

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

▲ +5.66%
VIETNAM GDP

▲ +6.54%
HCMC GRDP

▲ +5.50%
HANOI GRDP

▲ +21.01%
VN-INDEX

Note: Arrows indicate y-o-y change.

HOT TOPICS

- **Office:** The office market in HCMC, continues to show signs of improvement in the first quarter of 2024, with asking rents for both grades increasing. In the first quarter of 2024, the market witnessed two large transactions over 10,000 sqm in newly opened office buildings in 2023, and both transactions involved expansion by international corporations. As a result, the net absorption area in the HCMC market in Q1 2024 was nearly 28,000 sqm, and the vacancy rates for Grade A and Grade B were also improved compared to the previous quarter.
- **Retail:** In HCMC, there was no new supply in the reviewed quarter. 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.
- **Condominium:** Despite limited new supply, the absorption rate of new launch reached approximately 80%, thanks to stable selling prices and attractive sales policies. The amendments of Housing Law, Real Estate Business Law and Land Law in late 2023 – early 2024 will influence major changes in the market.
- **Industrial land:** In Q1 2024, due to relatively limited industrial land availability, the occupancy rate remained stable at 92%, with a net absorption of just over 20 hectares. Domestic and foreign manufacturers tend to expand to Tier 2 markets such as Ba Ria-Vung Tau and Tay Ninh, where industrial land supply is relatively abundant and rental prices are more competitive compared to Tier 1 markets. The RBW/RBF recorded strong absorption over 100,000 sqm in Q1 2024 thanks to the expansion of high-tech and e-commerce firms.

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

Signs of improvement continues with asking rents of both grades increasing

Although HCMC did not record new supply within the quarter, Etown 6, which is set to open in April this year, has already achieved a leasing commitment rate of approximately 20%.

Average asking rents in HCMC have shown improvement, with Grade A rents reaching US\$47.2/sqm/month – the highest Grade A rental price in the past 15 years, representing a 2.6% y-o-y increase. Meanwhile, the average Grade B asking rents reached US\$26.0/sqm/month, a 1.0% increase q-o-q and a 2.0% increase y-o-y. The increase in Grade A rents in HCMC primarily stems from newly completed buildings reaching high occupancy rates and from buildings that have undergone renovation and improvement work, which are also anticipating an increase in rental prices.

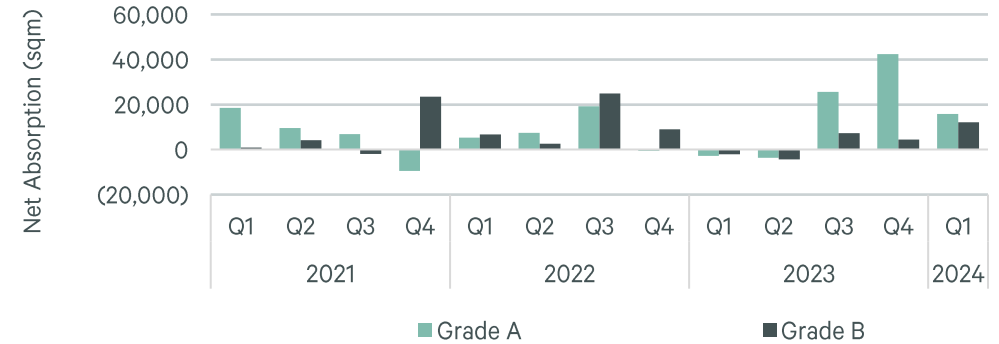
Large transactions leads the market

HCMC office market recorded a more favourable office occupancy rate than Hanoi. In the first quarter of 2024, the market witnessed two large transactions over 10,000 sqm in newly opened office buildings in 2023, and both transactions involved expansion by international corporations. As a result, the net absorption area in the HCMC market in Q1/2024 was nearly 28,000 sqm, and the vacancy rates for Grade A and Grade B were also improved compared to the previous quarter. Specifically, the vacancy rates for Grade A and Grade B offices were 16.1% and 9.3%, respectively, a decrease of 2.5 and 1.2 pts q-o-q for each Grade. Although most of the newly absorbed area still comes from new buildings, the positive economic outlook gives landlords confidence in maintaining or considering rental price increases.

In terms of demand, in both Hanoi and HCMC, the percentage of relocation and expansion purposes made up a large proportion of total recorded significant transactions by CBRE, which are 54% and 32%, respectively. This showed the growth and development of enterprises and organizations in both cities. Regarding the tenant industry, the Finance/Banking/Insurance and Manufacturing sectors accounted for as much as 38% and 31%, demonstrating the solid development of those industries and the demand for infrastructure improvement to serve their demand.

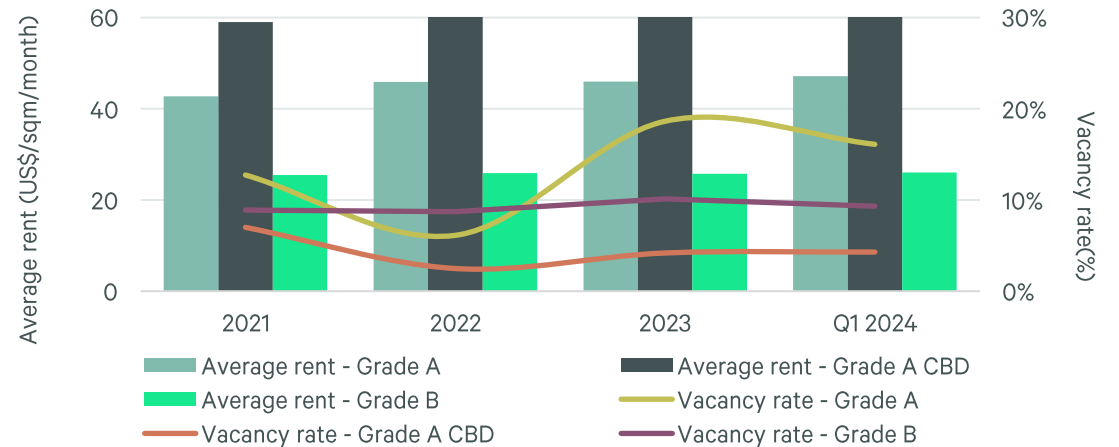
In the context of the HCMC office market, there is no new supply of Grade A offices in the CBD in 2024; the existing Grade A office buildings, especially those in the CBD area, will benefit from this shortage and rent is expected to grow further. On the other hand, other Grade B office buildings that are under completion located in decentralized locations will slow down the rent growth rate.

FIGURE 1: Net absorption, Office, HCMC



Source: CBRE Research & Consulting, Q1 2024

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



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

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. 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 two luxury fashion labels, namely Rene Caovilla at Union Square in HCMC and 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.

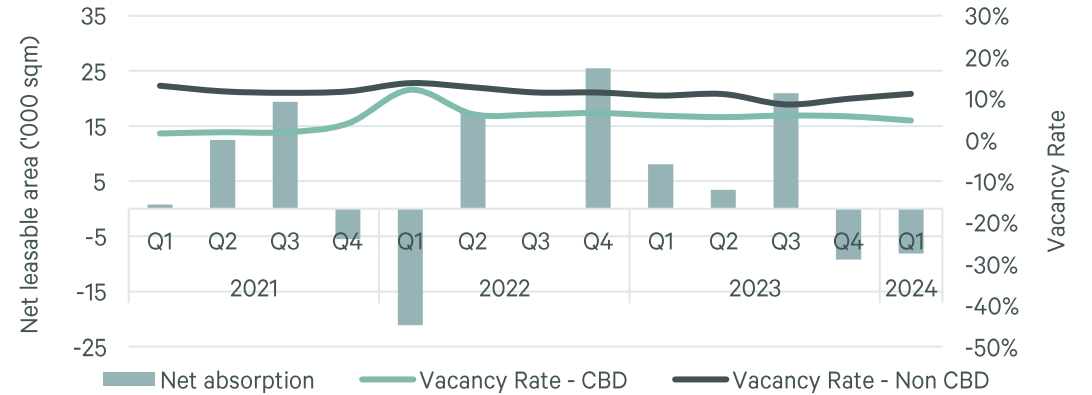
Rents continue to increase as vacancy rates remain low

In HCMC, there was no new supply in the reviewed quarter. Prime locations witnessed an average asking rent close to US\$240 USD/sqm/month, indicating a slight increase of 1.8% y-o-y. The CBD area showed almost no vacant space, with a vacancy rate of 4.7%, representing a decrease of 1.1 percentage points compared to Q1 2023. Meanwhile, the non-CBD area experienced a significant rental price increase to US\$53.3/sqm/month, a rise of 23.7% year-on-year, primarily due to the restructuring of certain shopping centers. The vacancy rate in the non-CBD area of HCMC reached 11.1%, resulting in an overall average vacancy rate of nearly 90% for the city.

Market Outlook: Upward trend in asking rents persists, especially in CBD area

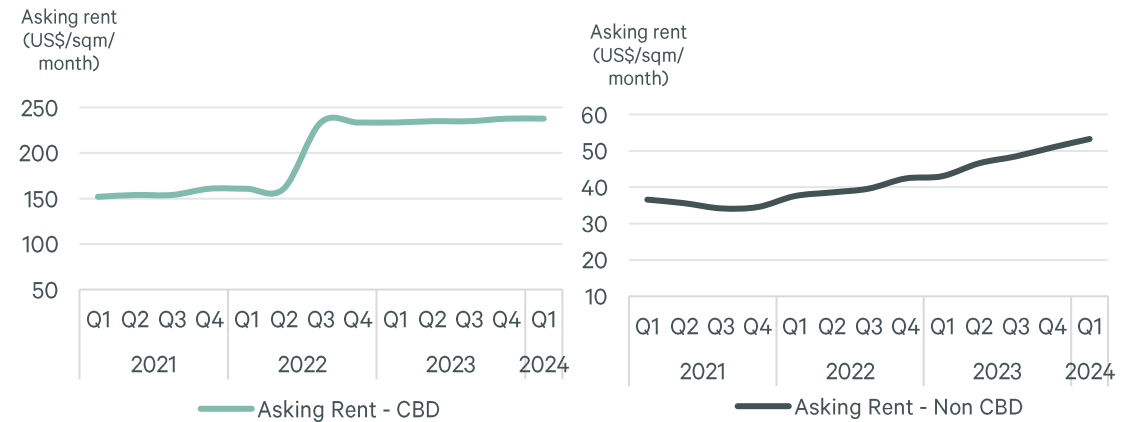
In the coming years, it is anticipated that the total average new supply in Hanoi and HCMC will be around 65,000 sqm annually. This figure is significantly lower, approximately 57%, compared to the average of the past ten years. The restricted new supply and limited completion of large-scale projects will contribute to a less severe scarcity compared to previous years. As a result, CBRE predicts that rental prices will continue to increase at a slower pace. Specifically, rental prices are expected to rise by 2-3% in non-CBD areas and 5-8% in CBD areas.

FIGURE 3: Market performance, Retail, HCMC



Source: CBRE Research & Consulting, Q1 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, Q1 2024

Condominium

Limited supply in Q1 2024 but more positive prospects in next quarters

Only about 500 condominiums were launched in HCMC during Q1 2024, mostly coming from the next phases of existing projects launched in 2023. Only one entirely new project in high-end segment was launched with over 80 units in the South. New supply in Q1 2024 in HCMC continued to reach its lowest new supply level in about 15 years, down 17% y-o-y.

The number of sold units for condominium also remained low with around 600 condominium units sold in Q1 2024, down 74% q-o-q, but higher than quarterly new launches. In Q1 2024, the absorption rate of new launches reached approximately 80%. This was thanks to stable selling prices from new selling phases of existing projects and a new project launched at reasonable selling prices.

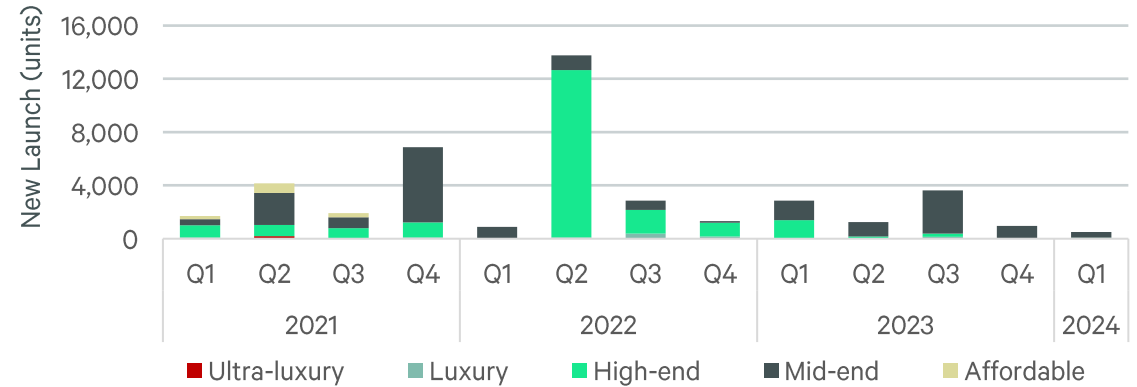
One notable bright spot of the primary residential market in Q1 2024 was the booking performance of future projects. Particularly, a condominium project in Mai Chi Tho boulevard in Thu Duc City, with expected asking price in the luxury segment recorded positive bookings in Q1 2024. Outside of HCMC, there was a new ready-built landed property project in Binh Duong New City (Binh Duong Province) recording more than 300 bookings after one month of project introduction. These positive results before official launches pose a bright prospect for a more active residential market in the coming quarters of 2024.

The condominium market in Hanoi and HCMC has shown contrasting price trends this quarter. The average selling prices of projects in both primary and secondary markets in Hanoi have increased rapidly in the first three months of 2024, approaching the price levels recorded in HCMC. However, condominium prices in HCMC witnessed hardly any significant changes. Primary price in Q1 2024 maintained at around VND61 million/sqm, almost unchanged from the previous quarter. This quarter witnessed a significant reduction in the price gap between condominiums in HCMC and Hanoi's primary market. From a difference of 35% observed at the end of 2022, the current primary price in Hanoi is only lower by approximately 10% than in HCMC.

Market Outlook

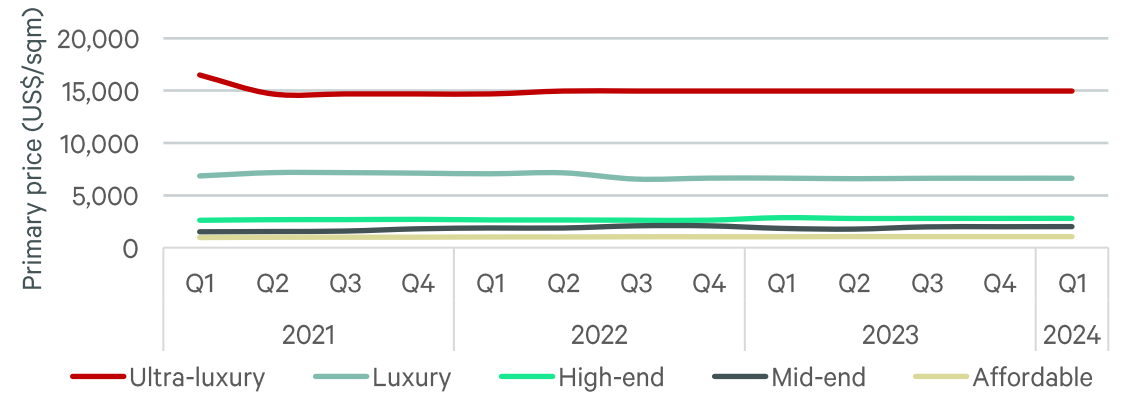
New supply in 2024 expected to remain conservative, with slightly over 8,000 new condominium units (Q1 2024 already welcoming ~500 units). With limited new supply, the primary prices of condominium in HCMC are set to stay high during the remaining quarters of the year. As of Q1 2024, three laws related to the real estate market (Housing Law, Real Estate Business Law and Land Law) have all been amended and are set to take effect from 1 January 2025. With these laws put into use in 2025, there will be major changes in the real estate landscape, helping the market to be stricter and more transparent for both project developers and home buyers.

FIGURE 5: New supply, Condominium, HCMC



Source: CBRE Research & Consulting, Q1 2024

FIGURE 6: Average primary price, Condominium, HCMC



Source: CBRE Research & Consulting, Q1 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.

Southern Industrial Market

Industrial Land: Manufacturing trend toward expanding into the Tier-2 markets in the South

Vietnam's industrial real estate market maintained positive activities during the first quarter of 2024. Manufacturing activities also showed promising signs in the first three months of the year, with exports and imports registering growth rates of 17.0% and 13.9% y-o-y, respectively. The processed and manufactured industrial goods sector accounted for 88.1% of the total export turnover.

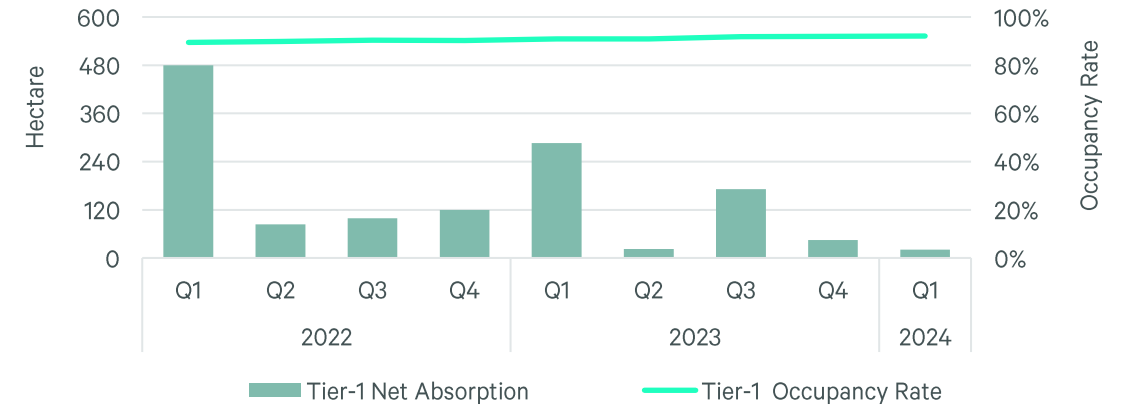
For the industrial land market, industrial land rental rates in Tier 1 markets of the Southern region remained stable at US\$189/sqm/remaining term, showing a y-o-y growth of 2.4%. Due to relatively limited industrial land availability, the occupancy rate remained stable at 92%, with an absorption area of just over 20 hectares. Domestic and foreign manufacturers tend to expand to Tier 2 markets such as Ba Ria - Vung Tau and Tay Ninh, where industrial land supply is relatively abundant and rental prices are more competitive compared to Tier 1 markets.

RBF/RBW: Demand for RBF/RBW space spikes as high-tech and e-commerce sectors thrive

After a period of strong growth, the Southern RBW and RBF markets did not see any new supply in the reviewed quarter. New projects are still in the construction and completion phase. However, the absence of new supply has positively impacted the operations of existing projects. The RBW and RBF occupancy rate increased by two ppts q-o-q, reaching 57% for RBW and 87% for RBF. In terms of average rental rates, the rental prices for RBW and RBF in the Southern market remained stable compared to the previous quarter, reaching US\$4.6 and \$4.9/sqm/month, with a y-o-y growth rate of 2.2% for RBW and 3.9% for RBF. Like the Northern market, the demand for RBF and RBW in the Southern region comes from high-tech manufacturers, renewable energy, and the expansion of e-commerce companies such as JiaWei (Taiwan) and Shopee (Singapore).

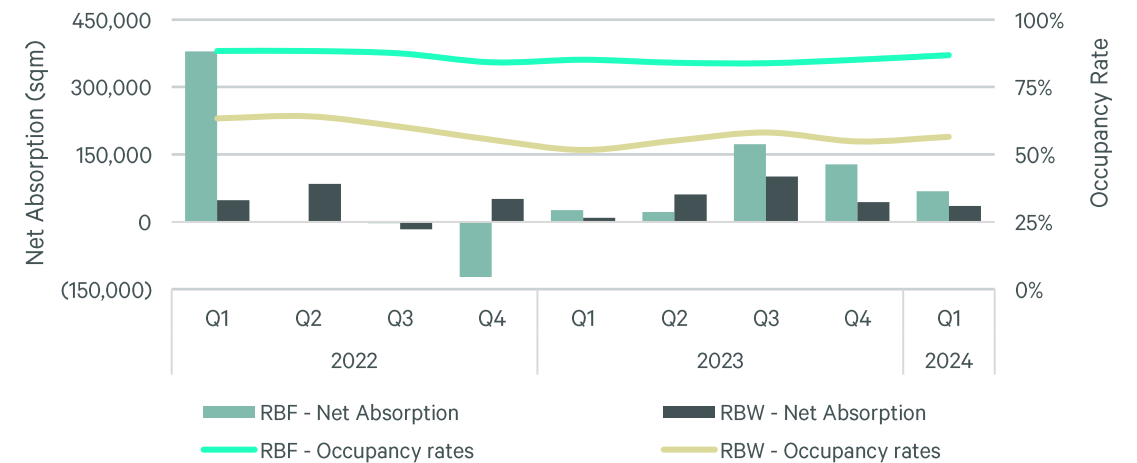
Note: Southern Vietnam is divided into Tier-1 and Tier-2 regions. Tier 1 markets include Ho Chi Minh City, Dong Nai, Binh Duong, and Long An.

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



Source: CBRE Research & Consulting, Q1/2024

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



Source: CBRE Vietnam Research & Consulting, 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.

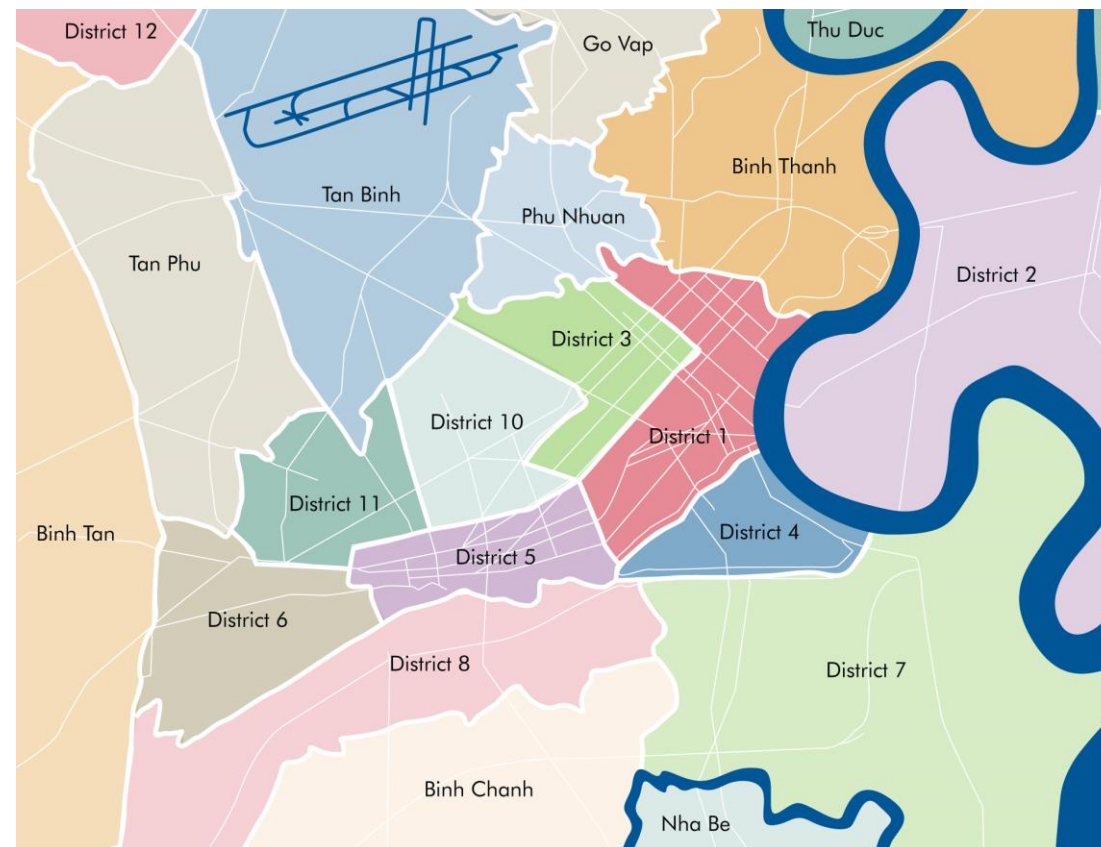
Rents or average room rates are quoted on the following basis:

- 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 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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