

The market is bracing itself against unprecedented headwinds

▲ +3.32%
VIETNAM GDP

▲ +0.70%
HCMC GRDP

▲ +5.80%
HANOI GRDP

▼ +4.28%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** Due to the prevailing economic challenges, the office market in Hanoi witnessed an increase in vacancy rates for both Grade A and B offices.
- **Retail:** In Q1 2023, no new retail supply has been recorded in Hanoi market. Asking rents in both CBD and non-CBD area remain stable, compared to the last quarter. Vacancy rates citywide remained stable q-o-q in CBD area while slightly increased in non-CBD area. 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:** In the first quarter of 2023, there were approximately 2,000 condominium units launched in Hanoi, down 43% q-o-q and 44% y-o-y. This decline is because of the cautious sentiment of both developers and buyers since the market continues to be affected by macro factors.
- **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 Q1 2023, Vietnam’s GDP growth increased by 3.32% y-o-y, lower than projected target of 6.5% growth set by the Government for 2023.
- As of March 31, 2023, the total registered foreign direct investment (FDI) in Vietnam was US\$7,800 billion, down by 19.3% y-o-y. Singapore remained Vietnam’s leading source of FDI, followed by China, Hong Kong, Taiwan and Japan. By the location, Bac Giang, Bac Ninh and Quang Ninh are the top 3 provinces/cities with the highest newly registered FDI.
- Vietnam’s total import and export turnover in Q1 2023 reached US\$154.270 billion, down by 13.3% y-o-y. The United States is the largest export market while China is the largest import market.
- In Q1 2023, Vietnam recorded a y-o-y growth of 4.18% in the consumer price index (CPI). Starting from 15 March 2023, the refinancing interest rate will be set at 6% per year, rediscount at 3.5%, and overnight inter-banking lending rate at 6%.
- The total retail sales of consumer goods and services in Q1 2023 was estimated at VND1,505 trillion, up by 13,9% y-o-y.
- In Q1 2023, the number of international arrivals in Vietnam was recorded at 2.699 million people, about 29.7 times higher than the same period last year, equivalent to 60% of international arrivals in Q1 2019 (before COVID-19).

Office

A new supply in Q1/2023

In Q1 2023, the Hanoi office market witnessed the addition of a new Grade A project, Lancaster Luminaire, spanning over 21,000 sqm NLA in the Midtown area. The overall office supply in Hanoi reached more than 1.6 million sqm NLA as of Q1 2023, with Grade A developments comprising 38% of the total stock. The net absorption rate for both Grade A and Grade B offices this quarter amounted to slightly over 6,000 sqm, which is a 36% decrease q-o-q, but a 3% increase y-o-y. Both grade absorption rates are expected to improve when rental rates in existing and new projects adjust to attract tenants, resulting in more active rental activities.

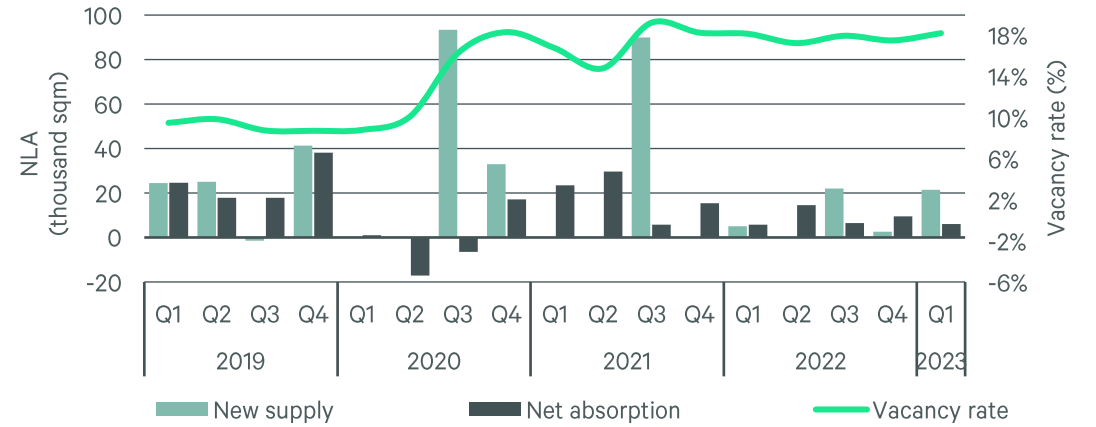
Economic challenges began to have an impact on the vacancy rate

Due to the prevailing economic challenges, the office market in Hanoi witnessed an increase in vacancy rates for both Grade A and B offices. The Grade A office segment recorded a q-o-q increase of 1.0 ppts and a y-o-y decrease of 2.1 ppts staying at 28.6%, primarily due to the slow occupancy rate of the new Grade A project. The Grade B's vacancy rates reached 11.9% up 0.3 ppts q-o-q and 1.3 ppts y-o-y, mainly attributed to tenant relocating to their headquarters.

Despite the economic challenges, Grade A office rents increased slightly, reflecting landlords' determination to enhance service quality by planning renovations for some old projects, with stable performance, in the CBD. The rents reached an average of US\$26.6/sqm/month, representing a q-o-q growth of 2.6% and a y-o-y growth of 6.6%. On the other hand, Grade B office rents remained unchanged with an average rate of US\$14.6/sqm/month, indicating a q-o-q increase of 0.5% and a y-o-y increase of 3.7%.

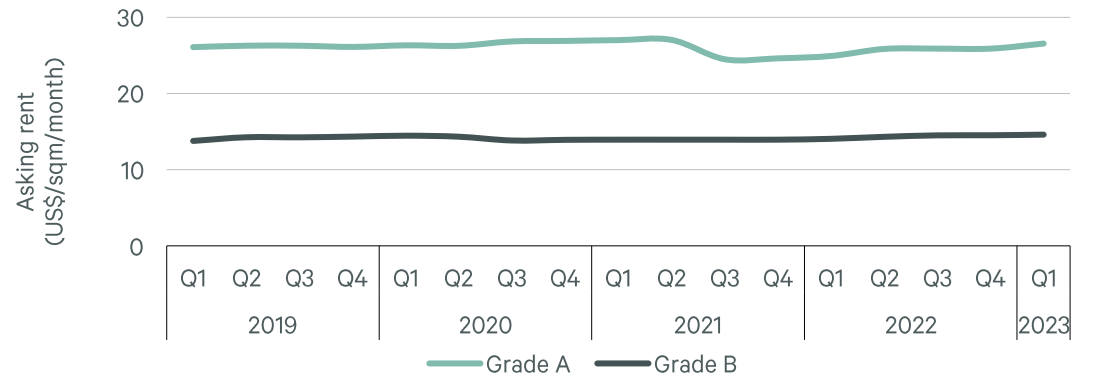
Regarding leasing activities, office expansion remained the primary demand driver, accounting for over 63% of CBRE's significant transactions in Hanoi during Q1 2023. In terms of tenant industries, Co-working Space contributed the majority, representing 58% of all transactions in Hanoi. The Manufacturing and Banking, Finance, and Insurance sectors followed behind, accounting for 19% and 13% of transactions, respectively.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research & Consulting, Q1 2023

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research & Consulting, Q1 2023

Asking rent is exclusive of service charge and VAT.

Retail

No new supply this quarter

In Q1 2023, no new retail supply has been recorded in Hanoi market. Total accumulated net leasable area (NLA) of Hanoi Retail market remained at 1,070,239 sqm.

Asking rents remain stable

In Q1/2023, average asking rent on the first floor (excluding service charges and VAT) of Hanoi CBD retail spaces this quarter stayed at US\$ 144/sqm/month. Compared to the same period last year, the asking rent has gone up by nearly 35% due to the ongoing lack of new supply making the existing retail spaces in CBD area even more highly sought-after by retail brands. Average vacancy rates of the area in Q1 2023 recorded at 4.8% and remained the same as Q4 2022.

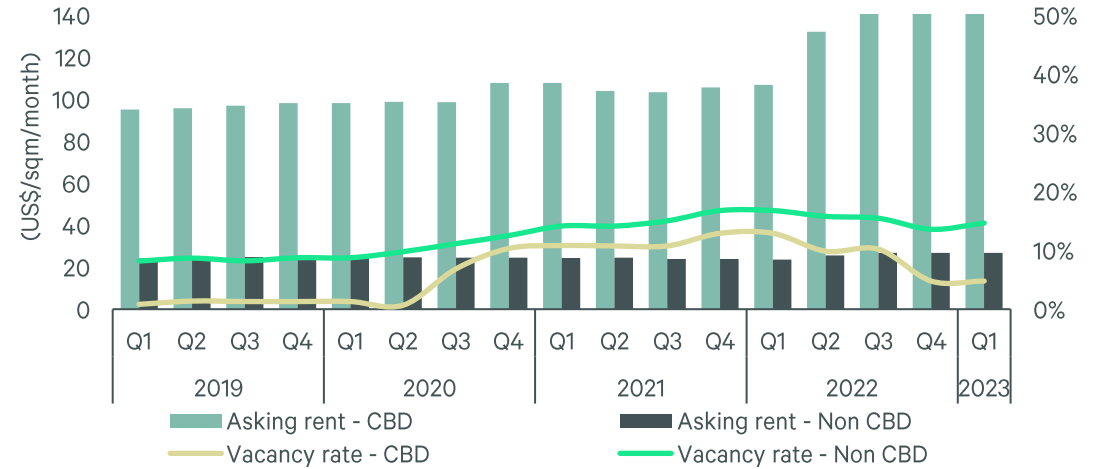
For non-CBD locations, the average asking rent reported at US\$ 27/sqm/month, same as last quarter but equivalent to an increase of 13.8% y-o-y. Vacancy rate in non-CBD went slightly up by 1.1 ppts q-o-q to 14.7% but still a decrease by 2.2 ppts compared to same period last year. Residual effects from the pandemic, high competition in the area and lack of professional management have left some shopping malls in the outskirts area of the city remains highly vacant.

Future supply

By the end of 2023, it is expected that an additional supply of over 116,000 sqm of retail space NLA will be put into operation. Majority of these projects are developed in non-CBD locations, among which notable large-scale projects include Lotte Mall Hanoi in the North and Vinaconex Diamond in the South, providing a total of more than 84,800 sqm NLA of retail space.

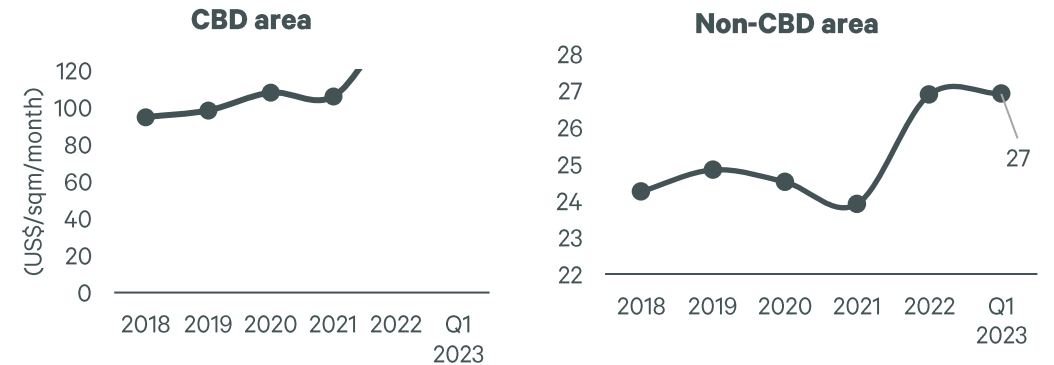
Looking forward, concerns about continuing inflationary pressures may put pressure on both consumer spending and asking rents of the retail market. In terms of location, as retail space in Hanoi CBD area remains scarce, retailers will look for locations in non-CBD areas for pop-up stores while continuing to seek and secure prime locations. On the other hand, E-commerce will continue to grow steadily throughout 2023 with the “Shoppertainment” trend (a combination of Shopper and Entertainment) highlighted by the recent growth of several social media platforms. Despite this, in-store retail is expected to maintain as the dominant sales channel, especially for luxury products due to the demand from consumers to see the products in-store and be assisted by sales staff.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research, Q1 2023

FIGURE 4: Average Ground Floor Asking Rent, Hanoi Retail



Source: CBRE Research, Q1 2023

Condominium

Cautious sentiment of both developers and buyers

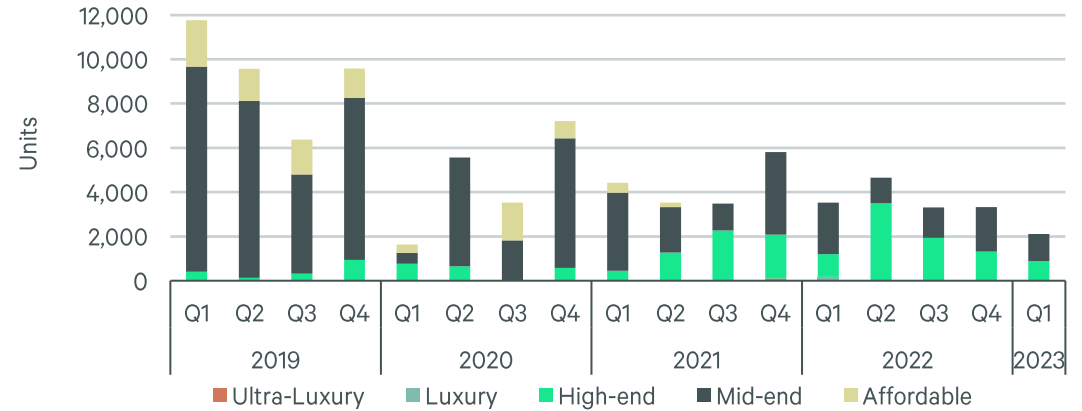
In the first quarter of 2023, there were approximately 2,000 condominium units launched in Hanoi, down 43% q-o-q and 44% y-o-y – this is the lowest quarterly new launch since Q1 2020. This decline is because of the cautious sentiment of both developers and buyers since the market continues to be affected by macro factors such as high-interest rates, tightened credits, and the seasonal impacts of Tet holiday. All newly launched units in the quarter are the follow-on launches. In terms of segment, mid-end products accounted for 55% of the new launch, while high-end covered the remaining share.

The number of sold units in Q1 2023 stayed at a relatively similar level to new launch during the quarter, down 58% y-o-y and 54% q-o-q. CBRE observes the return of foreign buyers, especially from Hongkong and Singapore in Hanoi market, which set a positive signal to the market at the current period.

The primary prices of Hanoi condominiums averaged US\$1,992 psm (net of VAT and maintenance fee) by the end of Q1 2023, up by 20% y-o-y and 3% q-o-q reflecting the concentration of high-end and mid-end products on the mix of the total new launch. In the secondary market, the average selling prices as of Q1 2023 reached US\$1,315 psm up by 2.8% y-o-y – lower than the y-o-y growth of the previous five quarters (up from 5 – 15% y-o-y). This price is not much different from the previous quarter, when the secondary selling price started to level off. Notably, in some township projects located in the decentralized locations, the selling price of some sub-projects recorded a 3-8% q-o-q decrease. This is because some buyers resell at a discount when the term of the preferential interest program expires.

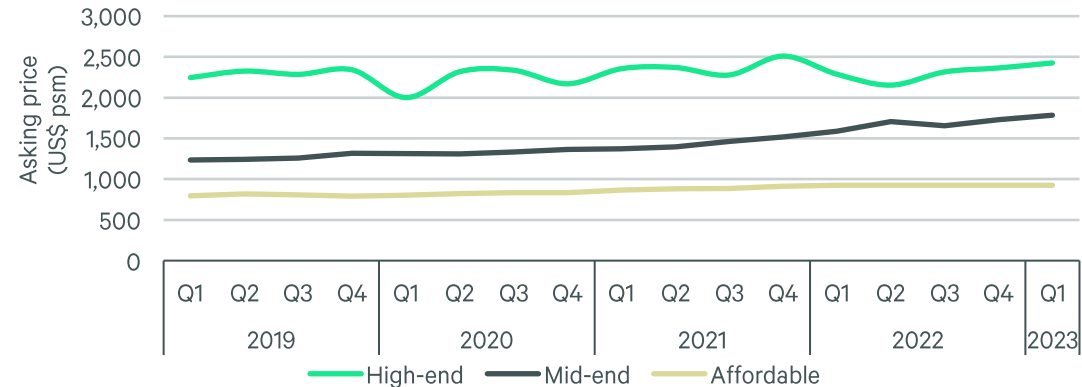
Moving forward, the level of new launch in 2023 is expected to stay at 14,000 – 15,000 units under the context that both developers and home buyers are facing challenges. This level of new launch is relatively equal to that of 2022 and 15% – 20% lower than that of 2021. The newly launched units are forecasted to mostly come from follow-on launches of projects in township developments. The high-end and mid-end segments are anticipated to dominate the new launch and primary prices remain at the range of US\$1,900 – \$2,100 psm. Sold units are expected to sustain at similar level as new launch. The interest rates have declined recently, which is a positive signal to the residential market in upcoming quarters. However, it will still take time for market performance to improve.

FIGURE 5: New supply, Condominium, Hanoi



Source: CBRE Research & Consulting, Q1 2023

FIGURE 6: Average primary prices, Condominium, Hanoi



Source: CBRE Research & Consulting, Q1 2023

Villa & Townhouse

Secondary price dropped for the second consecutive quarter in Q1 2023

During the first quarter of 2023, there were approximately 1,250 landed units launched in Hanoi, which was only one-fifth of the units launched in the last quarter of 2022 but still the highest new launch recorded in the first quarter of a year since 2020. Apart from follow-on launch of existing project Vinhomes Ocean Park (VOCP) 3 – The Crown, the new launch in Q1 2023 also came from Mega Complex shophouse recently launched in VOCP2 – The Empire township.

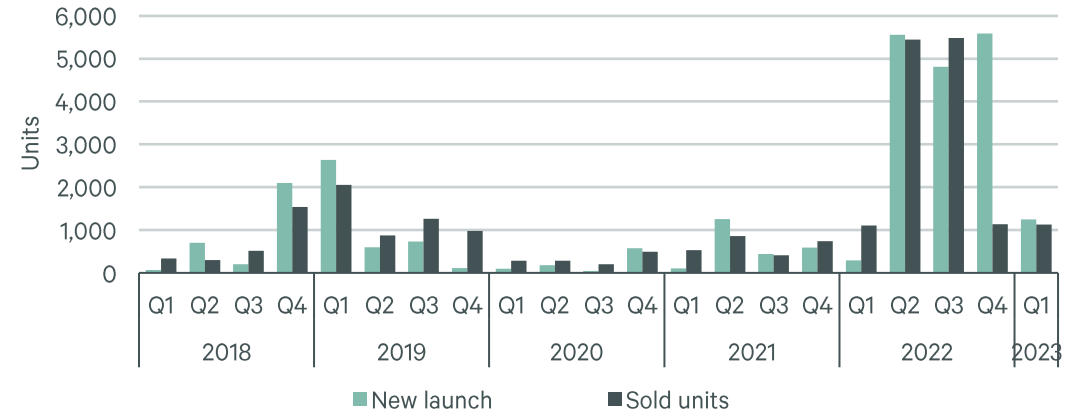
Sold rate remained slow as very few projects recorded sold stock in this quarter. Total sold units of Hanoi landed property in Q1 2023 was around 1,130 units, almost the same as previous quarter and was also only one-fifth of the units sold per quarter during Q2-Q3 2022 period. Majority of units sold came from 2 mega township projects VOCP 2 and VOCP3 due to the active launches from the developer since Q2 last year.

In terms of pricing, the average primary asking price of landed property this quarter slightly decreased by 0.8% q-o-q. This was mainly due to the difference in location and product type of the new launch in this quarter which led to a lower asking price compared to previous quarter. Meanwhile, the effect of macro headwinds including rising interest rate and tightened credit continued as landed secondary price in Q1 2023 went down further by 3% q-o-q and a significant 11% from its peak in Q3 2022 to US\$ 6,570 psm (inclusive of construction costs and exclusive of VAT). This has been the second consecutive drop in secondary price after a string of increases since 2019. By area, most of the districts recorded a drop rate of 2-3% in resale price. Meanwhile, Long Bien and Gia Lam of Hanoi and Hung Yen (province bordering Hanoi) witnessed a stronger decline rate of 6-7% in average due to low liquidity resulted from the volatility in financial market.

Market outlook

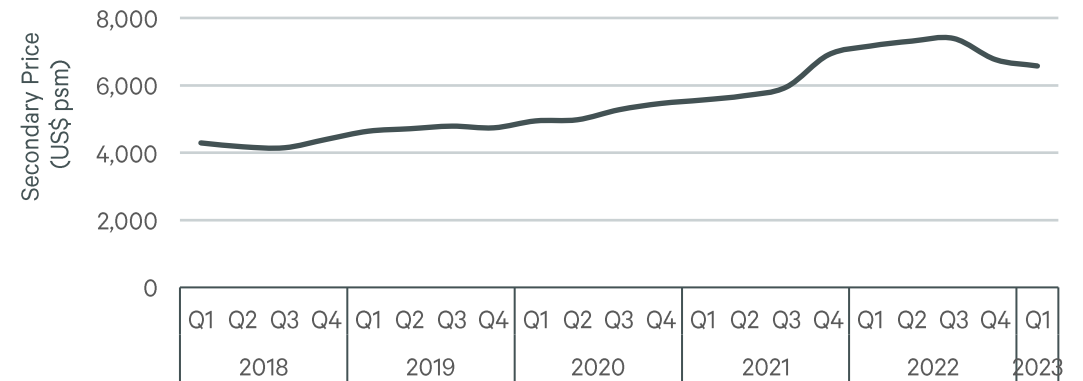
Moving forward, the downward trend in Hanoi landed price is likely to maintain in the next quarter but at a lower rate. Most of the developers will continue to “wait and see” before either launching their remaining stock or implementing new projects, which in turns will affect the number of new launches this year. During 2023-2025 period, several new projects are planned to officially launch in Hanoi market including Vinhomes Co Loa, Mailand Hanoi City, Legacy Garden Nguyen Xien and Him Lam Vinh Tuy. Total units launched during 2023-2025 is expected to be over 16,000 units.

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



Source: CBRE Research, Q1 2023.

FIGURE 8: Average Secondary price, Hanoi Landed Property



Source: CBRE Research, Q1 2023

Northern Industrial

Industrial Market sustained the positive performance

In Q1 2023, there were three new industrial park coming into operation in Tier-1 markets in the North. These projects are in Bac Ninh and Hai Duong provided 528 ha of industrial land to the market.

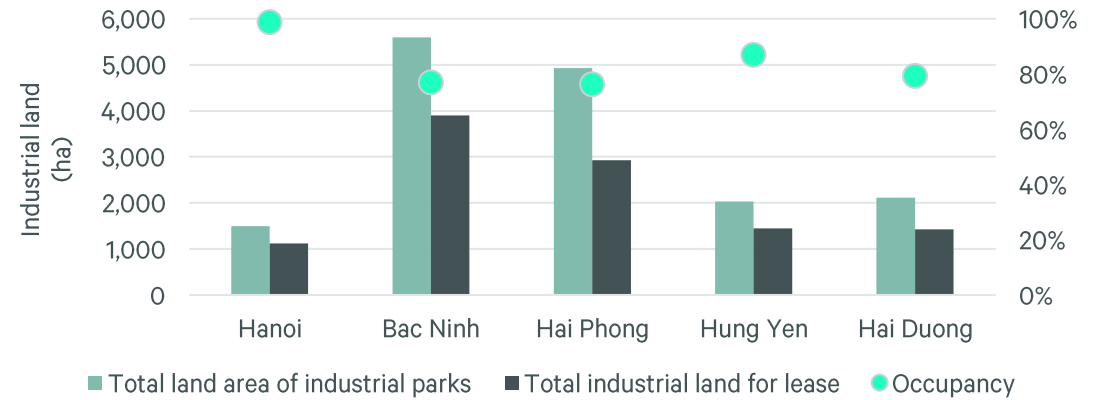
Due to openings of new projects, the average occupancy of Tier-1 markets declined to 80.6%, down 2.2ppts q-o-q. Electronics, renewable energy and packaging are among active sectors looking for industrial land in the North in Q1 2023.

In terms of rental rates, the average rental rates of Tier-1 markets in the North stayed at US\$122.9/sqm/remaining terms up by 2% q-o-q. Bac Ninh and Hai Duong are provinces recorded strongest quarterly growth of 3-5%. It is because new industrial parks in these provinces offering higher than market average.

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.

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

FIGURE 9: Supply, Industrial land, Northern area, Q1 2023



Source: CBRE Research, Q1 2023.

FIGURE 10: Average asking rent, Industrial land, Northern area, Q1 2023



Source: CBRE Research, Q1 2023.

Serviced Apartment

No new supply in Q1/2023

As of Q1 2023, the total supply of Hanoi Serviced Apartment market is 4,930 units, of which Grade A projects continued to lead the market, accounting for 78% of total supply. The most recent project is Grand K Hotel Suites Hanoi, a grade A project in Cau Giay District. The project was launched at the end of December 2022, providing 262 units.

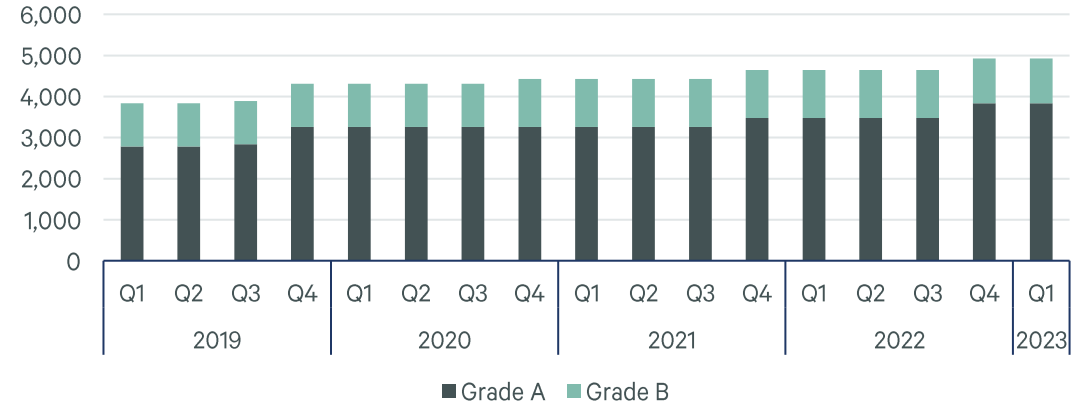
In terms of future supply, from 2023 to 2025, Hanoi’s serviced apartment market is expected to welcome 2,789 new units, majority of which are Grade A apartments by branded international operators. This indicates growing demand for high-end, good quality serviced apartments and interest from international players.

Market performance continues to recover

The average asking rent of Grade A continued to increase, recording US\$29.08 per sqm per month, up by 0.69% q-o-q and 6.10% y-o-y. Following the similar trend, Grade B’s asking rents recorded US\$17.37 per sqm per month, up by 1.31% q-o-q and 5.09% y-o-y.

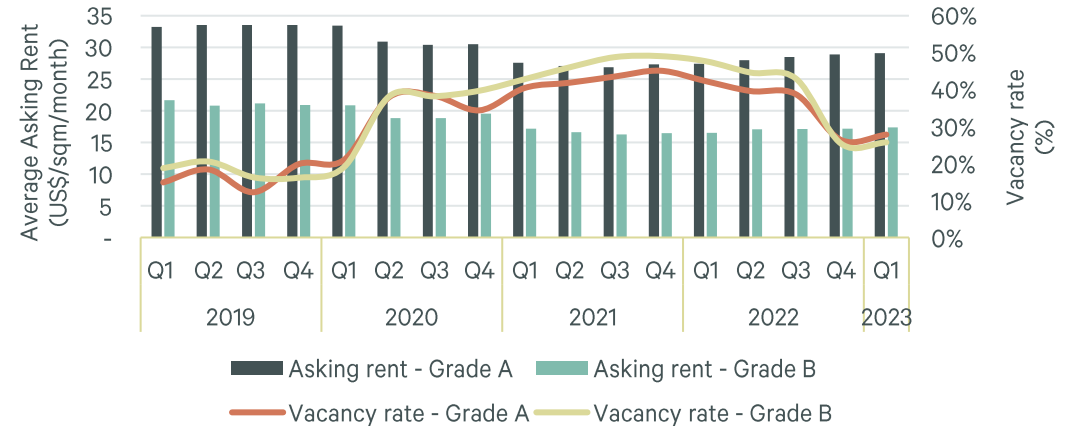
In terms of the vacancy rate, Grade A recorded a vacancy rate of 27.86%, up by 1.48 ppts q-o-q and down by 14.47 ppts y-o-y. Similarly, Grade B achieved a vacancy rate of 25.71%, up by 0.36 ppts q-o-q and down by 21.94 ppts y-o-y.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q1 2023



Source: CBRE Research, Q1 2023

FIGURE 12: Asking price and Vacancy rate, Hanoi Serviced Apartment, Q1 2023



Source: CBRE Research, Q1 2023

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.

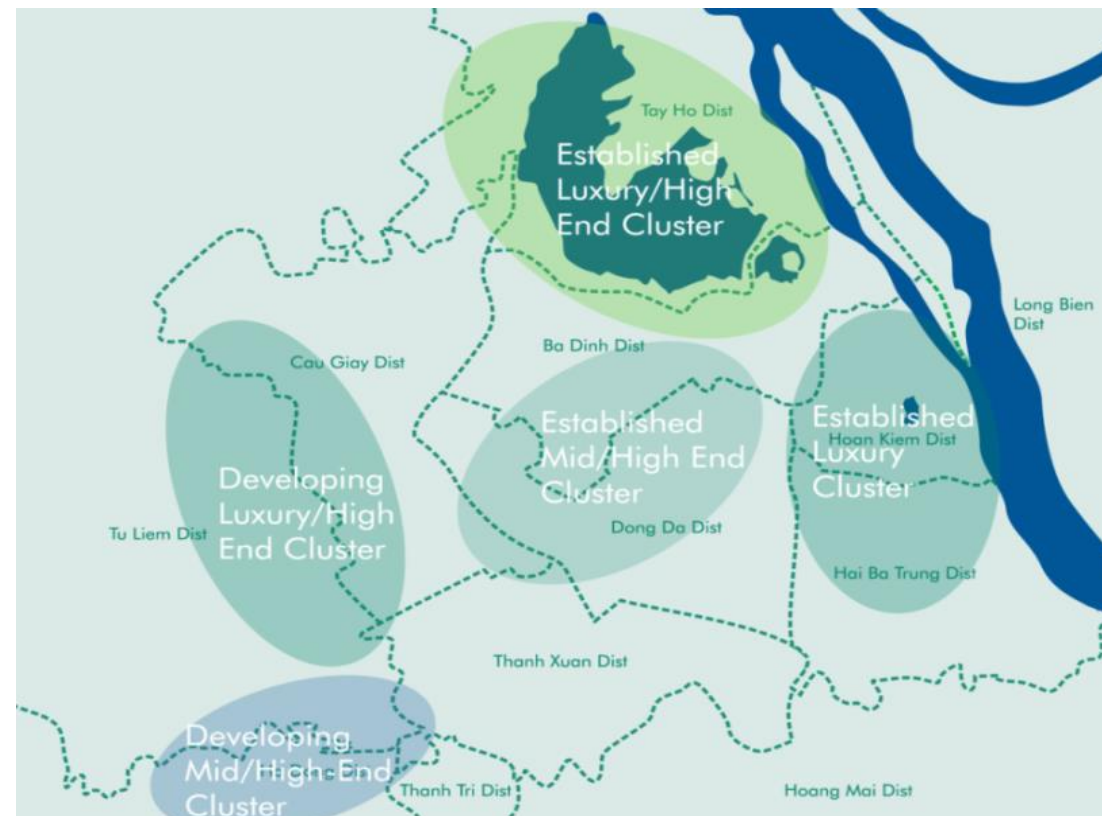
Rents or average room rates are quoted on the following basis:

- 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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