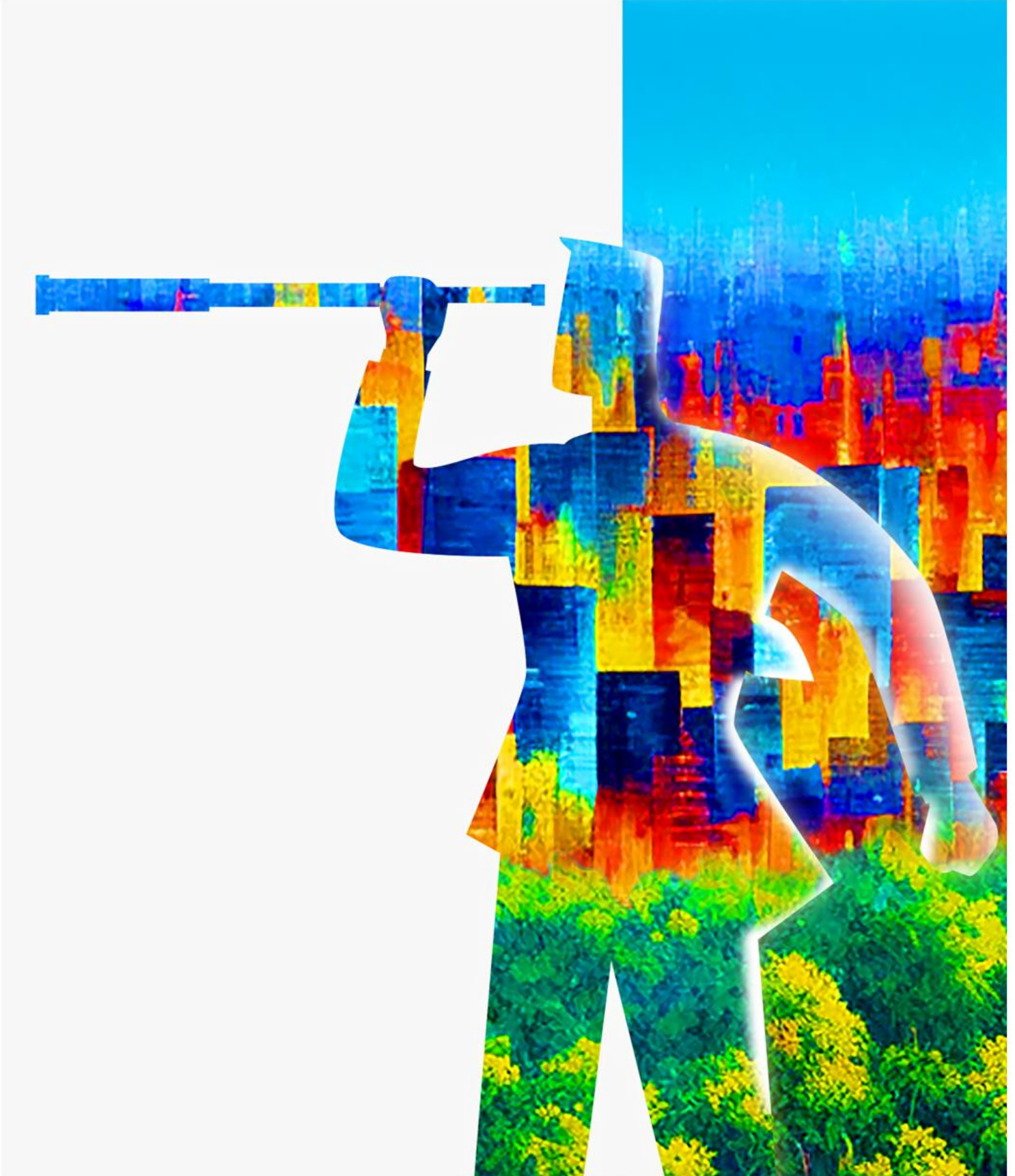


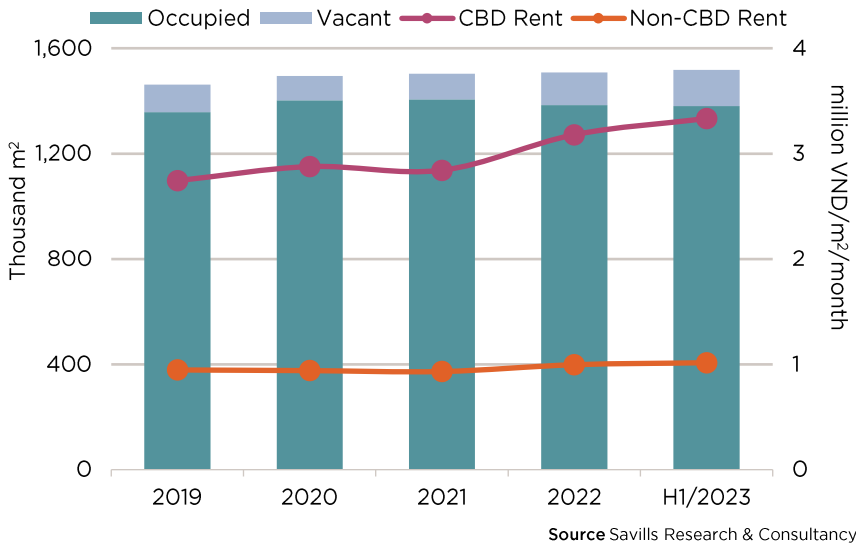
Market Brief

Q2/2023



RETAIL

Performance



“Growth slowed given softer sentiment. However, the overall health of the domestic economy remains intact, that will drive future development.”

Cao Thi Thanh Huong,
Senior Research Manager, Savills HCMC



KEY FINDINGS

Stock Decentralisation

In Q2/2023, stock of over 1.5 million m² net leasable area (NLA) was stable quarter-on-quarter (QoQ) and year-on-year (YoY).

By 2026, over 201,000 m² NLA from 13 projects are expected. In H2/2023, three projects in the non-CBD will deliver 66,000 m² NLA.

Steady Occupancy

In Q2/2023, occupancy of 91% was stable QoQ but eased by -1 ppt YoY. Department store occupancy was stable YoY, but retail podium occupancy dropped by -7 ppts YoY and shopping centre occupancy fell by -1 ppt YoY.

Modern retail sectors outperformed shophouses because of a wider selection of goods and services. Rent for shophouses in Nguyen Hue, Dong Khoi, and Nguyen Trai fell by -8% pa between 2019 and H1/2023, while modern retail rent improved by 3% pa.

Soft Take-Up

In Q2/2023, take-up of over -7,000 m² NLA was the lowest since Q4/2022. Tenants vacated and landlords converted retail areas into offices. CBD take-up was about 500 m² NLA, but the secondary area fell by nearly -8,000 m² NLA. Thao

Dien Pearl had a negative take-up of over -3,000 m² after Miniso closed, and the landlord converted retail to office.

Growing RSGS Pressured by CPI

In H1/2023, retail sales of goods and services (RSGS) in HCMC grew by 7% YoY to VND 562 trillion, equal to a 19% share of RSGS nationally. Retail sales of goods increased by 9.7% YoY, retail sales of accommodation and dining services grew by 37% YoY and retail sales of travel services improved by 79% YoY. Other services had negative growth of -4.6% YoY.

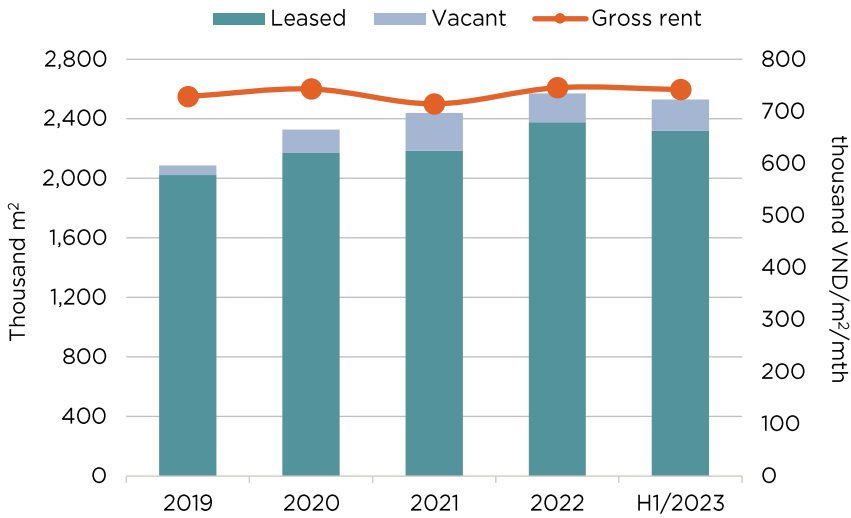
However, a high Consumer Price Index (CPI) of 3.7% pressured demand. CPI is the highest since H1/2020 and will pressure product prices and purchasing power.

Sustainable Modern Retail Growth

Despite the expansion of e-commerce, occupancy stayed high at 91% because customers are looking for unique retail experiences and quality assurance. According to Decision No. 1163/QD-TTg of the Prime Minister on approving strategy for domestic trade development by 2030, modern retail in Viet Nam will have a 42% share of the retail channels, rising from 26% in 2022.

OFFICE

Performance



Source Savills Research & Consultancy

Grade A offices outperformed regional peers. Future supply is diverse and will test the occupier pool. 🌟

Huynh Thi Huong Giang,
Head of Research & S22M,
Savills HCMC



KEY FINDINGS

Limited New Supply

In Q2/2023, stock improved by 1% year-on-year (YoY) but fell by -2% quarter-on-quarter (QoQ) to 2.5 million m² NLA. A single Grade C project opened in District 2, but ten Grade B and C projects closed for internal use or due to slow performance.

By 2026, 360,000 m² NLA is expected. Demand for green offices is on the rise. By 2026, over 70% of the future Grade A and B supply in HCMC will have green certificates.

Notable new supply is expected in H2/2023; 237,000 m² NLA is expected from 13 projects. Grade A will dominate with a 64% share. The CBD will deliver 56% with Nexus, VP Bank Saigon Tower and The Waterfront Saigon, and Thu Thiem NUA will have a 35% share with The METT and The Hallmark.

Resilience

Occupancy dipped by -1 ppt QoQ but remained high at 91%. Several SMEs vacated Grade B and C projects. However, rent was stable QoQ and improved by 4% YoY at VND 747,000/m²/month.

Grade A was the best performer with the highest occupancy of 94% and rent at VND 1.4 million/m²/month.

According to Savills prime benchmark, in Q2/2023, vacancy rate for HCMC prime stock was lower and properties had higher rents than those in Jakarta, Kuala Lumpur, Bangkok and Ha Noi.

Deals

According to Savills deal survey in H1/2023, relocation had the greatest share of deals (34% leased area) and establishment followed (29%). Tenants in FIRE, ICT, distribution and consultancy had the most deals.

FIRE tenants dominated H1/2023 deals with a 27% share, decreasing by -2 ppts YoY, and ICT had a 24% share, decreasing by -5 ppts YoY. Distribution tenants had a 19% share, increasing by 7 ppts YoY, and consultancy tenants had a 16% share, increasing by 8 ppts YoY.

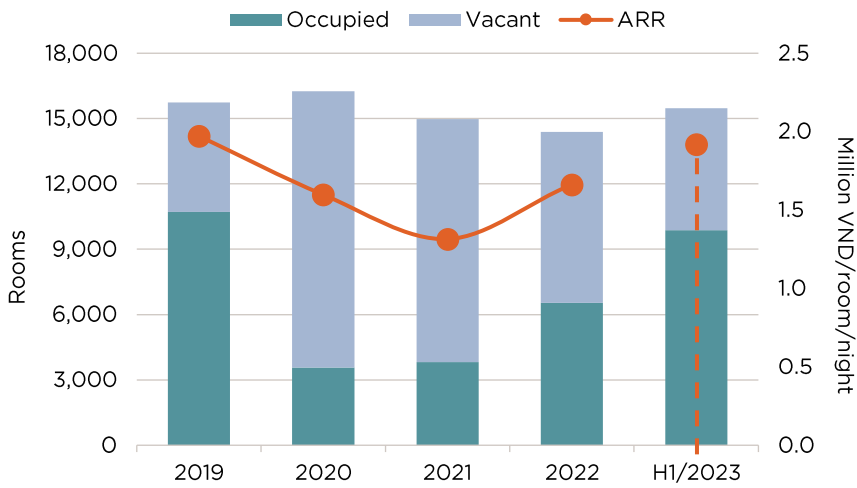
Outlook

HCMC ranked 83rd on the top 100 emerging ecosystems for startups in the world according to Startup Genome's 2023 report. This is positive for future demand.

According to Oxford Economics, by 2027, service sectors are forecast to drive the city's GDP and will continue to drive office demand. Sectors include real estate, hospitality, and F&B.

HOTEL

Performance



Source Savills Research & Consultancy



Whilst improving Viet Nam's international arrivals trail regional peers. With the gradual return of Asian visitors, coupled with significant domestic demand, full recovery is expected from 2024.

Troy Griffiths,

Deputy Managing Director, Savills Viet Nam



KEY FINDINGS

Newly Graded Five-Star

There were 15,662 rooms from 110 hotels, increasing by 1% quarter-on-quarter (QoQ) and 3% year-on-year (YoY), after Mai House Saigon (180 rooms) was graded five-star.

Of the 404 rooms that remained temporarily closed after the pandemic, 45% are under renovation, the outlook for the remaining 55% is uncertain.

Slight Downturn

In H1/2023, occupancy of 64% was equal to 92% of H1/2019 performance; ARR of VND 1.9 million/room/night was equal to 97% of H1/2019.

However, performance dipped QoQ across all segments after international arrivals decreased by -13% QoQ. The summer holidays were insignificant given the city's reliance on business travellers.

In Q2/2023, occupancy decreased by -8 pts QoQ to 60%, and ARR fell by -2% QoQ to VND 1.9 million/room/night. Despite city decreases, District 7 benefitted from events held at Saigon Exhibition and Convention Center (SECC); district occupancy of 61% rose by 12 pts QoQ and 7 pts YoY.

Steady Recovery

In H1/2023, HCMC had the most visitors in Viet Nam at 18 million arrivals; however, only 11% were international. International visitors were equal to 46% of the 2019 level, lower than the national average of 66%.

Despite having fewer overnight visitors (19%) than other destinations, HCMC's emphasis on business travellers and its reputation as a stopover location mean visitors are willing to pay more for accommodation at VND 1.5 million/visitor/trip. This is the second highest rate after Ha Noi. HCMC had the greatest accommodation revenue in Viet Nam at VND 5 trillion in H1/2023, increasing by 25% YoY.

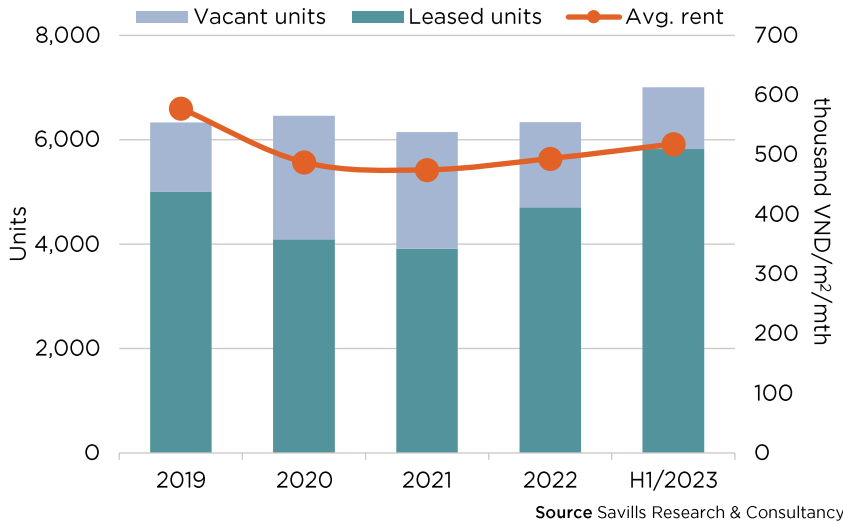
Outlook

Although Chinese visitors were the second highest in Viet Nam in H1/2023, they only reached 22% of the 2019 level. By June 2023, 5% of China's flight capacity was international, down from 13% before the pandemic. However, Chinese visitors are expected to increase in H2/2023 because the third and fourth quarters are their high season. Chinese outbound travel is expected to fully recover between 2024 and 2025.

By 2026, four new hotels are expected to add 800 rooms.

SERVICED APARTMENT

Performance



“ The solid YoY performance continued driven by diverse FDI.”

Huynh Thi Huong Giang,
Head of Research & S22M, Savills HCMC

KEY FINDINGS

Stock Growing

In Q2/2023, stock of 7,009 units improved by 8% quarter-on-quarter (QoQ) and 13% year-on-year (YoY). Four new projects delivered 133 units and 17 existing projects added 383 units; all new units were Grade C.

The pipeline is limited. All 414 future units are expected in H2/2023; 71% will be in the non-CBD, including District 7 (48%), Binh Thanh (20%) and Phu Nhuan (3%).

Performance Slipped

Performance in Q2/2023 was softer QoQ but improved YoY. Occupancy of 83% dropped by -1 ppt QoQ but grew by 9 ppts YoY.

Rent of VND 516,000/m²/month decreased by -1% QoQ but increased by 5% YoY. Grade A and B rents were stable QoQ, but Grade C rent increased by 5% QoQ.

Competitive Landscape

Serviced apartments face competition from apartments for rent. Savills survey of 200 apartment projects across three grades in Q2/2023, showed apartments for rent charge -50% to -70% less than serviced apartments. Of which, Grade C faced the greatest pressure.

Positive Take-up

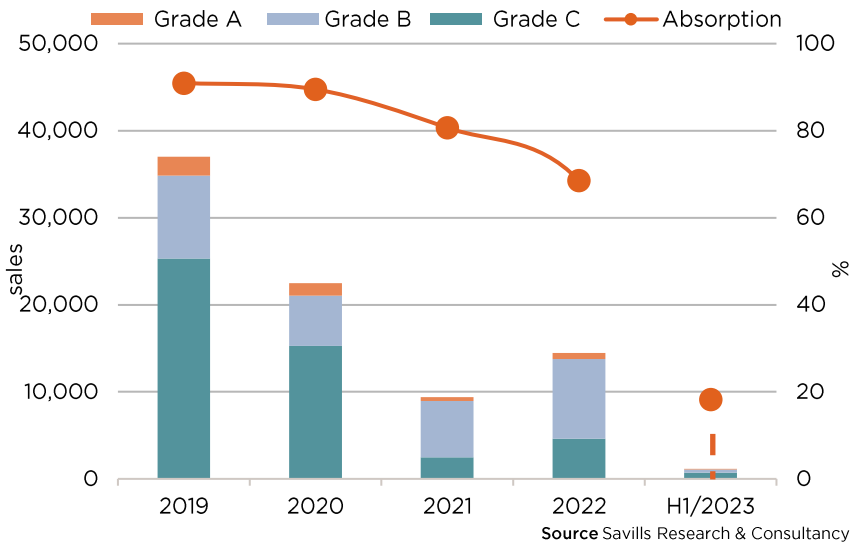
Take-up was positive at 43 units in Q2/2023; bringing the H1/2023 total to 177 units. Grade B had a 98% share.

FDI inflows and foreign workers supported demand. According to the Ministry of Labour, War Invalids, and Social Affairs, in H1/2023, HCMC issued over 7,000 work permits, the most in Viet Nam.

HCMC is a leading FDI province. According to the HCMC Statistics Office (PSO), in H1/2023, registered FDI was US\$2.9 billion, increasing by 30.7% YoY, the second highest in Viet Nam. Newly registered FDI reached US\$231 million from 514 new projects.

APARTMENT

Performance



“A soft quarter all round, with limited supply and subdued sentiment.”

Troy Griffiths,
Deputy Managing Director, Savills Viet Nam



KEY FINDINGS

Limited Stock

In H1/2023, new supply fell by -86% year-on-year (YoY) to 1,980 units; Q2/2023 had a 19% share. There was no new Grade A supply, and Grade C had a 77% share.

Primary stock of 6,700 units fell by -59% YoY; Grade C had a 45% share, Grade B had a 35% share, and Grade A had a 20% share. The planned ring road and new retail projects mean Hoc Mon had a 7% share.

Muted Performance

Sales in H1/2023 reached 1,170 units, decreasing by -90% YoY; of which, there were over 300 sales in the second quarter.

Absorption in the first half reached 17%, decreasing by -56 ppts YoY. The average selling price of VND 125 million/m² NSA rose by 44% YoY with expensive Grade A and B units.

Grade C properties appeal to a wider buyer pool and had a 62% share of sales in H1/2023. Affordable units below VND 5 billion met mass demand. Projects with a clear legal status, construction permits, or confirmed handover had an 81% share of sales.

Developers extended payment schemes to as long as four years. They also offered furniture vouchers, savings accounts, gifts, leasing programs and financial packages to boost buyer sentiment.

Challenged Capital Markets

In June 2023, the State Bank of Viet Nam (SBV) announced that it would reduce interest rates while mortgage rates remained high at 13% to 15% pa. SBV also planning to extend credit growth by 2 ppts to 14%-15%. This is expected to spur performance in H2/2023.

Many developers have substantial bonds reaching maturity. In Q3/2023, maturing corporate bonds will reach VND 75.9 trillion, of which real estate firms have a 43.6% share.

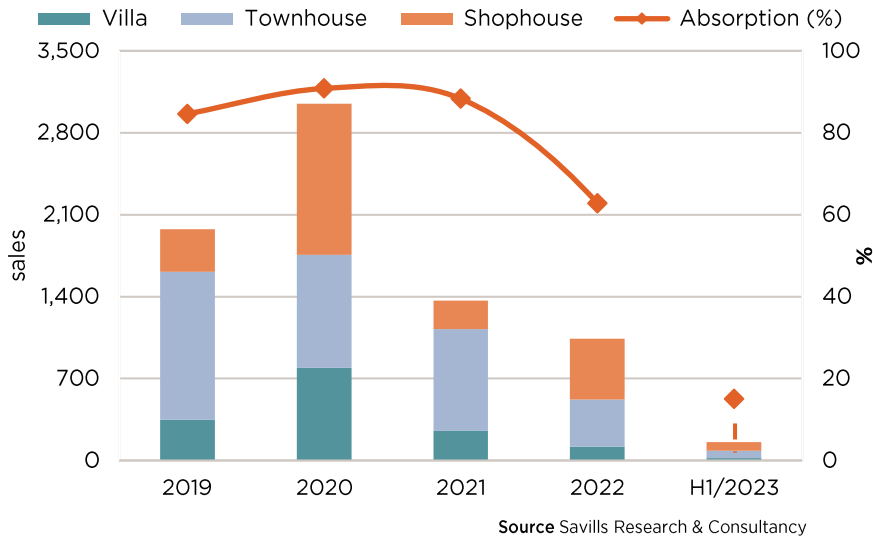
Outlook

For the remainder of 2023, 8,450 units are expected. Grade B will have a 54% share, Grade C will have a 39% share, and Grade A will have a 7% share. Notable projects include Vinhomes Grand Park – The Glory Heights, Thu Thiem Zeit – Block T2, and La Partenza. They are taking bookings and are expected to launch in Q3/2023.

By 2026, 122,990 units from 116 projects will enter. New projects will have a 61% share.

VILLA/TOWNHOUSE

Performance



🗨️ **Buyer caution remains, pressuring performance. However, the outlook is set to improve with specific real estate mechanisms, monetary policies, and infrastructure investment.**

Troy Griffiths,
Deputy Managing Director

KEY FINDINGS

Limited Fresh Supply

There were no new villa/townhouse (VLTH) projects in H1/2023 as developers struggled with securing capital, procuring land, and complex legal procedures. Three existing projects delivered 414 new dwellings. Of the 414 new dwellings, 367 entered in Q2/2023, decreasing by -5% year-on-year (YoY).

H1 primary stock of 1,050 dwellings rose by 26% YoY because of low absorption of inventory. Dwellings costing more than VND 30 billion had a 78% share of stock and were mostly in Thu Duc City. Shophouses had a 57% share, followed by villas (24%) and townhouses (19%).

Low Absorption

H1/2023 sales of 158 dwellings dropped by -74% YoY. Q2/2023 sales of 112 dwellings increased by 143% quarter-on-quarter (QoQ) but fell by -70% YoY.

Absorption in H1/2023 hit a ten-year low at 15%, decreasing by -57 pts YoY.

Expensive inventory and new launches challenged liquidity as prices increased by 48% YoY to over VND 300 million/m² LA in H1/2023. Several developers offered rental pool programs with

guaranteed yields, prolonged grace periods and extended payment schedules.

Buyers Are Pressured

Only 13% of stock costs less than VND 10 billion/dwelling in HCMC. Lending interest rates between April and June stabilised and are forecast to reduce by only 0.5 pts from July. This will continue to pressure buyers, especially in the city centre.

Real end-users and savvy investors are shifting to neighbouring provinces where primary stock is more affordable and is served by improving transport links.

In H1/2023, 9% of sales in HCMC cost less than VND 5 billion, however, these properties had a 39% share in Binh Duong, a 63% share in Dong Nai, and an 89% share in Long An.

Outlook

By 2026, nearly 5,200 dwellings are anticipated. Future supply will peak at 2,500 dwellings in 2025. Suburban areas (Binh Chanh, Nha Be, Cu Chi, Can Gio) will have a 71% share, and Thu Duc City will have the remainder. In H2/2023, 500 dwellings are expected.

SAVILLS SERVICE OFFERING

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Beyond our [publicly available research](#), paid subscribers have access to exclusive data and comprehensive insights that inform future strategies and optimise performance.

Product Overview		
Full Written Quarterly Market Report (QMR)	Power BI	GapMaps
<ul style="list-style-type: none"> Detailed metrics on Supply, Performance, and Outlook. Expert analysis. SWOT. Current and future property databases. 7 Sectors (30+ pages each) + appendices. <ul style="list-style-type: none"> Apartment Landed Property Office Retail Hotel Serviced Apartment Industrial 	<ul style="list-style-type: none"> Interactive and drillable dashboards & reports with vivid graphics. Detailed performance metrics (current & future supply, price), demographics, infrastructure, market share, competitors, and catchments. Online access across multiple devices. Insights & market commentary, including rankings. Powerful queries, accurate data, and interactive reporting. Application includes subscriptions, studies, consultancy, analysis, and strategy. 	<ul style="list-style-type: none"> Comprehensive demographic data & layers. Brand competitors & POIs highlighting future competition and factors influencing retail traffic. Custom catchment analysis; customised by mode of transport and distance. Property layers; current and future residential & commercial developments, growth areas, infrastructure, rent, GOC, and trading potential.

Subscription Type	Freemium	Basic QMR (Paid)	Premium QMR (Paid)	Corporate Solution (Paid)
Deliverables	<ul style="list-style-type: none"> Market Brief PDF. Demo Dashboards. 	<ul style="list-style-type: none"> PDF of full written QMR reports. Demo Dashboards. 	<ul style="list-style-type: none"> PDF of full written QMR reports. Online access to Power BI. 	<ul style="list-style-type: none"> PDF of full written QMR reports Corporate Power BI workspace. Power BI corporate training and online support GapMaps data and insights
Coverage	<ul style="list-style-type: none"> Market Brief. Macro and FDI Overview. 	7 Sectors	<ul style="list-style-type: none"> 7 sectors + optional module. Immediate access to expert insights and archives. Strategic Analyst/Key Client Contact Census 2009 / 2019 + relevant insights. Infrastructure landscape and timelines. FDI project breakdown by location and industry. 	<ul style="list-style-type: none"> 7 sectors + optional modules. Immediate access to the complete dataset and relevant statistics. Strategic alignment (exclusive). Forecasts. National coverage of macro, census, infrastructure, policy, and provincial planning. Competitor analysis and insights. Multi-Criteria Evaluation (MCE).
Update frequency	Quarterly	Quarterly	Quarterly	Dynamic
Optional modules	None	None	<ul style="list-style-type: none"> Policy Data aggregated on a national level (industrial supply). Land use planning. Housing laws & ownership. 	<ul style="list-style-type: none"> National overview. Competitors actions. Live deal tracking. Target profiling. Rumours and hearsay.



Savills Cares

Industry award fees are being redirected to help local people. Charities for underprivileged around the country will receive donations.

Savills is committed to caring for the community.

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