

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:** In the first half of 2024, the HCMC office market had one new supply – Etown 6 – the first grade A office in Tan Binh District. Opening at the end of June, this building offers a total NLA of approximately 37,000 sqm. Record volume of new supply in 2023 has driven the vacancy rates of Grade A office to nearly 21%, the highest in the last 10 years, up 3ppts q-o-q and 13.3 ppts y-o-y
- **Retail:** HCMC market welcomed new supply from Vincom Megamall Grand Park in District 9 and the renovated Vincom 3/2 project with a total leasable area of 56,000 sqm. Given the persistent strong demand and limited available space in the CBD locations, rents in the CBD continue to increase to US\$280 psm, 18.5% higher y-o-y.
- **Condominium:** Sold units in Q2 nearly doubled those in Q1 while primary and secondary prices increased slightly. With revisions to the Housing Law, Real Estate Business Law, and Land Law set to take effect from August 2024, coupled with limited supply, selling prices are expected to continue rising.
- **Industrial land:** The overall occupancy rate for industrial land remains stable at 89%. Manufacturers are increasingly looking towards Long An and BR-VT for expansion due to their abundant land supply. While the RBW sector saw no new supply in H1 2024, occupancy rates rose to 61% fueled by major deals in HCMC and Long An. Meanwhile, the RBF market witnessed a surge in new space, with substantial projects in Binh Duong and Dong Nai contributing to a slight decrease in occupancy to a still-positive 81%.

Vietnam Economic Overview

- The GDP growth rate for Q2 2024 was 6.42% y-o-y. 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% y-o-y. 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 in 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

Grade A Office Started to Feel The Pressure from New Supply Surge

In H1 2024, HCMC offices only welcomed one new building, Etown 6 Tower in Tan Binh District – the very first Grade A office in the area, officially launched by the end of June and began to allow tenants to fit out.

Grade A rents dropped to US\$45.9/sqm/month, down 2.6% q-o-q but still grew at 1.2% y-o-y, due to the introduction of a new Grade A building in a decentralized location offering rents of only 60% of Grade A's average rents. As demand is softer, older buildings or those with high vacancy are offering stronger incentives in the form of longer rent-free periods or fit-out periods.

In contrast, Grade B offices experienced an uptick in average rents, reaching US\$26.3/sqm/month, reflecting a quarterly increase of 0.9% and an annual growth of 2.7%. Similar to Grade A offices, rental growth in Grade B buildings is not uniform, with only buildings in the CBD or CBD fringe showing improved rental rate.

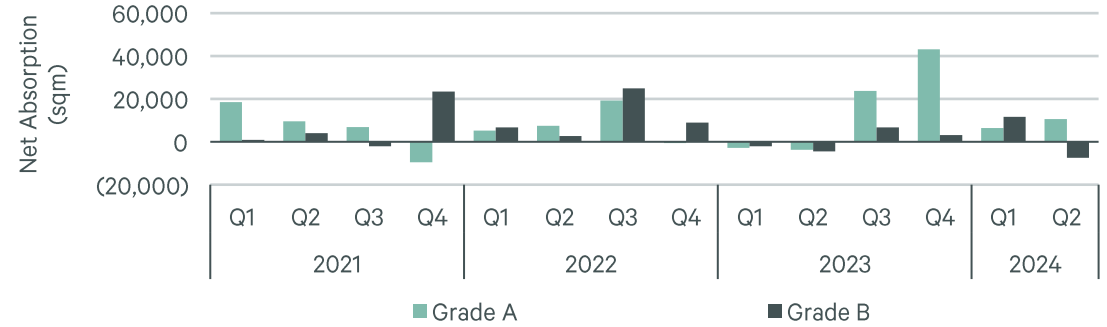
Softening Demand

Record volume of new supply in 2023 has driven the vacancy rates of Grade A office to nearly 21%, the highest in the last 10 years, up 3ppts q-o-q and 13.3 ppts y-o-y. For Grade B, average vacancy rates increased slightly by 0.7 ppts q-o-q, staying at 10.1% as of Q2 2024.

Under this context, some developers considered delaying their plan to launch a new office, especially in decentralized areas, which leads to a reduction in the pipeline over the next two years compared to the previous forecast. The most notable supply in the next two years comes from two high-quality Grade A projects in the CBD, namely Marina Central Tower and The Lotus SSG with a total NLA of over 100,000 sqm.

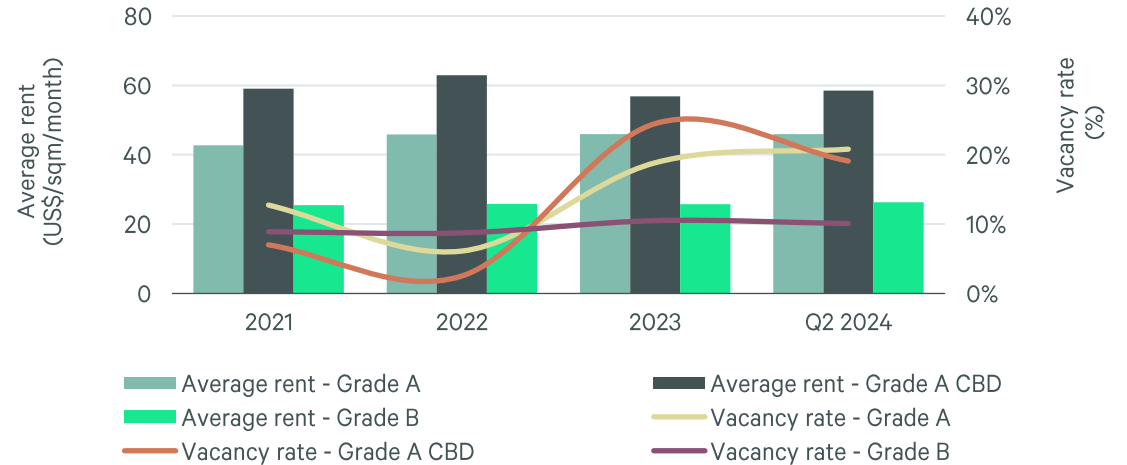
Although demand has been softening in the city, there have been outliers in terms of transaction size, which can be up to 10,000 sqm. However, the number of transactions went down, leading to the total absorption of the HCMC office market in H1 2024 of only more than 21,000 sqm, equivalent to around 30% of 2023's.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q2 2024

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



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

Retail

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, while HCMC market welcomed new supply from Vincom Megamall Grand Park in District 9 and the renovated Vincom 3/2 project with a total leasable area of 56,000 sqm. 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).

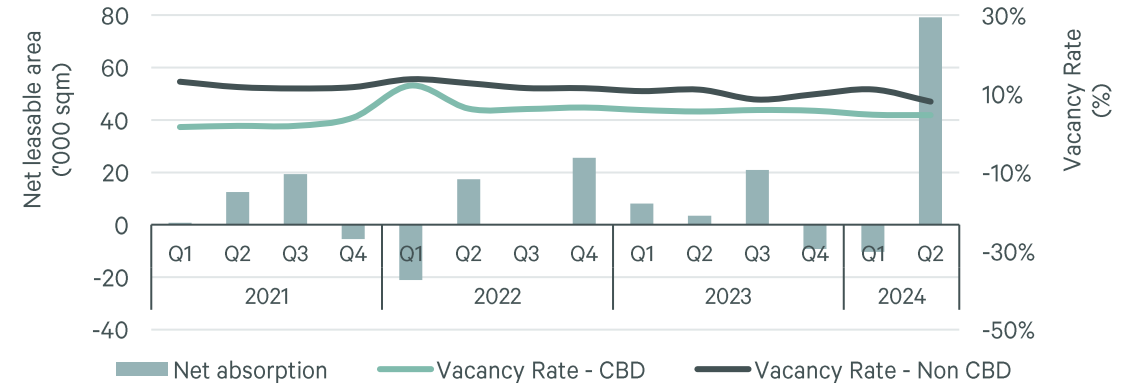
Solid Retailers' Demand Supports Higher Occupancy and Rental Growth

In HCMC, CBDs malls account for only 12% of the total supply; with demand ever strong for the CBD locations, rents in the CBD continue to increase at a rapid rate. The average rents in CBDs reached nearly US\$280 per square meter per month, marking an 18.5% increase compared to the previous year. With the vacancy rate remaining low at 4.6% in the CBD and 7.1% in non-CBD areas, rents in non-CBD locations have started to show growth since last year. Retailers who already have a presence in CBDs are now exploring opportunities in fringe CBDs or second-tier districts in HCMC and Hanoi. In the second quarter, rents in non-CBD areas of HCMC also experienced a year-on-year growth of 15.5% and a q-o-q growth of 1.0%, averaging at US\$53.8 per square meter.

Market Outlook: 2024F Rental Prices to Continue Increasing

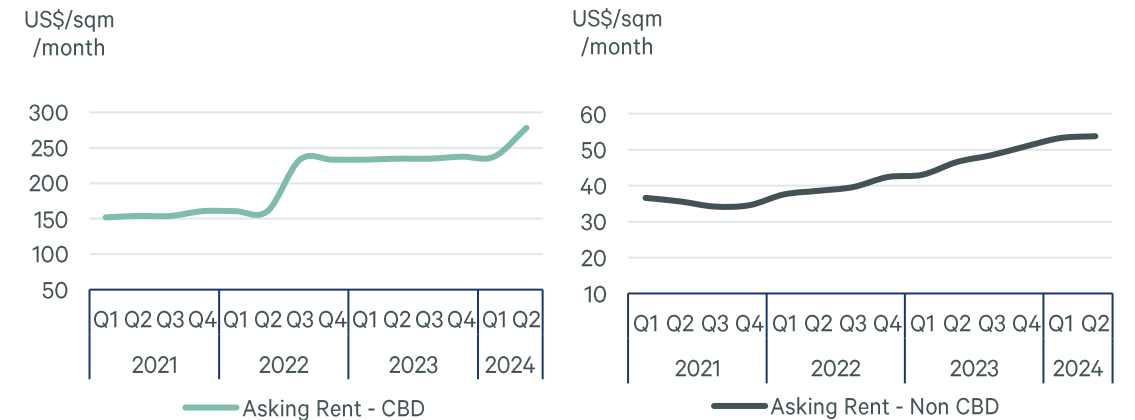
In HCMC, more shopping malls are undergoing renovations and revamping their tenant mix to create space for new market entrants and ensure more experiences for shoppers. The growth rate of rental rates in 2024 is expected to continue to maintain a positive level in the context of the favorable growth 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, Retail, HCMC



Source: CBRE Research & Consulting, Q2 2024

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, Q2 2024

Condominium

Increasing Selling Prices and Improved Absorption in Q2 2024

After only 500 new condominium units launched in Q1, Q2 this year saw an additional launch of 1,200 units, located in the East and South areas of the city. Most of the new launches in HCMC during the first two quarters of 2024 originated from existing projects introducing their subsequent phases. There were only two newly launched projects, namely The Aurora in Phu My Hung and Eaton Park in Thu Duc City.

The number of units sold in Q2 surpassed 1,100 units, nearly doubling that of Q1, totaling 1,700 units sold in H1 2024, which accounts for 80% of the units sold in H1 2023. As new supply remained constrained, projects with new launches in HCMC in Q2 all achieved positive sales rates, with almost 80% of the units launched in Q2 being successfully sold.

Primary selling prices in HCMC continued to increase slightly, up 3% q-o-q and 6% y-o-y, reaching over VND 63 million/sqm. Particularly in Q2, over 70% of the new launches were introduced to the market under high-end and luxury segments. The selling prices of these new launched units were set 2-3 times higher than the average market-wide price. Throughout Q2 2024, a few projects located close to the CBD that were launched 5-7 years ago announced sales of a few remaining units at selling prices nearly double those in previous selling phases.

With the upward momentum of rising primary selling prices in HCMC's condominium market, along with projects adjusting their selling prices higher than previous selling phases, the secondary selling prices in HCMC also recorded an increase of 4% q-o-q and 3% y-o-y.

Market Outlook

Less than 9,000 new condominium units are expected to be launched during 2024. On the other hand, the three revised laws (Law on Housing, Law on Real Estate Business and Law on Land) are planned to take effect from August 2024. Under this context, in the coming time, the HCMC's condominium market is anticipated to see primary selling prices continue to increase by approximately 5% y-o-y.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q2 2024

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q2 2024. Since Q1 2024, following the market movements, CBRE applied a new condominium ranking criteria (referring to Terminology page).

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

Escalated Primary Selling Prices due to New Supply in Prime Areas

During the first half of 2024, only 47 landed property units were launched, coming from 2 new projects introduced to the market in Q2, including Zeit River Thu Thiem and L’Arcade Phu My Hung. Although this is a relatively low number of new supply compared to the same period from 2022 backwards, it should be noted that new supply of landed property in HCMC within H1 2024 has already exceeded the total new supply in full year 2023.

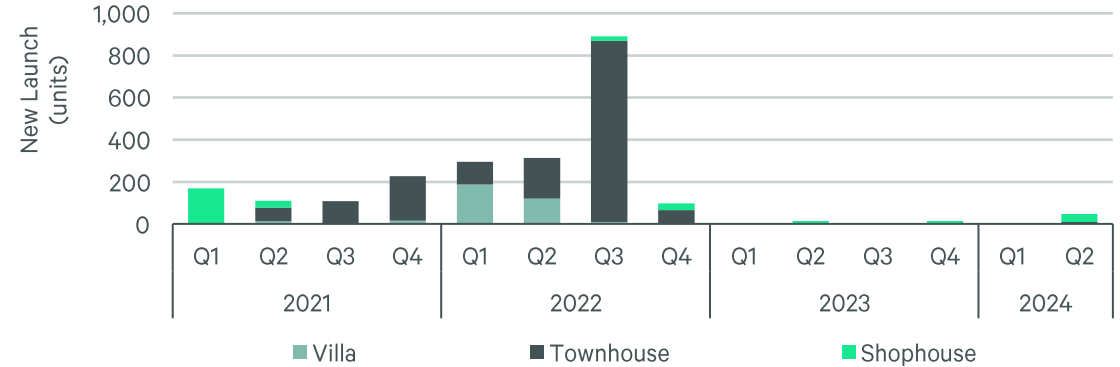
The selling prices of projects launched during Q2 in HCMC were 2.5 – 3.5 times higher than the market average (*selling prices calculated on land area*), causing the average market selling prices increase to VND 310 million/sqm land (*excluding VAT*), up 19% q-o-q and up 21% y-o-y. Despite setting high prices, these two projects still recorded fast sales rates, with over 70% of launched units sold out in both projects. Prime location, prestigious developer brand name and a limited number of launched units under the context of new supply scarcity in HCMC’s landed property market over the past year are important factors that contribute to the positive sales rates for these two projects.

On the other hand, the selling price in the secondary market of landed property in HCMC has yet recorded any major increase in prices during Q2, maintaining around VND 140 million/sqm land as in previous quarter.

Market Outlook

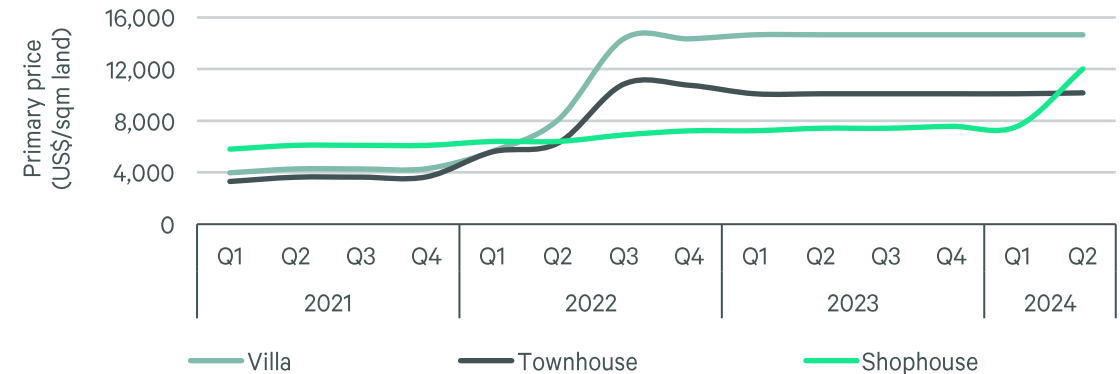
As future supply of landed property market in HCMC remains low, developers with products ready for launch in the coming time tend to set the primary selling price quite high, causing the average market selling prices to increase by 20% y-o-y in the primary market and 4% y-o-y in the secondary market in 2024.

FIGURE 7: New supply, Landed property, HCMC



Source: CBRE Research & Consulting, Q2 2024

FIGURE 8: Average primary price, Landed property, HCMC



Source: CBRE Research & Consulting, Q2 2024

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 Recorded a Stable Occupancy Rate and a Slight Increase in Asking Rents

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.

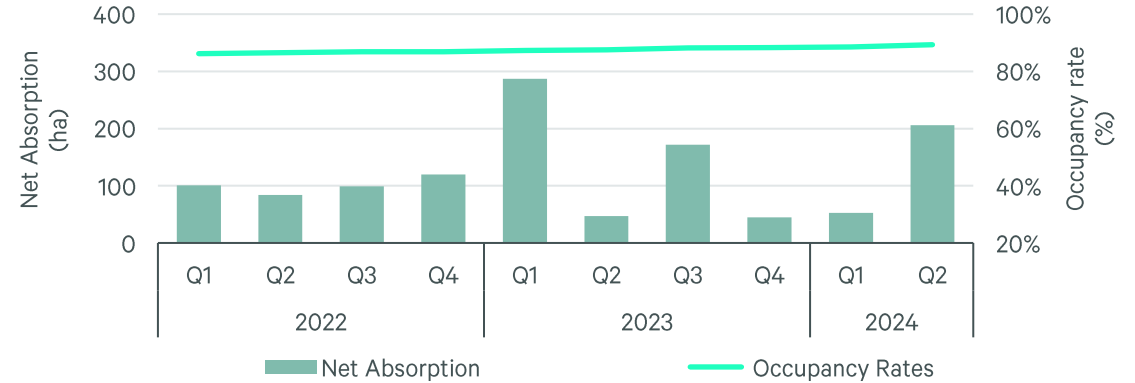
Industrial land prices in Tier 1 markets in the South remained steady at US\$ 173/sqm/remaining term this quarter. This represents no change from the previous quarter and a modest 1.0% increase y-o-y. The occupancy rate is stable at 89% and the absorption area is just over 259 hectares in the first half of 2024. Domestic and foreign manufacturers tend to expand to Long An and Ba Ria - Vung Tau, where industrial land banks are relatively abundant.

RBF/RBW: High-tech, Renewables, and E-commerce Drive Demand for the Southern RBF/RBW

After a period of strong growth, in the first half of 2024, the RBW market saw no new supply, occupancy surged 3% from Q1 2024 to 61% due to major deals in Ho Chi Minh City and Long An. Conversely, the RBF market experienced a significant influx of new space (over 371,000 sqm) in Binh Duong and Dong Nai, leading to a slight dip in occupancy (5%) to a healthy 81%.

Regarding average rental prices, rental prices for RBW/RBF in the Southern market remained stable compared to the previous quarter, reaching US\$4.5 and US\$4.9 /sqm/month respectively, with a growth rate of 2.0% y-o-y for RBW and 1.0% y-o-y for RBF. High-tech and renewable energy manufacturers, and e-commerce companies, are major tenants driving demand for RBW and RBF space in the South.

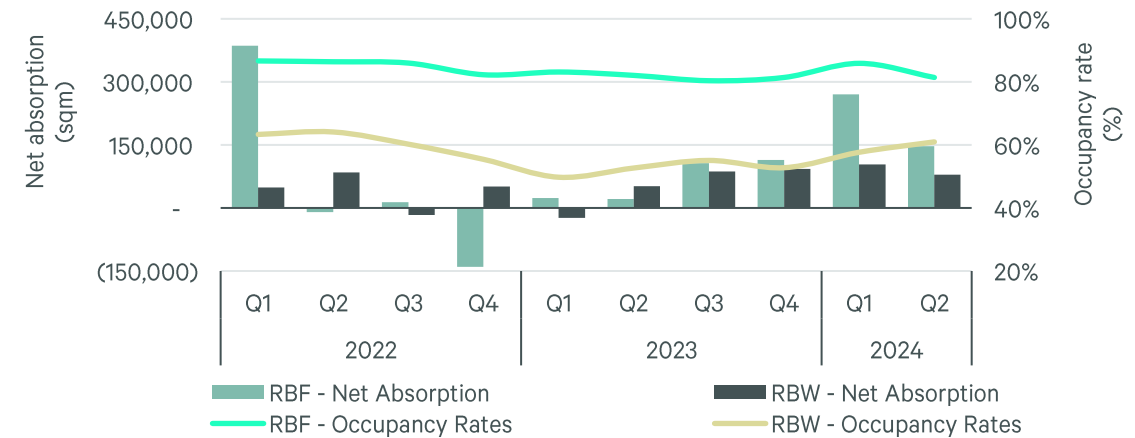
FIGURE 9: Industrial land, Southern region, Tier – 1 provinces



Source: CBRE Vietnam Research & Consulting, Q2 2024.

Note: Tier 1 markets include HCMC, Binh Duong, Dong Nai, Long An & BR-VT.

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



Source: CBRE Vietnam Research & Consulting, Q2 2024.

Note: Tier 1 markets include HCMC, Binh Duong, Dong Nai & Long An.

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.

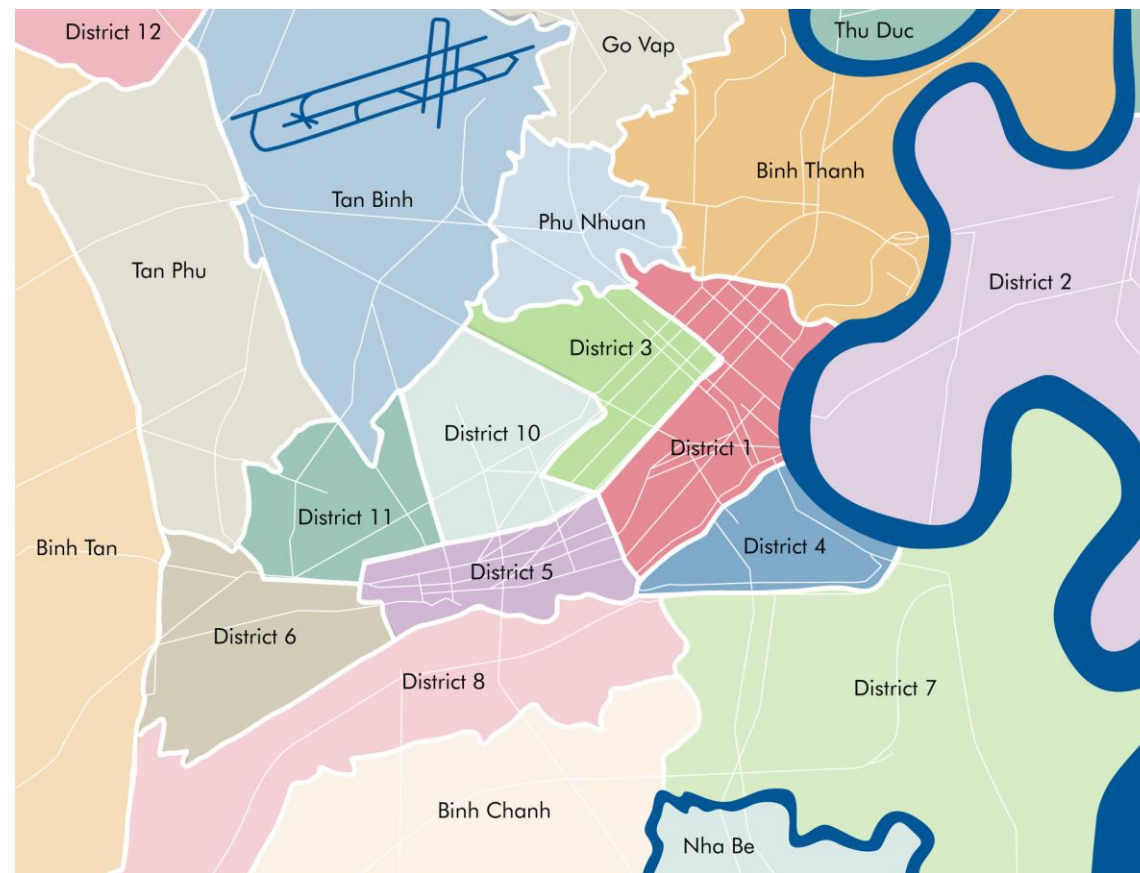
Rents or average room rates are quoted on the following basis:

- 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 applied since Q1 2024:

- 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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