

# Mild improvement in new residential supply, though 2023's to be at a decade low

▲ +4.24%

VIETNAM GDP

▲ +4.57%

HCMC GRDP

▲ +6.08%

HANOI GRDP

▲ +2.70%

VN-INDEX

Note: Arrows indicate y-o-y change.

## HOT TOPICS

- **Office:** During this quarter, the net absorption rate was approximately 3,300 sqm, showing a recovery compared to negative absorption in the second quarter. Grade A offices dominated the majority of transactions.
- **Retail:** Retail market became more vibrant with new supply in Q3 2023. CBD remains the most sought-after for new entries and luxury brands with limited available space. In the non-CBD, newly opened and renovated projects lead to increasing rent. The consumer market is facing some challenges in the short term, however, categories like F&B, Entertainment, and Fast Fashion still recorded continuous growth.
- **Condominium:** Total accumulated new supply in the first 9 months of 2023 reached 6,925 units, down by over 40% y-o-y. It is expected that the total new supply in this year will reach the lowest level ever recorded in the last 10 years since 2013. Average primary prices of Hanoi condominium units in Q3 2023 remained at a high level, reaching US\$ 2,128 psm, driven by the high presence of high-end share in the total new supply (over 90%).
- **Industrial:** Industrial market continued to witness positive movements in Q3 2023. Industrial land rental rates sustained strong growth due to solid demand. RBF and RBW continued strong absorption.

## Vietnam Economic Overview

- Vietnam's GDP increased by 4.24% y-o-y in 9M 2023. According to World Bank's forecast in October 2023, Vietnam's economy is forecasted to achieve a moderate growth of 4.7% in 2023, gradually accelerating to 5.5% in 2024 and 6.0% in 2025.
- As of September 20, 2023, the total registered FDI in Vietnam reached about US\$20.21 billion, up 7.7% y-o-y. By sector, the processing and manufacturing industry accounted for the largest proportion of the total newly licensed FDI. By origin, Singapore and China were the leading sources of FDI in 9M. By destination, Bac Giang and Nghe An were the most attractive FDI destinations in 9M 2023
- Vietnam's total import and export turnover in 9M 2023 reached US\$497.66 billion, down by 11.0% y-o-y. Export decreased by 8.2% while import decreased by 13.8%. Trade balance had a trade surplus of US\$21.68 billion. The United States was the largest export market while China was the largest import market.
- In 9M 2023, CPI increased by 3.16% y-o-y, mainly impacted by increasing gas price due to rising global pricing.
- Interest rates continued to decline, indicating positive signals in Vietnam's property market in Q3 2023.
- Vietnam's total retail sales of consumer goods and services in 9M 2023 was VND4,567 trillion, up by 9.7% y-o-y.
- Vietnam welcomed 8.9 million foreign visitors in 9M 2023, surpassing the full-year target of 8 million foreign tourists. South Korea and China were the leading sources for Vietnam's tourism market in 9M 2023.

# Office

## Net absorption rebounded

In the third quarter of 2023, Hanoi's office market saw the addition of a new Grade B project, Intracom Riverside, located in Dong Anh district, covering a rental area of 24,000 sqm NLA. The total office supply in Hanoi reached over 1.7 million sqm NLA by the end of Q3 2023, with Grade A projects accounting for 36% of the total supply. During this quarter, the net absorption rate was approximately 3,300 sqm, showing a recovery compared to negative absorption in the second quarter. Grade A offices dominated the majority of transactions. The Healthcare sector was one of the active industries in the third quarter of 2023, with many new lease office tenants in Hanoi, accounting for about 24% of total major transactions recorded by CBRE in Hanoi, followed by the Manufacturing and Education sectors, making up 21% and 20% of the transactions, respectively.

## Asking rents dropped in both grades

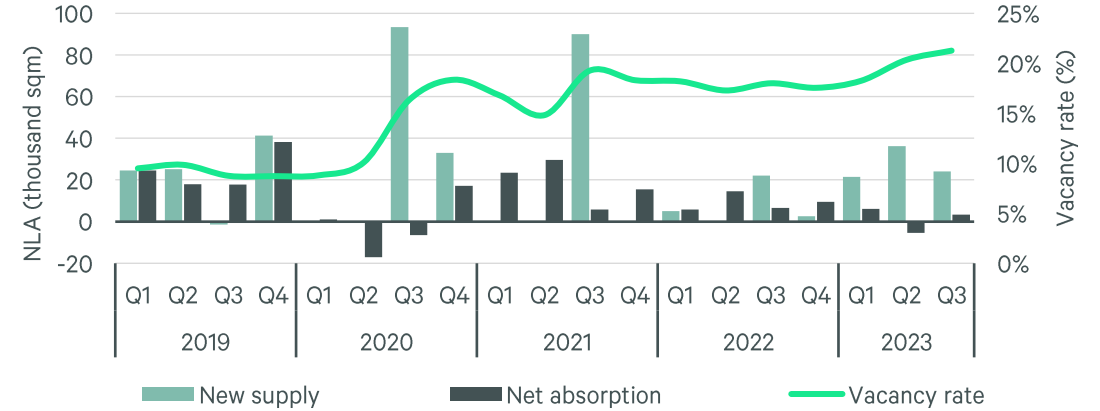
Regarding rental prices, the average rent for Grade A offices saw a slight decrease compared to the previous quarter due to a Grade A office converting to internal use spaces, reaching approximately US\$26.3/sqm/month, a 1.0% decrease q-o-q but a 1.6% increase y-o-y. Similarly, Grade B office rents also saw a slight decrease due to the introduction of the new Grade B supply in suburban Hanoi location, with the average Grade B office rent being US\$14.6/sqm/month, a 0.4% decrease q-o-q but a 1.0% increase y-o-y.

As for vacancy rates, the Grade A office vacancy rate decreased slightly to 28.2%, down 0.3 ppts q-o-q and 0.1 ppts y-o-y. Additionally, the Grade B office vacancy rate increased by 1.9 ppts q-o-q and 5.4 ppts y-o-y, reaching 17.4%, due to the introduction of new Grade B supply.

## Net absorption is anticipated to increase due to high-quality new supply

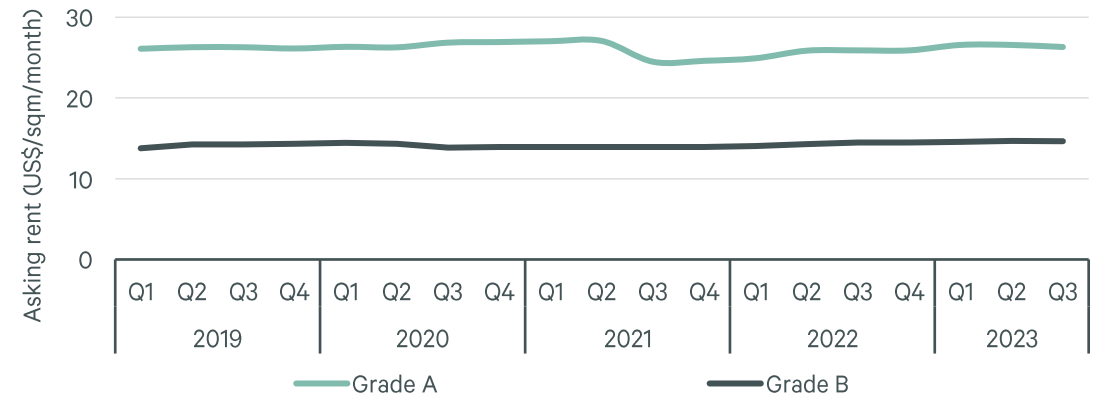
Hanoi's office market is set to welcome two new Grade A projects, Lotte Mall West Lake Hanoi and Diamond Park Plaza, by the end of the fourth quarter of 2023, contributing an additional 50,000 sqm NLA to the total office supply in Hanoi. Moreover, the Hanoi office market is expected to continue seeing large-scale office buildings entering the market in 2024, with a total NLA of over 100,000 sqm. Some notable upcoming projects include 36 Cat Linh Tower, Heritage Westlake, Taisei Hanoi Office, and more. It's anticipated that nearly 40% of the area of new office projects in the future will focus on green certifications such as LEED and WELL, as this trend is gaining momentum in Hanoi and becoming a priority for many tenants.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research & Consulting, Q3 2023

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research & Consulting, Q3 2023  
Asking rent is exclusive of service charge and VAT.

# Retail

## Retail market became more vibrant with new supply in Q3 2023.

Lotte Group has just opened Lotte Mall West Lake Hanoi in Tay Ho District with a net leasable area of up to 72,000 sqm (excluding the basement and aquarium area). Up to now, it is one of the largest shopping malls in Hanoi. Shortly after its opening, Lotte Mall has been almost fully-occupied with diverse product categories and have received positive consumer reviews.

CBD remains the most sought-after for new entries and luxury brands with limited available space. The asking rent in CBD area remained at the same level as the previous quarter, at around US\$ 162/sqm/month. There was almost no vacant retail space in the CBD area.

In the non-CBD, newly opened and renovated projects lead to increasing rent. The asking rent reached more than US\$ 28/sqm/month, up by 4% q-o-q and 5% y-o-y. The average occupancy rate was 87%, equivalent to the previous quarter but up by 3 ppts y-o-y.

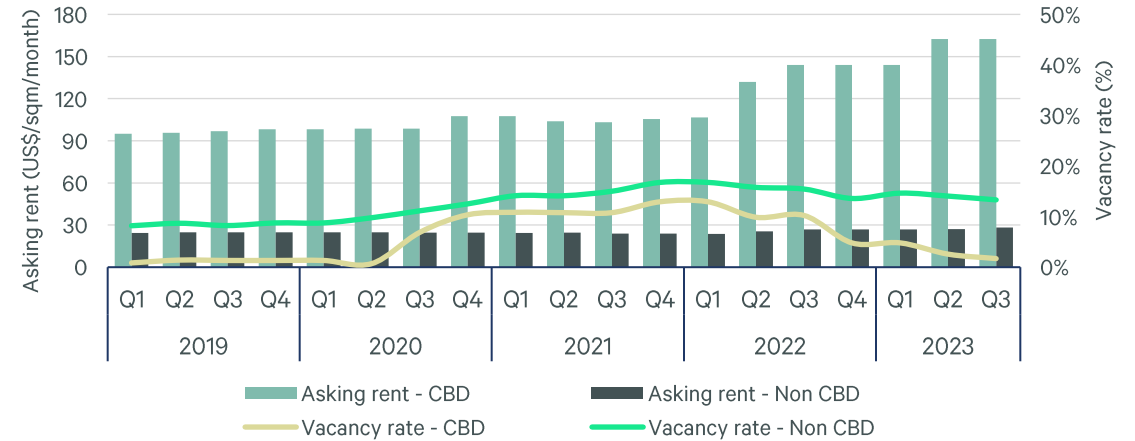
## New supply heading to the West and Mid-Town

By 2025, Hanoi market will expect an addition of nearly 146,500 sqm NLA, equivalent to around 13% of the current total supply. Most of the new projects will be in the non-CBD areas due to limited land bank in the CBD. Among which, the West, the Midtown and the South are the first choices of location for developers for being the major retail clusters. In the following years, it is expected that this trend would further expand in non-CBD areas, including the North.

## Retail market maintains growth, but challenges persist

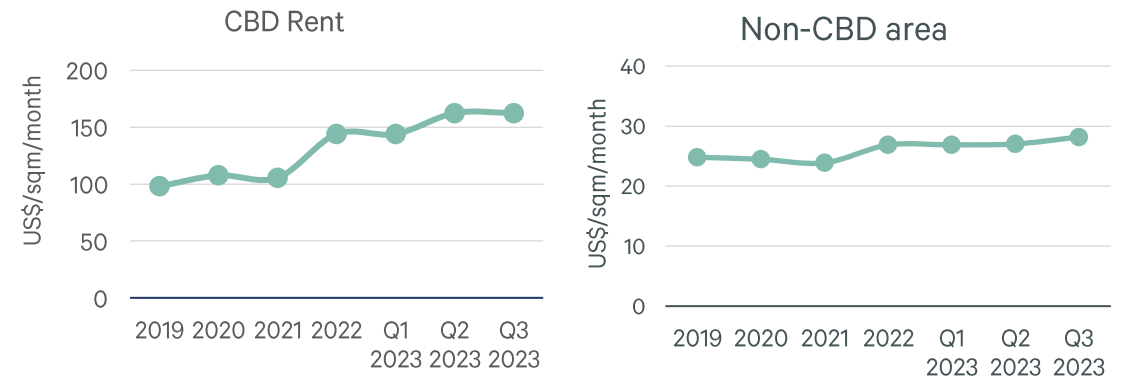
The consumer market is facing some challenges in the short term, such as concerns about the economic recovery and much lower consumer confidence than in 2019. However, categories like F&B, Entertainment, and Fast Fashion still recorded continuous growth. This quarter's new brand entrances and brand expansion increased sharply compared to last year. Looking forward, Shopping Center will reinvent themselves as mixed-use destinations with a range of entertainment, educational, and healthcare facilities, focusing on the customer experience, as this is the fundamental factor determining the success of Shopping Center.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research, Q3 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, Q3 2023. Asking rent is for the ground floor, exclusive of VAT and service charge

# Condominium

## High share of high-end segment led to the primary prices remaining at a high level

In Q3 2023, new condominium supply in Hanoi reached approximately 3,000 units from 9 projects, which was 1.5 times higher than Q2 2023. Total accumulated launch during the first 9 months of 2023 was 6,925 units, down by 40% y-o-y. It is expected that the total new supply in this year will reach the lowest level ever recorded in the last 10 years since 2013. Notably, over 90% of the new launch in Q3 2023 were of high-end positioning, developed in large-scale townships in Nam Tu Liem and Gia Lam. In terms of location, the West continued to dominate the new supply, accounted for nearly 62% of the total supply in Q3. The remaining supply focused on the East (including Hung Yen, province bordering Hanoi).

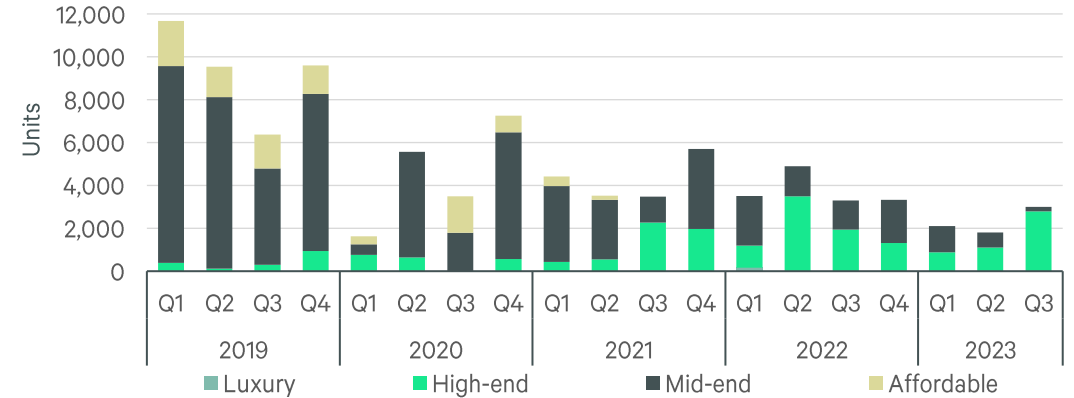
In this quarter, Hanoi condominium market witnessed small improvements in absorption with around 3,640 units sold. Compared to Q2, the number of sold units grew by 1.5 times and almost reached the level of the same period last year. During the first 9 months of 2023, a total of 7,916 condominium units were sold in Hanoi, the majority of which are developed within large-scale townships in the West and the East. In Q3 2023, several developers offered favorable sales policies including direct discounts on selling price of up to nearly 15% for customers making early payment, or 0% interest support within up to 8 years, accelerating the sales velocity of the projects.

In terms of pricing, average primary prices of Hanoi condominium units in Q3 2023 remained at a high level, reaching US\$ 2,128 psm (before VAT and maintenance fee), up by nearly 7% q-o-q and 14% y-o-y. The main reason for such strong increase include the domination of high-end new supply in the total supply launched in this quarter (over 90%). On the other hand, several projects increasing primary selling prices and launching new supply in higher levels also contributed to the overall increase of the primary prices market wide in this quarter.

In the secondary market, the average selling price continued its upward trend, recording at approximately US\$ 1,331 psm, which was a 2.7% increase q-o-q and 0.8% increase y-o-y. By location, all districts witnessed an increase in secondary prices compared to last quarter, among which Dong Da, Thanh Xuan, Tay Ho, Nam Tu Liem and Gia Lam recorded an increase of over 3%. Compared to the same period last year, secondary prices of condominium projects in Hoai Duc and Bac Tu Liem posted the highest growth of 8% and 5%, respectively.

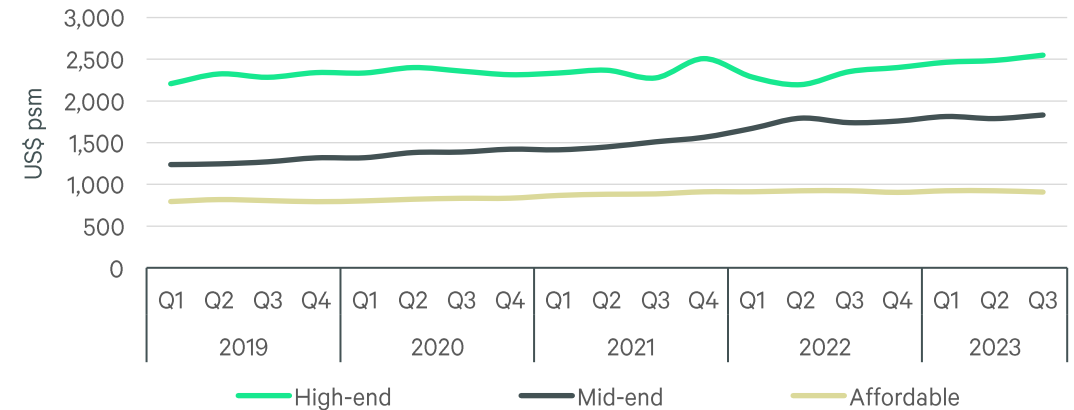
It is expected that in the last quarter of 2023, Hanoi condominium new launch will continue to rise with more than 4,500 units to launch, making the total new supply of 2023 to reach 11,400 units. The new supply in Q4 2023 will come from several projects first ever launched in the market, as well as from follow-on launches of existing projects in the West, the East and the North of Hanoi.

FIGURE 5: New supply, Condominium, Hanoi



Source: CBRE Research & Consulting, Q3 2023

FIGURE 6: Average primary prices, Condominium, Hanoi



Source: CBRE Research & Consulting, Q3 2023

# Villa & Townhouse

## Secondary prices of landed properties in Hanoi ended streak of declines in Q3 2023

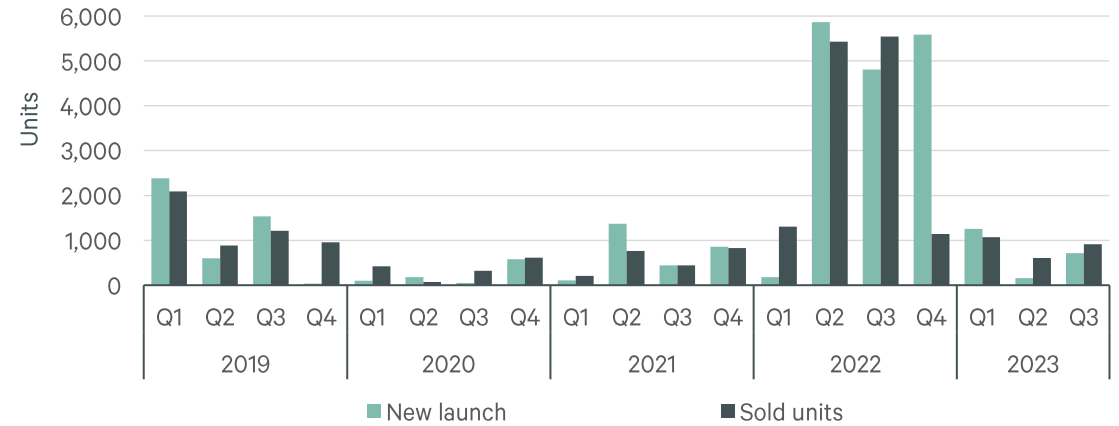
In Q3 2023, new supply recorded 710 units launched from 5 projects, focusing on the North, the West and Hung Yen. Compared to Q2 2023, new supply in Q3 increased by almost 5 times. Total cumulative new launch in Hanoi within the first 9 months of 2023 reached over 2,100 units, down by 81% y-o-y yet higher than the same period in 2020 and 2021. Although the new supply in this quarter as well as of the first 9 months of 2023 were significantly lower than the level recorded within the period between Q2 – Q4 2022 when there was a surge in new supply (a total of over 16,000 units launched in this period), the new launch in 9M 2023 was already on par with the new supply launched per quarter within the period from Q1 2018 to Q1 2022.

In terms of absorption, the number of units sold in this quarter continued to surpass the new launch, reaching 910 units and up by 51% compared to Q2. Total units sold in the first 9 months of 2023 reached 2,580 units, also surpassed the total new supply in the same period. The majority of units sold came from major township projects in the East of Hanoi. In addition, follow-on launch from a project in Me Linh also recorded positive sales rate.

In Q3 2023, primary prices of Hanoi landed properties averaged at approximately US\$ 7,760 psm, down by 5% q-o-q and 6.7% y-o-y. This was mainly driven by the new launch coming from projects in the suburban areas of Hanoi including Son Tay and Me Linh which offered lower selling prices than the projects launched in Q2 with locations closer to the city center. Moreover, there have been no existing projects with adjustment in primary selling prices in this quarter. On the contrary, resales price of Hanoi landed property at the end of Q3 2023 finally increased after a streak of declines lasting for three quarters starting from Q4 2022. Average secondary price of landed units reached US\$ 6,536 psm (inclusive of construction cost and before VAT), slightly increased by 1% q-o-q. Compared to the same period last year, also when the secondary price reached its peak, the average selling prices in the secondary market in Q3 this year declined by roughly 12%. Several locations recorded no changes in the price level compared to the last quarter, whereas the remaining areas witnessed an average increase of 1-2% q-o-q. Among which, projects in Dan Phuong, benefitting from the recent construction commencement of major infrastructure projects including Ring Road 3,5 and Ring Road 4 at the end of Q2 2023, increased by 5% q-o-q in average.

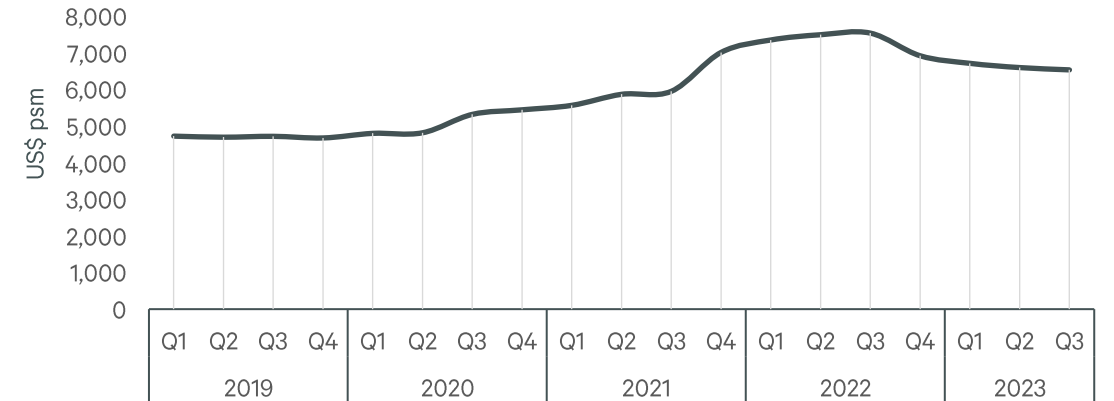
In the last quarter of 2023, it is estimated that around 800 units to be added to the total new supply of Hanoi in 2023. The residential market in Hanoi began to see more positive movements in Q3 this year thanks to the declining interest rates and more flexible sales policies from the developers. The new supply, although limited, is expected to improve in Q4, and would probably achieve better absorption backed by the support of interest rate, as well as a more positive buyers' sentiment typically happening at year end.

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



Source: CBRE Research, Q3 2023.

FIGURE 8: Average Secondary price, Hanoi Landed Property



Source: CBRE Research, Q3 2023

# Northern Industrial

## Industrial market continued to witness positive movements in Q3 2023

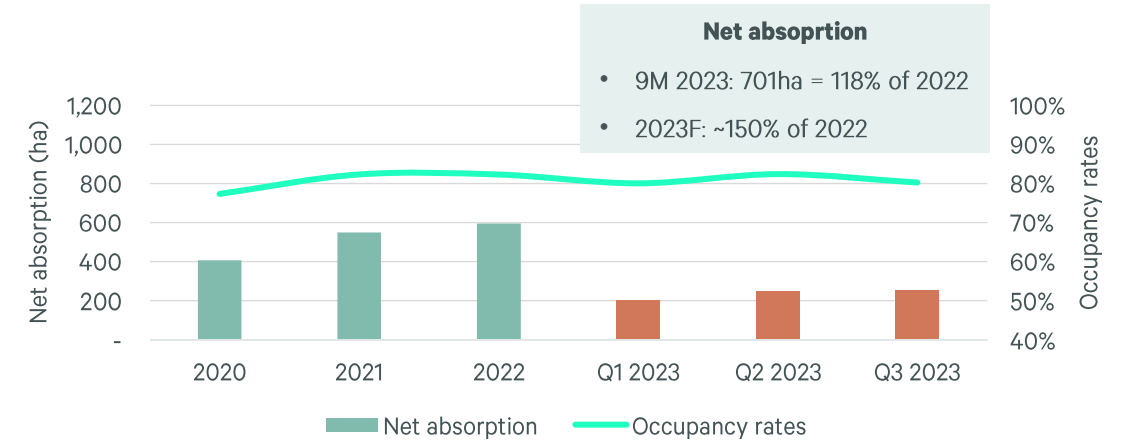
For the industrial land, the average occupancy rate in the Tier 1 markets reached 80.2% in Q3 2023, down 2.4 ppts q-o-q and up 0.4 ppt y-o-y. The market continued to record large transactions from tenants producing plastics, textiles and contact lenses in many provinces and cities. The absorption rate of industrial land in Tier 1 markets reached 251ha in Q3 2023. In 9M 2023, the absorption rate reached more than 700ha, 18% higher than the absorption of 2022. Industrial land rents continue to increase due to buoyant demand. In Q3 2023, the average rental rate for the Tier 1 market in the North reached US\$131/sqm/remaining term, up 2% q-o-q and 12% y-o-y.

In the first 9 months of 2023, Northern market recorded 752,000 sqm of new RBW and RBF completions. The average RBW and RBF rental rates were US\$4.6/sqm/month and US\$4.8/sqm/month, respectively. For the RBF segment, the average occupancy rate in the Tier 1 markets reached 82.9%, up 4.7 ppts q-o-q. Manufacturers from electronics, automobiles, and components sectors were the major group of tenants leasing new RBF space in the reviewed quarter. For the RBW segment, a majority of large transactions still came from supply hubs such as Bac Ninh and Hai Phong. 3PLs and F&B companies were the major group of tenants, leading the demand during the quarter. The occupancy rate of the RBW projects in the North reached 80.0% by the end of Q3 2023, up 3.6 ppts from the previous quarter.

In the next two years, industrial land rents are expected to increase by 6% - 10% per year in the North. Positive demand from various sectors and nationalities would drive rental growth. Meanwhile, the rental rate of RBW/RBF is forecast to increase slightly by 2% - 4% per year in the next two years since new supply with high specifications and in convenient locations would ask for higher rents than the market average. With Vietnam continuing to upgrade cooperation with comprehensive strategic partners such as the US, South Korea, and China recently, tenants from these countries are expected to continue to lead the demand for Vietnam's industrial real estate market in the future.

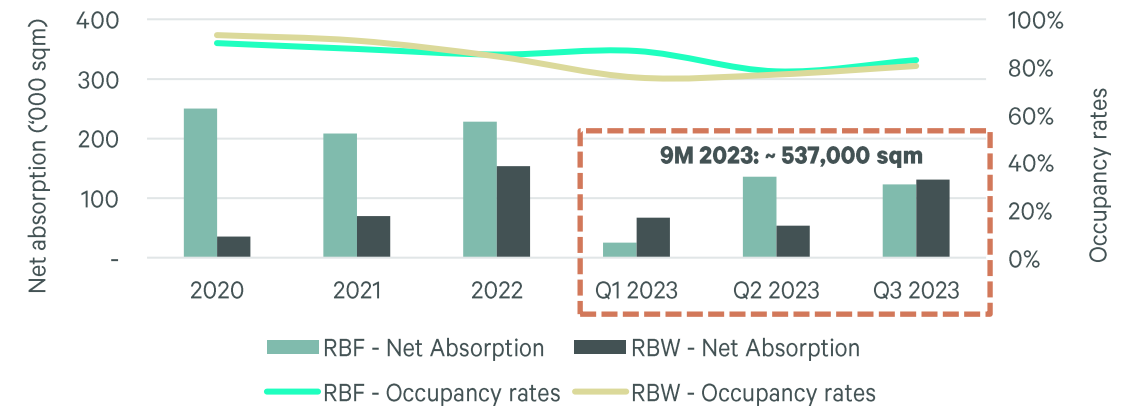
Note: Tier-1 markets include Hanoi, Hai Phong, Hai Duong, Hung Yen and Bac Ninh.

FIGURE 9: Industrial Land, Net absorption and Occupancy rates, Northern area



Source: CBRE Research, Q3 2023.

FIGURE 10: Ready-built Warehouse (RBW) and Factory (RBF), Net absorption and Occupancy rates, Northern area



Source: CBRE Research, Q3 2023.

# Serviced Apartment

## Asking rents became more attractive to boost vacancy rates

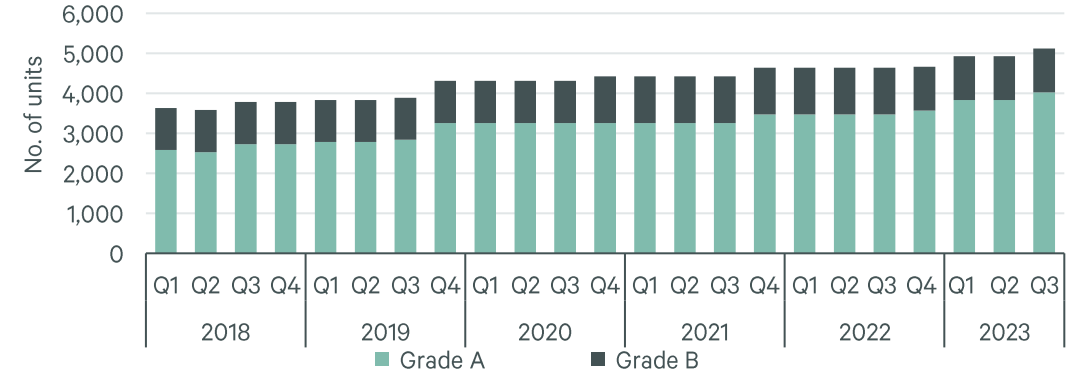
In Q3 2023, rental rates fell slightly compared to the previous quarter, as Grade A projects increased promotions to support vacancy rates. The average asking rent of Grade A was recorded at US\$28.1/sqm/month, down by 2.7% q-o-q and 1.4% y-o-y. Moreover, Grade B's asking rent remained almost the same as previous quarter, averaged at US\$17.2/sqm/month, up by 0.8% q-o-q and 0.6% y-o-y. On average, the market rent was US\$25.6/sqm/month, down by 1.8% q-o-q and up by 0.4% y-o-y indicating that the overall market is still experiencing positive rental rate growth when compared to the 2022 level and is gradually catching up with the pre-Covid level.

Due to promotion efforts, the vacancy rate in Grade A decreased by 1.5 ppts q-o-q. Grade B, on the other hand, has a vacancy rate of 25.0%, up 0.3% ppts y-o-y while rental rates remain unchanged. Overall, the market fell 1.1 ppts between quarters and 14.9 ppts between years, averaging 24.9%.

In Q3 2023, the market welcomed a Grade A project, L7 Westlake Hanoi by LOTTE, with over 190 units. Grade A continued to lead the market in terms of total unit supply, accounting for 79% of total supply, with a total supply of 5,192 units.

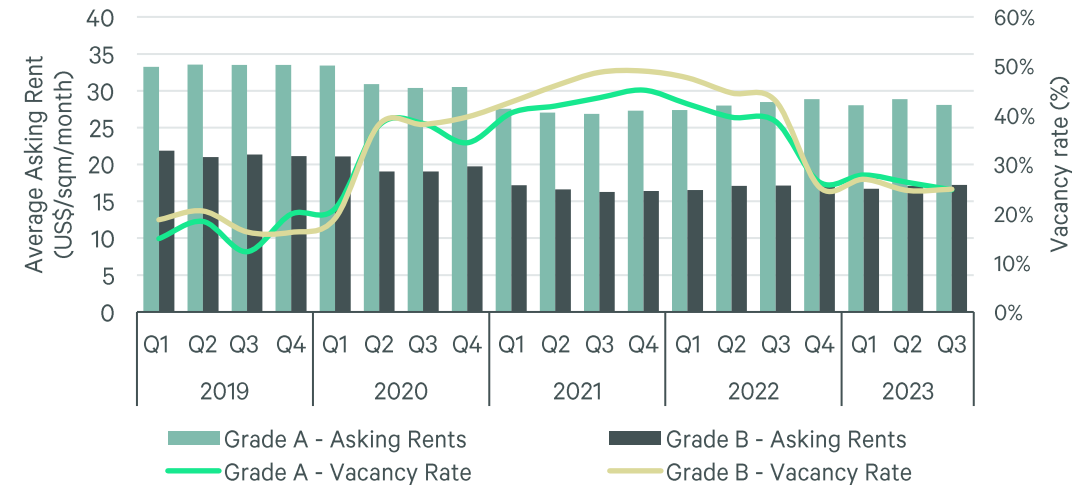
In terms of future supply, Hanoi's serviced apartment market is expected to welcome more than 2,950 new units in the next few years, the majority of which are Grade A apartments by branded international operators. This indicates growing demand for high-end, good-quality serviced apartments and interest from international players. Among 5 future projects, two projects are scheduled for opening in 2023, adding 2,031 units to the total supply.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q3 2023



Source: CBRE Research., Q3 2023

FIGURE 12: Asking price and Vacancy rate, Hanoi Serviced Apartment, Q3 2023



Source: CBRE Research., Q3 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.

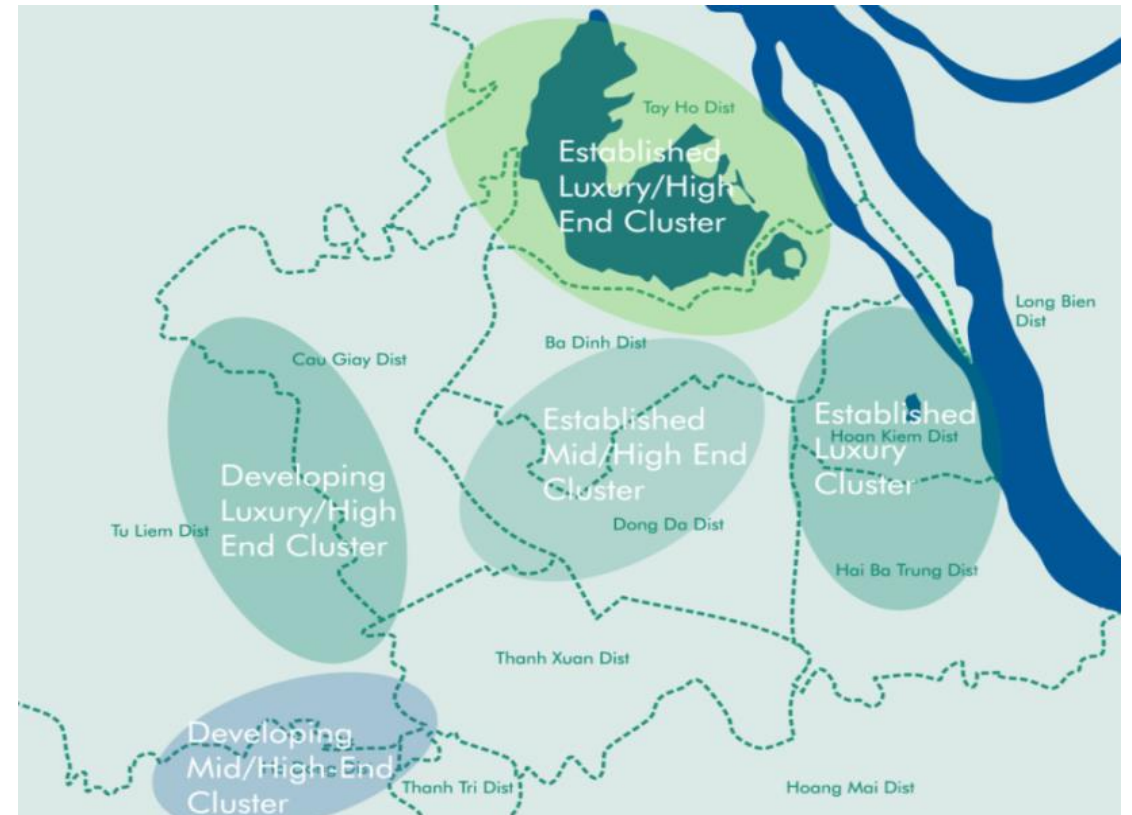
Rents or average room rates are quoted on the following basis:

- 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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