CBRE

Residential New Supply to Reach a 5-years' High in Hanoi

▲ +6.82%
VIETNAM GDP

▲ +6.85%
HCMC GRDP

▲ +6.12%
HANOI GRDP

▲ +12.45%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** The total net absorption of both grades in this quarter in Hanoi exceeded the total net absorption of 2023, with over 20,000 sqm. Most of the transactions recorded involve buildings with favorable rental strategies from early stage.
- **Retail**: The growth rate of rental prices in 2024 is expected to remain positive. Hanoi witnessed an upward trend in rental rates in the CBDs, with the average rental rate reaching $172.7/sqm/month, up 11.3% y-o-y, the vacancy rates in the CBDs remained low at only 1.7%. In the non-CBD areas, the average vacancy rate stands at 12.1% with rental prices showing an increase of 12.8% y-o-y.
- **Residential:** In 9M 2024, the total new supply of condominiums for sale in Hanoi exceeded 19,000 units, surpassing the entire supply for 2023 and marking the largest new supply in five years. The liquidity of Hanoi's condominium market this quarter has been impressive; despite the influx of new units, demand remains strong. Positive purchasing power and high-quality projects from experienced developers will support robust market growth in the next 1-2 years.
- **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

- GDP growth rate in Q3 2024 stood at 7.40%, and for the first 9 months of 2024, it reached 6.82%, indicating a positive growth trajectory. The primary growth driver is the Industry & Construction sector, which expanded by 8.19% y-o-y. Vietnam is targeting a GDP growth rate of nearly 7% in 2024.
- Total registered FDI in Q3 2024 was US$24.8 billion, reflecting an 11.6% y-o-y increase. Singapore emerged as the top investor in Vietnam during Q3, contributing 29.7% of the total investment. China followed closely at 13%, trailed by South Korea, Hong Kong, and Japan.
- Vietnam's total trade turnover reached US$578.5 billion in Q3 2024, up by 16.3% y-o-y. The export sector grew by 15.4%, while imports saw a significant increase of 17.3%. The country achieved a trade surplus of US$20.7 billion, with the US being the largest export market and China the largest import market.
- The CPI rose by 3.88% y-o-y in Q3 2024, with 10 out of the 11 main groups of consumer goods experiencing price hikes.
- Total retail sales of consumer goods and services in Vietnam reached VND4,703.4 trillion in Q3 2024, marking an 8.8% y-o-y increase. The Tourism & Travel sector generated VND45.6 trillion, demonstrating a substantial growth of 16.7% y-o-y.
- In Q3 2024, the total number of international arrivals surpassed 12.7 million visitors, showcasing a 43% y-o-y increase. The cumulative number of international visitors in the first 9 months of 2024 exceeded the total for the entire year of 2023, reaching 12.6 million arrivals.

Office

New supply in Grade A and Strong net absorption in Grade B drive a marginal increase in rental rates

In terms of supply, the Hanoi office market welcomed 3 new non – CBD Grade A buildings: Grand Terra, Taisei Square Hanoi, and Heritage Westlake, adding 58,000 sqm NLA to the market.

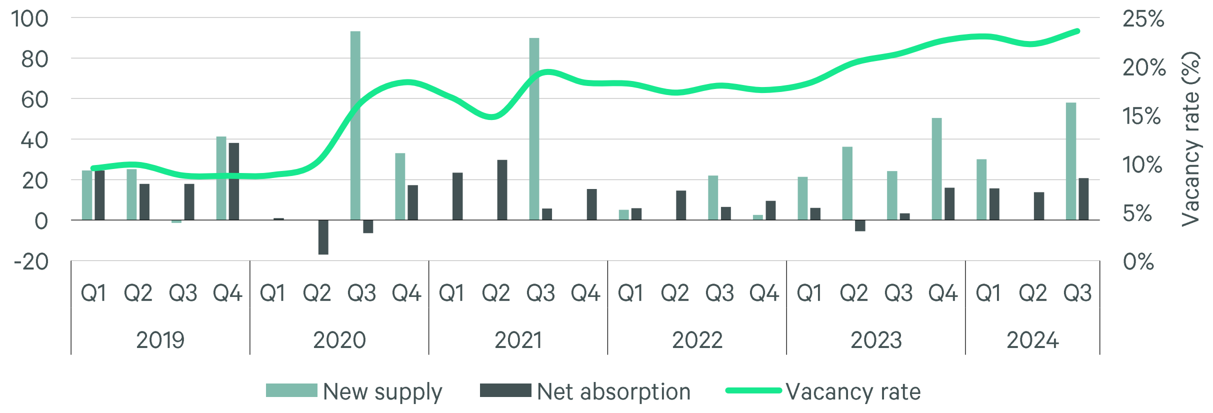
Regarding rental rates, Grade A rental rates increased marginally due to the new projects launched, reaching US$26.9/sqm/month, a 1.0% increase q-o-q and 2.2% increase y-o-y. Grade B rental rates also witnessed a slight increase owing to the positive net absorption of a local office building in the West, reaching US$14.7/sqm/month, a 0.6% increase q-o-q and 0.3% increase y-o-y.

During this quarter in the Hanoi market, the net absorption area exceeded 20,000 sqm, totaling the net absorption area of 50,070 sqm recorded in the first 9 months of 2024. The vacancy rate of Grade A projects reached 34.4%, an increase of 4.5 ppts q-o-q and 6.2 ppts y-o-y due to the launch of 3 new projects. In contrast, the vacancy rate of Grade B projects reached 16.7%, a decrease of 1.1 ppts q-o-q and 0.7 ppts y-o-y thanks to the positive occupancy rates at new office buildings.

In terms of demand, in Hanoi market, the percentage of expansion and relocation purposes made up a large proportion of total significant transactions recorded by CBRE, which are 44% and 42%, respectively. This showed the growth and development of enterprises and organizations in Hanoi city. Regarding the tenant industry, the Finance/Banking/Insurance and Information Technology sectors accounted for as much as 36% and 33%, demonstrating the solid development of those industries and the demand for infrastructure improvement to serve their demand

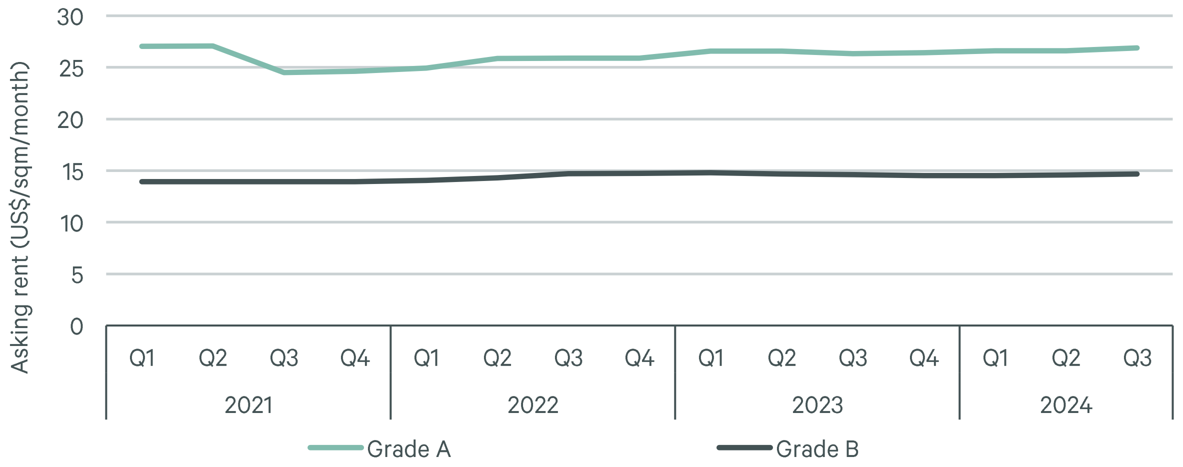
Considering the continuous influx of new supply recently, buildings with flexible rental policies have shown a better occupancy rate compared to the market average. It is expected that office supply will stabilize in the final quarter of 2024, improving occupancy rates in both segments

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research, Q3 2024

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research, Q3 2024
Asking rent is exclusive of service charge and VAT.

Hanoi Retail

The growth rate of rental rates in 2024 is expected to continue at a positive level

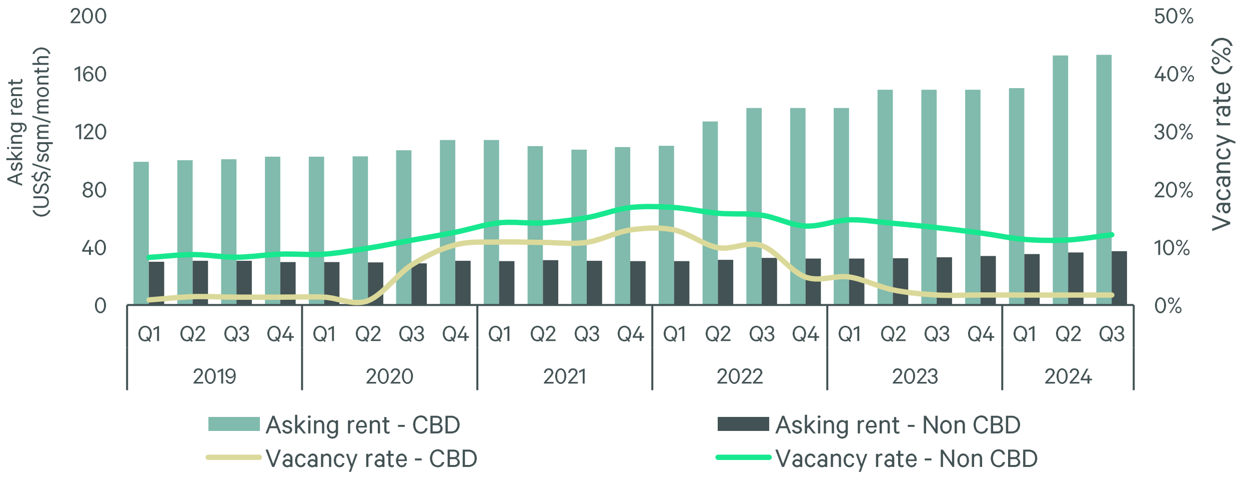
In the first 9 months of 2024, Hanoi's total retail supply reached nearly 1.18 million sqm of net leasable area (NLA). Two new projects that commenced operations during this period are The Linc Park City (opened in Q1 2024) in Ha Dong District, with a rental area of 10,581 sqm, and The Diamond Plaza (opened in Q3 2024) in Thanh Xuan District, providing 14,000 sqm of leased space.

In terms of market activity, the rental price for retail space in the CBD area reached US$172.7 USD/sqm/month in Q3 2024, reflecting a 16.2% increase y-o-y and a slight rise of 0.2% q-o-q. Rental prices continue to trend upward as the vacancy rate in this area remains low at only 1.7%. In contrast, the vacancy rate in the non-CBD areas increased by 2.1 ppts q-o-q to reach 12.1%, due to new retail supply and some tenants relinquishing their spaces. However, compared to the same period in 2023, the vacancy rate in the non-CBD areas decreased by 1.2 ppts y-o-y. Additionally, several well-performing shopping centers are actively negotiating with tenants for the remaining vacant spaces, with expectations that these areas will be filled in the upcoming quarters. As of the end of Q3 2024, the asking rent in the non-CBD areas of Hanoi recorded a growth of 12.8% y-o-y and 3.4% q-o-q, reaching US$37 USD/sqm/month, driven by favorable locations and good occupancy rates leading to price adjustments.

In Q3 2024, the market witnessed expansion primarily driven by the Food & Beverage (F&B) and Fashion & Cosmetic sectors. New brands entering the market in this quarter are predominantly located in new projects such as Diamond Plaza and Lotte Mall Westlake.

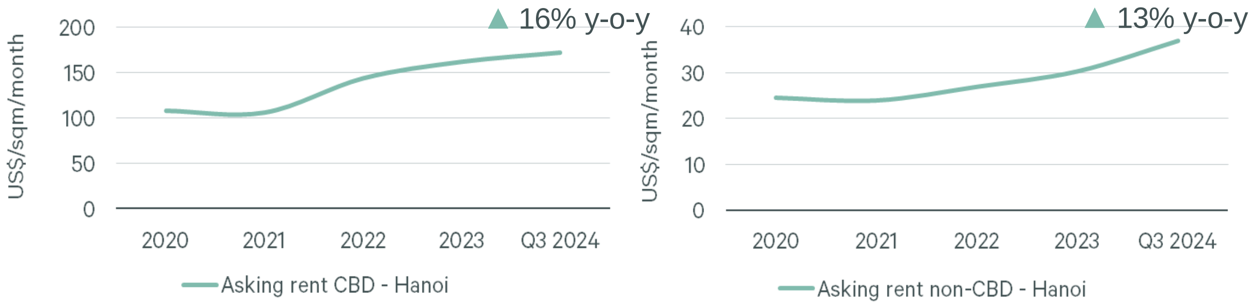
In 2025, additional retail supply is expected, primarily in the non-CBD areas of the city, including Tien Bo Plaza in Ba Dinh District (with a leased area of 50,000 sqm NLA) and Vincom Megamall Ocean City in Hung Yen (with a leased area of 70,000 sqm NLA). Additionally, the CBD area is projected to see new supply from Vinaconex Diamond in Hai Ba Trung District (with a leased area of 12,800 m² NLA). Rental prices for shopping center spaces in Hanoi are expected to continue their growth trend, driven by strong demand since 2022. By the end of 2024, rental prices are projected to increase by 11-12% in the non-CBD areas and 17-18% in the CBD area. In the following years, rental prices are anticipated to continue growing, though the rate of increase is likely to stabilize compared to 2024.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research., Q3 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., Q3 2024. Asking rent is for the ground floor, exclusive of VAT and service charge

Condominium

Supply in 9M 2024 surpassed the entire 2023's level

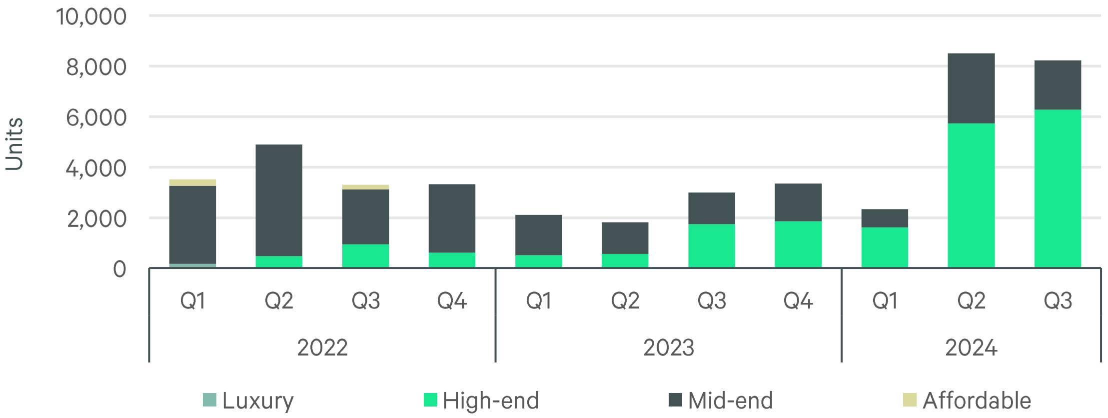
For the first 9 months of 2024, the total new supply of condominium for sale in Hanoi reached over 19,000 units, surpassing the total supply for the entire year of 2023. This is also the largest new supply of condominium recorded in Hanoi in the past five years. This quarter's new supply came from 11 projects, mainly within large urban developments in the West and East of Hanoi. In terms of segments, over 75% of the new supply consists of premium condos in Nam Tu Liem district, with a luxury project appearing in Tay Ho.

The liquidity of Hanoi's condominium market this quarter has been a remarkable highlight. Despite a substantial volume of new units being introduced, market demand remains robust. The total number of units sold this quarter exceeded 8,000 units, representing a decrease of 20% q-o-q due to several new supply launching simultaneously in Q2 and Q3 2024; However, this figure is still more than double the sales volume from the same period last year. Capitalizing on positive buyer reception, many developers have accelerated their sales schedules. Some projects that sold out this quarter are starting sales process for subsequent phases earlier than previously planned, while others are expediting their sales plans within 2024, rather than deferring to the following year.

In the primary market, selling prices averaged at US$ 2,567/sqm (excluding VAT and maintenance fees). Compared to the previous quarter, primary prices rose by 10.5% q-o-q and showed an increase of 20.7% y-o-y. Limited new supply over recent years has driven up demand, accelerating primary market price growth. Additionally, as land availability becomes increasingly scarce, high-quality projects developed within well-integrated urban complexes and located conveniently near the central of Hanoi and areas with concentrated offices and commercial services can command premium prices. In the secondary market, average selling prices continued its upward momentum from the previous quarter, reaching approximately US$ 1,840/sqm (excluding VAT and maintenance fees), up 7.2% q-o-q and nearly 20.2% y-o-y. The upward trend in secondary sale prices of condominium in Hanoi shows no signs of stopping and is currently only about US$ 80/sqm below average secondary prices recorded in HCMC. In Q3 2024, completed condominium projects located in areas with established, densely populated communities and numerous amenities and services, recorded the highest increases in secondary prices.

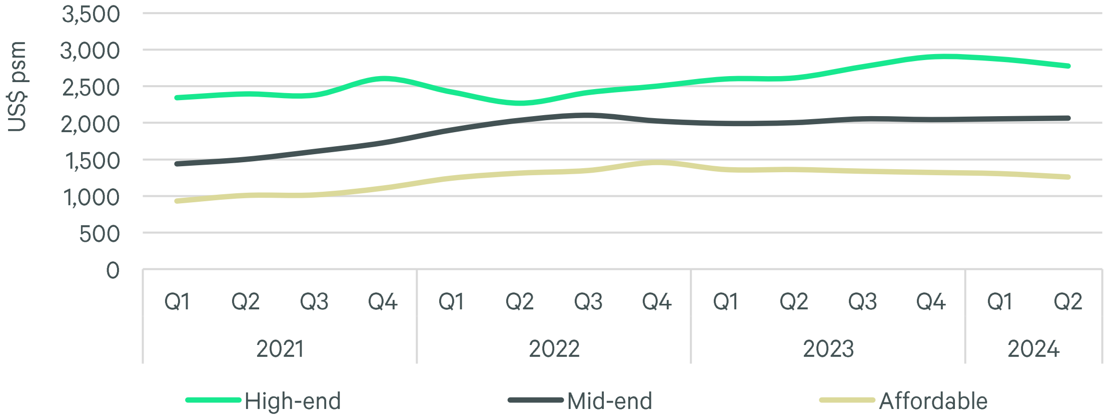
Moving forwards, new condominium supply in Hanoi is expected to welcome more than 10,800 units during the second half of 2024. This would bring the total number of new condominiums launched in 2024 to exceed 21,000 units, the highest annual new supply ever recorded in the past 5 years since 2020 in Hanoi. As the primary condominium supply continues to increase in the coming period, the growth momentum of secondary selling prices is anticipated to slow down further. Primary condominium prices in Hanoi are expected to rise by 22% y-o-y by the end of 2024.

FIGURE 5: New supply, Condominium , Hanoi



Source: CBRE Research, Q3 2024

FIGURE 6: Average primary prices, Condominium, Hanoi



Source: CBRE Research, Q3 2024. Prices before VAT and maintenance fee

Villa & Townhouse

New supply surged in Q3 2024

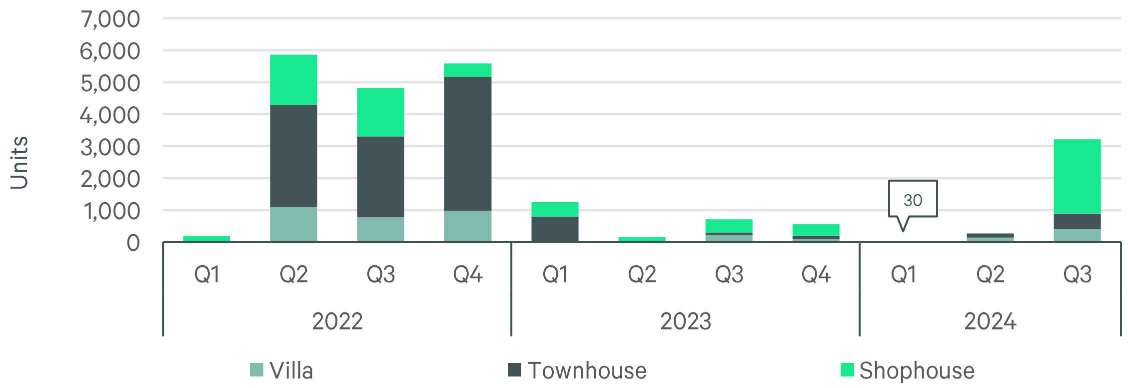
The new supply of landed property in Hanoi in Q3 2024 showed a significant improvement compared to the first two quarters of the year. Specifically, the Hanoi market recorded over 3,200 new units launched this quarter, with nearly 80% of the new supply coming from a first-time launch of an urban township project in Dong Anh. Notably, the volume of new units launched in Q3 2024 specifically surpassed the total new supply for all of 2023. Cumulatively, the first 9 months of 2024 recorded over 3,500 new landed property units in Hanoi, marking the highest level in five years, second only to the first nine months of 2022, when the market saw substantial large supply from Vinhomes Ocean Park 2 and 3 developments.

In terms of absorption rates, the number of units sold this quarter saw a substantial increase compared to the beginning of the year, exceeding 2,500 units—almost five times the previous quarter and up 124% y-o-y. Total units sold in the first 9 months of 2024 reached over 3,400 units, nearly matching the new supply introduced during the period. Most sales were concentrated in major urban projects in Dong Anh district, Van Giang district of Hung Yen, and subsequent launches from projects in Ha Dong district.

Regarding pricing, the average primary market prices in Q3 2024 rose significantly from the previous quarter, reaching US$ 9,407/sqm—an increase of 18% q-o-q and 21% y-o-y. Most of the new projects launched this quarter are in areas benefiting from substantial infrastructure investments, contributing to relatively high primary market asking prices. Meanwhile, secondary market prices at the end of Q3 2024 continued its upward trend from previous quarters. Average selling prices in the secondary market for landed property in Hanoi this quarter reached approximately US$ 6,668/sqm (including construction costs, excluding VAT), up by 4.6% q-o-q and 2% y-o-y.

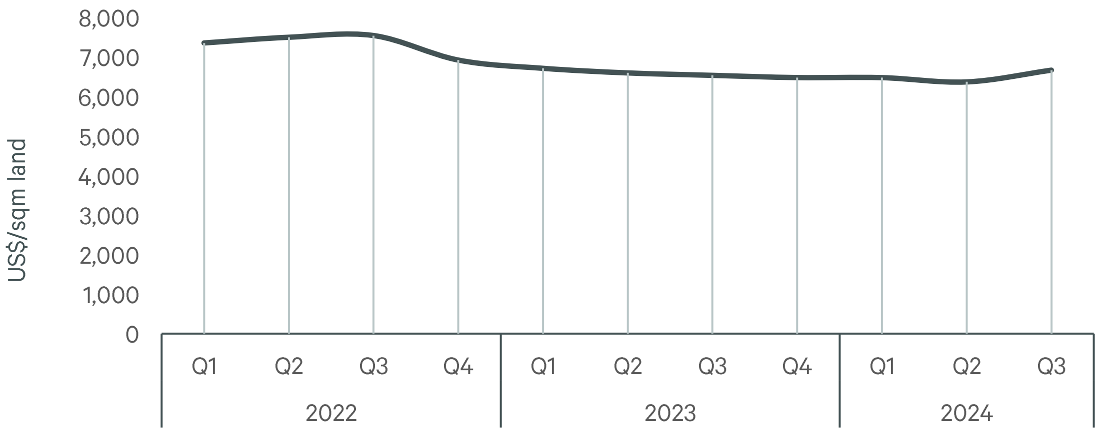
From now until the end of 2024, new supply of landed property in Hanoi is expected see the addition of another 5,000 units, primarily from projects by Vinhomes, Sunshine Group, and Nam Cuong Group in the West and East areas of the city. Supply of landed property is also at its highest level in several years, exceeding 8,000 units, second only to 2022's. Positive purchasing power, combined with quality projects developed by experienced investors, will provide a solid foundation for stronger market growth in the next 1-2 years.

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



Source: CBRE Research., Q3 2024.

FIGURE 8: Average Secondary price, Hanoi Landed Property



Source: CBRE Research., Q3 2024. Prices include construction cost, before VAT

Northern Industrial

Improving performance of RBW thanks to higher demand for storage at year end

In the first 9 months of 2024, the industrial real estate market continued to witness positive developments. According to the General Statistics Office, the added value of the entire industrial sector in the first 9 months increased by 8.34% y-o-y, with manufacturing and processing industries being the growth driver at a rate of 9.76%. The recovery of industrial production contributed significantly to the impressive GDP growth in Q3 2024 as well as the first nine months of this year.

Regarding the trends in different segments of industrial real estate, industrial land rental rates in Tier-1 markets in the Northern region continued to rise due to sustained optimistic demand and absorption levels. The average rental price in Q3 2024 reached US$137/sqm/remaining terms, increasing by 2.2% q-o-q and 4.6% y-o-y. The absorption area in the first 9 months of 2024 reached around 330 hectares, leading to an average occupancy rate of 80% in key provinces in the Northern region by Q3 2024, a 3ppt increase compared to the same period last year.

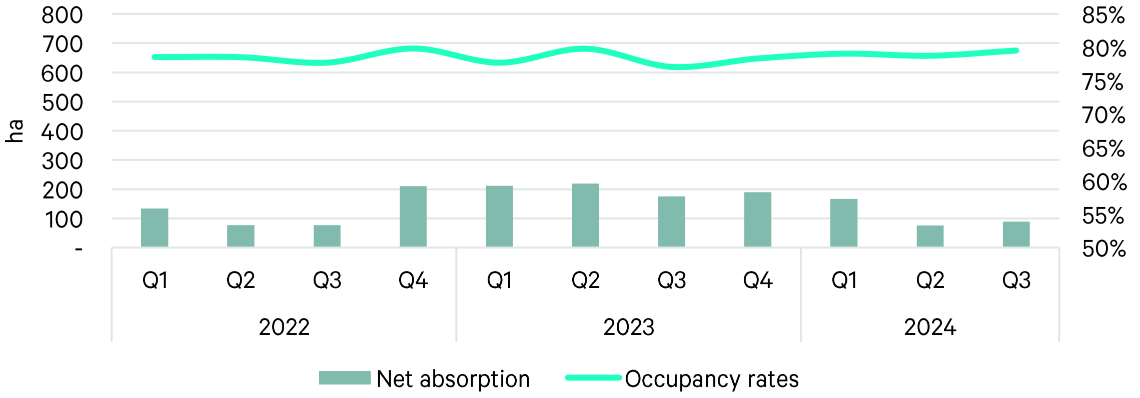
The newly operational RBF and RBW space during Q3 2024 reached over 100,000 sqm, bringing the total completed RBF and RBW area in the first 9 months to over 347,000 sqm, equivalent to 47% of the new supply in the first 9 months of the previous year. The moderate increase in new supply has positively impacted the market, especially in the RBF segment. By the end of Q3 2024, the occupancy rate of RBF in Tier-1 provinces and cities reached 91%, a 9 ppt increase compared to the same period. Meanwhile, the demand for storing goods for the year-end holidays has improved warehouse occupancy rates, doubling compared to the previous quarter to reach 67,000 sqm. The occupancy rate by the end of Q3 2024 reached 80%, a 4 ppt increase y-o-y. Due to stable demand and favorable occupancy rates, the rental prices for RBF have increased at a more decent pace compared to ready-built warehouses. The average rental price for ready-built warehouses by the end of the quarter reached US$4.87/sqm/month, a 1.9% increase compared to the same period. In contrast, the rental price for ready-built warehouses reached US$4.62/sqm/month, up by 0.2% y-o-y.

Market Outlook

Over the next three years, it is expected that the rental rates for industrial land in the North expected to increase by 4-8% per year. Meanwhile, the asking rent of RBW/RBF is predicted to slightly increase by 1-4% per year in the next three years.

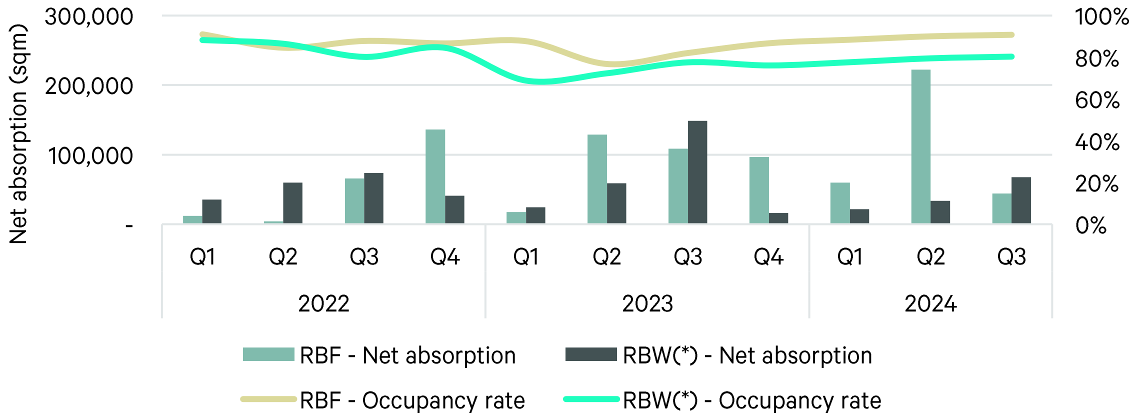
Note: Tier-1 markets include Hanoi, Hai Phong, Hai Duong, Hung Yen and Bac Ninh.

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



Source: CBRE Research., Q3 2024

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



Source: CBRE Research., Q3 2024. (*) Exclude service warehouse.

Serviced Apartment

Upcoming influx of new high-quality supply urges landlord for flexible rental policies

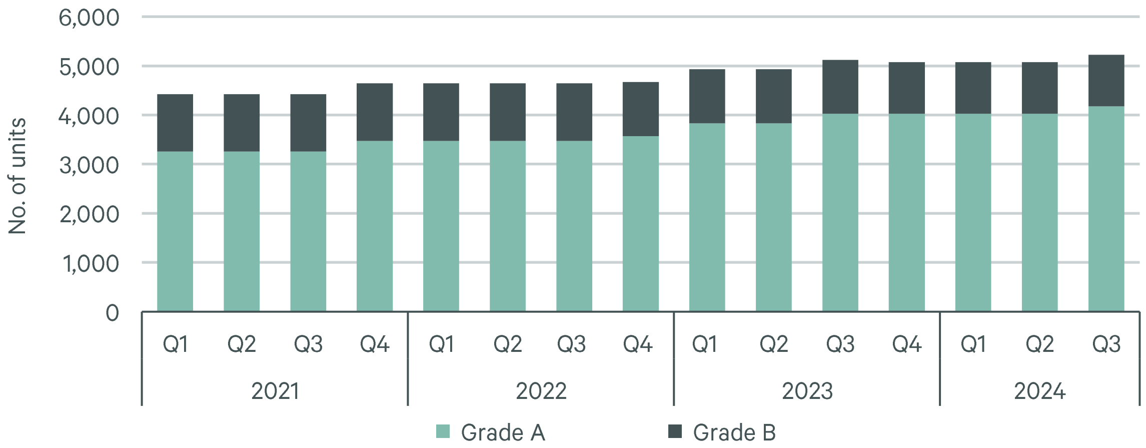
In Q3 2024, the Serviced Apartment market welcomed a new Grade A project, Swiss-Belresidences Hanoi, adding 150 units supply to an average total of 5,222 Serviced apartment units. Grade A Serviced Apartments continued to dominate the market, representing 80% of the total supply.

The new supply launch in Q3 2024 signals an influx of supply in the serviced apartment market in Hanoi in the upcoming years. Seven upcoming projects are projected to add over 3,186 units to the market, with Parkroyal Serviced Suites Hanoi expected to make its launch in the final quarter of 2024, contributing 261 units to the overall supply. Two other major projects also expected to contribute over 2,200 units to the market are Somerset West Central Ha Noi and Tay Ho View Complex. The introduction of new developments located in strategic areas and managed by internationally reputable brands will cater to the growing demand of Hanoi's serviced apartment market. The continuous influx of new supply will urge the landlords to offer more flexible rental policies to attract the tenants.

In Q3 2024, regarding the asking rent, Grade A rental rates was US$26.7/sqm/month, reflecting a 3.1% decrease q-o-q and a 4.8% decrease y-o-y. In the Grade B segment, the average asking rent was US$17.81/sqm/month, witnessing a 2.93% increase q-o-q. Overall, the market rent averaged at US$24.8/sqm/month.

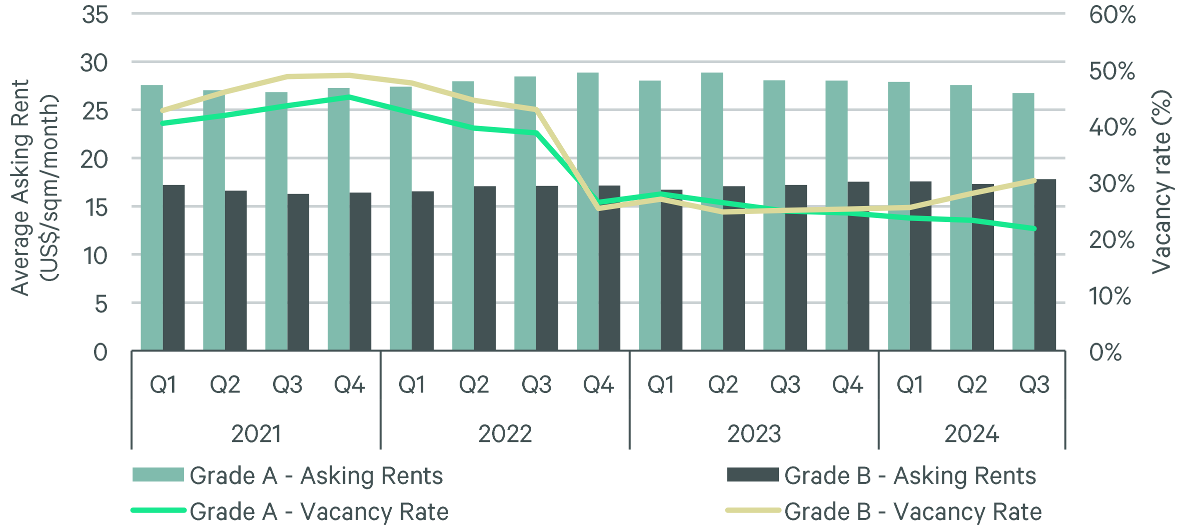
Regarding the vacancy rate, even though Grade A welcome a new supply, the vacancy rate recorded for this grade still shows a decrease by 0.34 ppts q-o-q and 3.1 ppts y-o-y decrease thanks to favorable rental rates during this period. On the other hand, the Grade B segment experienced a higher vacancy rate of 30.3%, indicating a 2.3 ppts increase q-o-q and a 5.3 ppts increase y-o-y. When considering both grade projects together, the average vacancy rate stood at 23.5%.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q3 2024



Source: CBRE Research., Q3 2024

FIGURE 12: Asking price and Vacancy rate, Hanoi Serviced Apartment, Q3 2024



Source: CBRE Research., Q3 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

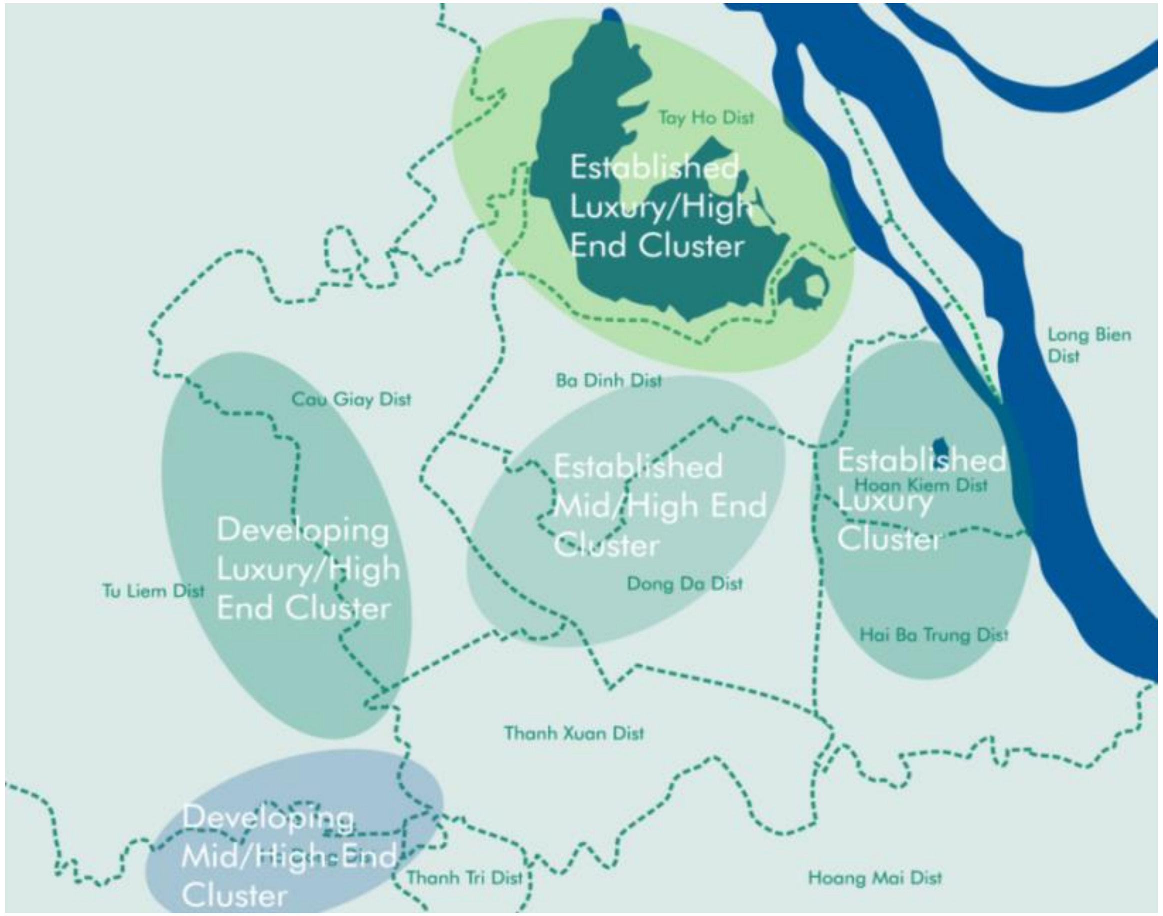
Luxury: projects that have primary prices from US$5,000 per sq.m to US$12,000 per sq.m

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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