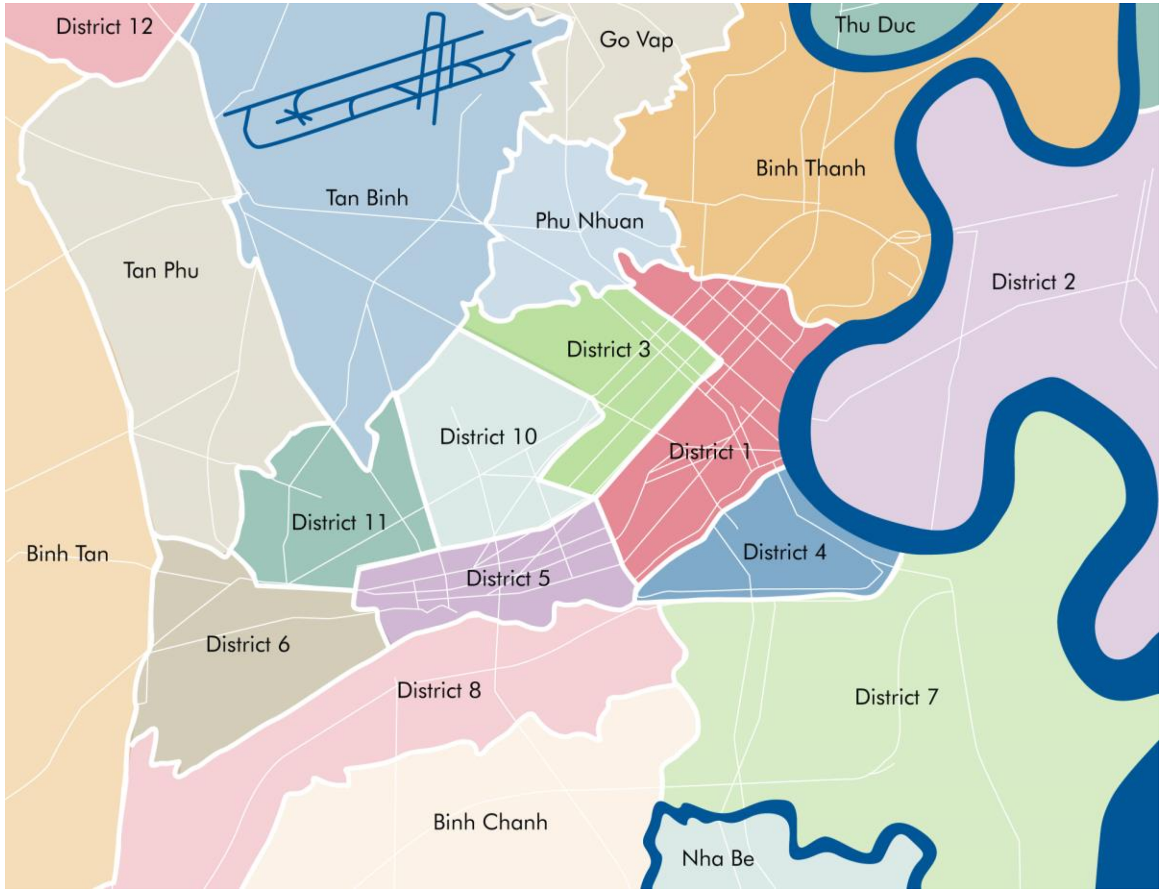
Luxury: projects that have primary prices over US$4,000 per sq.m

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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