CBRE

Residential Sector Looks to Seize Strong Buying Momentum

▲ +6.42%
VIETNAM GDP

▲ +6.46%
HCMC GRDP

▲ +6.00%
HANOI GRDP

▲ +11.98%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** The total net absorption of both grades in H1 2024 in Hanoi was almost 30,000 sqm, 50% higher than the total net absorption of 2023, showing a resilient market.
- **Retail**: Hanoi witnessed an upward trend in rental rates in the CBDs, with the average rental rate reaching $180/sqm/month, up 11.3% year-on-year. In Hanoi, vacancy rates in the CBDs remained low at only 1.7%, while in the non-CBD areas, the average vacancy rate slightly decreased to 10.0% compared to 14.1% in the same period last year.
- **Residential:** Hanoi condominium market witnessed robust new supply and strong buying momentum in Q2 2024. While primary prices continued to approach the price level of HCMC, abundant new supply in this quarter has driven the selling prices in the secondary market towards a more stable cycle. It is expected that new supply in 2024 to exceed 21,000 units, the highest annual new supply ever recorded in the past 5 years in Hanoi. On the other hand, landed property market was still largely muted.
- **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 for Q2 2024 was 6.42%, showing positive signs of recovery. The growth momentum was driven by a strong recovery in export and manufacturing activities, up by 14.5% y-o-y and 8.7% y-o-y, respectively. Vietnam's GDP growth is expected to rebound to around 6.0% in 2024, positioning it as the second-highest in SEA.
- Total registered FDI reached nearly US$15.1 billion in Q2 2024, marking a 13% y-o-y. Singapore took the lead as the top investor in Vietnam in Q2, accounting for 37% of the total investment. Hongkong came second with 12%, followed by Japan with 12%. Next were China and South Korea, with the same proportion of 9%.
- Vietnam's total trade turnover was US$368.5 billion, up 16% YoY. The export sector grew by 14.5%; imports increased significantly by 17.5%. Vietnam had a trade surplus of US$11.7 billion, declined slightly by 9.4% y-o-y. The US is the largest export market and China is the largest import market.
- The CPI rose by 4.08% y-o-y; among the 11 main groups of consumer goods, 8 groups experienced price increases.
- Deposit rates have been increasing since the beginning of Q2 2024, putting pressure on lending rates as well.
- Vietnam's total retail sales of consumer goods and services reached VND3,098.7 trillion in Q2 2024, up by 8.6% y-o-y, lower than the 10.9% growth observed in the same period of 2023.
- In Q2 2024, the total number of international arrivals reached over 8.8 million, which represents a 58% increase y-o-y. Compared to Q2 2019 (before Covid-19), this represented an 11.4% increase. Domestic tourists reached 66.5 million in Q2 2024, a slight increase of 3.9% y-o-y and a 46.2% increase compared to the same period in 2019.

Office

The stable rental rates contribute to the healthy net absorption area

In the second quarter of 2024, the total office space available in Hanoi amounted to 1.8 million sqm NLA, with no new supply introduced during this period.

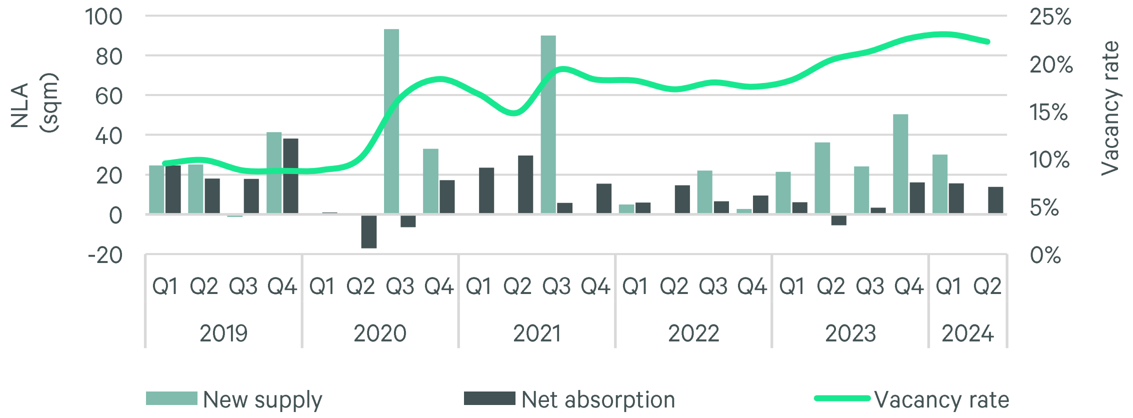
In terms of rent, Grade A rents remained stable under the caution of landlords. Average rents of the Grade A office reached US$26.6/sqm/month, unchanged q-o-q and slightly increased by 0.1% y-o-y. Meanwhile, Grade B average rents marginally increased to US$14.6/sqm/month, up 0.3% q-o-q but down 0.7% y-o-y.

Average occupancy rates only marginally improved in both grades. For Grade A, vacancy rate is down 0.6 ppts q-o-q and up 1.4 ppts y-o-y, reaching 29.9%. Similarly, the average vacancy rate of Grade B is 17.8%, a 0.9ppts decrease q-o-q but still a 2.3 ppts increase y-o-y. 2023's high volume of new supply still leaves quite a lot of pressure on the buildings' occupancy. However, the total net absorption of both grades in H1 2024 in Hanoi was almost 30,000 sqm, 50% higher than the total net absorption of 2023, showing a resilient market.

In terms of leasing purposes, Relocation accounts for 86% of the total major transactions recorded by CBRE in the Hanoi. The majority of these transactions aim to move to newer and higher-quality office buildings, offering more favorable leasing terms and incentives for tenants. Expansion purposes account for 9%, while New lease comprises 5% of the total major transactions. Regarding industries, the key sectors remain Finance/Banking/Insurance, accounting for 46% in Hanoi and Information Technology, comprising 14% of total major transactions recorded by CBRE.

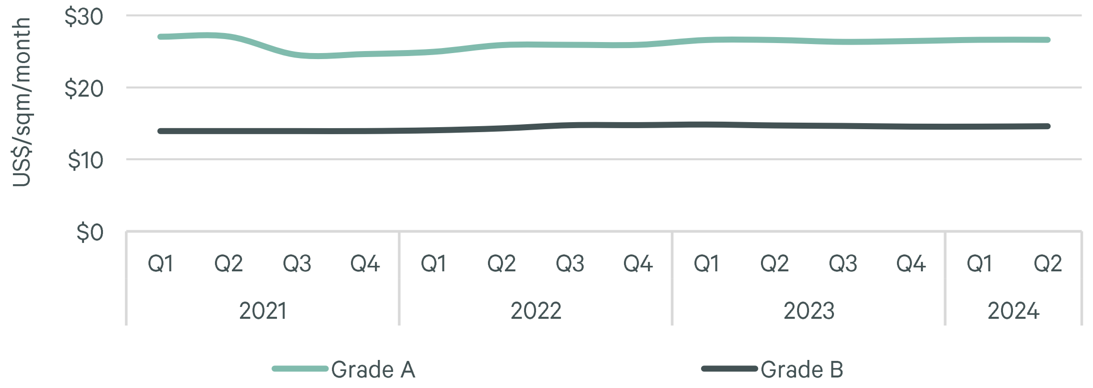
Following a year of significant new supply in 2023, the office market is now experiencing intensified competition due to the presence of high-quality office spaces. It is anticipated that in the second half of 2024, the market will continue to welcome notable additions such as Taisei Square Hanoi, Heritage West Lake, and Grand Terra, contributing approximately 58,000 sqm NLA to the market. During this period, landlords may need to implement appealing leasing strategies to retain their current tenants and attract new ones, particularly targeting key tenant groups.

FIGURE 1: Market Performance, Office, Hanoi



Source: CBRE Research, Q2 2024

FIGURE 2: Asking Rent, Office, Hanoi



Source: CBRE Research, Q2 2024
Asking rent is exclusive of service charge and VAT.

Retail

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

In June 2024, retail sales in Vietnam experienced a year-on-year growth of 9.1%, up slightly by 1.1% compared to the previous month. However, the average growth in the first six months of the year stood at 8.7%, which is still lower than last year's (reaching 10.9%). On a bright note, consumer consumption was supported by various factors, such as lower interest rates, improved economic growth, a low unemployment rate, and the adjusted VAT tax rate from 10% to 8% until the end of the year. The retail real estate market, particularly shopping malls in HCMC and Hanoi, continues to benefit from limited supply, especially in the Central Business Districts (CBDs).

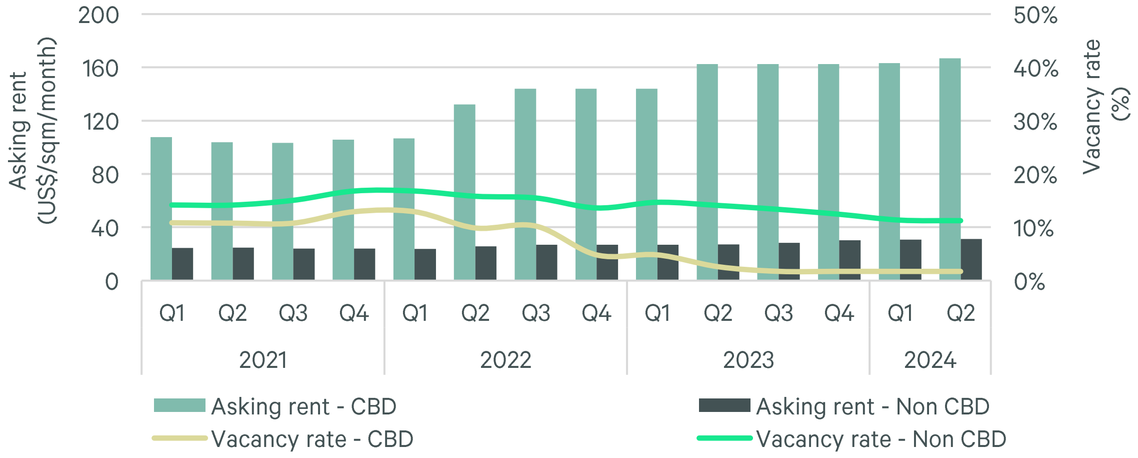
In the first 6 months of the year, the Hanoi market only welcomed one new project, which is The Linc Park City in Ha Dong District with 10,581 sqm of leasable area.

Hanoi also witnessed an upward trend in rental rates in the CBDs, with the average rental rate reaching $180.8/sqm/month, up 11.3% year-on-year. In Hanoi, vacancy rates in the CBDs remained low at only 1.7%, while in the non-CBD areas, the average vacancy rate slightly decreased to 10.0% compared to 14.1% in the same period last year. Rental rates in non-CBD area of Hanoi grew 18.3% year-on-year and 4.4% quarter-on-quarter. Retailers who already have a presence in CBDs are now exploring opportunities in fringe CBDs or second-tier districts in HCMC and Hanoi.

According to Ms Thanh Pham, Associate Director of CBRE Vietnam: "The market recorded expansion mainly from F&B and Lifestyle sectors. There is an increasing presence of Chinese retailers, with brands such as Dahu Hotpot, Xuxiaoying, Long Wang, and others expressing interest in the market."

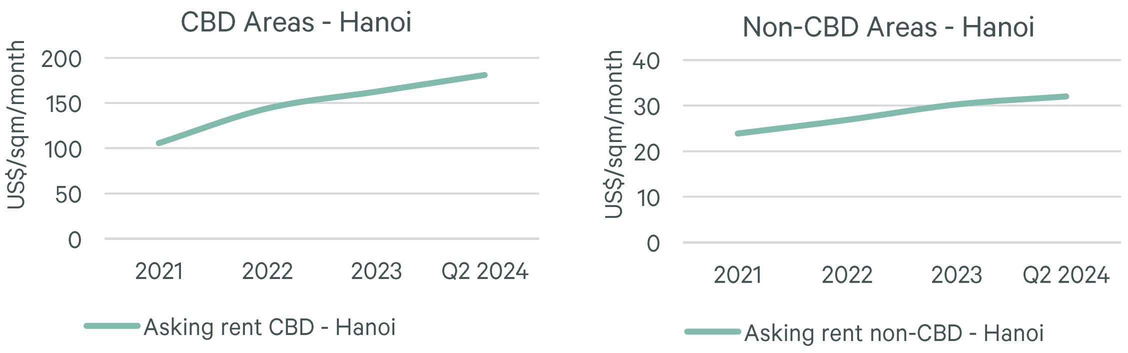
Over the next six months, there will be more supplies in non-CBD, including Parc Mall and Central Premium Mall in District 8, HCMC (with a combined gross floor area of over 100,000 sqm), as well as The Diamond Residence in Thanh Xuan District. The growth rate of rental rates in 2024 is expected to continue at a positive level in the context of the favorable growth trend since 2022, with an increase of 17-18% in the CBDs and 8-9% in the non-CBD areas. Over the next 3 years, CBRE forecasts that rental rates in the CBDs could increase by 7-10% and the non-CBD areas will increase by 2-3%.

FIGURE 3: Market Performance, Hanoi Retail



Source: CBRE Research., Q2 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., Q2 2024. Asking rent is for the ground floor, exclusive of VAT and service charge

Condominium

Highest new supply recorded during the first half of a year since 2020

New condominium supply in Q2 2024 increased nearly four times the number recorded in the last quarter, reaching slightly over 8,500 units. During the first half of 2024, total new supply of condominium in Hanoi exceeded 10,840 units, coming from 17 projects. This is also the highest new supply ever recorded during the first half of a year in Hanoi since 2020.

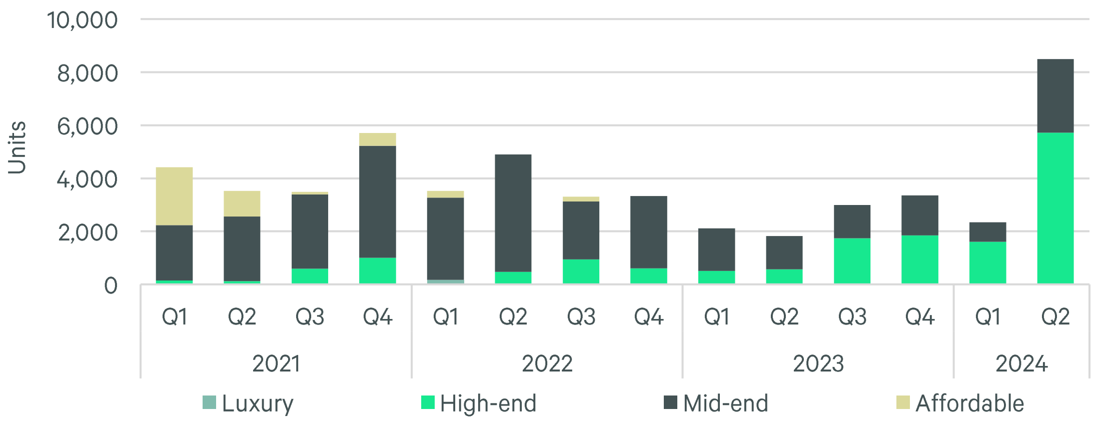
Abundant new supply during the quarter was matched with a strong buying momentum in Hanoi's condominium market as total sold units in H1 2024 alone already surpassed the full-year sales figures for 2023. Particularly in Q2 2024, the number of sold units reached 10,170 units, which was five times higher than the sold units recorded in both Q1 2024 and the same period last year. Projects located in large urban areas in the West and East of the city continued to record positive sales rate. Several projects with large-scale launches (1,000-2,000 units) were able to sell out 80-90% of their primary stock within this quarter.

In terms of pricing, the condominium selling prices in Hanoi are quickly approaching the levels recorded in HCMC in both primary and secondary markets. In the primary market, average selling prices of Hanoi condominium reached approximately VND 60million/sq.m. or US$ 2,323/sq.m. (excluding VAT and maintenance fees), which was only VND 3 million (US$ 120) lower than the current average prices in HCMC. Compared to the previous period, the average primary selling prices in Hanoi increased by 6.5% q-o-q and nearly 25% y-o-y.

In the secondary market, after a period of rapid growth in the selling prices of condominiums in Hanoi in Q1 2024, price increases in Q2 slowed down, up by 5% q-o-q and over 22% y-o-y. The average secondary selling prices of Hanoi condominium at the end of Q2 2024 reached approximately VND 38 million/sq.m. or US$ 1,492/sq.m. (excluding VAT and maintenance fees). Abundant new supply in this quarter has driven the selling prices in the secondary market towards a more stable cycle.

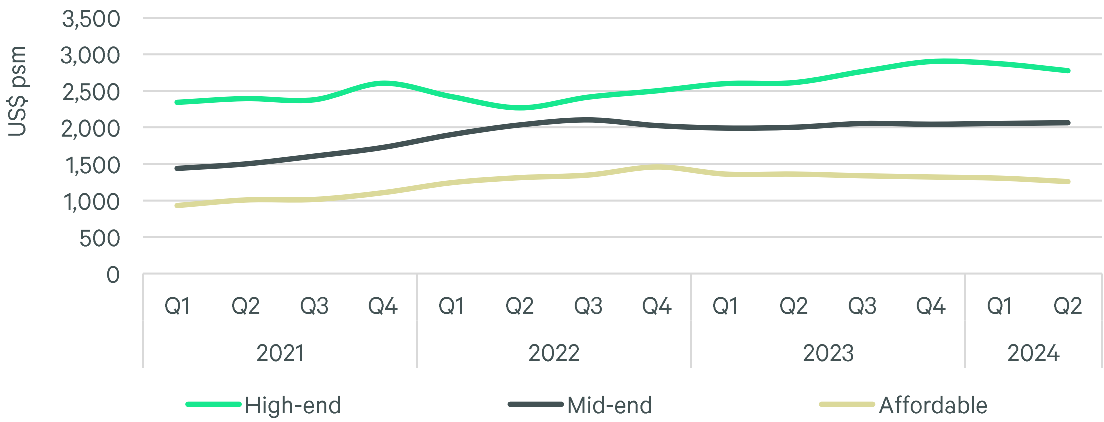
Moving forwards, new condominium supply in Hanoi is expected to welcome more than 10,800 units during the second half of 2024. This would bring the total number of new condominiums launched in 2024 to exceed 21,000 units, the highest annual new supply ever recorded in the past 5 years since 2020 in Hanoi. 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, Q2 2024

FIGURE 6: Average primary prices, Condominium, Hanoi



Source: CBRE Research, Q2 2024. Prices before VAT and maintenance fee

Villa & Townhouse

Hanoi landed properties market was still largely muted

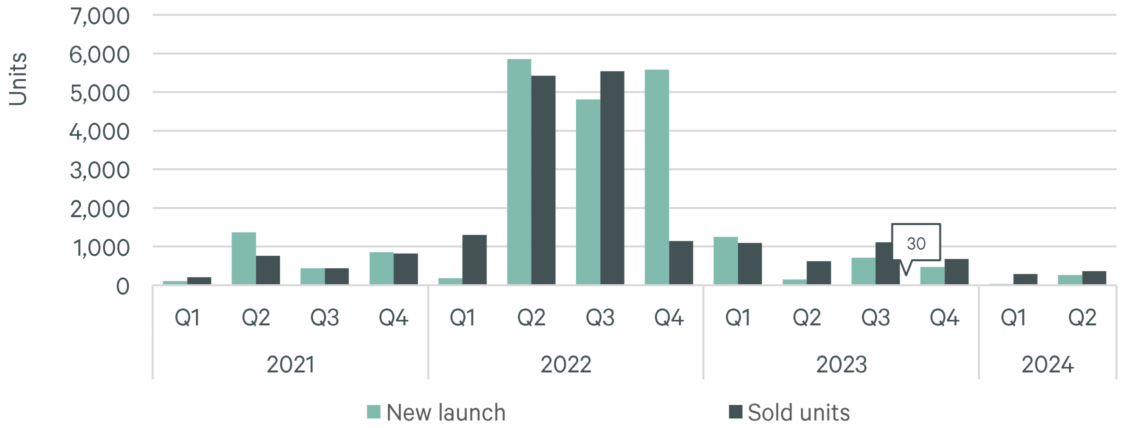
New supply in Hanoi in Q2 2024 improved compared to the previous quarter, with nearly 270 units launched across three existing projects. The total new launches recorded in the first six months of 2024 reached nearly 300 units. Compared to the same period last year, new supply in H1 2024 in Hanoi declined by nearly 80%.

On the other hand, absorption in Hanoi landed property market has yet to show a clear recovery. Total sold units in Q2 reached around 370 units, up by 26% q-o-q but down by 61% y-o-y. New landed property supply remained limited in Hanoi, while several existing projects had to suspend their sales activities due to incomplete legal procedures. As a result, the number of landed properties sold this quarter continued to be low.

In terms of pricing, the upward trend in both primary and secondary selling prices of landed property in Hanoi remained. At the end of Q2/2024, the average primary selling price reached 202 million VND/sq.m. land (excluding VAT), up by more than 5% q-o-q and 4% y-o-y. This quarter recorded a number of existing projects increasing their selling prices or launching new stocks at higher prices, causing the primary price level to rise. In addition, the secondary selling price continued to increase to 162 million VND/sq.m., equivalent to an increase of 2% q-o-q and 4% y-o-y.

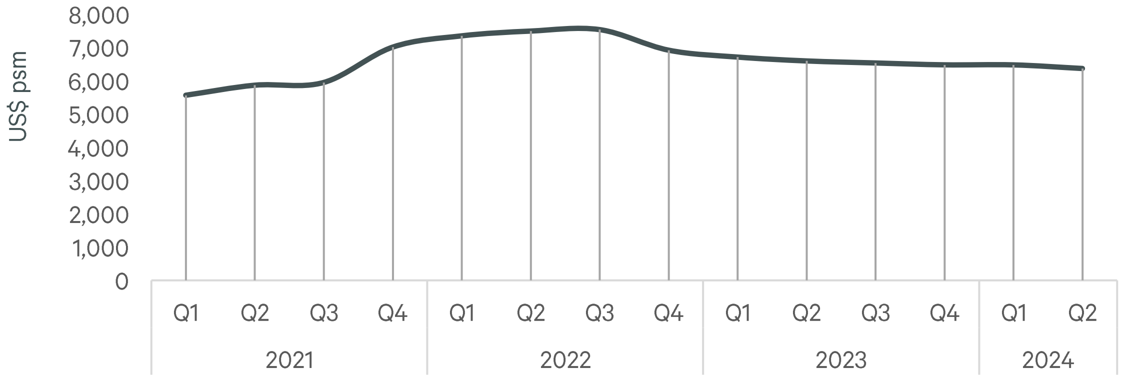
The landed property market in Hanoi in the second half of 2024 is expected to be more vibrant with the launch of mega projects in the West and North of the city. This is projected to result in stronger growth in new supply and selling prices during the latter half of 2024 compared to the first half.

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



Source: CBRE Research., Q2 2024.

FIGURE 8: Average Secondary price, Hanoi Landed Property



Source: CBRE Research., Q2 2024. Prices before VAT

Northern Industrial

Positive Growth in Industrial Real Estate Market Driven by Solid Demand and Production Recovery

In the first half of 2024, the industrial real estate market continued to show positive developments. Export-import activities and production demonstrated signs of recovery as the total import-export turnover increased by 15.7% y-o-y, reaching US$368.53 billion.

For the industrial land market, industrial land prices in Tier 1 markets in the North increased slightly by 0.3% compared to the previous quarter and 4.5% compared to the same period last year, reaching an average of US$134/sqm/remaining term. The absorption area in the first six months of 2024 reached over 220 hectares, helping the occupancy rate in the Northern region to remain at 83%, an increase of 0.4 ppt compared to the same period last year. In terms of demand, electronic manufacturers such as Victory Giant and Foxconn in Bac Ninh continued to lead the Northern market with significant transactions.

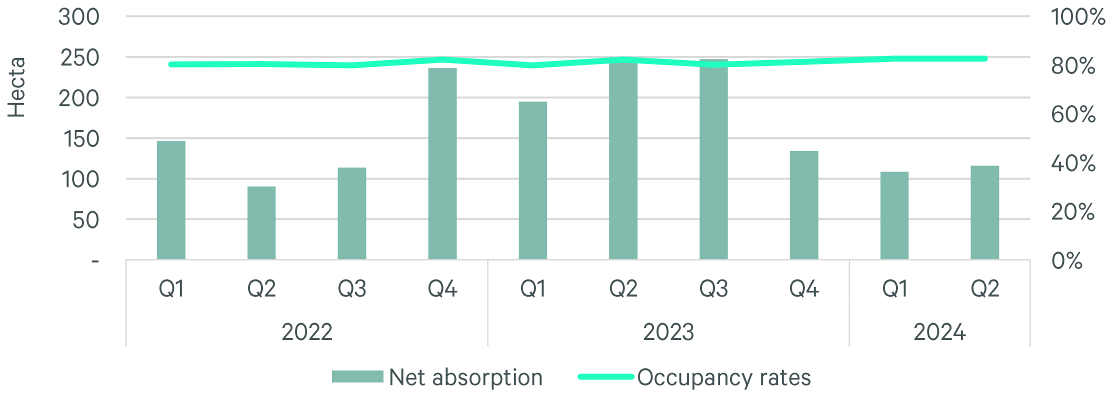
For the ready-built warehouse (RBW) and factory (RBF) markets, in the first half of 2024, over 225,000 sqm of completed RBW and RBF were recorded in Tier 1 markets in the North, with factory space accounting for 95% of the total area. The absorption area for RBF also exceeded that of RBW by more than four times. By the end of Q2 2024, the occupancy rate for RBF reached 89%, while RBW in the Northern region maintained an occupancy rate of 79%. The rental prices for RBF were recorded at US$4.9/sqm/month, representing a y-o-y increase of 1.9%. For the RBW segment, rents decreased by 1.0% y-o-y, staying at US$4.6/sqm/month. The electronics, semiconductor, furniture, and logistics sectors were the leading tenants driving the demand for ready-built warehouses and factories in the Northern region in the first half of this year

Market Outlook

Over the next three years, it is expected that the rental rates for industrial land in the North expected to increase by 5-8% per year. Meanwhile, the asking rent of RBW/RBF is predicted to slightly increase by 1-4% per year in the next three years.

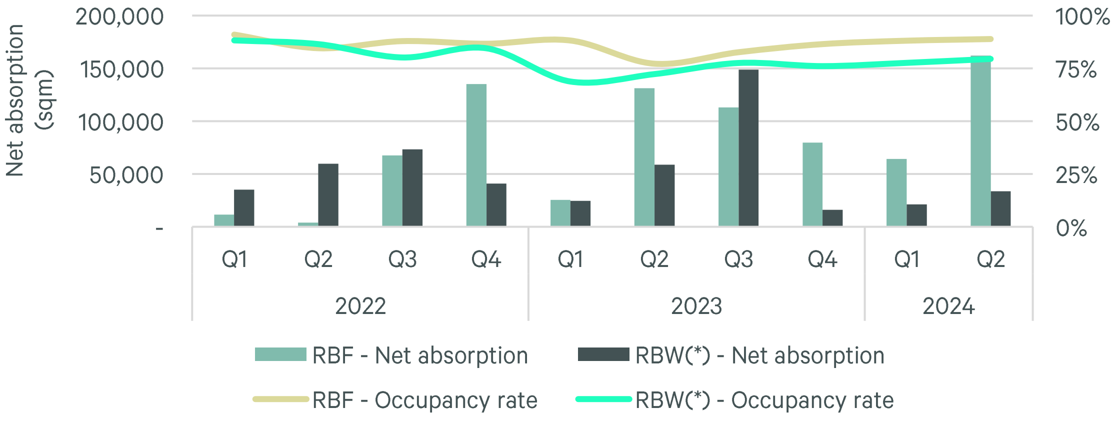
Note: Tier-1 markets include Hanoi, Hai Phong, Hai Duong, Hung Yen and Bac Ninh.

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



Source: CBRE Research., Q2 2024

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



Source: CBRE Research., Q2 2024. (*) Exclude service warehouse.

Serviced Apartment

Upcoming expansion of serviced apartments in Hanoi signals growing demand

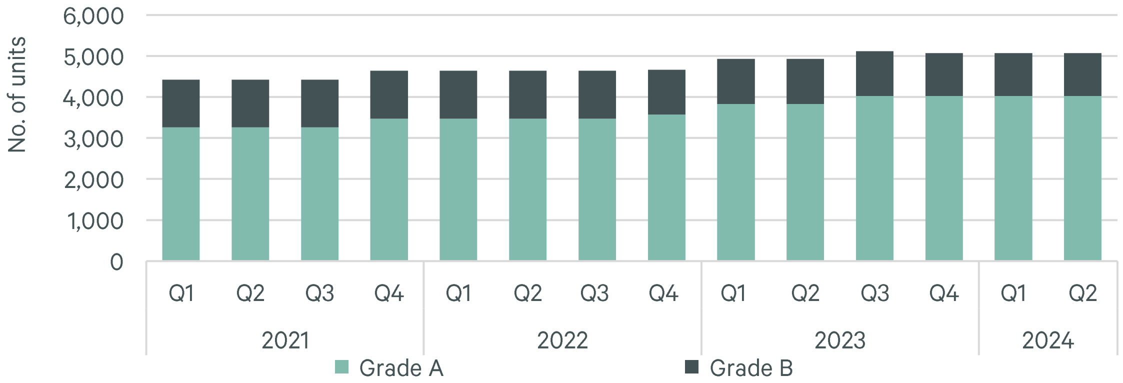
In Q2 2024, the Serviced Apartment market did not see any new projects added, resulting in an average total supply of 5,072 units. Grade A Serviced Apartments continued to dominate the market, representing 79% of the total supply.

The serviced apartment market in Hanoi is on the cusp of a significant expansion, with an anticipated influx of more than 3,186 units in the near future. Among the seven upcoming projects, one development is slated to launch in the next half of 2024, contributing 261 units to the overall supply. Furthermore, in 2025, two major projects, Somerset West Central Ha Noi and Tay Ho View Complex, are expected to add over 2,200 units to the market. These developments will provide a diverse range of options for tenants seeking serviced apartment accommodations in Hanoi. With the introduction of new projects managed by internationally recognized brands, Hanoi's serviced apartment market is well-positioned to cater to the growing demand and offer an elevated standard of living for residents and travelers alike.

In Q2 2024, landlords have had to be more flexible and adjust their policies in order to cope with the challenges. They are actively trying to attract tenants back by providing incentives and reducing rental rates. As a result, current rental rates are now only around 85% compared to the pre-pandemic period in 2019. The average asking rent for Grade A projects was US$27.6/sqm/month, reflecting a 1.2% decrease q-o-q and a 4.4% decrease y-o-y. In the Grade B segment, the average asking rent was US$17.3/sqm/month, witnessing a 1.5% increase q-o-q. Overall, the market rent averaged at US$25.3/sqm/month.

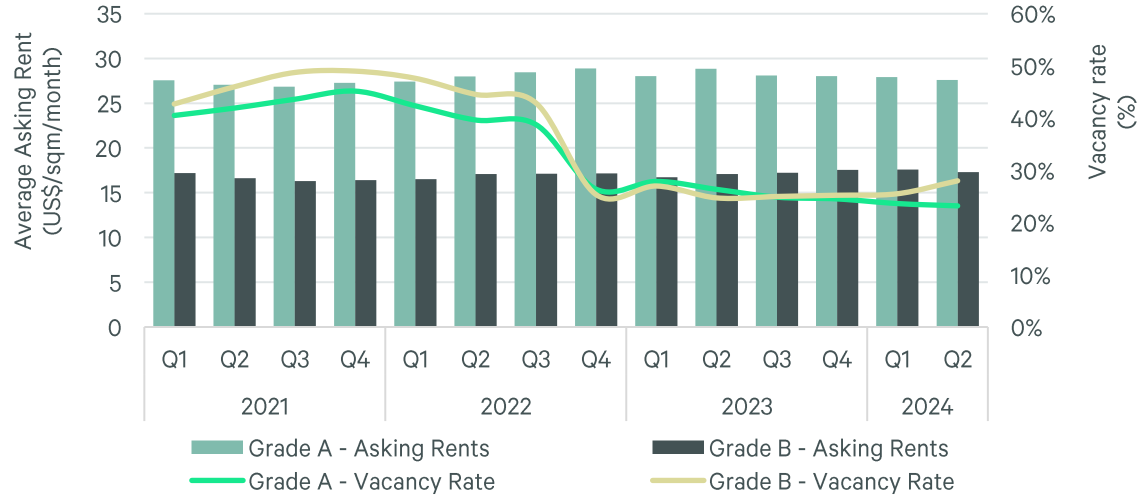
Furthermore, the Grade A projects benefited from promotional activities, leading to a decrease in the vacancy rate by 0.4 ppts q-o-q and a significant 3.2 ppts y-o-y decrease. On the other hand, the Grade B segment experienced a higher vacancy rate of 28.0%, indicating a 2.5 ppts increase q-o-q and a 3.3 ppts increase y-o-y. When considering both grade projects together, the average vacancy rate stood at 24.8%.

FIGURE 11: Total supply, Hanoi Serviced Apartment, Q2 2024



Source: CBRE Research., Q2 2024

FIGURE 12: Asking price and Vacancy rate, Hanoi Serviced Apartment, Q2 2024



Source: CBRE Research., Q2 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

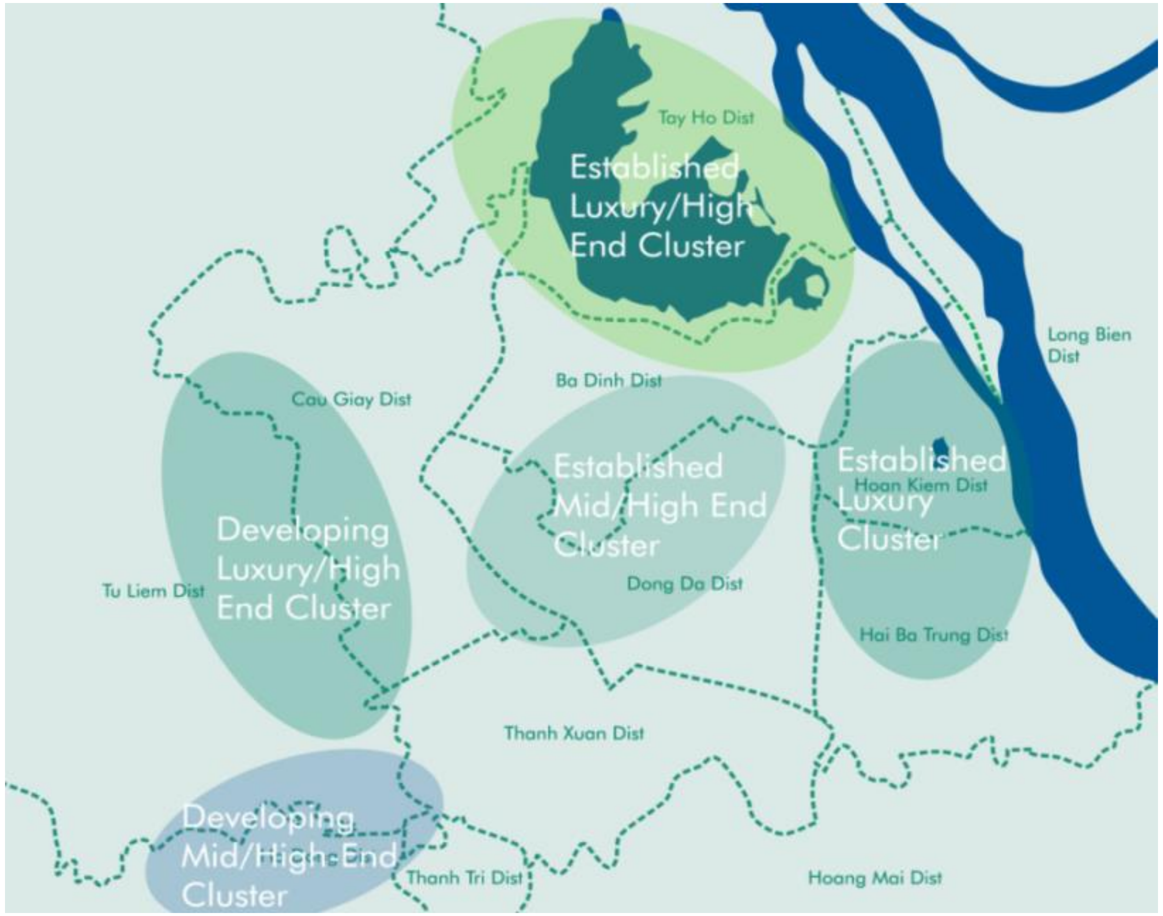
Luxury: projects that have primary prices from US$5,000 per sq.m to US$12,000 per sq.m

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.



Disclaimer:

Contact

Dung Duong
Executive Director, Research & Consulting
CBRE Vietnam
+84 28 6284 7668
dung.duong@cbre.com

An Nguyen
Senior Director, Research & Consulting
CBRE Hanoi Branch Director
+84 24 3698 8028
an.nguyen@cbre.com

Thanh Pham
Associate Director, Research & Consulting
CBRE Vietnam
+84 28 6284 7668
thanh.pham@cbre.com