CBRE

Vietnam's Real Estate Market: Limited Residential Supply, Promising Industrial Sector, Strong Demand for Office and Retail Spaces

▲ +5.66%	▲ +6.54%	▲ +5.50%	▲ +21.01%
VIETNAM GDP	HCMC GRDP	HANOI GRDP	VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** During this quarter in the Hanoi market, the net absorption area exceeded 15,500 sqm, representing nearly 80% of the net absorption area recorded in 2023.
- **Retail**: During the first three months of 2024, Vietnam’s retail market continued to demonstrate positive developments, with rental prices and occupancy rates showing a steady increase. Noteworthy events in the quarter included the grand openings of The Hour Glass Opera at 63 Ly Thai To in Hanoi.
- **Residential:** New supply in the first three months of 2024 continued to be limited. Notably, the condominium secondary price experienced the highest annual price increase ever recorded, rising by 17% y-o-y, driven by limited new supply and an increasing interest in condominium products in Hanoi from investors. With the ongoing limited supply in HCMC and the lack of substantial movements in Hanoi's landed property market following the booming 2021-2022, several investors have shifted their investment focus towards condominium projects, particularly in Hanoi.
- **Industrial:** Despite economic challenges in 2023, Vietnam's industrial sector performed well across asset types and regions, largely driven by robust demand. Emerging high-tech industries like electric vehicles and semiconductors, along with traditional sectors, has gained significant interest.

Vietnam Economic Overview

- Vietnam's GDP growth rate for Q1 2024 was 5.66%, the highest Q1 growth recorded during 2020 – 2023. The growth momentum was driven by a strong recovery in export activities, up by 18% y-o-y. According to AMRO, Vietnam's GDP in 2024 is projected to expand by 6%, ranked 3rd in the region.
- Total registered FDI reached nearly US$6.2 billion in Q1 2024, marking a 13% y-o-y. Singapore took the lead as the top investor in Vietnam in Q1, accounting for 48% of the total investment. Hongkong came second with 12%, followed by Japan with 10%. Next were China and South Korea, with 10% and 5%, respectively.
- Vietnam's total trade turnover was US$178.94 billion, up 15.5% YoY. The export sector grew by 18%; imports declined by 8.9%. Vietnam had a trade surplus of US$8.08 billion, up 64% compared to Q1 2020, with the US being the largest export market and China being the largest import market.
- The CPI rose by 3.77% y-o-y; among the 11 main groups of consumer goods, ten groups experienced price increases.
- Interest rates continued to decline, indicating positive signals in Vietnam's property market shortly.—Vietnam's total retail sales of consumer goods and services reached VND1,537.6 trillion in Q1 2024, up by 8.2% y-o-y, lower than the 13.9% growth observed in 2023.
- The total number of international arrivals reached over 4.6 million, representing a 72% increase y-o-y. Compared to Q1 2019 (before Covid-19), this represented a 3.2% increase. Domestic tourists reached 30 million in Q1 2024, an increase of 9.1% y-o-y and a 20% increase compared to the same period in 2019.

Office

Positive net absorption demonstrating stronger demand

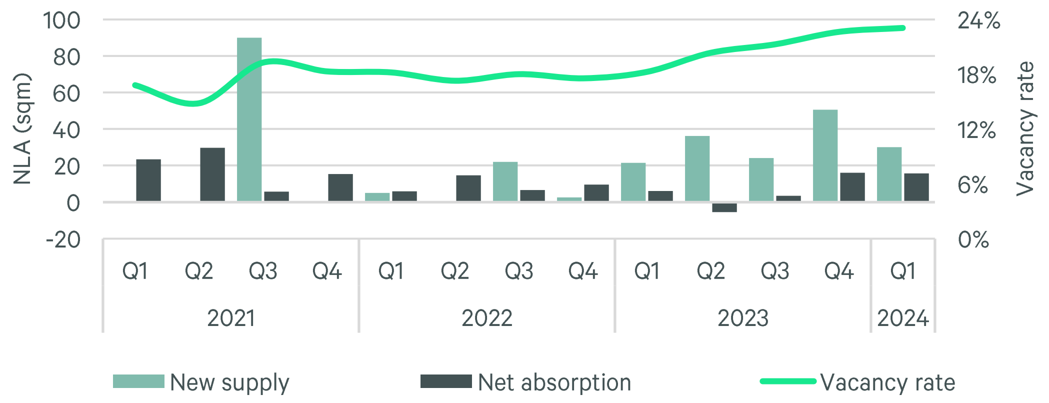
In Q1 2024, Hanoi's office market saw the addition of a new Grade B project, Vinacomin Tower in the West, covering a rental area of 30,000 sqm NLA. The total office supply in Hanoi reached almost 1.8 million sqm NLA by the end of Q1 2024, with Grade A projects accounting for 37% of the total supply. During this quarter in the Hanoi market, the net absorption area exceeded 15,500 sqm, representing nearly 80% of the net absorption area recorded in 2023. Most of this absorption can be attributed to new Grade A buildings and existing Grade B buildings, signaling positive trends within the market.

Regarding rental prices, the average rent for Grade A offices saw a slight increase compared to the previous quarter, reaching approximately US$26.6/sqm/month, a 0.7% increase q-o-q and 0.1% increase y-o-y. Meanwhile, Grade B rents remained unchanged at US$14.5/sqm/month. The increase in Grade A rent was driven by an upgraded project in the CBD that achieved LEED Platinum certification and another project in the West with a good absorption rate.

In terms of vacancy rates, the vacancy rate of Grade A projects showed a positive trend, reaching 30.5%, a decrease of 0.6 ppts q-o-q. In contrast, the vacancy rate of Grade B projects reached 18.6%, an increase of 1.2 ppts q-o-q and 6.7 ppts y-o-y due to the launch of a new project.

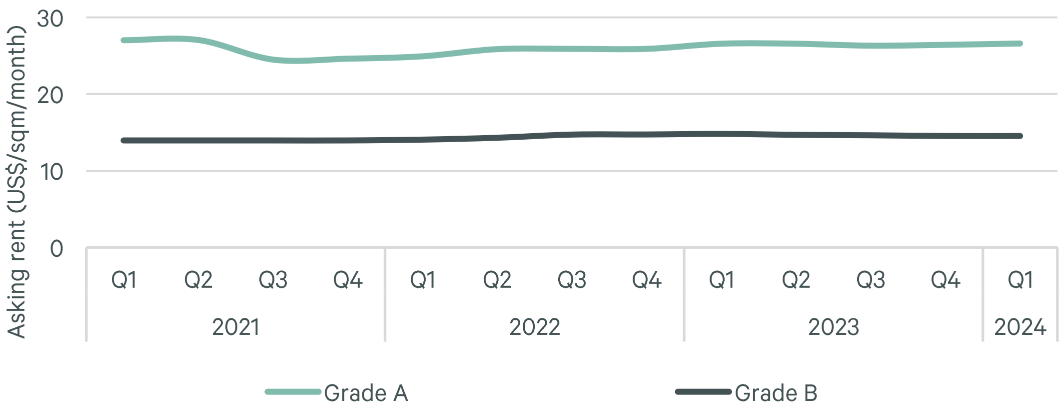
In the upcoming quarters of 2024, the Hanoi office market is expected to welcome over 60,000 sqm from high-quality Grade A offices in non-CBD locations. This also means that during this period, landlords need to offer extra attractive incentives to engage new customers, such as more favorable leasing terms. Meanwhile, as there is no future supply within the year, the rent of this Grade is forecasted to stabilize, and the vacancy rate might witness recovery. From 2025 onwards, despite the slowdown in the pipeline, there will be a more apparent improvement in both rent and occupancy rates.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research, Q1 2024

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research, Q1 2024
Asking rent is exclusive of service charge and VAT.

Retail

Vietnam Market Continues to Attract Strong Interest from Foreign Retailers and Companies

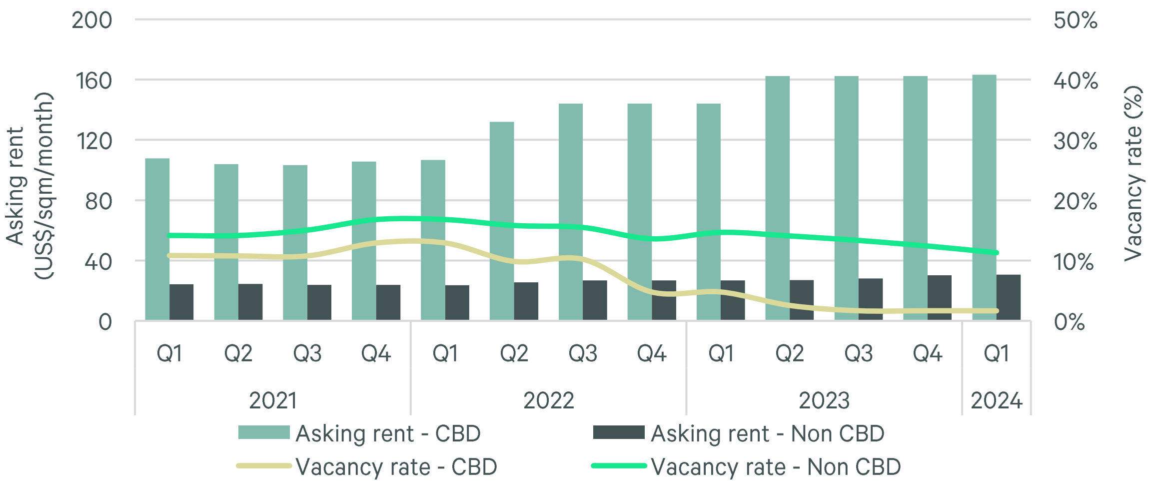
During the first three months of 2024, Vietnam's retail market continued to demonstrate positive developments, with rental prices and occupancy rates showing a steady increase. The leasing activities predominantly involved expansions by various foreign brands across diverse sectors, ranging from fashion and dining establishments to supermarkets, primarily concentrated in Hanoi and HCMC. Noteworthy events in the quarter included the grand openings of The Hour Glass Opera at 63 Ly Thai To in Hanoi. Furthermore, during the past quarter, Vingroup accomplished a successful divestment of its stake in Vincom Retail, with the transaction valued at an impressive VND 39,100 billion.

According to the recent leasing market sentiment index conducted by CBRE in March 2024 in the APAC region, expansionary and upgrading demand in the retail sector remains strong, accounting for 42% of the total largest leasing enquiries in the first quarter. The demand for new lease spaces ranks second with 34%. In the first quarter of 2024, the Hanoi market welcomed a new project, The Linc complex, located in the Park City Hanoi urban area, with a rental area of 10,581 sqm.

The rental prices of retail properties in Hanoi markets have maintained an upward trend due to limited new supply since 2020. In Hanoi, the asking rent for the ground floor in the CBD area was at US$163.2/sqm/month, representing a 13.4% increase y-o-y. The vacancy rate in the central area decreased to 1.7%, which is a 3.1ppts decrease compared to the same period last year. In the non-CBD area, Hanoi have experienced good rental price growth. The asking rent in the non-CBD area in Hanoi reached US$30.6/sqm/month, representing a 13.9% increase y-o-y.

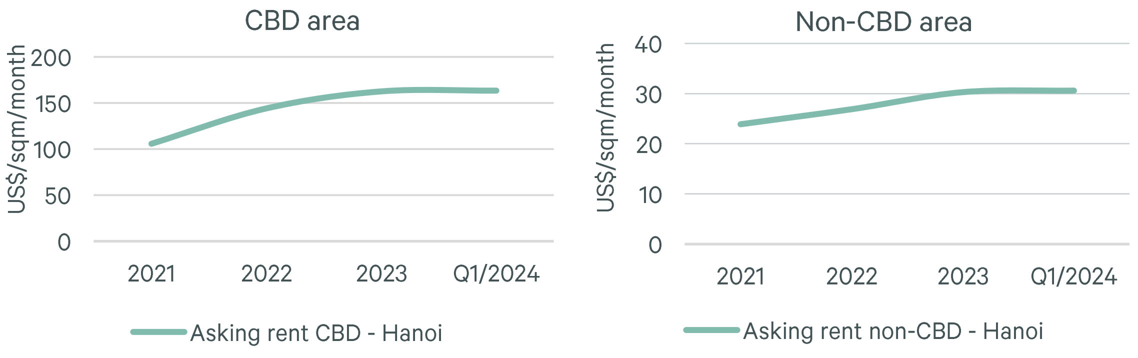
The average occupancy rates for the entire markets in Hanoi are 89%, showing a slight increase compared to the previous year. Despite economic challenges, the occupancy rates in non-CBD commercial centres have shown resilience, maintaining a relatively stable level. Any vacant spaces are promptly filled by replacement tenants. This trend indicates a growing inclination towards attracting larger tenants to these centers, aiming to offer shoppers diverse experiences and comprehensive additional services.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research., Q1 2024. 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., Q1 2024. Asking rent is for the ground floor, exclusive of VAT and service charge

Condominium

Highest annual increase ever recorded in Hanoi’s condominium secondary pricing

New supply in the first three months of 2024 continued to be limited with over 2,340 condominium units, up by 11% y-o-y. However, the new supply in Q1 has yet to recover to the 3,000-4,000 newly launched units in the first quarters of 2021 and 2022. The majority of new supply in Q1 2024 continued to focus on the city’s West.

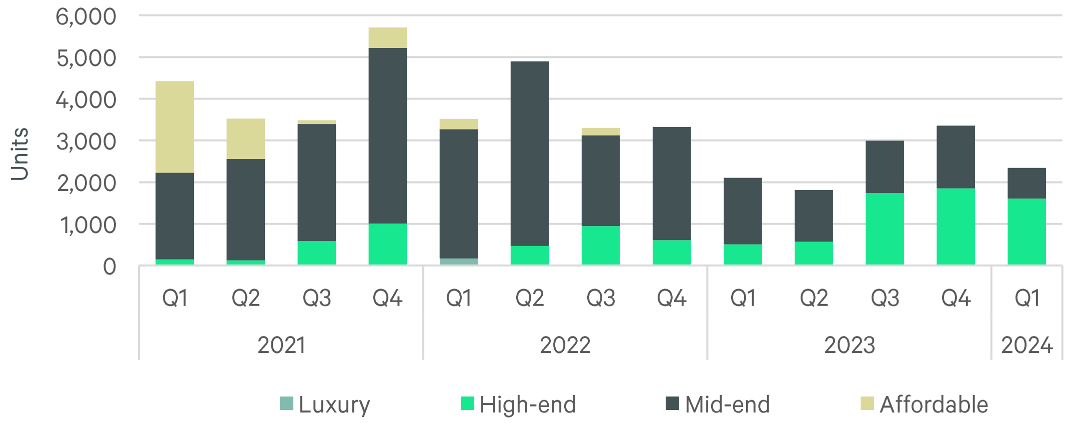
The absorption rate in Hanoi's condominium market witnessed some positive signals, although most of the new supply was launched towards the end of Q1. In Q1, over 2,030 condominium units were sold, equivalent to the units sold in Q1 last year. Many condominium projects launched recently in Hanoi have been attracting significant attention from buyers not only in the Northern region but also in HCMC, especially when the average condominium primary prices in Hanoi are now considered more attractive than those in HCMC.

Regarding pricing, the majority of new supply in Hanoi continued to focus on the high-end segment, which has driven up the prices of condominium projects in the primary market. The average primary price of condominiums in Hanoi in Q1 2024 reached US$ 2,275/sq.m. (excluding VAT and maintenance fees). This was an increase of 5% q-o-q and a significant 19% y-o-y. In particular, the secondary price of condominiums in Hanoi this quarter experienced the highest annual price increase ever recorded, rising by 17% y-o-y and reaching an average of US$ 1,475/sq.m.

Looking forward, the new supply of condominiums in Hanoi in 2024 is expected to reach over 12,000 units, which is an increase of nearly 20% compared to 2023. Meanwhile, condominium prices in the secondary market, which have experienced significant movements over the past two years, are expected to gradually stabilize with the abundance of new supply in the upcoming quarters.

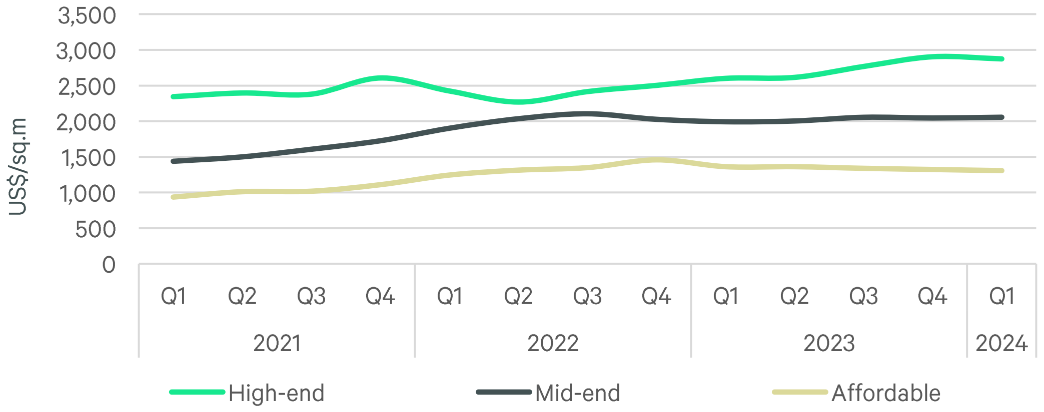
Note: From Q1 2024, CBRE applied a new condominium ranking criteria (referring to Terminology page).

FIGURE 5: New supply, Condominium , Hanoi



Source: CBRE Research, Q1 2024

FIGURE 6: Average primary prices, Condominium, Hanoi



Source: CBRE Research, Q1 2024. Prices before VAT and maintenance fee

Villa & Townhouse

New supply of landed properties in Hanoi remained limited

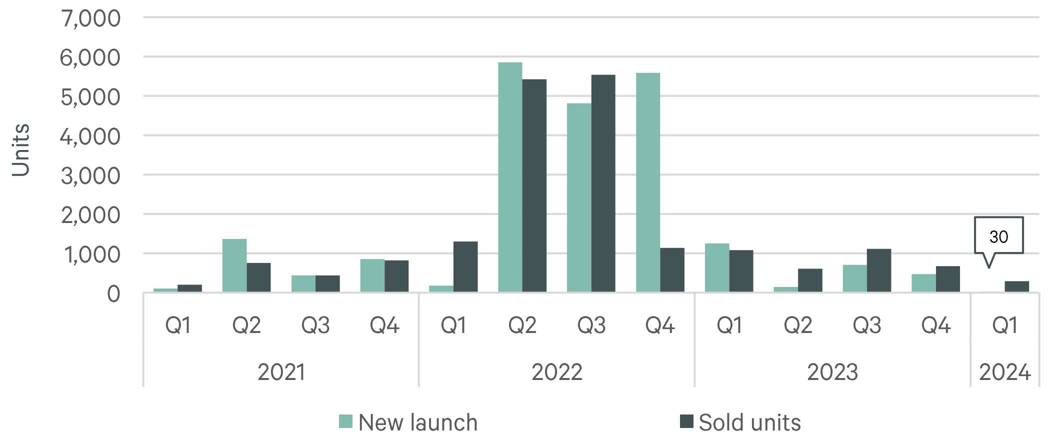
New supply in the first three months of 2024 remained limited in Hanoi's landed property market. Total new supply in Q1 2024 only recorded at 30 landed property units, coming from one project. This was equivalent to a decrease of 98% compared to the same period last year.

In terms of absorption, amidst limited new supply, the landed property market in Hanoi recorded nearly 300 sold units in Q1, down by 73% y-o-y. However, several projects still recorded positive absorption rates, such as a landed property project in Ha Dong district launching at almost the end of Q1 yet sold nearly 90% of new supply.

The average primary price of Hanoi's landed property market continued to rise and reached over US$ 7,850/sq.m. Compared to Q4 2023, prices have increased by 4.7%, mainly due to the limited new supply and the sold-out primary stock of a project located in an outlying area of Hanoi. On the other hand, the secondary price of Hanoi's landed property began to increase, reaching US$ 6,480/sq.m. This was an increase of 1% compared to the previous quarter.

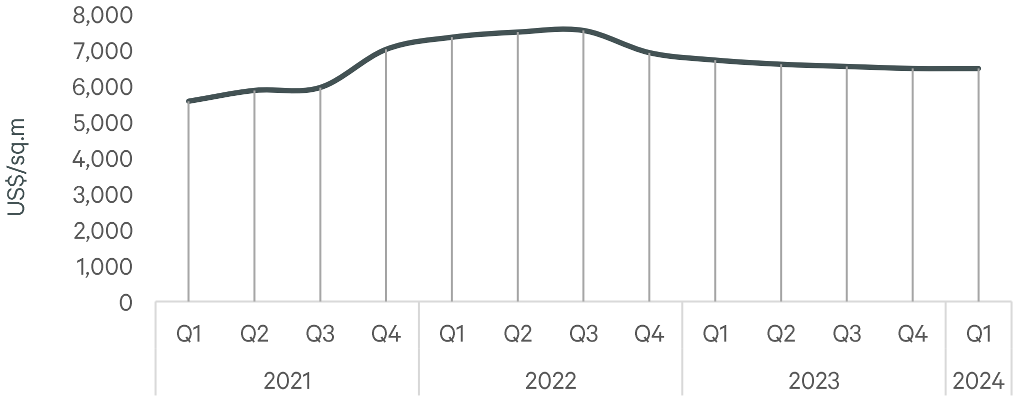
Moving forward, Hanoi is projected to record over 6,000 new landed property units throughout 2024, mainly in large-scale townships in the West, East and North of Hanoi, contributing to a more vibrant market and continued price growth trend.

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



Source: CBRE Research., Q1 2024.

FIGURE 8: Average Secondary price, Hanoi Landed Property



Source: CBRE Research., Q1 2024. Prices before VAT

Northern Industrial

Investment from hi-tech sectors drives positive performance.

For the industrial land market, industrial land rental rates in Tier 1 markets of the Northern region experienced a slight increase of 1.2% q-o-q and 7.8% y-o-y, averaging at US$133/sqm/remaining term. Due to the absence of new industrial park entering operation during the quarter and the continuous attraction of new tenants to existing industrial parks in Tier 1 markets of the Northern region, the occupancy rate increased by 1.3 ppts, reaching 83%. The absorption area during the quarter reached nearly 110 hectares, with notable transactions such as the 10-hectare Victory Giant Technology factory (specializing in PCB production) in Bac Ninh.

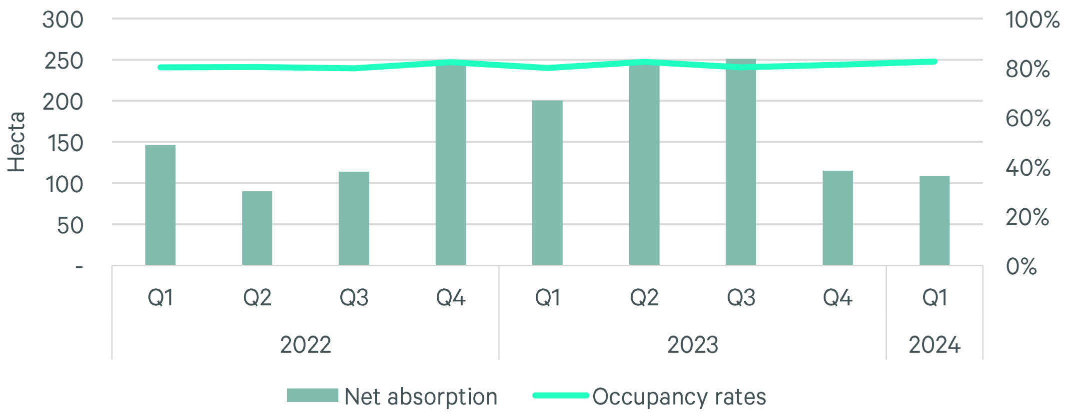
In the RBW and RBF markets, several large-scale projects continued to launch in the Northern region during Q1 2024, mainly concentrated in the Bac Ninh market. With the introduction of new supply, the average occupancy rate in Tier 1 markets of the Northern region reached 70% for RBW, a decrease of 6 ppts q-o-q, and 87% for RBF, remaining unchanged from the previous quarter. In terms of rental rates, the average rental price for RBW and RBF in Tier 1 markets reached US$4.7 and $4.9/sqm/month, respectively. Rental prices for RBW remained stable y-o-y, while rental prices for RBF increased by 3.9% y-o-y, with occupancy rates still maintained at a high level. In terms of demand, positive developments in the market came from high-tech manufacturers, such as semiconductor production and motor technology, who continued to expand in Vietnam by leasing production facilities, such as VDL (Netherlands) and Tecnotion (Netherlands).

Market Outlook

Over the next three years, it is expected that the rental rates for industrial land in the North expected to increase by 3-9% per year. Meanwhile, the asking rent of RBW/RBF is predicted to slightly increase by 1-4% per year in the next three years. As Vietnam has enhanced its diplomatic relations with major economies recently, it is expected that the country's economy in general, and its manufacturing and industrial real estate sectors, will benefit and continue to develop.

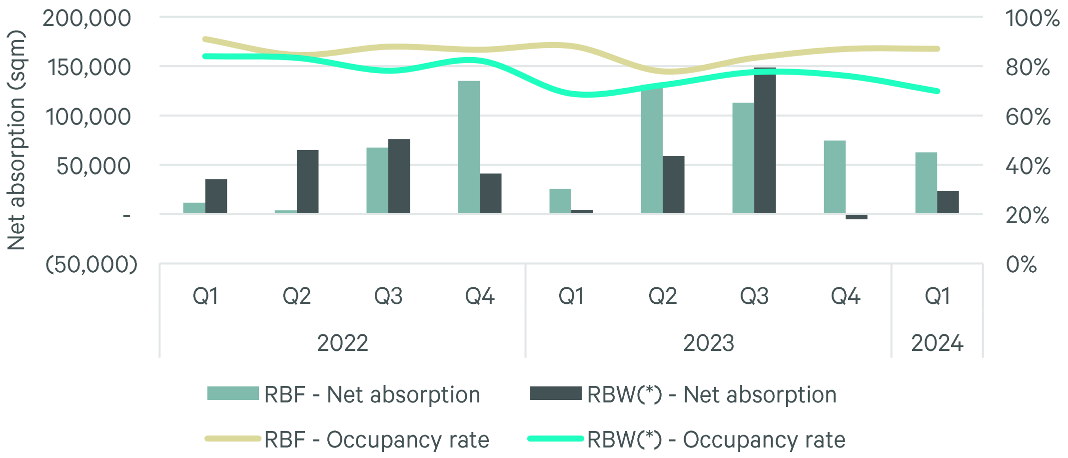
Note: Tier-1 markets include Hanoi, Hai Phong, Hai Duong, Hung Yen and Bac Ninh.

FIGURE 9: Industrial Land, Net absorption and Occupancy rates, Northern Tier-1 markets



Source: CBRE Research., Q1 2024

FIGURE 10: Ready-built Warehouse (RBW) and Factory (RBF), Net absorption and Occupancy rates, Northern Tier-1 markets



Source: CBRE Research., Q1 2024. (*) Exclude service warehouse.

Serviced Apartment

No new supply in Q1 2024

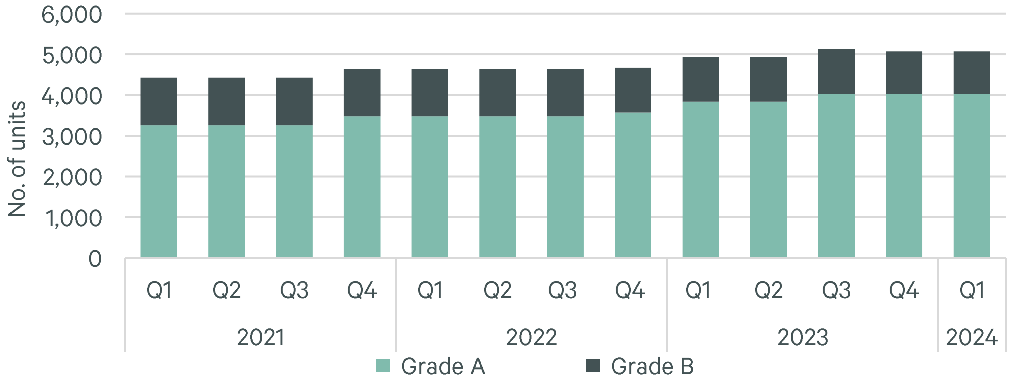
In Q1 2024, the Serviced Apartment market did not see any new projects added, resulting in an average total supply of 5,072 units. Grade A Serviced Apartments continued to dominate the market, representing 79% of the total supply.

Looking ahead, the serviced apartment market in Hanoi is set to experience a significant increase in new supply, with over 3,186 units expected to be introduced in the coming years. The majority of these units will be Grade A apartments operated by renowned international brands. This reflects a growing demand for upscale and high-quality serviced apartments, as well as a growing interest from international players in the market. Among the seven upcoming projects, one is scheduled to open in 2024, adding a total of 261 units to the overall supply. Furthermore, in 2025, the market is expected to receive over 2,200 units from two major projects, namely Somerset West Central Ha Noi and Tay Ho View Complex. The stable operational environment in 2023, supported by increased FDI and infrastructure improvements, will contribute positively to future demand. This favorable outlook sets the stage for further quality supply in the market.

During Q1 2024, the rental rates in Hanoi's office market experienced a slight decline compared to the previous quarter. This decrease was primarily driven by increased promotional activities undertaken by Grade A projects in order to improve vacancy rates. The average asking rent for Grade A projects was US$27.9/sqm/month, reflecting a 0.4% decrease q-o-q and a 0.4% decrease y-o-y. In the Grade B segment, the average asking rent was US$17.6/sqm/month, witnessing a 0.1% increase q-o-q. Overall, the market rent averaged at US$25.7/sqm/month.

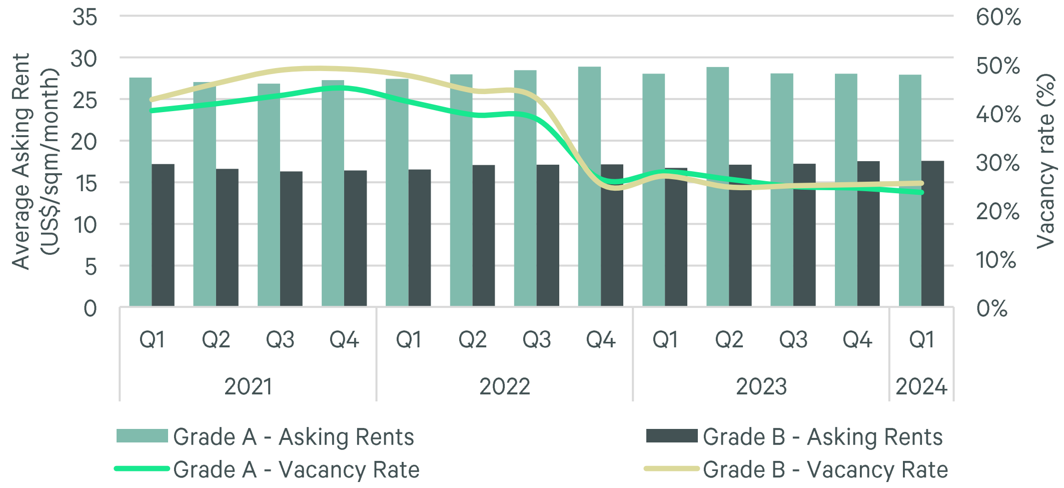
Additionally, as a result of the promotional activities, the Grade A project vacancy rate witnessed a decline of 0.9 ppts decrease q-o-q and 4.2 ppts decrease y-o-y. In the Grade B segment, the vacancy rate reached 25.5%. However, if we exclude the project that ceased operations, Grade B projects also experienced a 0.3 ppts increase q-o-q and a 1.5 ppts decrease y-o-y in vacancy rate. Overall, the average vacancy rate for both grade projects combined was recorded at 24.0%.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q1 2024



Source: CBRE Research., Q1 2024

FIGURE 12: Asking price and Vacancy rate, Hanoi Serviced Apartment, Q1 2024



Source: CBRE Research., Q1 2024

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

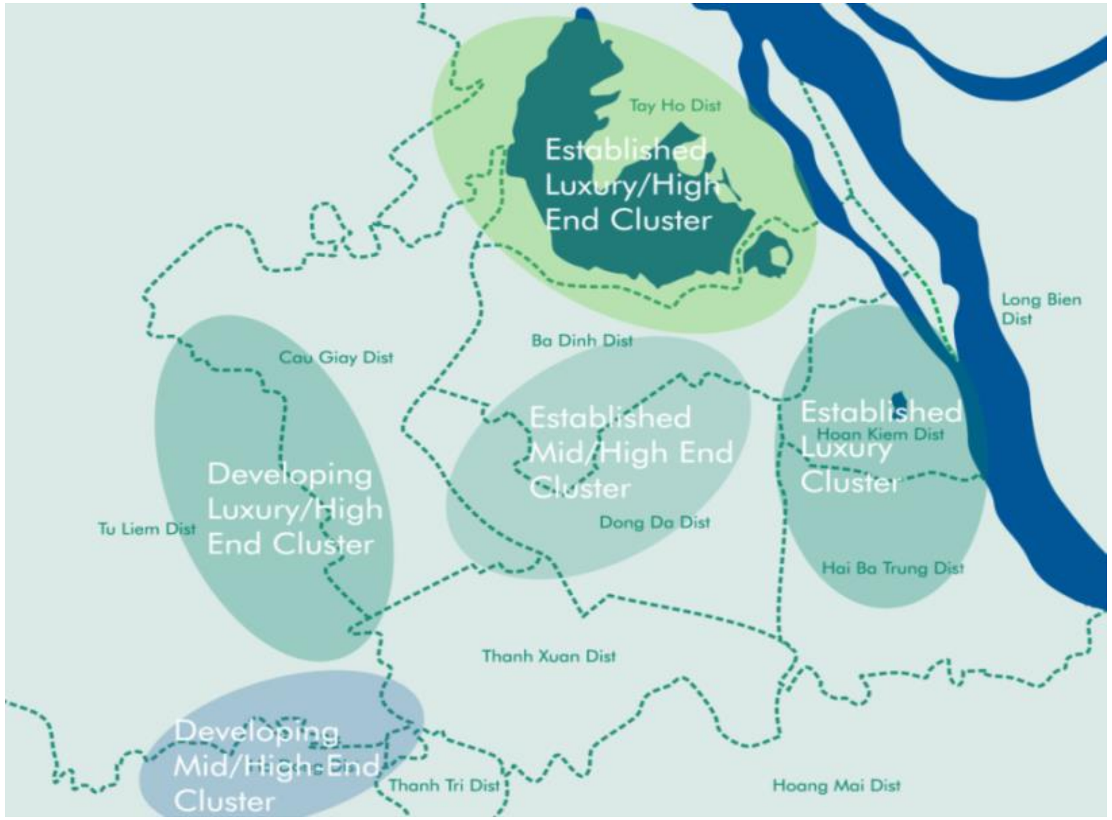
Luxury: projects that have primary prices from US$5,000 per sq.m to US$12,000 per sq.m

High-end: projects that have primary prices from US$2,500 per sq.m to US$5,000 per sq.m

Mid-end: projects that have primary prices from US$1,500 per sq.m to US$2,500 per sq.m

Affordable: projects that have primary prices under US$1,500 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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