

The market is bracing itself against unprecedented headwinds



Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** One new Grade B office was launched in Tan Phu District. Rent adjusted slightly, with Grade A landlords becoming more cautious with rental policies. Contraction and early termination transactions are returning, with deals under negotiation being put off due to budget cuts or business plan changes. This leads to a negative net absorption of the whole market, which happened for the first time since the end of the pandemic.
- **Retail:** The market started seeing more openings and expansions. The average asking rent in the CBD area was unchanged, while the rent in the non-CBD area slightly increased, driven by the rental increase in some large shopping malls.
- **Condominium:** New supply was improved thanks to the launch of the current phase of Vinhomes Grand Park township. However, since most projects held their sales events at the end of the quarter, the new projects' absorption rate was low, with price growth only recorded in the high-end segment.
- **Industrial land:** Vietnam industrial real estate market sustained the positive performance across regions with the average land price in Tier-1 markets increased by 9% y-o-y in the South and 7% in the North. As of Q1 2023, the accumulated industrial land supply in Tier – 2 markets in Vietnam's Northern and Southern regions reached more than 20,300 ha, of which the South covered more than 57%.

Vietnam Economic Overview

- In Q1 2023, Vietnam's GDP growth reached 3.32%, over the same period last year.
- As of March 30, 2023, total registered foreign investment capital in Vietnam reached US\$ 7.8 billion, down 19.3% y-o-y.
- In the first quarter of 2023, the total export and import turnover of goods is estimated at US\$ 154.27 billion, down 13.3% y-o-y, of which exports decreased by 11.9%; imports decreased by 14.7%. The United States is the largest export market, while China is the largest import market.
- The average CPI was 4.18%.
- Starting from March 31, the refinancing interest rate will be set at 5.5% per year, rediscount at 3.5%, and overnight inter-banking lending rate at 6.0%.
- The total retail sales of consumer goods and services in Q1 2023 were estimated at VND 1,505.3 trillion, up 13.9% y-o-y.
- In Q1 2023, the number of international arrivals in Vietnam was recorded at 2.7 million people, about 29.4 times higher than last year but not yet at the pre-pandemic level.

Office

Rent continued to adjust downward in both grades slightly

In Q1 2023, the HCMC office market had only one new office building, OfficeHaus, in Celadon City township - the first Grade B office building in Tan Phu district. Currently, this new building has its first tenant, Mercedes-Benz.

The average asking rent of Grade A and B office buildings decreased slightly. In particular, the average asking rent of Grade A was US\$45.6/sqm/month, down by 0.7% q-o-q but up by 1.6% y-o-y. Grade A landlords have become more cautious with their rental policies amid the current economic downturn. For Grade B, the average asking rent was US\$25.6/sqm/month, down by 0.8% q-o-q and up by 1.2% y-o-y. According to CBRE's survey, the difference between asking rents and achieved rents ranges from 15% - 20%, depending on the offer conditions and the leasing size.

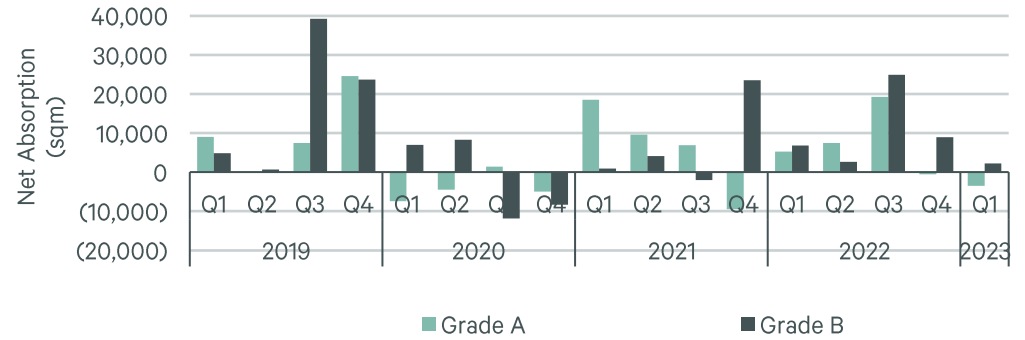
Contraction and early termination transactions returns

Q1 2023 witnessed the return of contraction and early termination on a large scale, especially from real estate companies with serve financial burdens. Additionally, many office leasing deals under negotiation were also put off due to budget cuts or changes in business plans. Meanwhile, some office landlords also released more spaces in the existing buildings to the market. These factors and the economic downturn have put pressure on the HCMC office market when, for the first-time post-pandemic, the net absorption recorded a negative figure for Grade A and an increase of only 2,200 sqm for Grade B, including nearly 3,800 sqm of the newly operated project. Accordingly, the vacancy rate of Grade A and Grade B office buildings in HCMC was 6.9% and 9.8%, respectively, an increase of 0.7 ppts and 1.1 ppts q-o-q.

Regarding the leasing purposes in Q1 2023, relocation accounted for a significant proportion, with more than 70% of the total transactions in HCMC, followed by renewal and new let, accounting for 14% and 7%, respectively. Notably, this quarter, the share of contracting and early termination leasing premise was 5% of the total transactions, which was higher than that of expansion, with only 3% of the proportion.

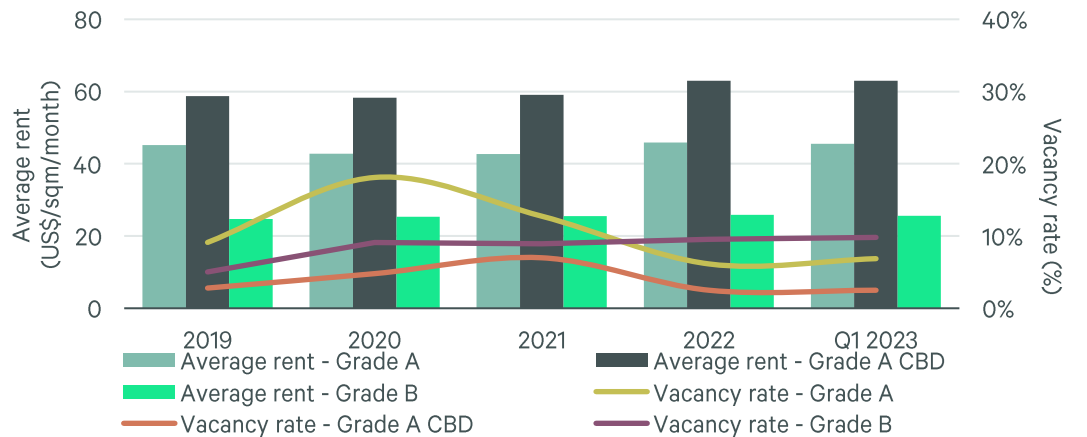
Finance/Banking, Services and Information Technology were the most active leasing sectors in Q1 2023, with the leasing size of 37%, 17% and 13% of the total transaction, respectively.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q1 2023

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



Asking rent is exclusive of service charge and VAT.

Source: CBRE Research & Consulting, Q1 2023

Retail

The market started seeing more openings and expansions

Driven by the festive season from the end of last year to the beginning of 2023, the HCMC retail market in Q1 2023 continued to show robust growth. According to HCMC Statistical Office, the total retail sales of goods were estimated at VND 163,606 billion, which increased by 9.1% y-o-y. Many shopping centres and supermarkets offer attractive promotions and discount programs to stimulate consumer demand.

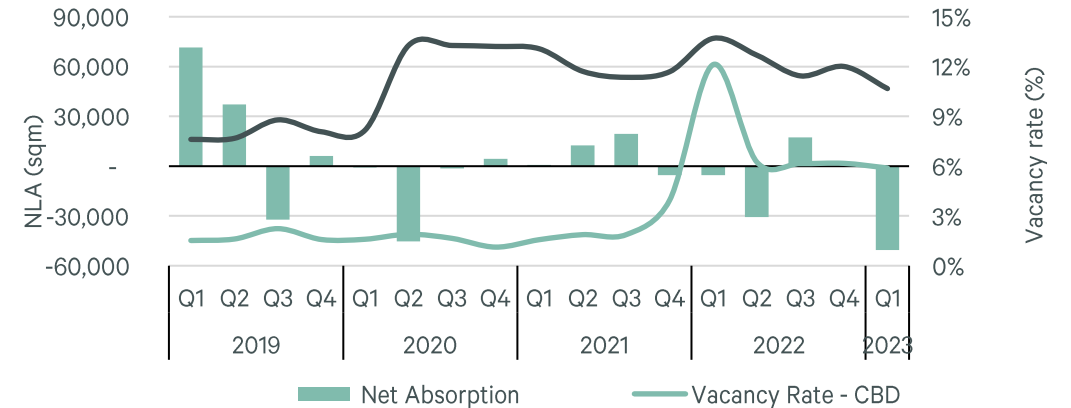
HCMC's retail supply stayed relatively stable in the past three years at nearly 1.1 million sqm net leasable areas. The market started seeing more openings and expansions in 2022. In Q1 2023, there were new openings and expansions from more than 20 brands. The openings of Japanese brands are notable, including MUJI Lifestyle at Vincom Mega Mall Thao Dien, District 2, Uniqlo and ABC Mart Grand Stage at Thiso Mall, District 2, etc.

The average asking rent in the CBD area was unchanged compared to the previous quarter at US\$224/sqm/month (average ground and first-floor rent exclusive of VAT and service charge). The average rent in the non-CBD area slightly increased to US\$41/sqm/month, driven by the rental increase in some projects with good performance in these areas (with an average occupancy of more than 94%), such as Crescent Mall in District 7, Pearl Plaza and Vincom Center Landmark 81 in Binh Thanh District, etc. The vacancy rate in the non-CBD area decreased by 3.0 pts year-on-year and was recorded at 10.7% in Q1 2023.

Strong pipeline in non-CBD areas

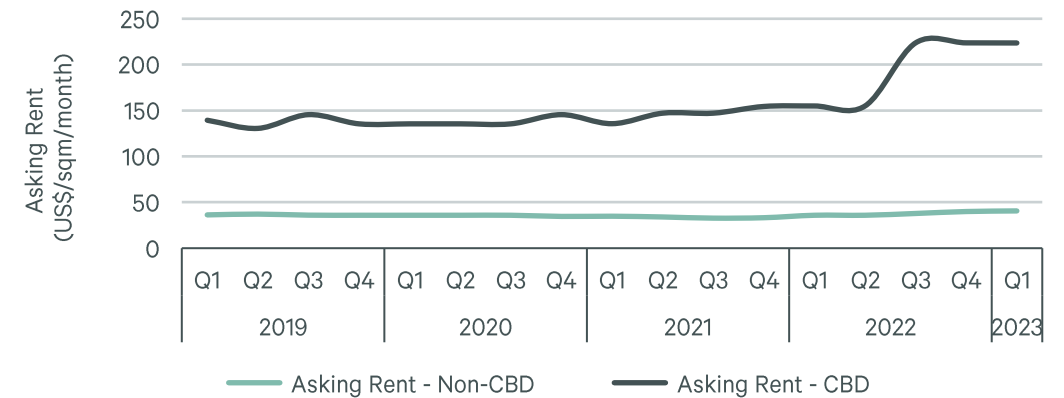
In 2023-2024, HCMC is expected to welcome an estimated NLA 96,000 sqm from 3 projects in non-CBD, including one project in Q3 this year (GFA 45,700 sqm from Vincom Mega Mall Grand Park in District 9) and two projects next year (Parc Mall in District 8 and Satra Central Mall Vo Van Kiet in District 6). Meanwhile, the retail pipelines in the CBD has shown continuing delay without new progress on construction status. Retailers are actively looking to create unique experiences for their customers and looking for quality spaces, which are unfortunately low in supply.

FIGURE 3: Market performance, Retail, HCMC, Q1 2023



Source: CBRE Research & Consulting, Q1 2023

FIGURE 4: Asking rent, Retail, HCMC, Q1 2023



Note: Asking rent is calculated for Ground Floor and First Floor, excluding VAT and Service charge.

Source: CBRE Research & Consulting, Q1 2023

Condominium

Improved supply but slower absorption

In Q1 2023, the HCMC condominium supply was improved with approximately 2,900 new units launched, double y-o-y and 1.2 times higher q-o-q. Among this, Vinhomes Grand Park in District 9 continued to offer a large number of units, consisting of nearly 50% of new supply within the quarter. However, new projects in HCMC remained limited, with only three new projects. Two among three newly launched projects located in Thu Duc City, with units launched comprising over 24% of total supply. Most of the new supply came from the high-end segment.

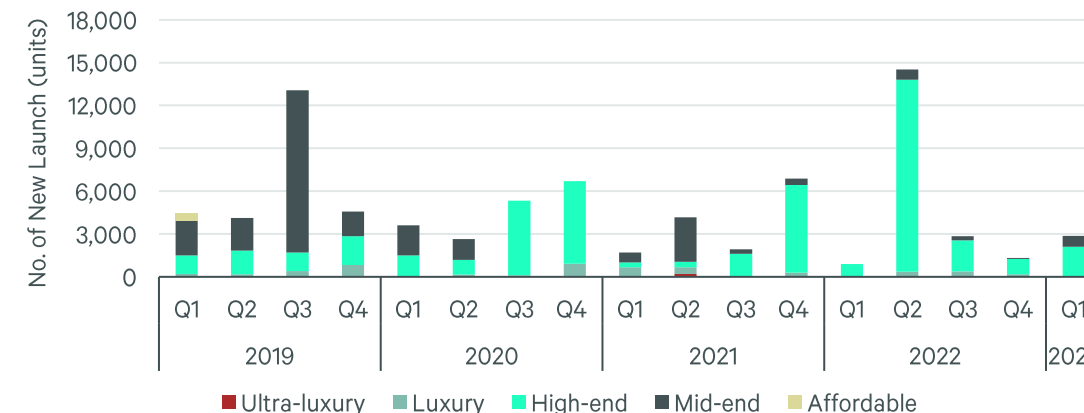
There were two long holiday breaks in the first quarter of this year, the new year and the Lunar new year, which forced developers to delay their sales event towards mid-March. Therefore, with only half of a month on sale, newly launched projects in this quarter recorded a sold rate of only 28%. It needs a longer time to evaluate the market performance. The total sold unit in Q1 2023 was only 960, down 17% q-o-q. However, the market is facing many challenges. Although slightly adjusted, the current home loan interest rate is above 12% per annum and is still considered high. Buyers are now in “wait and see” mode for a better interest rate adjustment and further incentives from the government.

The average primary price in Q1 2023 increased 2% q-o-q and 10.2% y-o-y, above VND 60 million psm. This growth rate mainly comes from Vinhomes Grand Park, where majority of new supply comes from. However, sales policies were very flexible to match the current market condition, especially the payment terms. Some projects need only 5% of the total contract value to sign SPA, and buyers must pay only 35% of the unit value until handover. Many developers also took the initiative to support buyers with better interest rate packages or prolong promotion period.

The VND 120 trillion package for social housing development

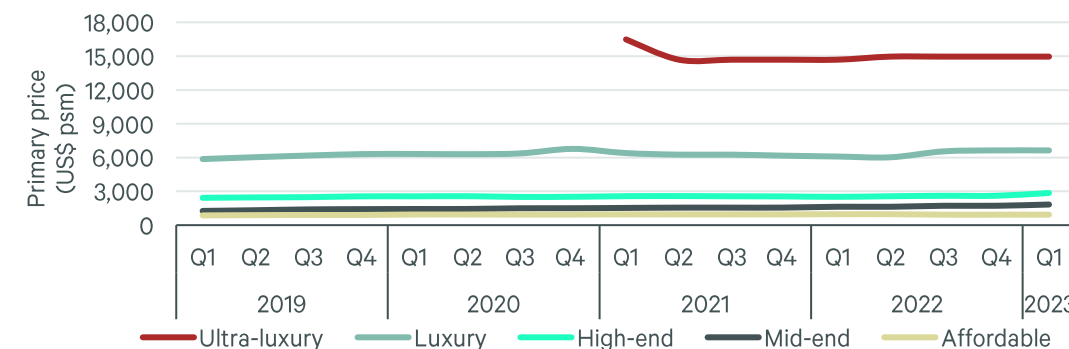
Q1 2023 also witnessed numerous new policies for social housing, worker housing and old condominium renovation with a total credit package of VND 120 trillion. This was expected to be the key to solving the mismatch between the property market's supply and demand, which has been going on for several years. However, critical points of these policies, including the borrowing rate for buyers and developers and the applicable loan period, still need to adjust. The market hopes to see more supplies of social housing soon, besides commercial products that will still be in shortage.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q4 2022

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q1 2023

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

For the first time in 10 years, HCMC’s villa & townhouse market did not record any new supply

During Q1 2023, HCMC landed property was quiet with no new supply. All current supplies come from previously launched projects.

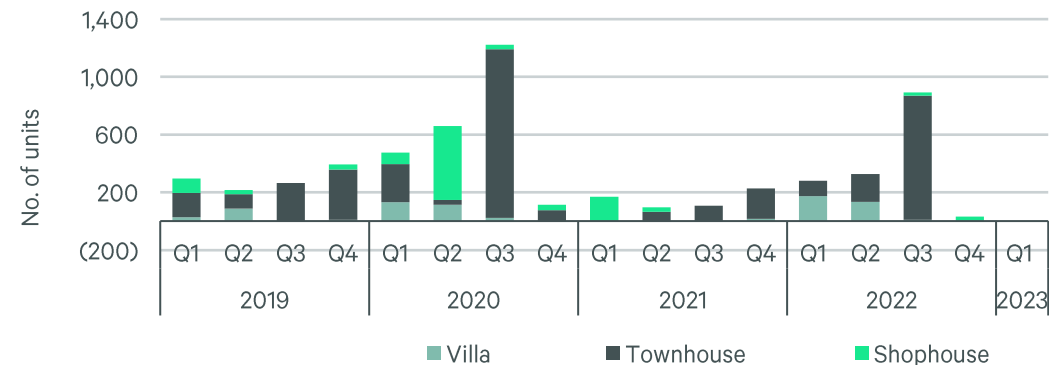
As of Q1 2023, the market had a cumulatively sold rate of 96%, remaining stable compared to the previous quarter (~96%). Over the first 3 months of 2023, the HCMC market achieved only 45 sold units, mainly from *The Classia (District 9)*.

The market-wide primary price of landed property in Q1 2023 remained the same due to limited supply with a stabilized price, at US\$ 10,660 psm. The average primary price was US\$ 10,088 psm for townhouses (up 81% y-o-y), and US\$ 14,654 psm for villas (up 160% y-o-y). Meanwhile, the primary price of shophouses was US\$ 7,237psm on average (up 13% y-o-y).

More attractive sales policies were implemented

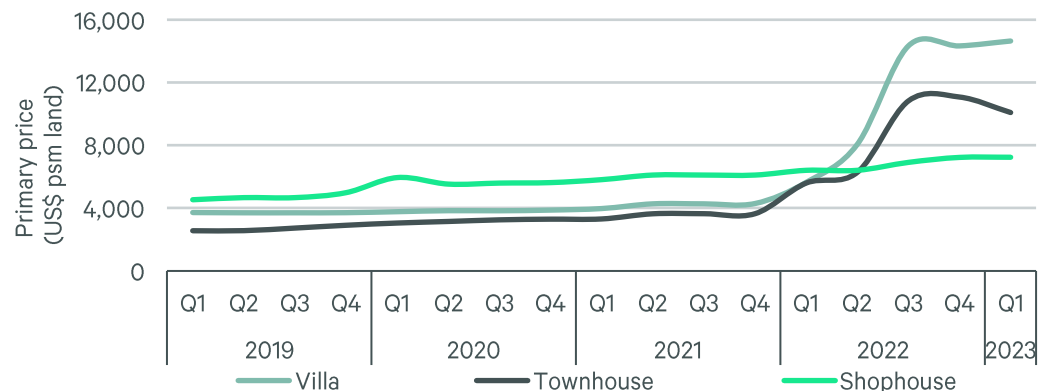
Although there was no price adjustment, more attractive sales policies have been offered to stimulate market demand during the difficult period. Specifically, some favourable sales policies include but are not limited to extending the payment schedule with more instalments at lower payment amounts, higher discount rates for early payment, an interest rate support program, free-of-charge management fees, and other special service packages. In addition, some developers actively increased their product value through luxurious furniture packages such as Van Phuc City, The Rivus, Bao Tan Residence,...

FIGURE 7: New supply, Landed property, HCMC



Source: CBRE Research & Consulting, Q1 2023

FIGURE 8: Average primary price, Landed property, HCMC



Source: CBRE Research & Consulting, Q1 2023

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 Land Market

Strong industrial land pipeline

As of Q1 2023, the total land area of the Southern tier-1 industrial market (including Ho Chi Minh City, Dong Nai, Binh Duong, and Long An) was over 32,432 ha, of which 67% is leasable.

During the quarter, the market recorded a new supply of nearly 1,346 ha of total industrial land from 2 projects, including VSIP 3 Binh Duong Industrial Park (total land of 1,000ha) and Nam Tan Uyen Expansion Phase 3 Industrial Park.

For the next two years, the industrial land supply will increase by around 5,400ha for Tier-1 markets, in which more than 40% from Long An, followed by Binh Duong with 27%.

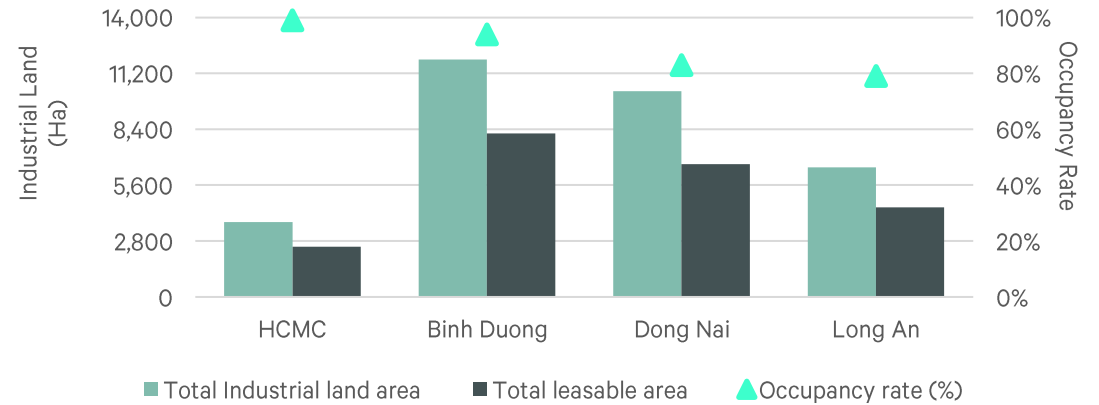
Industrial land price performed well across regions

Vietnam's industrial real estate market sustained a positive performance across regions, with the average land price in Tier-1 markets increasing by 9% y-o-y in the South. The average land price of the Southern tier-1 industrial market increased by 4% q-o-q to reach US\$172.8/sqm/remaining leasing term, a CAGR of 9% for the past 5 years.

The average occupancy rate reached 85% in the Tier-1 markets, where HCMC was almost fully occupied, followed by Binh Duong and Dong Nai, with more than 80% of occupancy rate. Increasing land costs and limited available land have driven the expansion of industrial development to Tier-2 markets. As of Q1 2023, the accumulated industrial land supply in Tier – 2 markets in Vietnam's Northern and Southern regions reached more than 20,300 ha, of which the South covered more than 57%. Both regions observed positive net absorption in 2022. Tier-2 markets in the Northern region recorded a net absorption increase by 35% y-o-y, while Southern-based markets recorded average growth of 58% year-on-year.

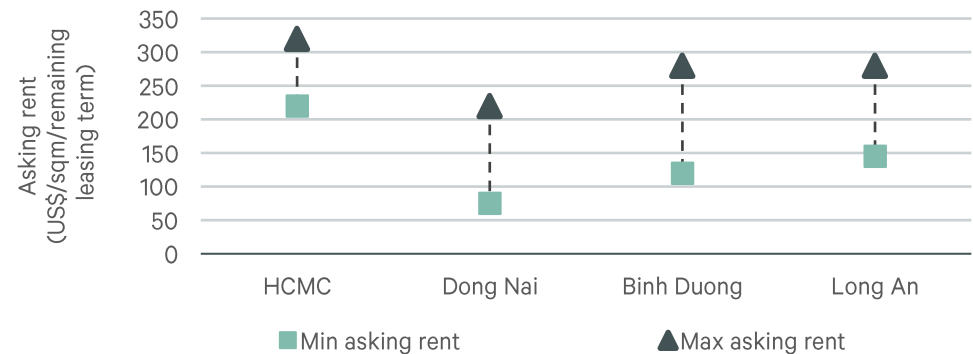
Note: Southern Vietnam is divided into Tier-1 and Tier-2 regions. Tier 1 markets include Ho Chi Minh City, Dong Nai, Binh Duong, and Long An. Tier 2 markets include Binh Thuan, Ba Ria-Vung Tau, Binh Phuoc, and Tay Ninh.

FIGURE 9: Accumulated Supply, Industrial land, Southern region, Q1 2023



Source: CBRE Research & Consulting., Q1 2023

FIGURE 10: Average asking rent, Industrial land, Southern region, Q1 2023



Source: CBRE Vietnam Research & Consulting, 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.

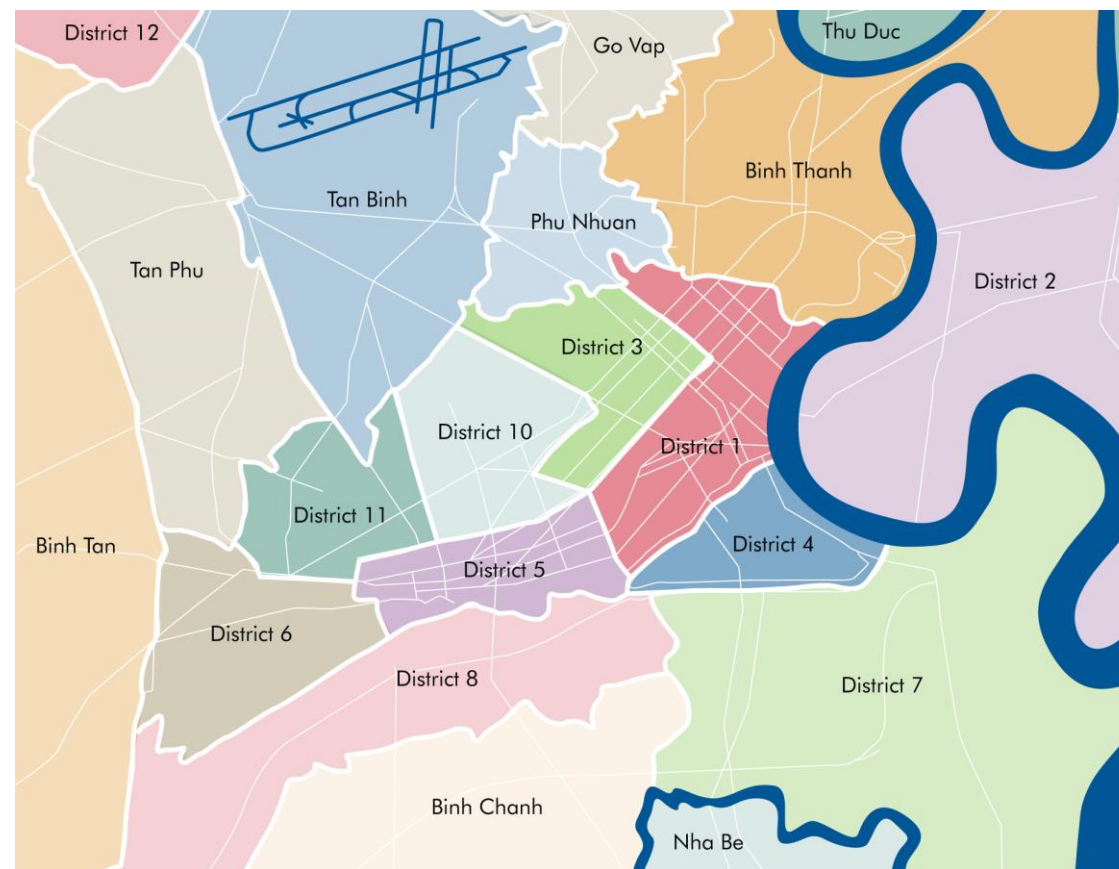
Rents or average room rates are quoted on the following basis:

- 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.





Disclaimer:

All materials presented in this report, unless specifically indicated otherwise, is under copyright and proprietary to CBRE. Information contained herein, including projections, has been obtained from materials and sources believed to be reliable at the date of publication. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. Readers are responsible for independently assessing the relevance, accuracy, completeness and currency of the information of this publication. This report is presented for information purposes only, exclusively for CBRE clients and professionals, and is not to be used or considered as an offer or the solicitation of an offer to sell or buy or subscribe for securities or other financial instruments. All rights to the material are reserved and none of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without prior express written permission of CBRE. Any unauthorised publication or redistribution of CBRE research reports is prohibited. CBRE will not be liable for any loss, damage, cost or expense incurred or arising by reason of any person using or relying on information in this publication.

Contact

Dung Duong

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

An Nguyen

Senior 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