Hanoi Real Estate Market, Q2 2021

UNEVEN RECOVERY

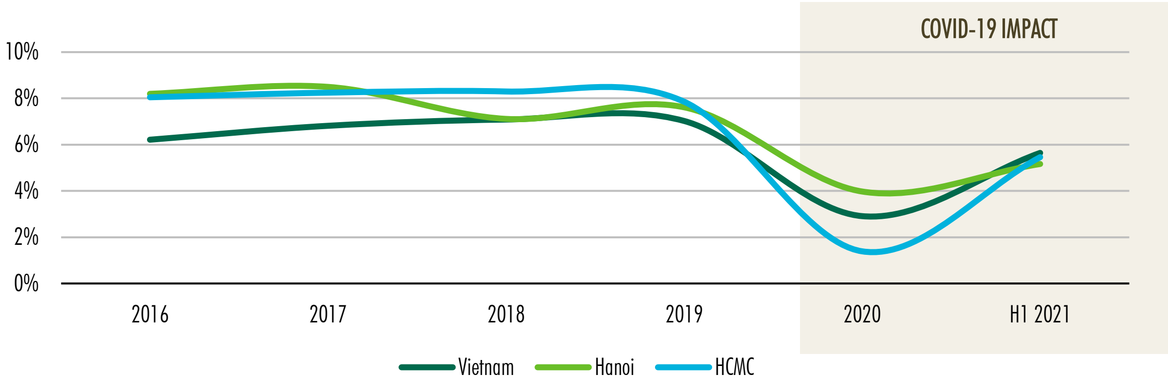
VIETNAM GDP
5.64% y-o-y

HCMC GRDP
5.46% y-o-y

HANOI GRDP
5.91% y-o-y

VN-INDEX
70.7% y-o-y

Figure 1: GRDP growth of Hanoi, HCMC & Vietnam



Source: Vietnamese General Statistics Office, Q2 2021.

In H1 2021, Vietnam's GDP growth was 5.64% y-o-y, showing great recovery since the outbreak of COVID-19. Hanoi and HCMC also had positive growth rate, with 5.91% and 5.46% y-o-y, respectively.

In H1 2021, Vietnam's export reached US$157.63 billion, up by 28.4% y-o-y. Vietnam's import during the year was US$159.10 billion, up by 36.1% y-o-y. Major trading partners of Vietnam continue to be US, China and EU.

In H1 2021, total registered foreign direct investment in Vietnam reached US$ 15.27 billion, slightly down by 2.6% y-o-y. Vietnam received the second mega-size LNG power project in the South, with US$3.1 billion of capital invested. Singapore, Japan and Korea are the three biggest investment sources, with 37%, 16% and 13% of total registered capital, respectively.

Even though vaccination is performed in many countries, Vietnam still maintained control measures such as border closure. International flights are still very limited, and not open for tourism. As a result, in H1 2021, Vietnam only welcomed 88 thousand international arrivals, down by 97.6% y-o-y.

NO NEW SUPPLY IN H1 2021

In H1 2021, Hanoi office market did not record any new projects. Total Hanoi office supply in both grades remained at 1.5 million sqm NLA, with 35% of total supply coming from Grade A projects.

MARKET RECOVERY

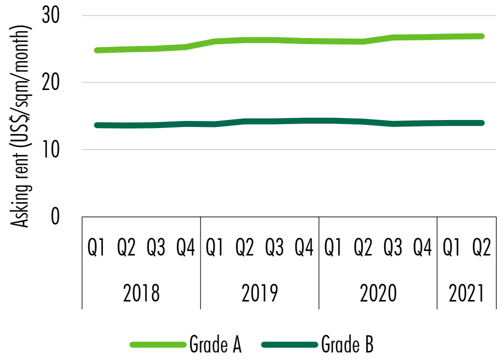
In H1 2021, office market in Hanoi continued to show signs of recovery, although the Vietnamese economy is still affected by the COVID-19 epidemic. In H1 2021, net absorption of Hanoi office market reached 60,000 sqm, improved significantly compared to H1 2020, when the pandemic started to affect the market (absorption rates was negative 17,000 sqm).

With the recovery in the absorption rate of the office market, the vacancy rate of the Hanoi office market continued to decrease in both grades. Vacancy rate of Grade A office decreased to 18.9%, down by 3.5 ppts q-o-q and up by 11.3 ppts y-o-y. Vacancy rate of Grade B office dropped by 11.5%, down by 1.7 ppts q-o-q and up by 0.6 ppts y-o-y.

Despite a decline in vacancy rate, average asking rents in both grades remained stable q-o-q. In Q2 2021, Grade A asking rents reached $26.9/sqm/month, up by 0.1% q-o-q and 3.0% y-o-y. Meanwhile, Grade B office rent remained at $14.0/sqm/month, same as previous quarter.

After 2020 with negative absorption rate due to the impact of COVID-19 pandemic, Hanoi office market showed some signs of recovery. According to CBRE's survey in the APAC, about 70% of businesses in APAC are currently recovering, and will continue to recover in the next 6 months. Under the impact of the pandemic, more companies will adopt a remote working policy, increasing from 63% in Q3 2020 to 74% in Q2 2021. Net absorption rate is expected to increase, reaching from 70,000 sqm to 80,000 sqm in 2021. Average asking rents of existing projects are expected to remain stable in H2 2021.

Figure 2: Asking Rent, Hanoi Office



Rents are quoted excluding service charge and taxes.

Source: CBRE Research, Q2 2021.

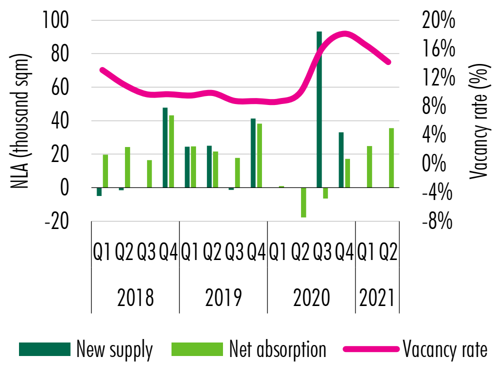
Table 1: Asking Rent by Grade, Hanoi Office

	Q2 2021	Q-o-Q	Y-o-Y
Grade A	26.9	0.1%	3.0%
Grade B	14.0	0.0%	-1.5%

Rents are quoted excluding service charge and taxes.

Source: CBRE Research, Q2 2021.

Figure 3: Supply – Demand Dynamics, Hanoi Office



Source: CBRE Research, Q2 2021.

NO NEW SUPPLY IN Q2 2021

In terms of supply, the Hanoi market did not record any new projects coming into operation in the second quarter of 2021. Retail NLA remained stable at more than 1,000,000 sqm NLA.

ASKING RENTS FLUCTUATES BOTH WAYS

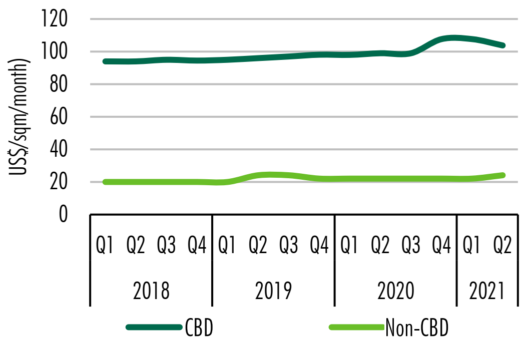
Ground floor asking rents (excluding VAT and service charges) in non-CBD locations still slightly decreased by 1.1% y-o-y while increased slightly at 0.2% q-o-q, averaging US$25/sqm/month, due to a number of projects with high vacancy rates proposing discounts to attract tenants. Vacancy rates remained at a high level, reaching 14.6%, up 0.1 ppts q-o-q and 4.8 ppts y-o-y.

Average asking rents in the CBD area recorded a drop of 3.5% q-o-q while increased by 5.2% y-o-y, reaching US$103/sqm/month. Vacancy rates in the CBD reached an average of 10.8% as certain lots on higher floors remained vacant under prolonged impact of the pandemic. Compared to the same period last year, this rate had increased by 10.1 ppts y-o-y.

FUTURE SUPPLY

In the next two quarters of 2021, Hanoi retail market is set to welcome 82,000 sqm NLA of retail space, including the most significant project Vincom Mega Mall Smart City. In addition, after 2021, an additional of almost 300,000 m2 NLA is expected to enter the market. These new projects will be located in non-CBD area. Residents in the North and South of the city and the surrounding area will have more options to shop and use the service when two large-scale projects, Lotte Mall Hanoi and Aeon Mall Hoang Mai, officially go into operation.

Figure 4: Average Ground Floor Asking Rent, Hanoi Retail



Asking Rents are quoted excluding service charge and taxes.

Source: CBRE Research, Q2 2021.

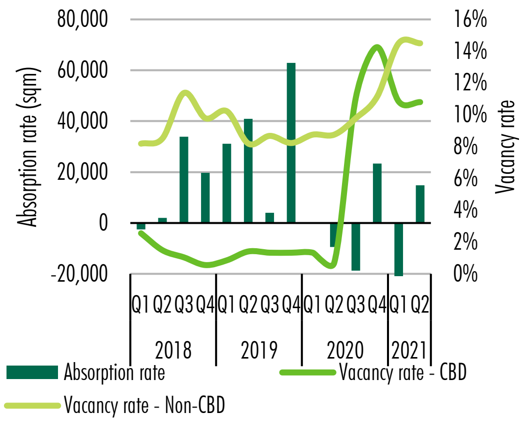
Table 2: Asking Rent by Grade, Hanoi Retail

	Q2 2021	Q-o-Q	Y-o-Y
CBD	103	-3.5%	5.2%
Non -CBD	25	0.2%	-1.1%

Rents are quoted excluding service charge and taxes.

Source: CBRE Research, Q2 2021.

Figure 5: Market Performance, Hanoi Retail



Source: CBRE Research, Q2 2021.

WEST AND EAST REMAINED MAJOR NEW SUPPLY HUBS IN HANOI

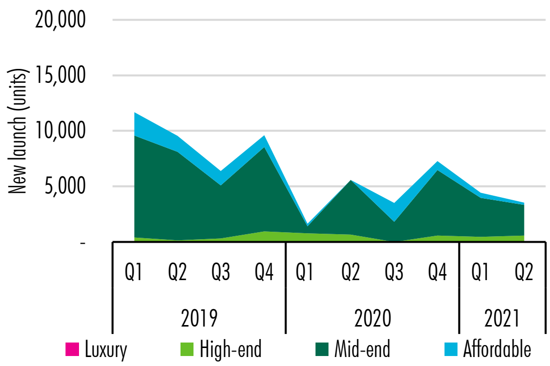
In the first half of 2021, there were approximately 7,900 condominium units launched in Hanoi, up 10% y-o-y. Although, there has been some negative impacts from waves of COVID-19 on Hanoi residential market in H1 2021, the increase in new launch shows recovery of sales activities and adaptation of both developers and buyers to the new market situation, compared to previous year when Vietnam witnessed the first waves of COVID-19. Mid-end apartments remained the most popular products offering to the market. This segment accounted for 79% of total new launch during the first half of this year. In terms of location, the West and the East led the market with relative equal shares of around 39% of total new launch during the first six months of 2021.

In terms of sales performance, positive market sentiment continued as sold units surpassed new launch in H1 2021. The sold units recorded in the first six months of 2021 is 8,100 units up by 20% y-o-y.

In Q2 2021, the average primary price of Hanoi market was recorded at US$1,472 psm (net of VAT and maintenance fee), up by 7% y-o-y and 1% q-o-q. In the secondary market, the selling price as of Q2 2021 averaged at US$1,180 psm, up by 4% y-o-y.

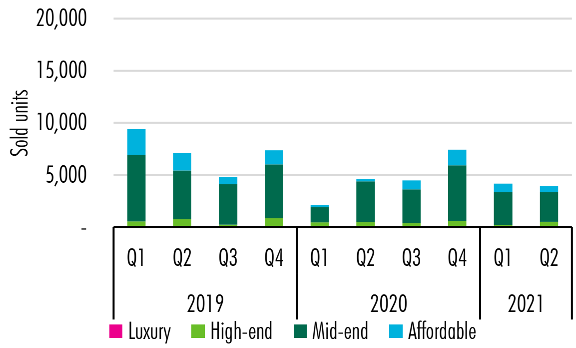
Moving forwards, the level of the new launch is expected to hover around 21,000 – 24,000 units in 2021, while sold units are expected to stay at positive level surpassing the new launch. The forecasted new launch and sold units during 2021 is higher than that of 2020, but still lower than pre COVID-19 level. The primary price in the next two years is expected to grow at 4 – 6% pa, higher than previous year level of 3% thanks to improving infrastructure system and lower supply volume (as compared to pre COVID-19 level).

Figure 6: New Launch Supply, Hanoi Condominium



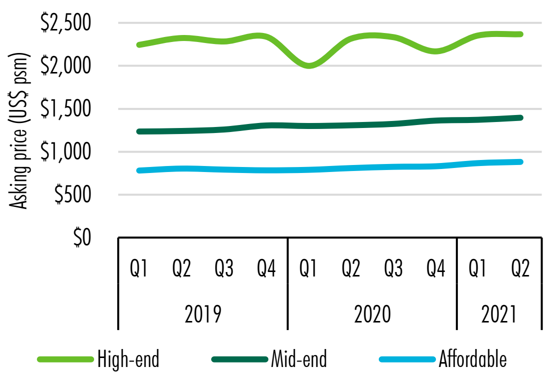
Source: CBRE Research, Q2 2021.

Figure 7: Sold units, Hanoi Condominium



Source: CBRE Research, Q2 2021.

Figure 8: Primary Prices, Hanoi Condominium



Selling price: US$ psm (excluding VAT and quoted on NSA)
Source: CBRE Research, Q2 2021.

NO NEW SUPPLIES IN Q2 2021

In Q2 2021, there was no additional supply in the serviced apartment market. The total supply of Grade A serviced apartment market stayed at 3,259 units with 21 projects and Grade B stayed at 1,167 units with 17 projects. Tay Ho, Ba Dinh and Tu Liem – Cau Giay are the main clusters with total supply accounting for more than 86% of market supply.

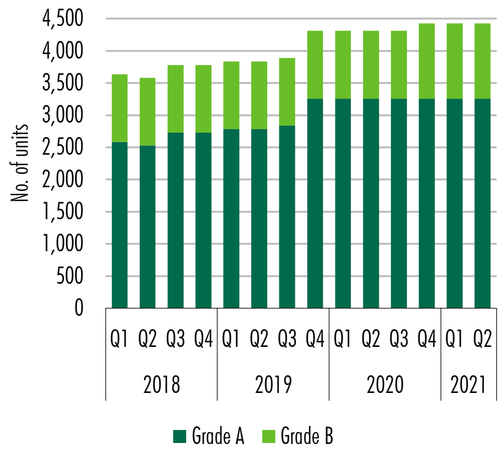
Toward the end of 2021, the market is expected to welcome 312 units from two projects, Fraser Residence Hanoi and Fraser Suites Phase 2. Other projects are under construction and under planning, scheduled to be opened in 2022-2024. Among the large pipeline, approximately 95% are Grade A apartments by branded international operators. This shows potential demand growth for high-end, good quality serviced apartments and interest from international players. Meanwhile, Grade B serviced apartment is facing fierce competition from buy-to-let apartments.

THE TIGHTENING VISA RESTRICTIONS RESULTED IN A HIGH VACANCY RATE

Overall, vacancy rate was observed to increase due to the resurgence of COVID-19 outbreak and many foreign customers ending their contracts to return to their countries. As a result, compared to the previous quarter, vacancy of both Grades remained high. Grade A segment recorded a vacancy rates of 41.9%, up by 1.4 ppts q-o-q and 3.9 ppts y-o-y. In addition, Grade B segment recorded an average vacancy rate increased by 2.8 ppts q-o-q and 7.9 ppts y-o-y, to 46.0%, as a result of a project that was temporarily closed in June.

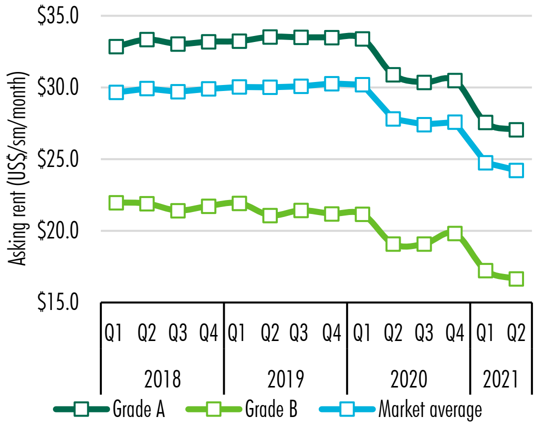
In terms of average rents per sqm, Grade A recorded a minor decrease regarding its average asking rent, averaging US$27.05, down by 1.9% q-o-q and by 12.4% y-o-y. Similarly, Grade B's asking rents dropped 3.43% q-o-q and 12.77% y-o-y to US$16.65. The rental price is still on the decline.

Figure 9: Total supply, Serviced apartment



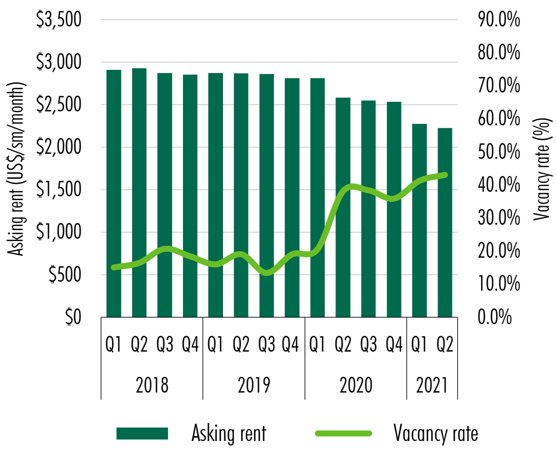
Source: CBRE Research, Q2 2021.

Figure 10: Asking price, Serviced apartment



Source: CBRE Research, Q2 2021.

Figure 11: Operating efficiency, Serviced apartment



Source: CBRE Research, Q2 2021.

ABUNDANCE NEW LANDED PRODUCTS

Contrary to the limited new launch in the first quarter of 2021, the new launch of landed products has picked up again in Q2 2021, as there were eight projects launched during the quarter, offering 1,276 units to the market. This volume alone equal to 124.8% of total new launch in 2020 - the year with lowest new launch supply since 2014.

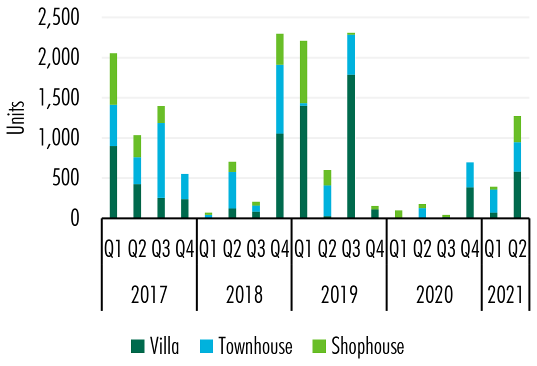
There were more than 850 units sold during the quarter equivalent to around 115% y-o-y, showing positive market absorption to landed products.

In Q2 2021, as previously mentioned, most of the projects were at the West and East far end of the city (outside of Ring-Road 3). Therefore, the asking primary price for these projects has decreased around 7% q-o-q, at average US$5,230 psm of land. This is nothing but the developers' effort to attract buyers in projects further from the prime locations of the city.

FUTURE SUPPLY

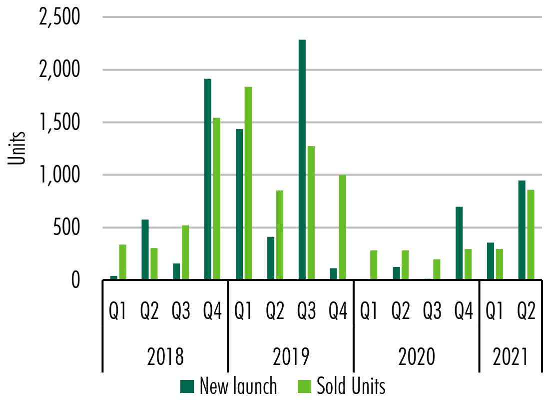
It is expected that the level of new launch will recover in 2021 staying at around 2,500 – 2,700 units. While total supply remained predominantly captured by the West, future projects are expected to locate further to North, and East, away from established residential clusters such as Nam Tu Liem, Cau Giay and Thanh Xuan.

Figure 12: New Launch, Hanoi Landed Property



Source: CBRE Research, Q2 2021.

Figure 13: Sold Unit, Hanoi Villa and Townhouse



Source: CBRE Research, Q2 2021.

NO NEW SUPPLY IN H1 2021

In H1 2021, tier-1 Northern market (Hanoi, Bac Ninh, Hung Yen, Hai Duong and Hai Phong) welcomed no new supply in all sectors. Total supply of industrial land remained at around 14,000 ha (total leasable area of 9,400 ha). Total supply of warehouse and ready-built factory remained at around 1 million sqm each.

PERFORMANCE REMAINED STABLE

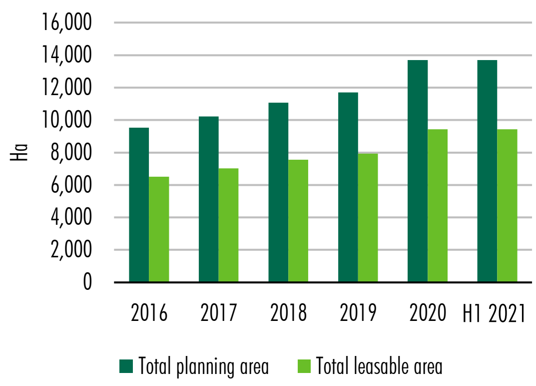
In H1 2021, despite the impact of COVID-19, industrial land market still remained positive in term of rents and occupancy rates. In Q2 2021, average occupancy rate in tier-1 Northern industrial provinces and cities reached around 80%.

Compared to 2020, the rental growth rate of Vietnam industrial land market slowed down in both Southern and Northern regions. The rental growth rate in the major Northern industrial provinces and cities ranged between 0% and 5% in H1 2021, lower than the growth rate of 4% to 13% in 2020.

Performance of ready-built factory and warehouse market remained stable y-o-y. In H1 2021, average occupancy rate in Northern cities and provinces was above 90% due to limited new supply. Asking rents of warehouse and ready-built factory in H1 2021 remained stable compared with 2020.

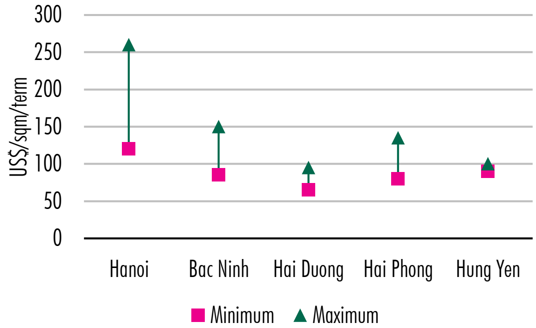
Demand for industrial real estate mainly comes from electronic components, automobile, packaging and logistics companies. Amongst those, the strong growth of logistics companies since the outbreak of the COVID-19 boosted the demand for storage space, increased the demand for land bank to develop logistics facilities, as the proportion of inquiries for logistics land increasing from 30% in 2020 to 39% in H1 2021.

Figure 14: Total Supply, Industrial Land



Source: CBRE Research, Q2 2021.

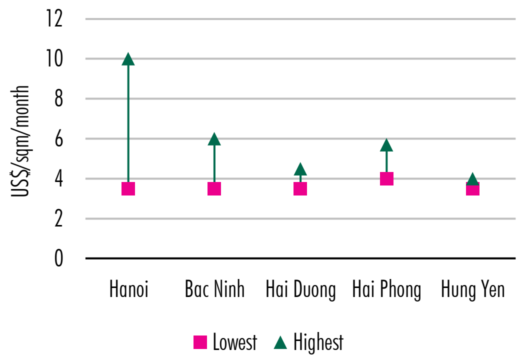
Figure 15: Asking Rents, Industrial Land



* Remaining term is remaining leasing terms of the industrial land, commonly ranging from 30-45 years.

Source: CBRE Research, Q2 2021.

Figure 16: Asking Rents, Ready-built factory/warehouse



Rents are quoted excluding service charge and taxes.

Source: CBRE Research, Q2 2021.

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.

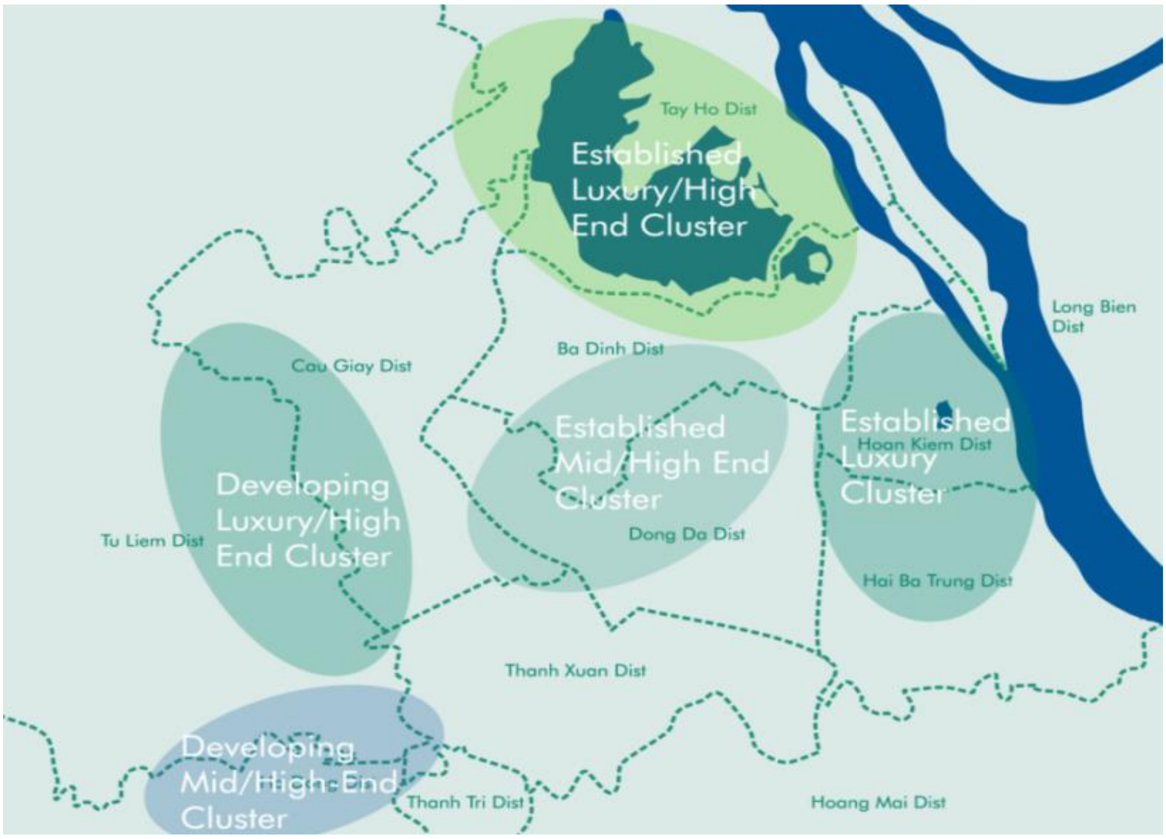
Rents or average room rates are quoted on the following basis:

Hotel: Average room rates, inclusive of VAT and service charges.
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.
Serviced Apartments: Rents, NLA, inclusive of VAT and service charges.

CBRE's condominium ranking criteria:

Luxury: projects that have primary prices over US$4,000 psq.m
High-end: projects that have primary prices from US$2,000 psq.m to US$4,000 psq.m
Mid-end: projects that have primary prices from US$1,000 psq.m to US$2,000 psq.m
Affordable: projects that have primary prices under US$1,000 psq.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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