

FIGURES | HO CHI MINH CITY REAL ESTATE MARKET | Q2 2023

Slower but more sustainable growth

▲ + 4.14 %

VIETNAM GDP

▲ + 3.60 %

HCMC GRDP

▲ + 5.97 %

HANOI GRDP

▲ + 1.4 %

VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** Grade A&B office buildings in HCMC saw a slight rental adjustment compared to last year. Developers are willing to offer negotiated attractive prices to fill up vacant office spaces quickly, such as providing rents on the higher floors equivalent to those on the middle floors to attract tenants.
- **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 in Q2 2023 continued to be in high-end or mid-end segments. Although absorption was improved, primary selling prices declined for the first time in the past five years since 2018 due to more flexible sales policies.
- **Industrial land:** The industrial market remained bright in Vietnam's real estate market in H1 2023 with healthy absorption of industrial land, ready-built factories and warehouses (RBF and RBW) across North and South. In the first six months of 2023, the supply chain disruption and the shortage of orders mostly happened in traditional industries such as garment and footwear. However, the electronics, ITC, and high-tech sectors still recorded the participation and expansion of foreign companies.

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.
- As of June 20, 2023, Vietnam's total registered foreign direct investment (FDI) reached about US\$13.43 billion, down by 4.3% y-o-y.
- Vietnam's total import and export turnover in 6M 2023 reached US\$316.65 billion, down by 15.2% y-o-y. Exports decreased by 12.1%, while imports decreased by 18.2%. The trade balance had a trade surplus of US\$12.25 billion.
- The country's macroeconomy maintains stability, with the CPI increasing less than 4% in the last six months.
- Starting from June 19, the refinancing interest rate will be set at 4.5% per year, rediscount at 3.0%, and overnight inter-banking lending rate at 5.0%.
- The 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 5.6 million foreign tourists in the first half of 2023, reaching 70% of its targeted 8 million international arrivals by the end of the year.

Office

Landlord took action to quickly fill up vacant space

The HCMC office market has seen a slight decrease in rental adjustment. At the end of Q2 2023, Grade A office buildings rent is \$US45 psm pm, a reduction of 1.1% y-o-y. The rent adjustment for Grade A office buildings illustrated the quick response of developers to adapt to the changing market, aiming to retain customers and fill new vacant areas quickly. Grade B rent is \$25.6 psm pm, a decrease of 0.8% y-o-y. Similarly to Grade A landlords, Grade B developers are also willing to offer negotiated attractive prices to fill up vacant office spaces quickly, such as providing rents on the higher floors equivalent to those on the middle floors to attract tenants.

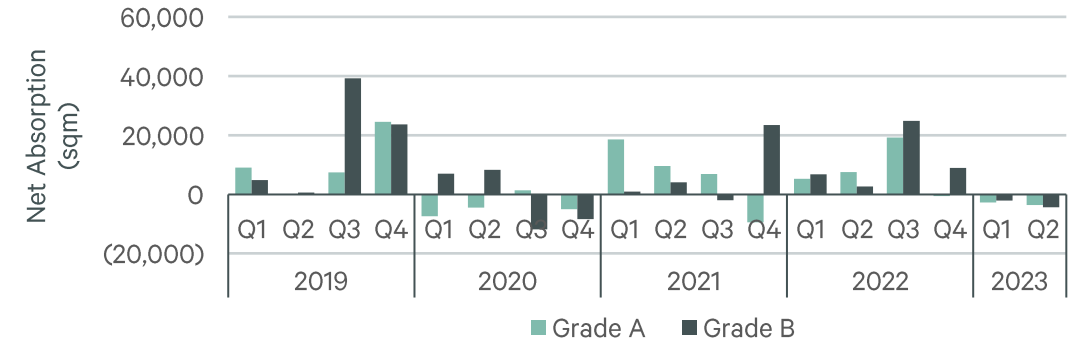
Corporations to build their office buildings affecting the net absorption

With promising financial growth, the Finance – Banking – Insurance industries have returned to be the most dynamic group with large leasing areas, accounting for 43.7%, followed by the Service sector at 14.2% of the total number of transactions. The Retail/Trade/E-commerce, Information Technology, and Life Science industries account for approximately 10% each. Regarding rental purposes, relocation transactions account for 60% of total transactions. During economic recessions, tenants tend to be more cost-conscious, actively seeking competitive options with good-quality spaces and amenities. Since the end of 2022, many office building developers have repaired and renovated office buildings to stay competitive. Contraction transactions occurred at some office buildings, accounting for approximately 6% of total transactions but not yet determined a strong trend.

In the first half of 2023, there was only one new Grade B office building in HCMC’s office market, OfficeHaus, in Tan Phu District. However, most new office building supplies will open for leasing and operations in the latter half of the year. The new office building supply is projected to be over 130,000 m2 NLA, equipped with new high-quality amenities and office areas in central locations.

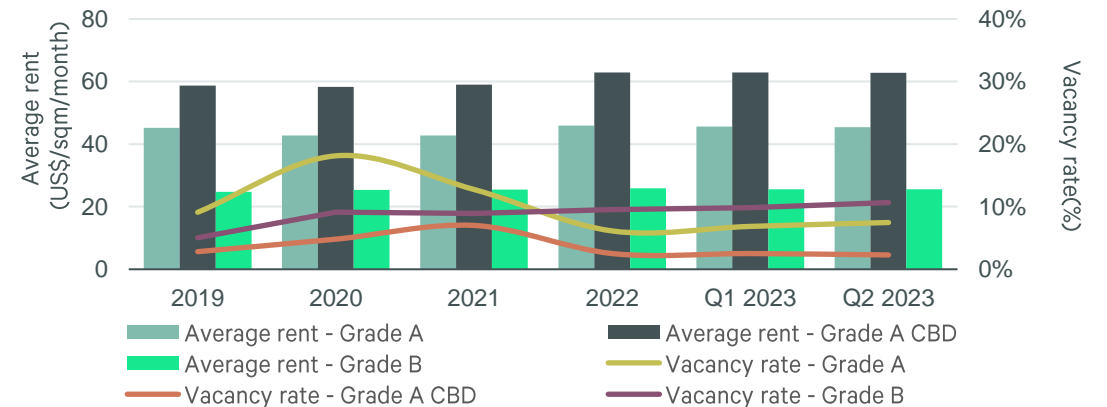
In the first 6 months of 2023, total office building vacancies in HCMC increased to approximately 13,000 m2, including 9,000 m2 from a large tenant who moved to their new office building. In recent years, large companies in Finance, Banking, and Manufacturing industries are building their office buildings and utilizing the remaining vacant office spaces to rent out to other companies. The vacancy rate for Grade A building is 7.5%, and for Grade B is 10.7%, demonstrating a 1.4% and 1.2% increase, respectively, compared to the end of 2022.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q2 2023

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



Asking rent is exclusive of service charge and VAT.

Source: CBRE Research & Consulting, Q2 2023

Retail

Limited new supply helps sustain occupancy

HCMC does not expect a new shopping mall this year, with the construction of most shopping malls pending. The total retail supply stayed at 961,146 sqm as of Q2 2023.

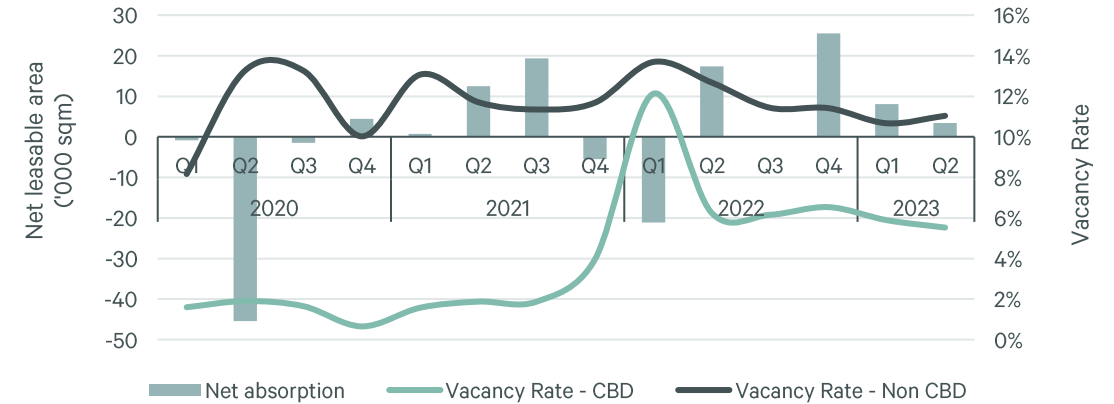
Available supply in the CBD is very limited, with only a 5.5% vacancy rate. Retailers are actively looking to create unique experiences for their customers and looking for quality spaces, which are unfortunately low in supply. Therefore, starting from Q2 and Q3 last year, CBD rents increased significantly from US\$154.4 to over US\$200 psm. In Q2 2023, the average asking rent on the ground floor and first floor in CBD locations was US\$234.8/sqm/month, an increase of 9.2% compared to last year and relatively stable compared to the previous quarter. Following the same trend, non-CBD locations also recorded a rental improvement of 8.1% q-o-q, driven by well-performing shopping malls in Binh Thanh and District 2.

Retail developers and operators show commitment through upcoming major developments

Without new supplies and limited available space, the net absorption in Q2 2023 was minimal, at 3,415 sqm. The market has constantly received strong interest from foreign retailers in the fashion, accessories, health and beauty sectors.

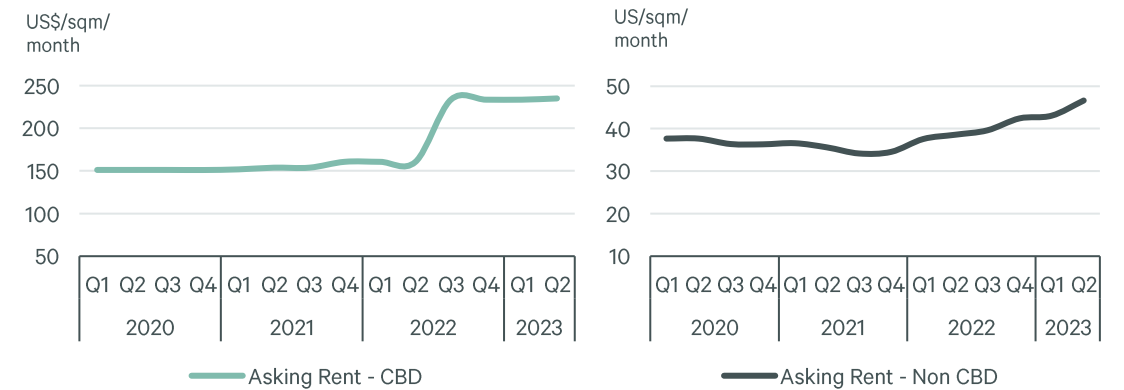
The market has also seen a stronger presence of international developers. Aeon, Central Group, Lotte, Toshin Development and other notable developers are planning to expand further in Hanoi and across Vietnam within the next 3-5 years. Despite the boom in online shopping, brick-and-mortar stores remain the dominant sales channel, as many still appreciate the immediate availability of products facilitated by in-store shopping and the superior customer experience. As a result, the average vacancy of HCMC retail real estate continued to decrease to 9.6% (0.3 ppts lower q-o-q and 1.6 ppt lower y-o-y).

FIGURE 3: Market performance, Retail, HCMC, Q2 2023



Source: CBRE Research & Consulting, Q2 2023

FIGURE 4: Asking rent, Retail, HCMC, Q2 2023



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

Source: CBRE Research & Consulting, Q2 2023

Condominium

Price drop fuels growing absorption

In Q2 2023, there were 1,254 new condominium units launched in HCMC, less than half of the new supply in Q1 2023. New supply in Q2 2023 continued to be in either the high-end or mid-end segment. Many developers tended to wait and expect better news for the market, thus delaying new launches throughout April and May. Official new launches and pre-sales events all fell around the later end of June 2023. In addition, instead of opening official mass-selling new launch events, some investors only announced new launches in small quantities and sold directly to most potential buyers. This is because investors were still afraid of the record-low absorption rate from Q1 2023. Meanwhile, they also prepared for the market to bounce back and continued to speed up the construction process of existing projects.

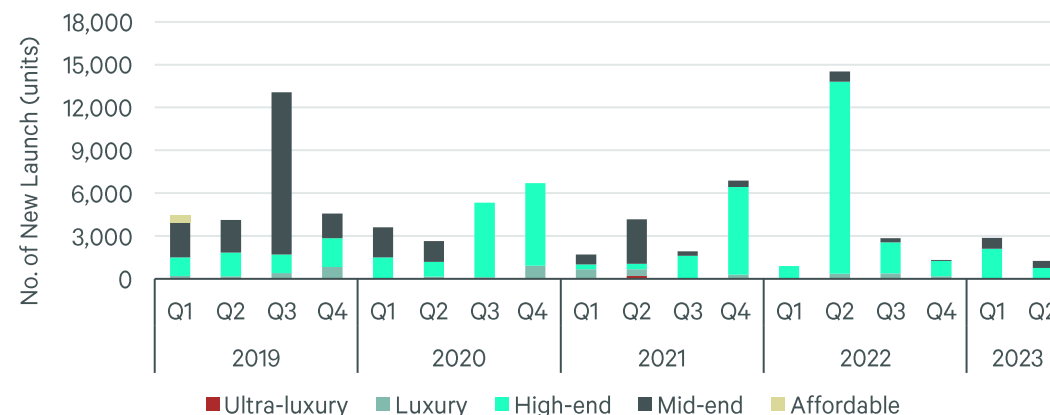
Primary price in Q2 2023 was US\$2,479psm, down 4.8% q-o-q, recording a decline for the first time in the past 5 years since 2018. Many project developers have widened the selling price range in correspondence to different payment schemes to attract buyers, especially among those phases that have been handed over in existing projects. For example, some high-end projects in the East of HCMC with selling prices in previous phases at around US\$2,100-3,200 psm have adjusted the price range to US\$1,500-2,700 psm corresponding to different payment process, leading to average prices also dropping significantly compared to the previous period.

After the first 3 months of 2023 recording a 10-year low absorption rate, moving onto Q2 2023, the number of sold units in HCMC already surpassed the number of newly-launched units. As soon as developers apply proper preferential sales policies to make condominiums easier to buy, the number of sold units increases significantly, in which nearly 1,500 units were sold within Q2 2023 in HCMC. During the end of Q2 2023, the condominium market in HCMC recorded over 2,000 booking transactions for some projects expected to be launched in the second half of 2023. With impressive booking transactions, these future launches are expected to welcome positive absorption rates.

Authority's efforts continued to support the market

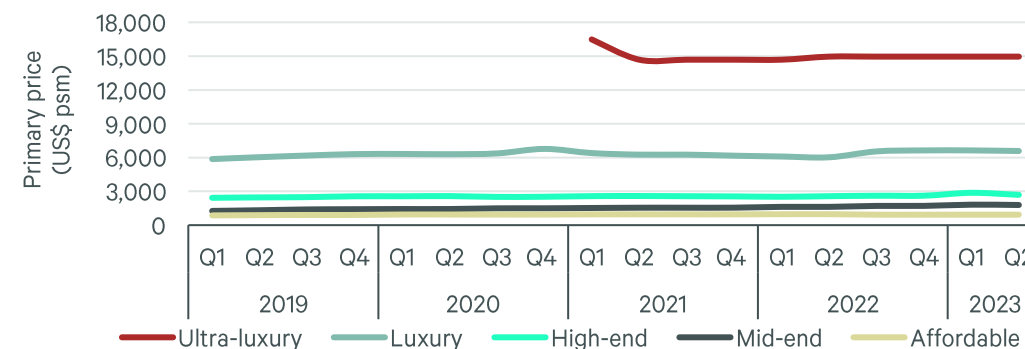
One of key highlights of the first half of 2023 is news around authority's efforts in processing condominium projects that have been stuck with legal process in the city. As of June 2023, out of more than 100 projects in line for legal review, there have been 16 projects in HCMC resolved. For the remaining projects on the waiting list, the city's People's Committee has set the target that by the end of 2023, 50 more projects will be resolved. It is the dedicated efforts from the authorities in solving project legal issues that will have a great impact on strengthening developers' and buyers' confidence in sooner market recovery and more transparency of the city's real estate market.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q2 2023

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q2 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

HCMC’s villa & townhouse market recorded the lowest new supply over the past 10 years

HCMC's landed property continued seeing supply constraints, with only 15 units from a newly launched project (The Sholi Binh Tan).

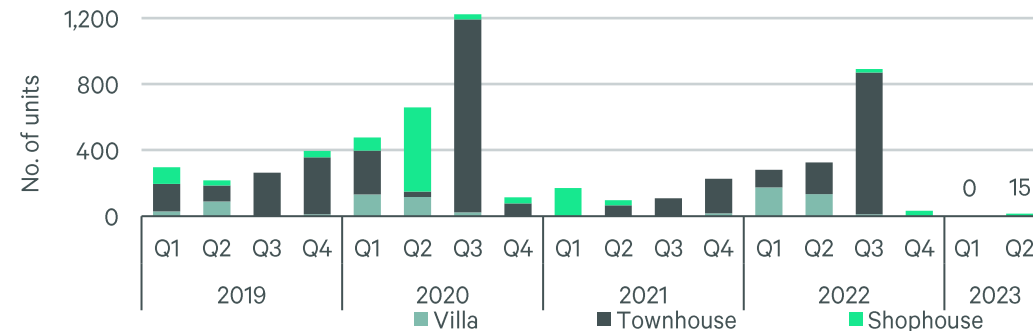
As of Q2 2023, the market had a cumulatively sold rate of 97%, remaining stable compared to the previous quarter (which was at 96%). Because of low new launches, during Q2 2023, the HCMC market witnessed only 30 sold units on the primary market.

The market-wide primary price of landed property in Q2 2023 remained the same compared to the preceding quarter, with a stabilized price of US\$10,723 psm. The average primary price was US\$10,088 psm for townhouses (up by 49% y-o-y), and US\$14,654 psm for villas (up by 88% y-o-y). Meanwhile, the primary price of shophouses was US\$7,426 psm on average (up by 12% y-o-y).

More attractive sales policies were implemented

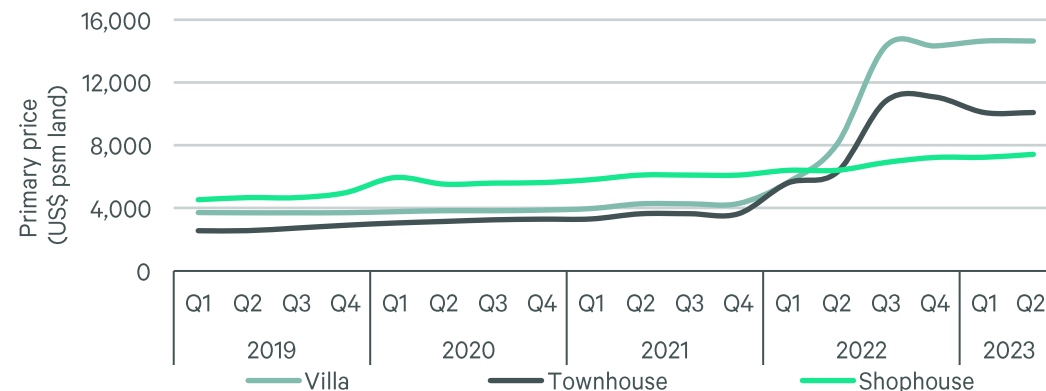
More attractive sales policies have been offered to stimulate market demand during the difficult period. Specifically, some favourable sales policies include but are not limited to extending the payment schedule with more instalments at lower payment amounts, higher discount rates for early payment, 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, etc. During Q2 2023, a new rental commitment program has also been released in a few projects, ensuring monthly income from VND 80 – 150 million over one year for some selected units.

FIGURE 7: New supply, Landed property, HCMC



Source: CBRE Research & Consulting, Q2 2023

FIGURE 8: Average primary price, Landed property, HCMC



Source: CBRE Research & Consulting, Q2 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 Market

Industrial land: Healthy absorption across North, South

The industrial market remained bright in Vietnam's real estate market in H1 2023 with healthy absorption of industrial land, ready-built factories and warehouses (RBF and RBW) across North and South.

Net absorption of industrial land in Tier-1 markets in the first six months of 2023 reached 386 ha and 397 ha, respectively, for the Northern and Southern regions. These figures are higher by 20% for the South and 60% for the North, compared to H1 2022. Due to limited land ready to handover and good absorption, industrial land rental rates sustained strong growth in both regions. Average rental rates for Tier-1 markets in the North and South reached US\$127 and US\$187/ sqm/remaining terms with the cumulative growth during 2019 - H1 2023 from 7% pa to 13% pa.

RBF/RBW: Strong absorption thanks to the expansion of Chinese manufacturers, especially in the North

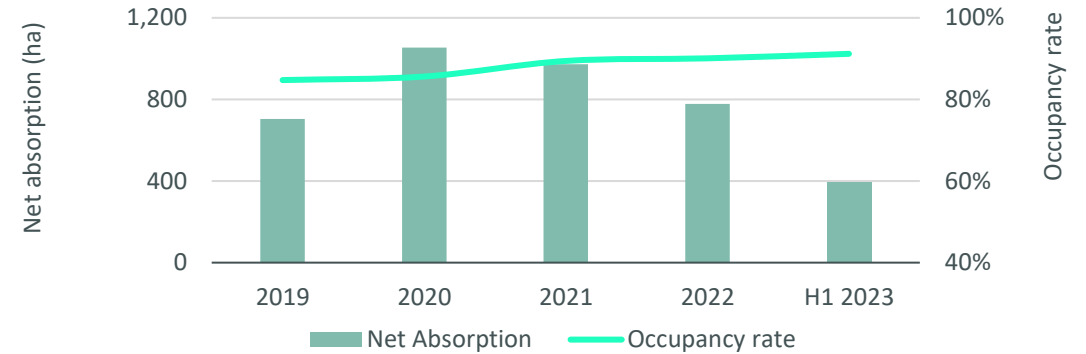
Supply growth of RBF, RBW is peaking with nearly 0.9 mn sqm of newly completed space recorded in the Tier-1 market in both regions. The supply has grown at more than 20% pa in the North and 18% - 49% pa in the South over the past four years. As competition increases, the rental growth of these segments was at moderate levels, staying at 2-3% pa over the past four years.

In the first six months of 2023, the supply chain disruption and the shortage of orders mostly happened in traditional industries such as garment and footwear. However, the electronics, ITC, and high-tech sectors still recorded the participation and expansion of foreign companies.

The Northern region continued to see strong demand from the 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. At the same time, demand for the Southern market is diverse. Tenants from automotive, garment and packaging are among active players looking for industrial land, RBF and RBW in the South. The ready-built factory in the South achieved a good occupancy rate (over 90%). Meanwhile, the warehouse market is only nearly 60%, due to strong supply growth in recent years.

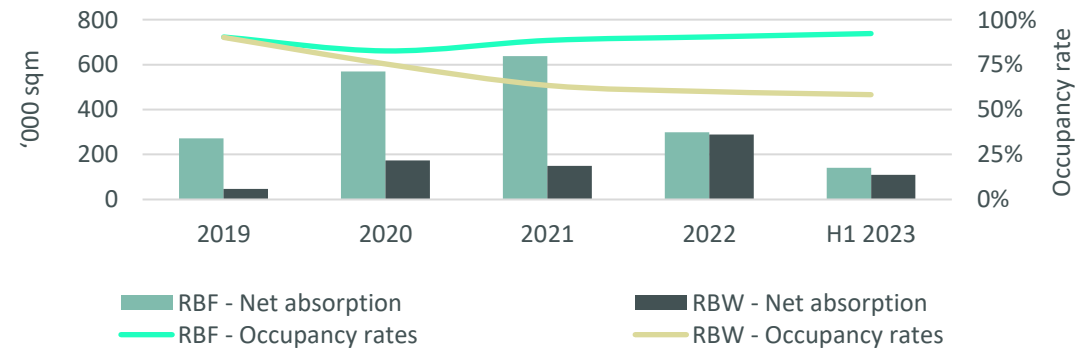
Note: Southern Vietnam is divided into Tier-1 and Tier-2 regions. Tier 1 markets include Ho Chi Minh City, Dong Nai, Binh Duong, and Long An. Tier 2 markets include Binh Thuan, Ba Ria-Vung Tau, Binh Phuoc, and Tay Ninh.

FIGURE 9: Industrial land, Southern region, 2019 - Q2 2023



Source: CBRE Research & Consulting, Q2 2023

FIGURE 10: Ready-built factory and warehouse (RBF/RBW), Southern region, 2019 - Q2 2023



Source: CBRE Vietnam Research & Consulting, 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.

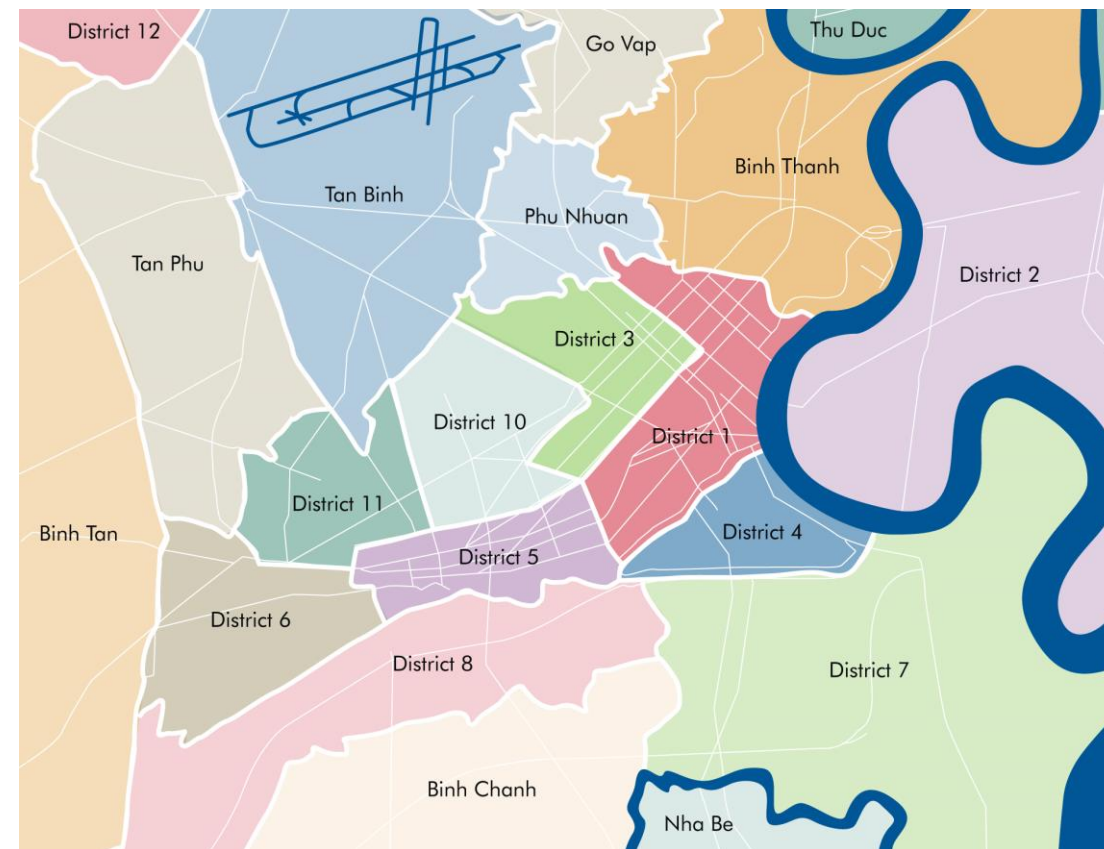
Rents or average room rates are quoted on the following basis:

- 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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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