

Positive Signs of Improvement in the Second Half of the Year: The Worst is Likely Behind Us

▲ +5.05%
VIETNAM GDP

▲ +5.81%
HCMC GRDP

▲ +6.27%
HANOI GRDP

▲ +4.04%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** 2023 marked the most significant surge in HCMC office market supply since 2019, as nearly 170,000 sqm NLA were completed. While the asking rent of both grades showed little variation compared to 2022, CBRE's statistics indicated that HCMC absorbed nearly 80,000 sqm of office space in H2 2023, with over 90% of this absorption stemming from four newly completed Grade A buildings.
- **Retail:** In 2023, Vietnam's retail sales saw a growth of 9.6%, lower than the 19.8% growth observed in 2022. Nevertheless, Vietnam's retail sector demonstrated a more positive trajectory than other regional markets. The retail market experienced solid rental growth, driven by the expansion of high-end and luxury brands. Prime retail space with high quality remains limited in Vietnam, even in the two biggest cities.
- **Condominium:** Most new supply in Q4 2023 came from the West. The absorption rate improved in the second half of 2023 thanks to more diverse sales policies, whereas selling prices in primary and secondary markets tended to stabilize.
- **Industrial land:** In 2023, industrial land in the Southern market experienced a decrease in net absorption, with just over 500 hectares, reflecting a 32% decline compared to 2022. This decline can be attributed to the limited availability of industrial land banks in the Southern market. The absorption rebounds in H2 2023 thanks to flexible leasing policies. Despite the increase in supply, RBF occupancy rates slightly increased to 85%, and RBW segment occupancy rates remained stable in the South.

Vietnam Economic Overview

- Vietnam's GDP growth slowed to 5.05% in 2023, down from 8.02% the previous year. Despite this, various renowned international financial institutions maintain an optimistic outlook on Vietnam's economic prospects, forecasting a minimum of 6% GDP growth in 2024.
- Total registered FDI reached about US\$36.61 billion, up 32.1% y-o-y. Singapore, China, and Hong Kong were the leading sources of FDI in 2023. This year, Quang Ninh, Thai Binh, and Bac Giang were the most attractive FDI destinations.
- Total import and export turnover amounted to US\$683 billion, down by 6.6% y-o-y. Vietnam achieved a trade surplus for the eighth consecutive year, estimated at US\$26 billion, three times higher than the surplus recorded in 2022.
- The CPI rose by 3.25% y-o-y. The main drivers behind the increase were the rising prices of housing and construction materials and the increasing costs of food and electricity.
- Interest rates continued to decline, indicating positive signals in Vietnam's property market shortly.
- Retail sales growth was 9.6%, lower than the robust 19.8% growth observed in 2022. Nevertheless, Vietnam's retail sector demonstrated a more positive trajectory than other regional markets.
- The tourism sector has made a significant recovery since the COVID-19. In 2023, the country welcomed 12.6 million foreign visitors, surpassing the full-year target of 8 million tourists and recovering to 70% of the pre-pandemic level in 2019. South Korea and China were the leading sources for Vietnam's tourism market in 2023.

Office

Improved absorption in the latter half thanks to a flock of new quality supply

The 2023 marked the most significant surge in office market supply since 2019, as 132,000 sqm NLA (Net Leasable Area) was completed in Hanoi, while Ho Chi Minh City witnessed the completion of nearly 170,000 sqm NLA. Most of these newly completed projects were Grade A office developments strategically positioned in prime locations. In HCMC, noteworthy projects that commenced operations included The Nexus, VPbank Saigon Tower in District 1 and The Mett, The Hallmark in the Thu Thiem New Urban area (Thu Thiem NUA is expected to be the city's new centre).

The asking rents for both Grade A and Grade B offices in HCMC showed little variation compared to 2022, despite the introduction of several new projects to the market. The newly completed buildings in HCMC in the past year boasted favourable occupancy rates. HCMC absorbed nearly 80,000 sqm of office space in H2 2023, with over 90% of this absorption stemming from four newly completed Grade A buildings. Consequently, the rental prices for Grade A and Grade B offices remained at US\$46.0 USD/sqm/month and US\$25.8/sqm/month, respectively.

Due to abundant new office supplies, the vacancy rates for Grade A and Grade B projects were 18.6% and 10.1%, respectively, marking an increase of 12.5 and 1.4 ppts compared to the previous year.

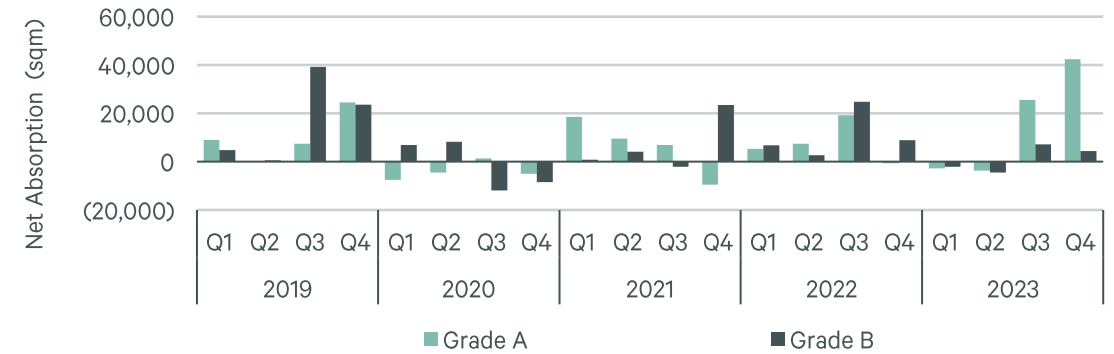
There is a preference for high-quality office spaces among tenants, especially multinational companies. Despite economic challenges, the abundant supply has allowed tenants to negotiate favourable rental rates for higher-quality office spaces. Relocation transactions still accounted for a significant proportion, approximately 31% in Hanoi and nearly 48% in HCMC. Most of these transactions aimed to move to newer, higher-quality office spaces with competitive rental rates.

The Finance/Banking/Insurance sector accounted for as much as 37%, followed by the Manufacturing and Life Sciences/Healthcare/Pharmaceutical sectors with 15% and 13% of the total major transactions, respectively. These sectors are less affected by economic crises or have strong financial foundations, often representing large corporations with long-term expansion plans in Vietnam.

Market outlook

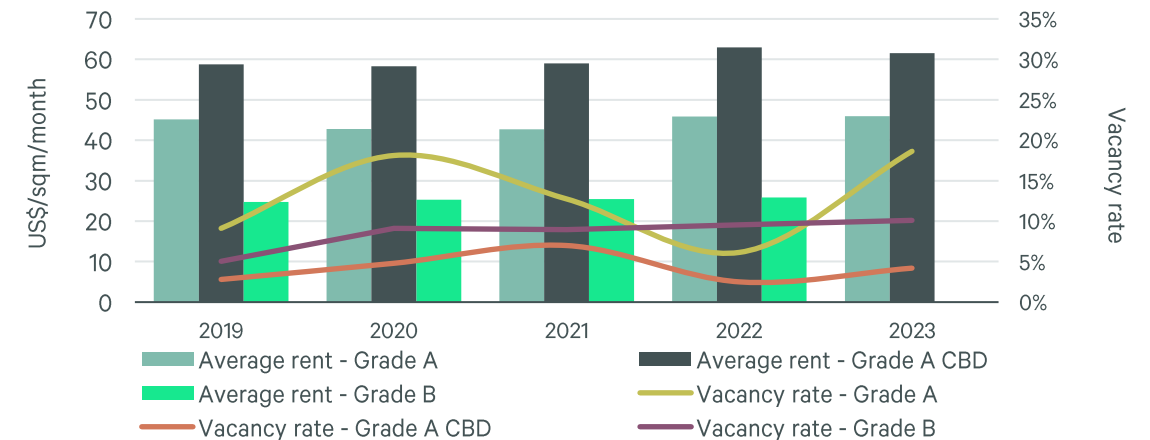
The new supply in the HCMC office market in 2024 is projected to be around 53,000 sqm, primarily located in non-CBD locations.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q4 2023

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



Asking rent is exclusive of service charge and VAT.
Source: CBRE Research & Consulting, Q4 2023

Retail

Resilient market performance despite dropping consumer confidence

In HCMC, Hung Vuong Plaza, with a comeback after renovation and changing ownership, was the only new supply throughout the year.

In the face of challenging economic conditions, HCMC's retail market showed resilience with solid rental growths. The asking rent at prime locations continued to rise thanks to the active entrance and expansion of luxury brands. HCMC CBD area saw the average asking rent increase by 6% y-o-y to nearly US\$240/sqm/month. The limited supply has supported the rental rate of non-CBD to sharply increase to US\$51/sqm/month, up by 28% y-o-y. The average occupancy rate was around 91% (up by 2ppts y-o-y).

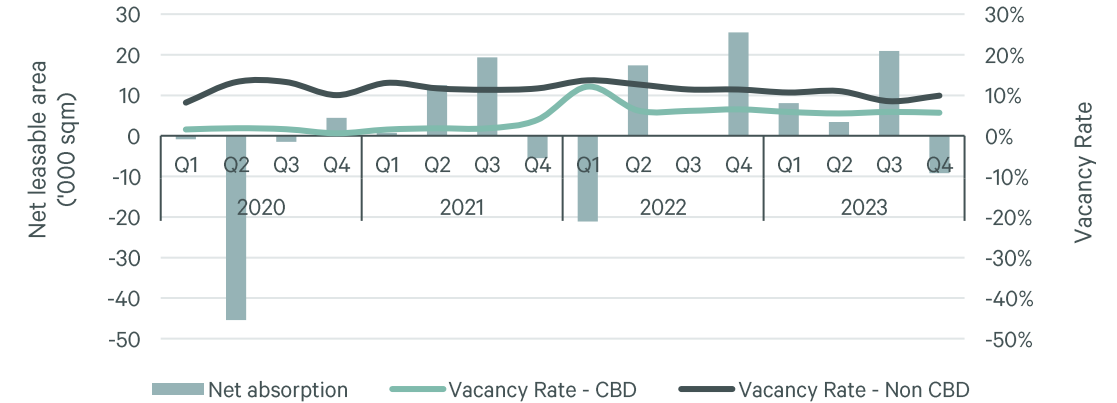
Shopping malls continue to perform relatively well, maintaining high occupancy. Most international brands, especially in the high-end segment, have experienced more positive sales activities in the Asia Pacific region than in other areas, driving the active pursuit of new store openings and expansions. Prime retail space with high quality remains limited in Vietnam, even in the two biggest cities.

In 2023, Vietnam's retail sales saw a growth of 9.6%, lower than the 19.8% growth observed in 2022. Nevertheless, Vietnam's retail sector demonstrated a more positive trajectory than other regional markets. 2024 recorded a surge in new market entrants and expansions in categories such as F&B, Entertainment, and Fashion in both Hanoi and HCMC.

Market outlook

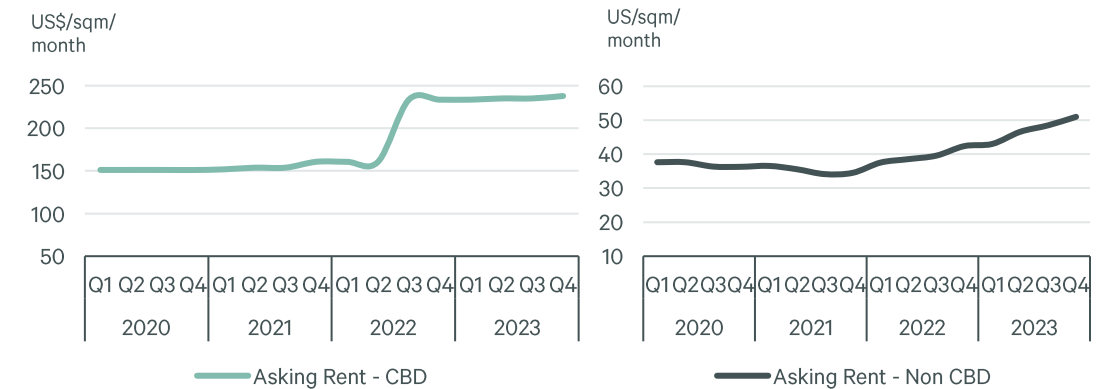
2024 is anticipated to be another active year for the retail market. In HCMC, two large-scale projects, Vincom Shopping Center in Vinhomes Grand Park-District 9 and Parc Mall-District 8, will come into operation, providing nearly 70,000 sqm of net leasable area in total.

FIGURE 3: Market performance, Retail, HCMC



Source: CBRE Research & Consulting, Q4 2023

FIGURE 4: Asking rent, Retail, HCMC



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

Source: CBRE Research & Consulting, Q4 2023

Condominium

Stronger supply and absorption in HCMC market in H2 2023

During Q4 2023, the number of newly launched condominiums in HCMC decreased significantly by 74% q-o-q, with approximately 960 units. Notably, a new project in the West accounted for 94% of the new supply in the quarter. The overall new supply in 2023 reached its lowest level in a decade, with nearly 74% of the new supply originating from existing projects and 80% from the East.

The primary prices for condominiums in HCMC have levelled off at around over VND 61 million/sqm in 2023, down 1.7% y-o-y. During 2023, the number of high-end supplies located far from the city centre and mid-end supply was higher than the previous year. In the secondary market, the selling price of condominiums in HCMC recorded VND 45 million/sqm, down 5% y-o-yr. During 2023, the secondary market in HCMC went through several price adjustments, yet the price fall gradually slowed towards the last quarter.

HCMC recorded more than 2,200 condominiums sold in Q4 2023, most of which came from high-end projects in the city outskirts. In 2023, over 7,300 condominiums were sold, equivalent to only half of 2022, but more positive signals were seen in the second half of 2023. Most projects with positive absorption have convenient traffic connections and preferential sales policies, such as extending payment schedules and discounts up to more than 40% for a 95% upfront payment. Along with falling interest rates, home buyer sentiment has gradually improved, contributing to the number of units sold in the last two quarters of the year doubling compared to the first half.

At the end of November 2023, the Law on Housing 2023 and the Law on Real Estate Business 2023 were passed by the National Assembly, which will take effect from January 1, 2025. The main changes in these two new laws include but are not limited to adjustments on the maximum deposit amount, pink book issuance for mini apartments, more specific policies for the social housing segment, etc. When these two laws come into effect in 2025, it is expected to help the market to be stricter but more transparent for both project developers and home buyers.

Market outlook

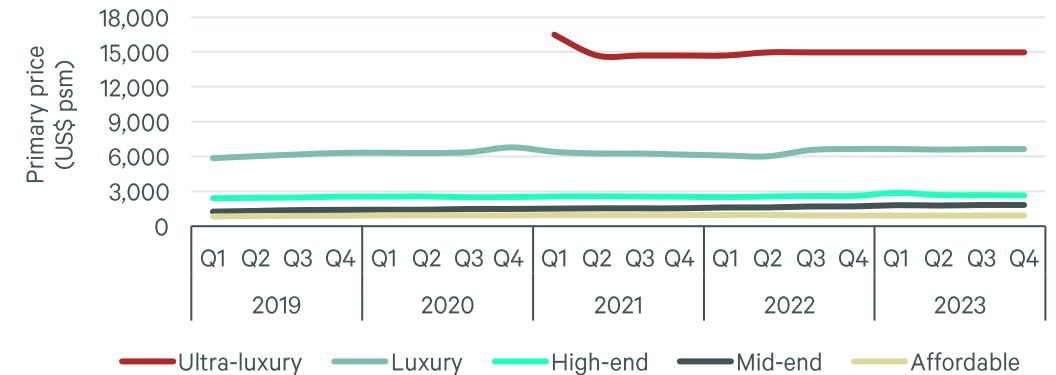
Towards 2024, an increase in new supply is anticipated in both Hanoi and HCMC. HCMC expects new supply of over 9,000 condominiums and 1,000 landed properties in 2024. In the short term, new supply is still limited, while demand remains high, causing selling prices to maintain at a high level.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q4 2023

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q4 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

Southern Industrial Market

Industrial Land Sector Thrives as Tenants Continue Expanding Operations in Vietnam

Despite the challenges and obstacles faced by the Vietnamese economy in 2023, the industrial sector posted strong results during the year. For industrial land, Tier 1 markets in the Southern region achieved 92% occupancy.

Notably, industrial land in Southern market experienced a decrease in net absorption, with just over 500 hectares, reflecting a 32% decline compared to the previous year. This decline can be attributed to the limited availability of industrial land bank in the Southern market. Apart from the established tenants such as electronics and supporting industries for automobiles and components manufacturing, there has been growing interest from emerging industries in the high-tech sector, including electric vehicles, semiconductors, and green materials. These emerging industries have shown keen interest in establishing their presence in Vietnam.

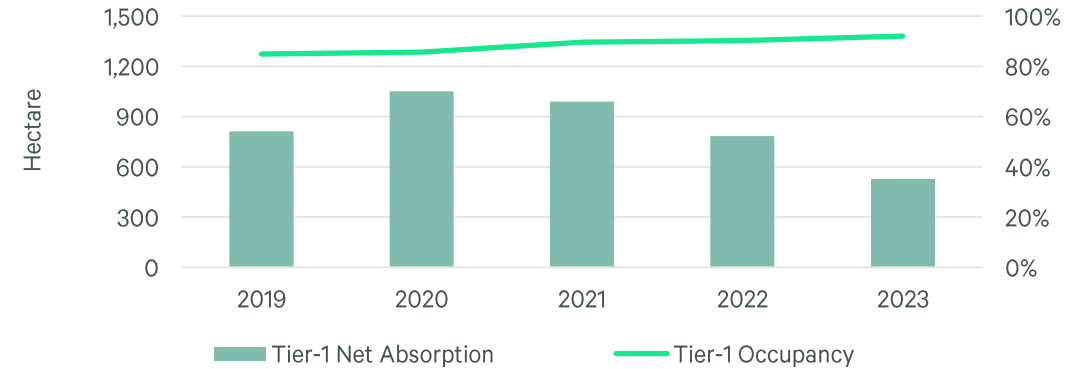
RBF/RBW: The absorption rebounds in H2 2023 thanks to flexible leasing policies

The Southern region completed over 770,000 sqm of warehouse and factory space throughout the year. The level of new supply introductions to the market started to slow down in the Southern market. RBW rental rates currently stood at US\$4.6/sqm/month, representing a 4.7% y-o-y increase. RBF rental rates in the South are at US\$4.9/sqm/month, up by 2.3% y-o-y. This increase in rental rates is driven by the introduction of high-standard projects in HCMC and Long An.

The market experienced positive net absorption in both the Northern and Southern regions. Despite the increase in supply, RBF occupancy rates slightly increased to 85% in the South. RBW segment occupancy rates remained stable in the South. Notably, the net absorption in the South during the latter half of 2023 was 3.8 times higher than in the first half, thanks to positive developer policy adjustments.

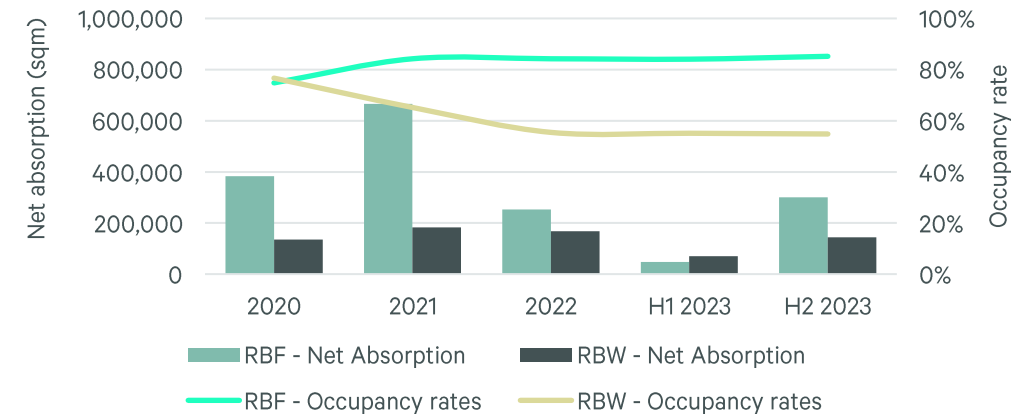
Note: Southern Vietnam is divided into Tier-1 and Tier-2 regions. Tier 1 markets include Ho Chi Minh City, Dong Nai, Binh Duong, and Long An.

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



Source: CBRE Research & Consulting, Q4 2023

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



Source: CBRE Vietnam Research & Consulting, Q4 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

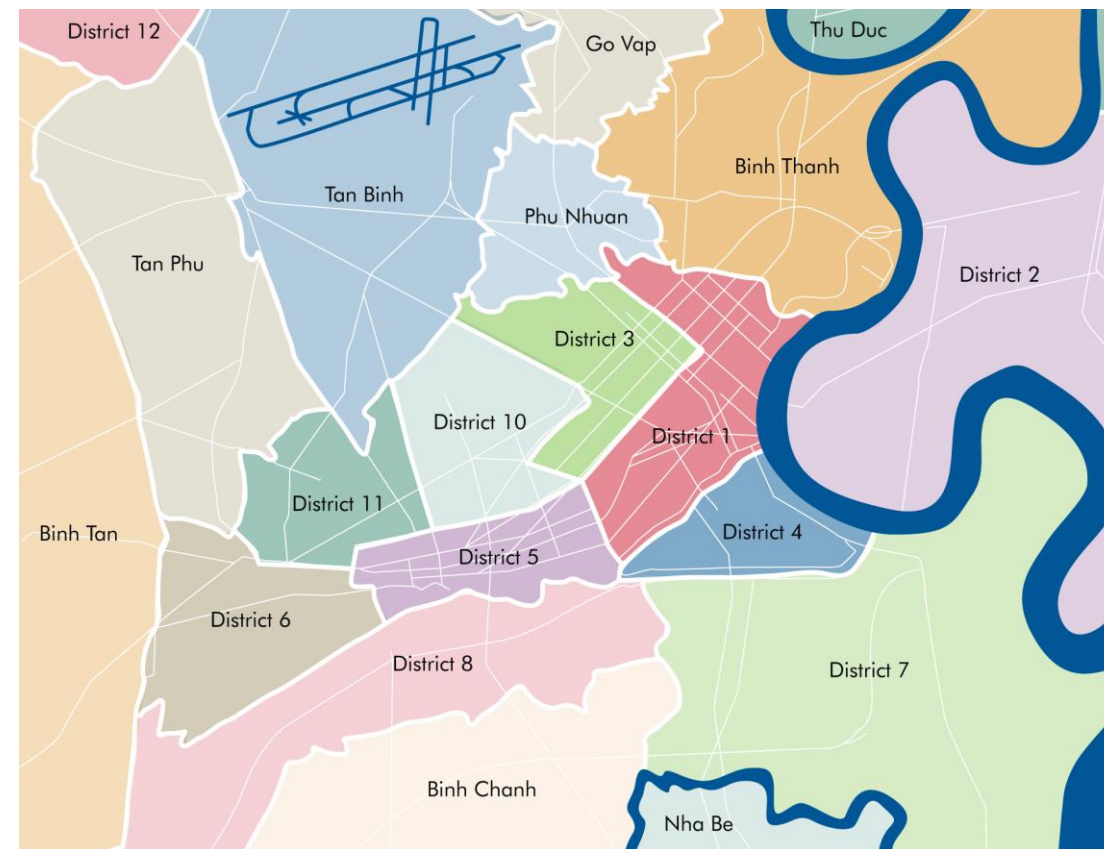
Luxury: projects that have primary prices over US\$4,000 per sq.m

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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