

Slower but more sustainable growth

▲ +4.14%

VIETNAM GDP

▲ +3.60%

HCMC GRDP

▲ +5.97%

HANOI GRDP

▼ +1.40%

VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** Net absorption lags in H1 2023, but expects to improve in H2 2023.
- **Retail:** Asking rents in both CBD and non-CBD areas reached new heights in Q2 2023. Limited new supply helps sustain low vacancy in prime location. Due to land scarcity in the CBD area, expansion has been heading to non-CBD locations, especially those with available land banks, strong development of office clusters, large-scale residential, and good infrastructure.
- **Condominium:** Total accumulated new supply in the first half of 2023 took a hit from macro headwinds and reached 3,926 units, down by over 53% compared to the same period last year. This was also the lowest number of 6-month launch ever recorded in the last 5 years. 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

- Vietnam recorded faster economic growth in Q2 2023, driven by the services sector. GDP in the second quarter grew by 4.14% y-o-y, faster than the 3.32% expansion in the first quarter. Vietnam expects a 5.3% growth in 2023 amidst weak global demand. By 2024, Vietnam’s economy is expected to rebound at 6.2%, the highest among SEA countries.
- As of June 20, 2023, the total registered foreign direct investment (FDI) in Vietnam reached about US\$13.43 billion, down by 4.3% y-o-y. Singapore and China were the leading source of FDI. Bac Giang and Nghe An attracted the most newly registered FDI in 6M 2023.
- Vietnam’s total import and export turnover in 6M 2023 reached US\$316.65 billion, down by 15.2% y-o-y. Export decreased by 12.1% while import decreased by 18.2%. Trade balance had a trade surplus of US\$12.25 billion.
- The global economic crisis has weighed on the GDP growth of Vietnam this year, but the country stands firm against challenges. The country’s macroeconomy maintains its stability with the consumer price index increasing less than 4% in the last 6 months.
- State Bank of Vietnam (SBV) has cut the interest rates 4 times in H1 2023 to stabilize the market.
- Vietnam’s total retail sales of consumer goods and services in 6M 2023 was VND3,017 trillion, up by 10.9% y-o-y.
- Vietnam’s tourism industry saw 5.575 million foreign tourists in the first half of 2023, reaching 70% of its targeted 8 million international arrivals by the end of the year. South Korea, China and the United States brought the most visitors to Vietnam.

Office

Net absorption lags in H1 2023

In Q2 2023, the Hanoi office market witnessed the addition of a new Grade B project, Vinaconex Diamond Tower, spanning over 36,000 sqm NLA in Hai Ba Trung District. The overall office supply in Hanoi reached more than 1.68 million sqm NLA as of Q2 2023, with Grade A developments comprising 37% of the total stock. In this quarter, CBRE recorded a negative net absorption rate of over 5,000 sqm due to the relocation of an IT firm to partner’s owner-occupied office and contraction activities of some tenants. The Information Technology sector are among the most active sectors in Q2 2023, accounting for approximately 57% of the total number of large transactions recorded by CBRE in Hanoi. Securities and Pharmaceuticals came in second and third, with 14% and 8% of transactions, respectively.

Rental rates remain flat

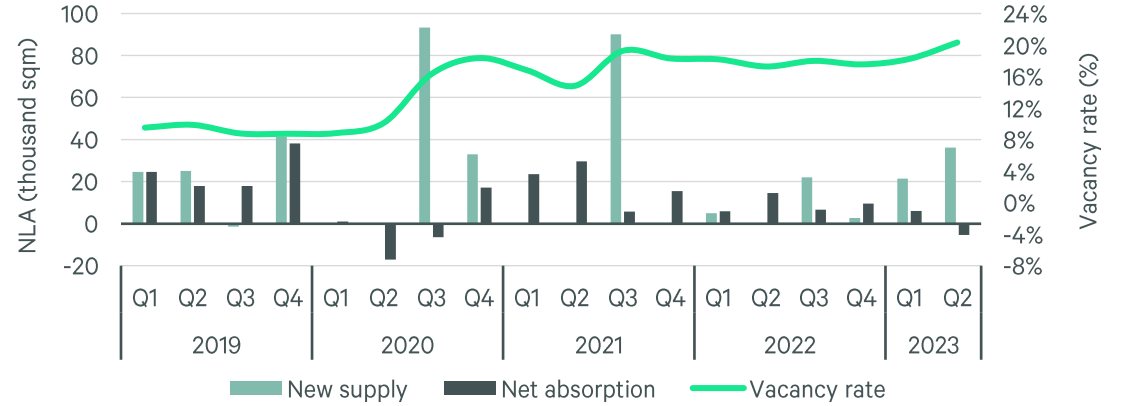
In terms of rental rates, Grade A office rents increased 2.7% over the same period last year, to US\$26.6/sqm/month, while remaining flat from the previous quarter. Meanwhile, the addition of new Grade B supplies contributed to a slight increase in Grade B office rents, which had an average price of US\$14.7/sqm/month and registered increases of 0.8% q-o-q and 2.7% y-o-y.

For vacancy rates, the Grade A office vacancy rate stayed at 28.5%, decreasing by 0.1 ppts q-o-q and 0.2 ppts y-o-y. Due to completion of new project, the Grade B office vacancy rate went up by 3.6 ppts q-o-q and 5.1 ppts y-o-y, reaching 15.5%.

The popularity of the green building trends is rising

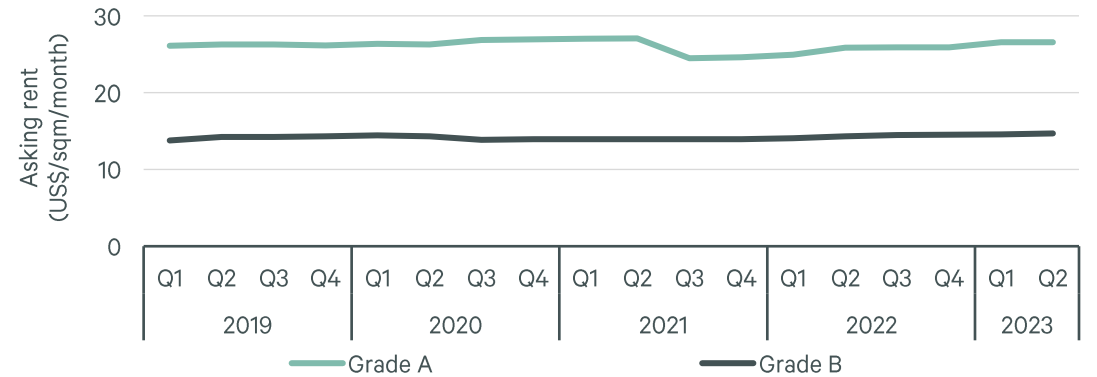
In Hanoi, the trend of green office certification is becoming more and more popular as tenants prioritize it in their selection process. According to CBRE statistics, approximately 33% of Hanoi's existing Grade A office supply has achieved LEED certification, including projects such as Capital Place, Lancaster Luminaire, and TechnoPark Tower. Nearly 40% of upcoming office projects are anticipated to be developed and constructed to achieve green certifications like LEED and WELL between 2023 and 2025.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research & Consulting, Q2 2023

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research & Consulting, Q2 2023
Asking rent is exclusive of service charge and VAT.

Retail

Limited new supply helps sustain low vacancy. Asking rents reaching new heights.

In Q2 2023, Hanoi market welcomed one new project, which is a 6,630 sqm retail podium at Lancaster Luminaire in Dong Da District. The total net leasable area of Hanoi retail market increased to around 1.077 million sqm. Noticeably, The Loop, the new concept shopping mall by Toshin Development, had its grand opening in June this year after two years of renovation.

CBD remained the most sought-after area driving lower vacancy rate and higher asking rent. The asking rent on the ground floor (excluding VAT and service charges) in this area was recorded at US\$ 162/sqm/month, up by nearly 13% in the last six months. The vacancy rate in the CBD area dropped to 2.6%, down by 2 ppts compared to the end of last year. This level of vacancy was close to pre-pandemic’s rate of around 1% - 1.5%.

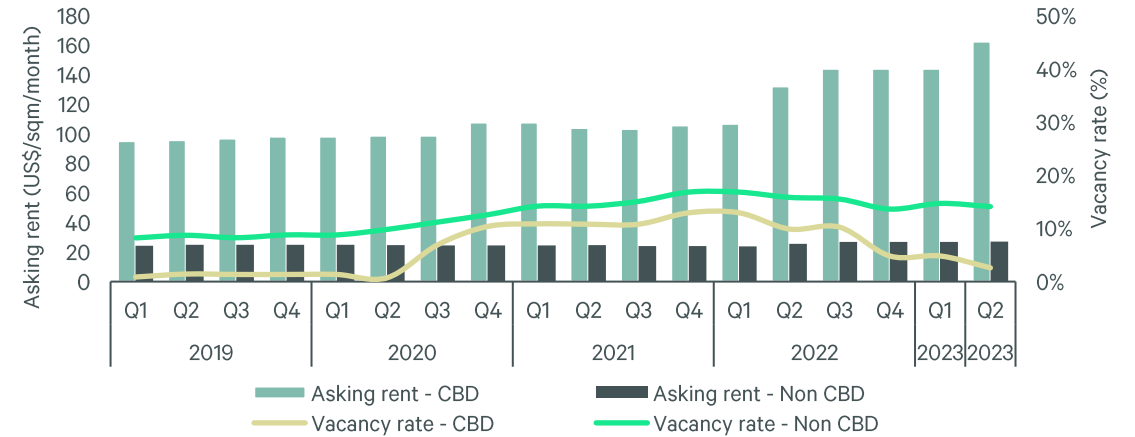
In non-CBD locations, the asking rent was reported at US\$ 27/sqm/month, staying at the same level as H2 2022 but increasing by 6% y-o-y. Vacancy rates in non-CBD locations decreased slightly by 0.6 ppts due to the active expansion of retailers, especially in the West and Mid-town areas. On the other hand, the lack of professional management has left some shopping malls in the outskirts area of the city remain highly vacant.

Stronger presence of international developers. New retail clusters forming in non-CBD locations.

The market has seen a stronger presence of international developers recently. Aeon, Central Group, Lotte, Toshin Development and other notable developers are planning to expand further in Hanoi and across Vietnam within the next 3-5 years. Lotte Mall Hanoi is expected to open in Q3 2023, providing 72,00 sqm NLA of retail space. Toshin Development is developing the famous Takashimaya shopping center at Starlake township in the West of West Lake.

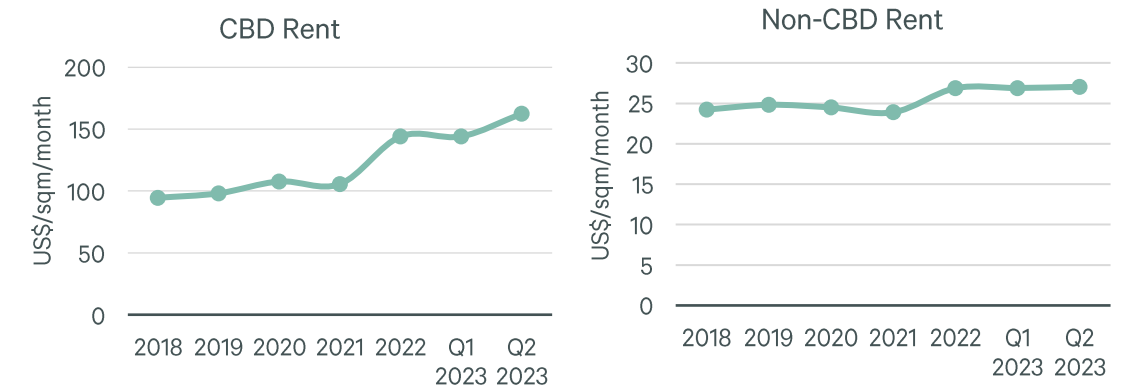
While demand for prime locations remains firm, due to land scarcity in the CBD area, expansion has been heading to non-CBD locations, especially those with available land banks, strong development of office clusters, large-scale residential, and good infrastructure. By 2025, Hanoi market will expect an addition of 218,432 sqm NLA, equivalent to around 20% of the current total supply. Most of the new projects will be located in non-CBD areas such as the West and the North.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research, Q2 2023. Asking rent is for the ground floor, exclusive of VAT and service charge

FIGURE 4: Average Ground Floor Asking Rent, Hanoi Retail



Source: CBRE Research, Q2 2023. Asking rent is for the ground floor, exclusive of VAT and service charge

Condominium

Modest new supply while sold units surpassed new launch

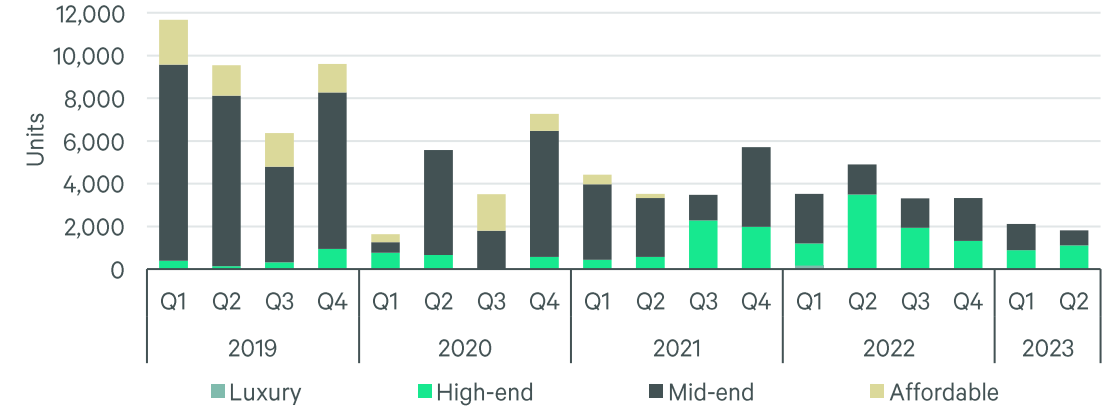
In the second quarter of 2023, new condominium supply in Hanoi remained at low level as there were approximately 1,820 units launched from 9 projects, among which only 2 projects were new launches while others were follow-on launches. Total accumulated new supply in the first half of 2023 took a hit from macro headwinds and reached 3,926 units, down by over 53% compared to the same period last year. This was also the lowest number of 6-month launch ever recorded in the last 5 years. All the new launch in H1 2023 were high-end and mid-end positioning, with high-end segment accounted for the majority of 51%. In terms of location, the West continued to dominate the condominium new launch in Hanoi and contributed 54% of total new supply in H1 2023.

Amid moderate new launch, sold units slightly improved and surpassed new supply in Q2 2023 and H1 2023. A total of nearly 4,280 condominium units recorded to be sold in Hanoi during the first half of 2023. However, compared to historical data, this was still considered low as it dropped by a significant 60% from the total sold units in H1 2022. Projects in township developments continued to show positive absorption and strongly contributed to the total sold units in H1 2023.

Despite the ongoing effects of high interest rates and credit crunch, selling price of newly-launched condominium units in Hanoi remained rather high. In Q2 2023, average primary price of Hanoi condominium market recorded at VND 47.5 million/sqm (net of VAT and maintenance fee), equivalent to an increase of 1.6% q-o-q and 9.5% y-o-y due to a higher share of high-end products in the total stock available for sale. In the secondary market, the average selling price reached approximately VND 31 million/sqm, which remained almost unchanged compared to Q1 2023 but up by 3.2% y-o-y. By location, most of the areas posted an increase in resales price compared to same period last year, among which Dong Da, Cau Giay, Ha Dong and Bac Tu Liem recorded high secondary price growth of 5-6% during the past year.

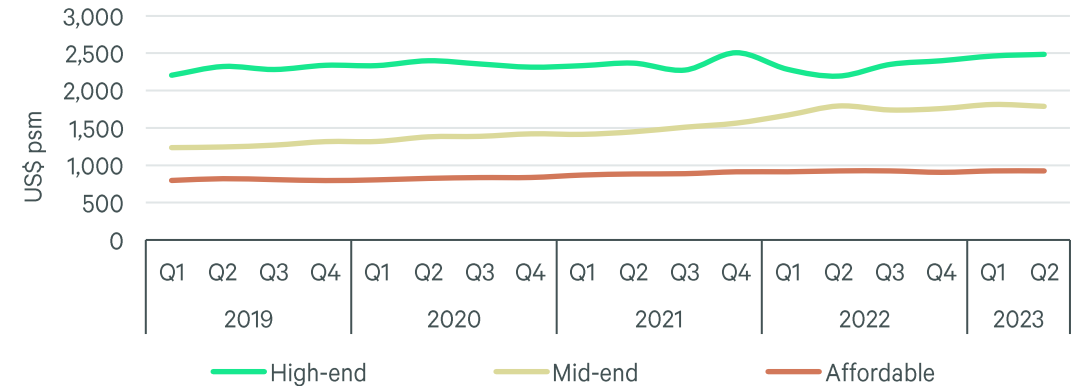
Moving forwards, it is expected that in the second half of 2023, condominium new launch will improve with more than 6,300 units to launch, making the total new supply of 2023 to reach 10,500 units. Most of the new launch will come from follow-on launches of projects in township developments in the West and of high-end positioning. As a result, average primary price is forecasted to stay in the range of VND 47 million – 49 million/sqm by the end of 2023, equivalent to a 5% growth y-o-y.

FIGURE 5: New supply, Condominium, Hanoi



Source: CBRE Research & Consulting, Q2 2023

FIGURE 6: Average primary prices, Condominium, Hanoi



Source: CBRE Research & Consulting, Q2 2023

Villa & Townhouse

Slowing declining pace in landed property secondary price in Q2 2023

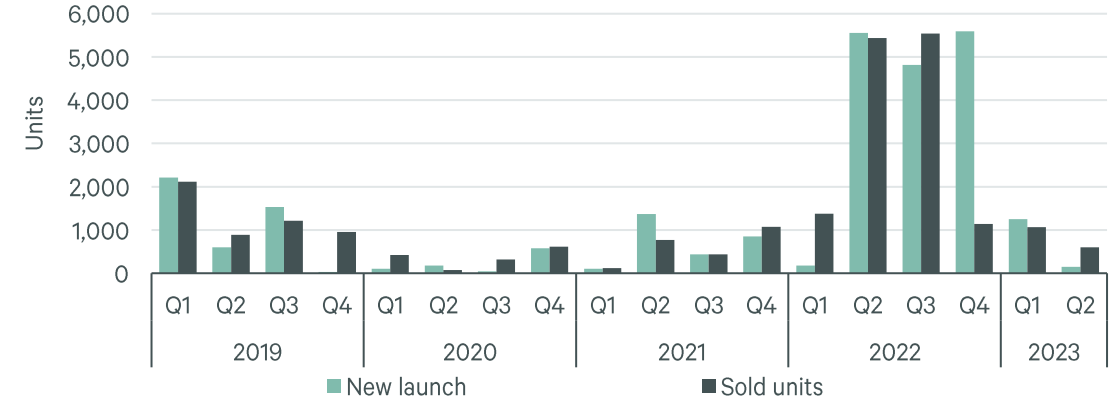
In Q2 2023, there were only 152 units launched from 2 projects in Thanh Xuan District and Hung Yen (province bordering Hanoi), which was the lowest new launch of landed property recorded in Hanoi since Covid-19 period. Due to high inventory and remaining effects of macro headwinds on the market, most developers were cautious of their next new launches. Total new landed supply in Hanoi in the first half of 2023 reached slightly over 1,400 units, down by 76% y-o-y.

Sales rate in the first 6 months of 2023 remained at low level with only 1,671 units reported to be sold. This was equivalent to only one-fifth of the landed units sold in the same period last year. In Q2 2023, majority of units sold came from major township projects in the East of Hanoi.

In terms of pricing, despite slow absorption rate, landed units recorded an increase of 8% q-o-q in primary price and reached almost VND 195 million/sqm. This was mainly due to an adjustment in primary selling price of projects in Hung Yen and the difference in positioning and product type of projects launched in this quarter compared to Q1 2023. On the contrary, resales price of Hanoi landed property at the end of Q2 2023 continued its downward trend since Q4 2022, but at a lower rate. Average secondary price of landed units reached VND 154 million/sqm (inclusive of construction cost and before VAT), down by 1.6% q-o-q and 13% from its peak in Q3 2022. Outlying areas including Gia Lam, Me Linh and Hoai Duc of which secondary price already enjoyed significant high growth rate during 2021-2022 now witnessed a higher drop rate of 5-6% q-o-q compared to other areas.

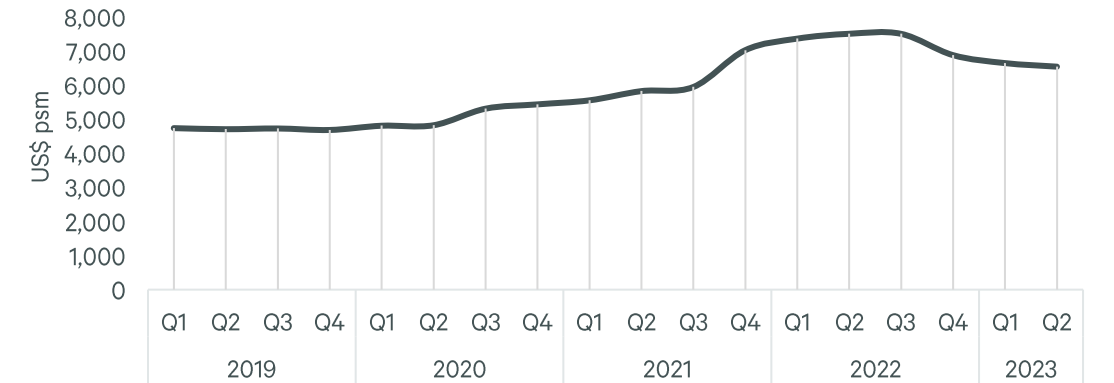
In H2 2023, it is estimated that over 3,250 units to be added to the total new supply of Hanoi in 2023. The total supply of new launches in 2023 is forecasted to reach nearly 4,650 units, which is rather modest compared to historical data. Recovery in residential real estate market is expected to begin from 2024 when the market has more time to adapt to recent changes in policy as well as to access to better capital at more reasonable interest rates.

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



Source: CBRE Research, Q2 2023.

FIGURE 8: Average Secondary price, Hanoi Landed Property



Source: CBRE Research, Q2 2023

Northern Industrial

Industrial market continued to a bright spot of Vietnam real estate market

For industrial land, net absorption in the first six months of 2023 of Tier-1 markets in the North reached 386ha. These figures are higher by 60% as compared to the amount recorded H1 2022. Due to limited land ready to handover and good absorption, industrial land rental rates sustained strong growth. Average rental rates for Tier-1 markets in the North reached US\$127/sqm/remaining terms. Over the past four years, on average, the rental rates of industrial parks in Tier-1 market in the North grew at 7% pa.

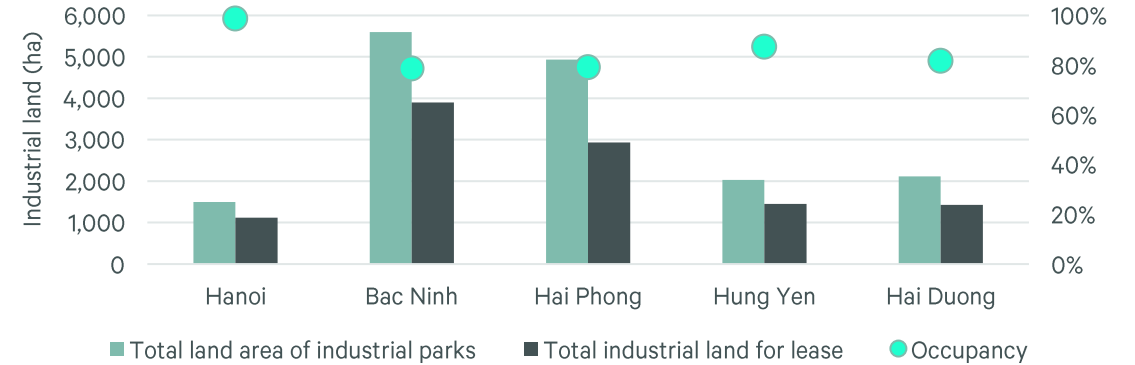
Ready-built warehouse (RBW) and factory (RBF) markets witnessed strong growth in supply. In the first six months of 2023, 0.61 mn sqm of RBF and RBW combined was completed in Tier-1 market in the North. The supply has grown at more than 20% pa in the North over the past four years. As competition increases, the rental growth of these segments was at moderate levels staying at 2-3% pa over the past four years.

In terms of demand, the Northern region continued to see strong demand from electronics sector. During H1 2023, the market recorded expansion of big manufacturers such as Foxconn and Goertek in industrial parks in Bac Giang and Bac Ninh. In addition, strong expansion of Chinese manufacturers in various sectors also attributes to the good absorption of industrial land and RBF segment in the North.

Looking forward, industrial land rental rates are projected to grow at lower rates of 4-8% pa after a strong growth period. Meanwhile RBF/RBW segments might see mild rental growth of below 4% over the next 12 months due to growing competition from new stock.

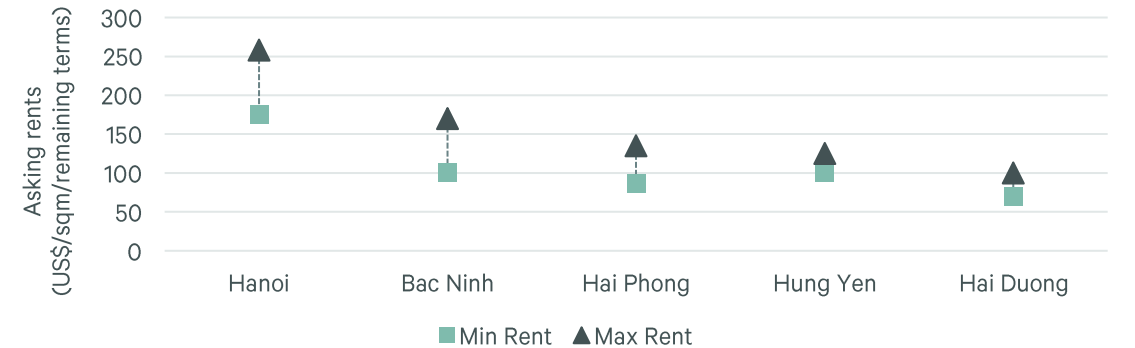
Note: Tier-1 markets include Hanoi, Hai Phong, Hai Duong, Hung Yen and Bac Ninh.

FIGURE 9: Supply, Industrial land, Northern area, Q2 2023



Source: CBRE Research, Q2 2023.

FIGURE 10: Average asking rent, Industrial land, Northern area, Q2 2023



Source: CBRE Research, Q2 2023.

Serviced Apartment

No new supply in Q2/2023

In Q2 2023, no new supply is recorded in Hanoi Serviced Apartment market. The total supply remains at 4,930 units. Grade A continued to lead the market in terms of total unit supply, accounting for 78% of total supply.

In terms of future supply, Hanoi’s serviced apartment market is expected to welcome 2,992 new units in the next few years, the 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. Among 5 future projects, three projects are scheduled for opening in 2023, adding 2,231 units to the total supply.

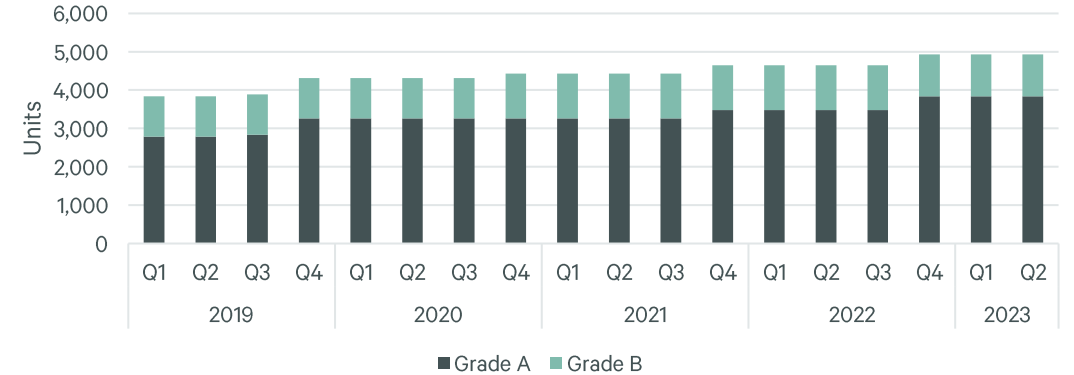
Market performance continues to recover

In Q2 2023, the market is on a continuing improved trendline as evidenced in market performance.

Rental rate slightly increased compared to the last quarter. The average asking rent of Grade A was recorded at US\$28.86 per sqm per month, up by 2.9% q-o-q. Following a similar trend, Grade B’s asking rent was US\$17.09 per sqm per month, up by 2.2% q-o-q. On average, the market rent was US\$26.06 per sqm per month, up by 2.8% q-o-q. When compared to the same period last year (Q2 2022), the market still witnesses a positive rental rate growth and gradually catches up with the pre-Covid level. The rent of Grade A was up by 3.2% y-o-y, similarly, Grade B was up by 0.1% y-o-y.

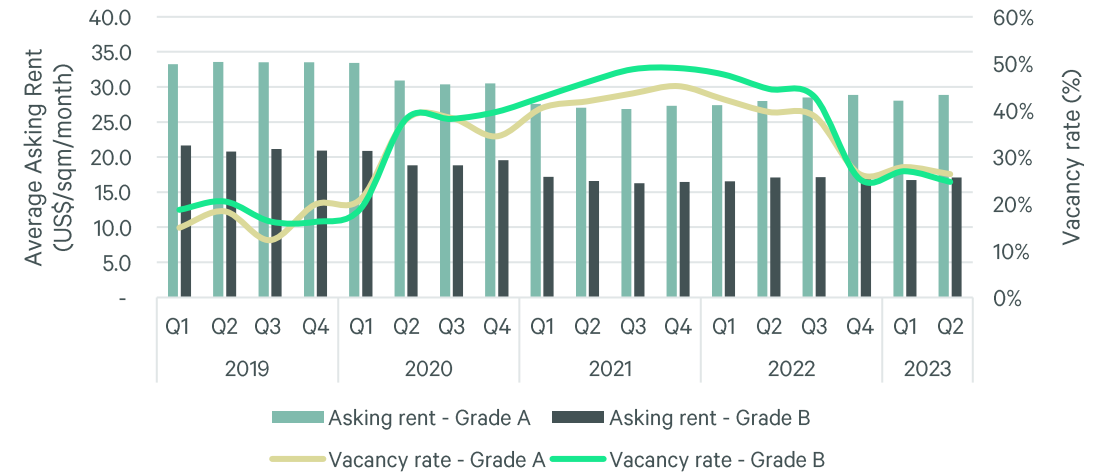
In this same quarter, the vacancy rate of both grades slightly decreased by 1.7 ppts q-o-q. Grade A recorded a vacancy rate of 26.35% while Grade B recorded a vacancy rate of 24.70%.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q2 2023



Source: CBRE Research., Q2 2023

FIGURE 12: Asking price and Vacancy rate, Hanoi Serviced Apartment, Q2 2023



Source: CBRE Research., Q2 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.

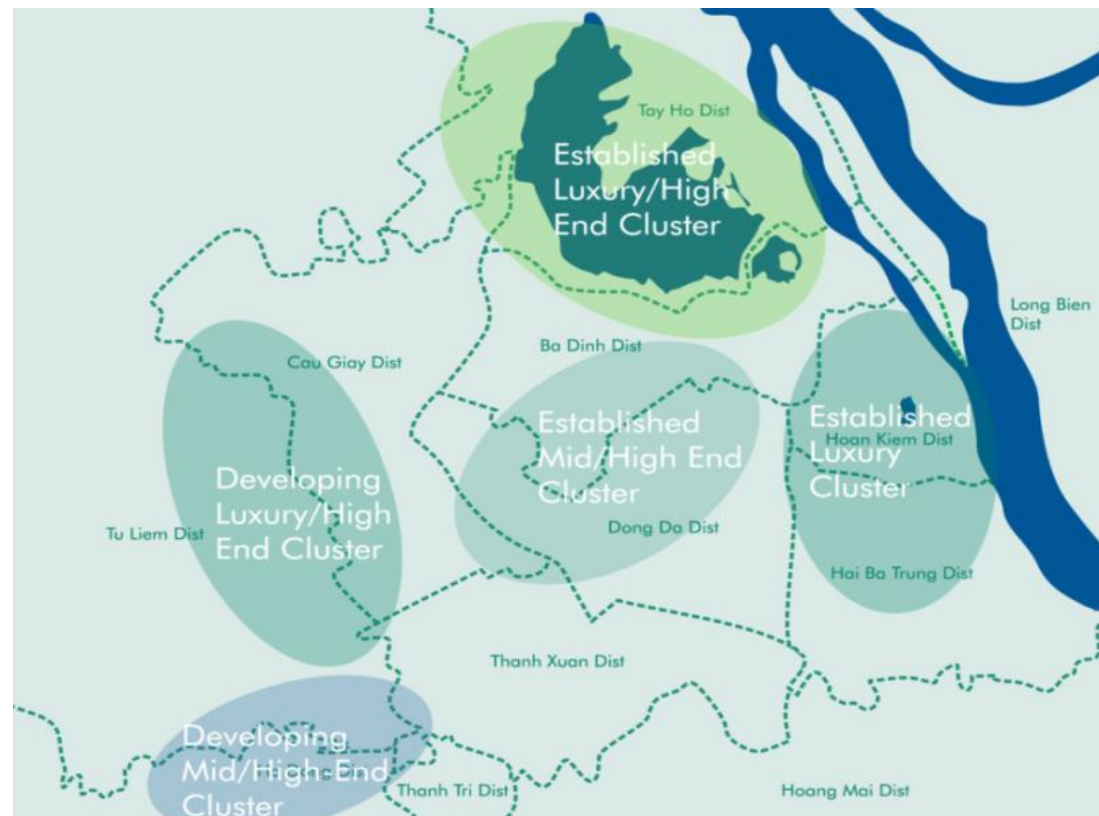
Rents or average room rates are quoted on the following basis:

- 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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