

A mild improvement in new residential supply, though 2023 is 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:** The HCMC office market has shown signs of vibrancy in the 3rd quarter of 2023 with the introduction of two new office buildings in Thu Thiem New Urban Area (NUA), District 2, which are The Mett and The Hallmark with a total net leasable area of 85,000sqm. While rent stabilized, net absorption of both grades reached almost 24,000 sqm, the very first positive since the beginning of this year.
- **Retail:** Vietnam's retail market has become more vibrant, with new projects opening nationwide. Lotte Mall West Lake in Hanoi recently opened with a net leasable area of nearly 72,000 sqm (excluding the basement and aquarium area). At the same time, Hung Vuong Plaza reopened in HCMC with a new look. These malls have been almost entirely occupied with diverse product categories.
- **Condominium:** Most new supply in Q3 2023 continued to come from the high-end segment. Absorption rate was improved compared to the first 6M 2023 thanks to more diverse sales policies whereas selling prices in both primary and secondary market slightly increased.
- **Industrial land:** The industrial land recorded an impressively high net absorption, and it is expected that the whole year 2023 reach 90% - 100% of 2022.. In the first 9 months of 2023, tenants from China, Japan, the US and the European Union are investors actively looking for industrial land, warehouses and factories in the Vietnamese market. With Vietnam continuing to strengthen cooperation with comprehensive strategic partners such as the US, South Korea and China in recent times, tenants from these countries are expected to continue to lead the demand for Vietnam's industrial real estate market in the future.

VIETNAM ECONOMIC OVERVIEW

- Vietnam's GDP increased by 4.24% y-o-y in 9M 2023. According to the World Bank's forecast in October 2023, Vietnam's economy is expected 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. The processing and manufacturing industry accounted for the most significant proportion of the total newly licensed FDI by sector. 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. Exports decreased by 8.2%, while imports decreased by 13.8%. The trade balance had a trade surplus of US\$21.68 billion. The United States was the largest export market, and China was the largest import market.
- In 9M 2023, CPI increased by 3.16% y-o-y, mainly impacted by increasing gas prices 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

New Supply Led to Market Improvement

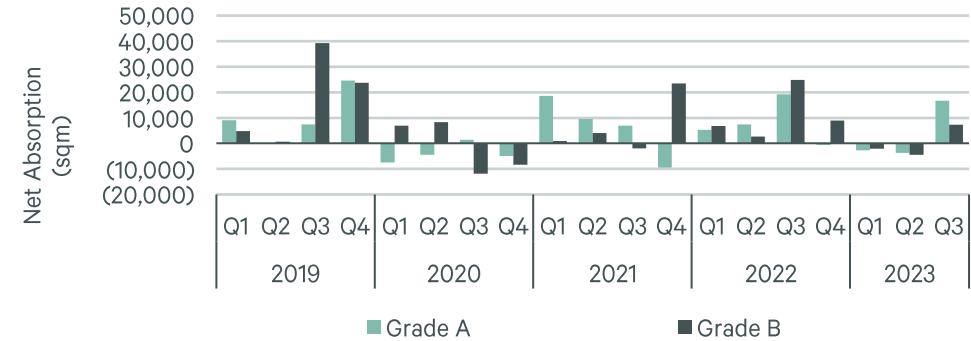
The HCMC office market has shown signs of vibrancy in the 3rd quarter of 2023 with the introduction of two new office buildings in Thu Thiem New Urban Area (NUA), District 2, which are The Mett and The Hallmark with a total net leasable area of 85,000sqm. Both Grade A buildings are located in a convenient location only 5 minutes from the CBD with green certificates and have achieved positive pre-commitment leasing results. This proves that tenants', especially MNCs, demand for quality office stock in prime locations remains strong. Thanks to this new supply, the total NLA of the HCMC office reached 1.6 million sqm.

Most of the large transactions within this quarter are from new buildings completed since 2020, of good quality, and, importantly, having sufficient vacant space to lease. Total net absorption of grades A & B in Q3 reached almost 24,000 sqm, the very first positive since the beginning of this year, mostly from two new buildings in Thu Thiem, making up for 80% of the total transacted area.

According to significant transactions recorded by CBRE Vietnam in Q3, the majority were for relocation and renewal leasing purposes, making up a large proportion with over 80% of the total transacted area, closely followed by expansion transactions recorded at 13%. Pharmaceuticals and Flexible Workspace are two primary industries that contributed to the expansion transactions since they have not been heavily affected by economic challenges in Vietnam and globally. By contrast, in the context of economic difficulties, tenants of Retail/Trade/E-commerce are considering reducing their footprint as their respective markets balance following the rapid expansion seen during and immediately after the COVID-19 pandemic, mainly from the start-up groups. Within the Grade A office market, the welcome appearance of new and high-quality supply means growing competition and has pushed average vacancy rates from 7.5% to approximately 20%. The trend of larger companies relocating to their office buildings or those of relevant parties continues, which puts further pressure on Grade A landlords of older buildings competing against the solid new supply seen with competitive rents. The vacancy for the Grade B office market improved slightly at 10%, down 0.7 ppts compared with the beginning of 2023.

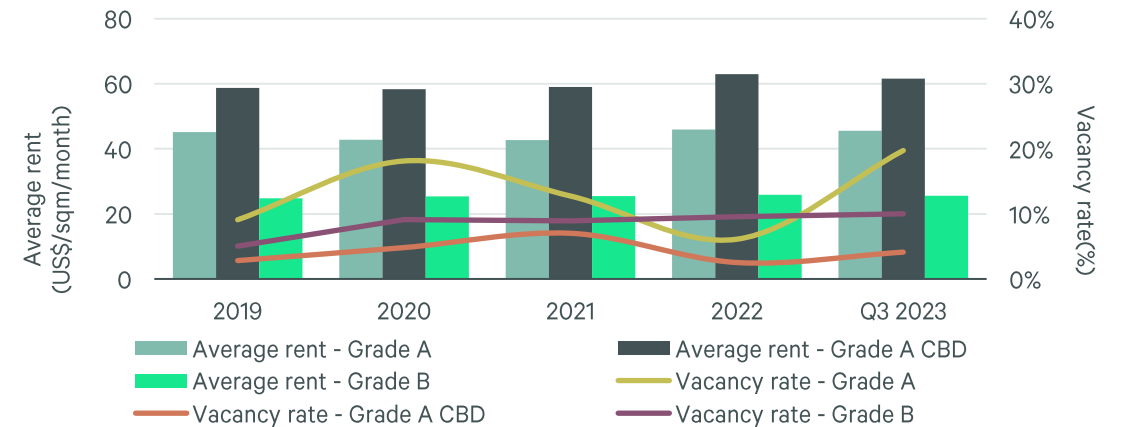
After the recent downward rent adjustment in the 1st half of this year, the average asking rent of both grades has stabilized compared to the previous quarter. Specifically, in HCMC, the average asking rent of Grade A was 45.5USD psm pm, up 0.3% q-o-q. For Grade B, the average asking rent was 25.6USD psm pm, the same as the previous quarter. Compared to 2022, the average asking rent has fallen by 0.9% and 0.3% y-o-y for Grade A and Grade B, respectively. Currently, landlords are conscious of the current headwinds and conservative with rental increases whilst increasing multiple incentives to retain or attract tenants. With economic headwinds expected to stay with us until the end of the 1st quarter of next year, this caution is essential with Grade A supply growing in the coming years.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q3 2023

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



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

Retail

The Retail Market Maintains Growth, but Challenges Persist

In Q3/2023, Vietnam's retail market became more vibrant, with new projects opening nationwide. 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. Meanwhile, Hung Vuong Plaza reopened in HCMC with a new look after being temporarily closed for renovation and changing ownership. These shopping malls have been almost entirely occupied with diverse product categories and have received positive consumer reviews.

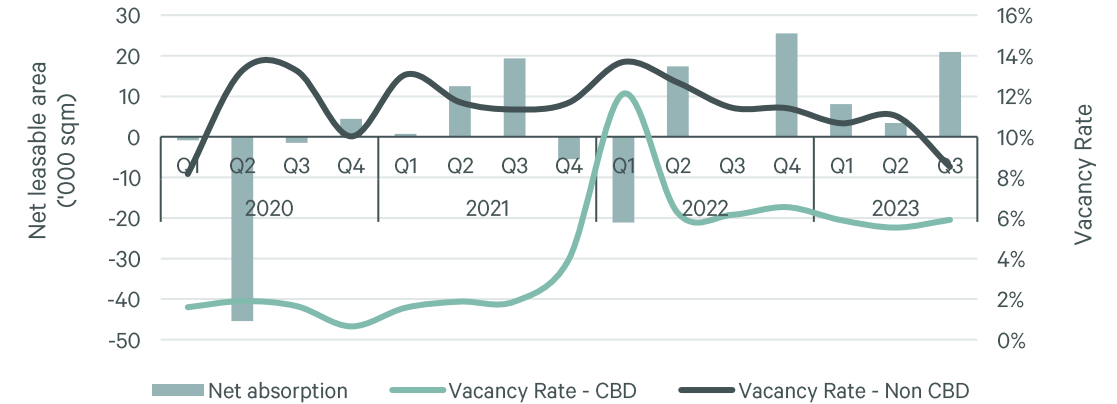
Recently, notable retail developers, such as Central Group and Aeon Mall, have been expanding their businesses in provincial markets outside Hanoi and HCMC: Central Retail launched a new furniture brand, "Come Home"; Mini Go! was opened in Nhon Trach, Dong Nai province, and Dien Ban, Quang Nam province; Aeon opened a new "Super Supermarket" (SSM) in Binh Duong New City. In addition, Thiso Retail (a subsidiary of Thaco Group) is urgently completing its third Emart project in Go Vap District, HCMC. Aeon Mall Hue is expected to open in 2024 with a gross floor area of around 138,000 sqm, which will be Aeon's first shopping mall in Central Vietnam.

According to CBRE, HCMC and Hanoi's retail real estate market continued to enjoy good rental growth thanks to stable demand and limited new supply. Notably, HCMC and Hanoi ranked among the top cities in the Asia-Pacific region with the highest CBD rental growth. The retail real estate market in HCMC and Hanoi continued to benefit from limited supply.

In Q3/2023, the asking rent for the ground floor in the CBD area in HCMC reached more than US\$ 200 – 350/sqm/month. In the non-CBD area, HCMC recorded a rental rate of US\$ 48.5/sqm, up by nearly 4% q-o-q and more than 20% y-o-y. The average occupancy rate in HCMC was around 91.8%, up by nearly 2 ppts q-o-q and y-o-y.

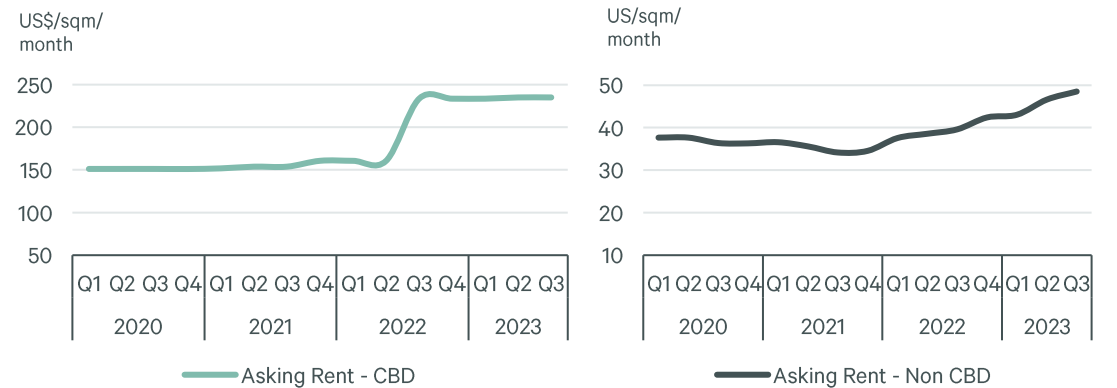
However, the consumer market is facing some challenges in the short term, such as concerns about the economic recovery and much lower consumer confidence than in 2019. Vietnam's retail sales in 9M 2023 had roughly 10% growth but still lower than the pre-Covid period. Consumers are still cautious in spending, leading to a drop in consumer confidence to 54 points in June 2023, much lower than 92 points in 2019.

FIGURE 3: Market performance, Retail, HCMC, Q3 2023



Source: CBRE Research & Consulting, Q3 2023

FIGURE 4: Asking rent, Retail, HCMC, Q3 2023



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

Source: CBRE Research & Consulting, Q3 2023

Condominium

New supply was improved and still dominated by high-end segments

In Q3 2023, the number of new condominium supply in HCMC was around 3,600 new units, nearly 90% of total new supply in the first 6 months of 2023, up 27% y-o-y. The increase in new supply all came from existing projects in continued phases, with 60% of new supply in the first 9 months of 2023 coming from one township project in the East only, making the East remaining the key cluster for new condominium supply in HCMC.

96% of new supply in Q3 2023 was from the high-end segment, while the remaining 4% was in the luxury segment under the next phase of one project in Thu Thiem New Urban Area.

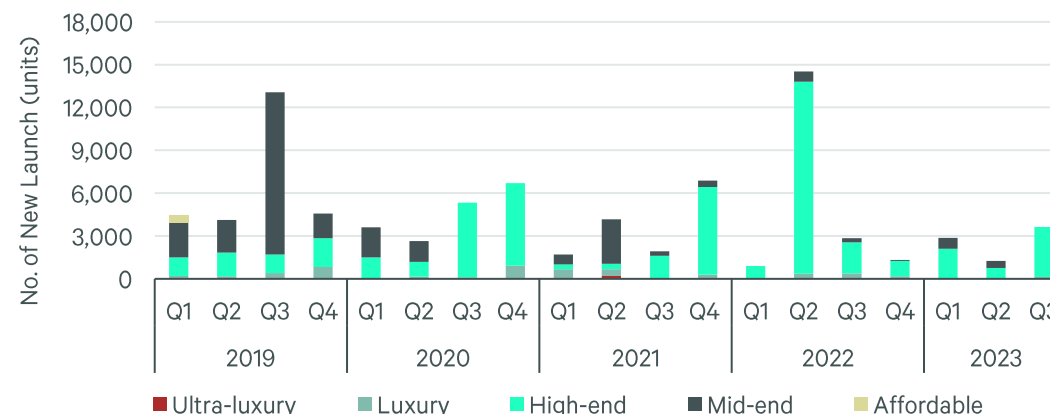
The primary price in Q3 2023 was over US\$2,500/sqm, up 4% q-o-q and up 1.9% y-o-y, mainly impacted by the price increase of new supply in luxury and high-end segments in Q3 2023. In which, new supply in the luxury segment, thanks to limited launched units, transparent legal status and prime locations near CBD, has adjusted the primary prices in Q3 2023 up 6% compared to the previous launching phase in 2022. Similarly, developers of new supply in the high-end segment added a wide range of offerings to scale up their average primary prices in Q3 2023 by 3-4% on average, including product upgrading, prolonged home loan interest rate support, extended payment progress and rental commitment.

In the secondary market, the average price in Q3 2023 was nearly US\$1,900/sqm, up 2.6% q-o-q but still down 4% y-o-y. While secondary prices in the luxury and affordable segments almost stayed the same compared to Q2 2023, the quarterly increase was mainly due to secondary price increases in high-end and mid-end segments as buyers seek handed-over products with more reasonable prices than the primary market prices and especially for projects in the CBD's fringe such as Binh Thanh District and Thu Duc City which benefitted from the upcoming completion of the Metro No.1.

Although the market did not record direct price discounts, preferential sales policies are indispensable to ensure higher absorption rate

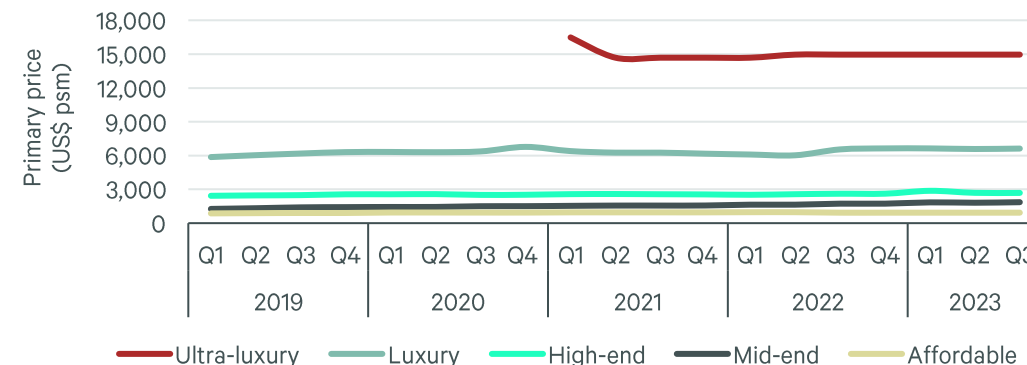
Q3 2023 welcomed some notable sales policies, in which some developers offered handover after paying 20% of the unit value, and the remaining can be paid during the next four years. Meanwhile, another project in the East applied special prices for only 50 units in 250 launched units in Q3 2023 at 20-25% lower than the average prices if buyers make full payment within the next three months. Therefore, this project eventually sold the batch of products at preferential prices. With sales policies becoming more diverse, the absorption rates in the market during Q3 2023 reached up to 2,600 sold units, equivalent to 55% of new launches and nearly doubled compared to Q2 2023's absorption rate.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q3 2023

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q3 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

The landed property market remained stable due to the lack of new supply but will soon improve with the introduction of new townships.

The average primary price of the landed property market in HCMC stabilized at around VND255 million/sqm land area in Q3 2023 due to the limited new supply. Similar to the primary market, transactions and demand in the secondary market also remained low, with no significant changes in average selling prices during the last 9 months, and investors were still in their "wait and see" mode under high financial pressure. However, the landed property sector is expected to see an improvement in new supply starting from Q4 2023 towards 2024, with more new supply mainly coming from new townships in the East and South of HCMC, including An Hung Residence (Nha Be District) and The Global City in its subsequent phases (Thu Duc City).

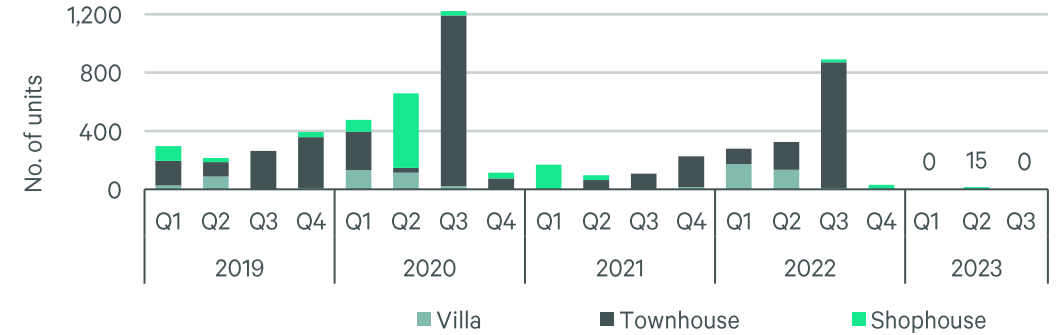
More changes in sales policies have been released to boost the market demand

Although there was no price adjustment, more attractive sales policies have been offered to stimulate market demand during this challenging 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 payments, interest-rate support program, free-of-charge management fees, and other special service packages. Besides, some developers actively increased their product value through luxurious furniture. Since Q2 2023, some developers have also offered a new rental commitment program, which ensures monthly income from VND 80 – 150 million over one year but only applies to a limited number of products.

A more prolonged payment scheme is also planned to apply for home buyers after the handover time (around two years) since Q4 2023

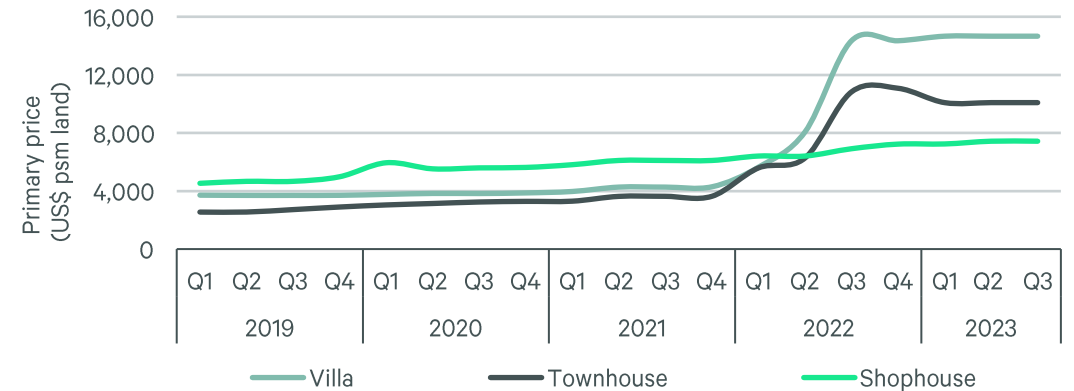
In addition, some large-scale completed townships have applied supporting packages (fit-out cost, free management fee) to attract more residents to move in and improve the value of low-rise units.

FIGURE 7: New supply, Landed property, HCMC



Source: CBRE Research & Consulting, Q3 2023

FIGURE 8: Average primary price, Landed property, HCMC



Source: CBRE Research & Consulting, Q3 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: Limited new supply leads to lower absorption in the last two years.

In the Southern region, the average occupancy rate of industrial parks in the Tier 1 provinces is 91.8%. The net absorption of industrial land in the first nine months of 2023 was over 480 ha; the full year 2023 is expected to reach 90% - 100% of 2022.

The average rental rate of industrial land in Southern Tier 1 markets reached US\$189/sqm/remaining term, increasing by 1% q-o-q and 13% y-o-y. The market recorded significant transactions from Chinese and Japanese enterprises with various industries such as mechanics, chemicals, plastics, rubber, and electronics.

RBF/RBW: Absorption in Q3 2023 was picked up, driven by demand from US, EU and Japanese companies.

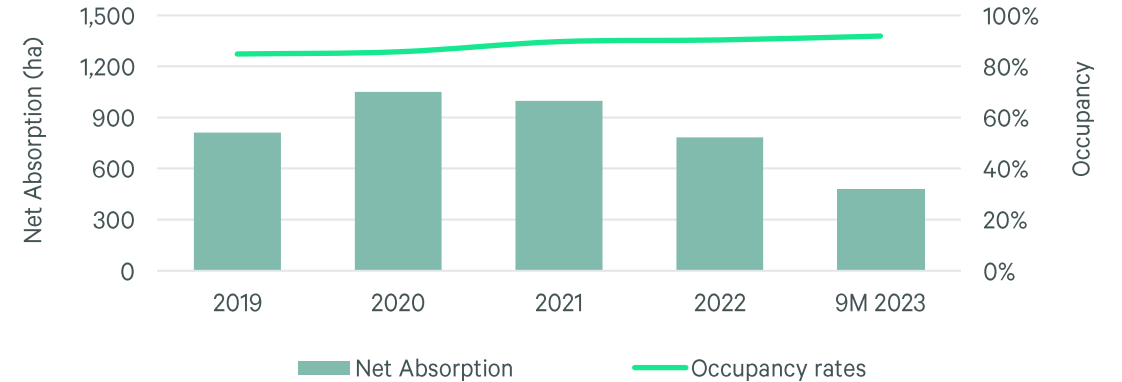
In the first nine months of 2023, Southern markets recorded 450,000 sqm of new RBW and RBF. With abundant new supply, RBW and RBF rents are relatively stable; the average rent is US\$4.5/sqm/month for RBW and US\$4.9/sqm/month for RBF in the South.

The occupancy rate of RBW (excluding serviced warehouses) was 56%, continuing the downward trend due to new supplies. Meanwhile, the occupancy rate of RBF has remained at a good performance, reaching 91%, up one percentage point compared to Q2 2023.

Tenants from China, Vietnam, Japan, the US and the European Union are investors actively looking for industrial land, warehouses and factories in the Vietnamese market, accounting for about 70-80% of CBRE's inquiries. With Vietnam continuing to strengthen cooperation with comprehensive strategic partners such as the US, South Korea and China in recent times, tenants from these countries are expected to continue to lead the demand for Vietnam's industrial real estate market in the future.

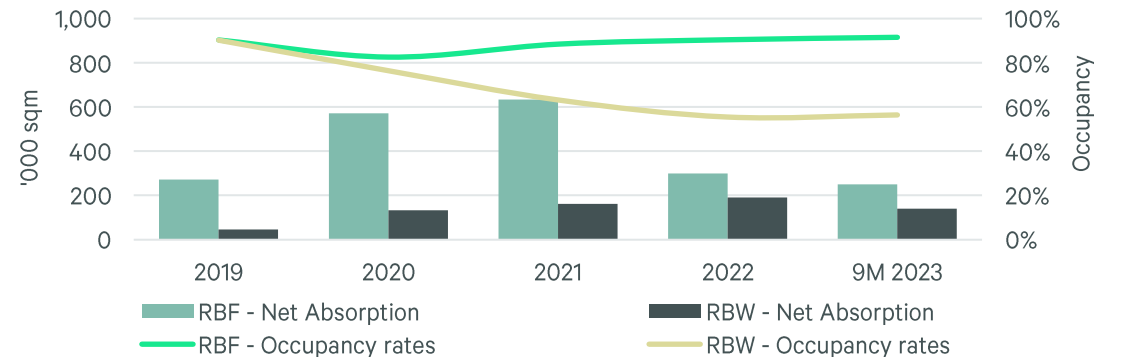
Note: Southern Vietnam is divided into Tier-1 and Tier-2 regions. Tier 1 markets include Ho Chi Minh City, Dong Nai, Binh Duong, and Long An.

FIGURE 9: Industrial land, Southern region, Tier – 1 provinces



Source: CBRE Research & Consulting, Q3 2023

FIGURE 10: Ready-built factory and warehouse (RBF/RBW), Southern region, , Tier – 1 provinces



Source: CBRE Vietnam Research & Consulting, 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:

- net absorption = new completions*
- + vacancy figures at the beginning of the period*
- demolition - vacancy figures at period-end*

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.

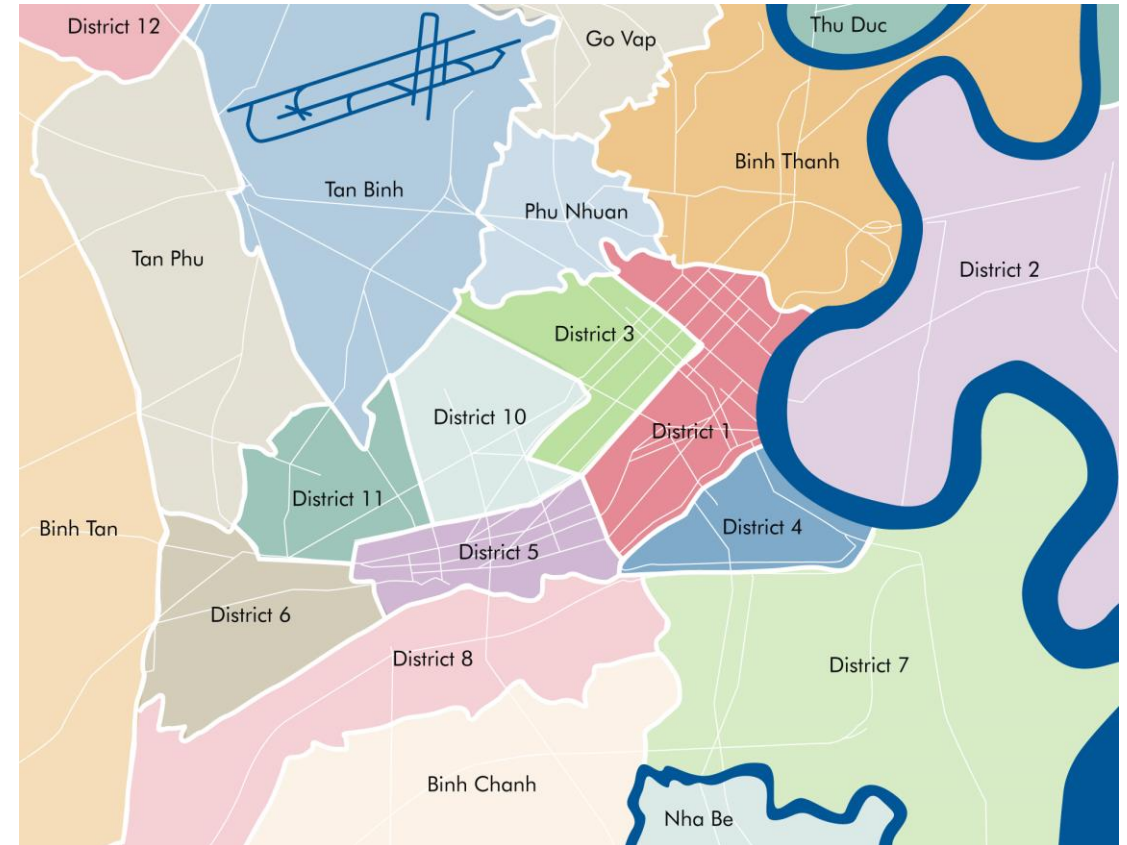
Rents or average room rates are quoted on the following basis:

- 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