

CBRE VIETNAM WEBINAR | HANOI

MARKET UPDATE | Q1 2020

Topic HOW TO RESPOND, RESET & REBOUND
AMID THE COVID-19 PANDEMIC

FRIDAY, April 10th, 2020

MARKET UPDATE | Q1 2020

Topic HOW TO RESPOND, RESET & REBOUND
AMID THE COVID-19 PANDEMIC

AGENDA

00. INTRODUCTION

01. MACRO UPDATES

02. RETAIL SECTOR

03. OFFICE SECTOR

04. CONDOMINIUM SECTOR

05. HOTEL SECTOR

06. Q&A SESSION

An aerial photograph of a city skyline at sunset. The sky is a mix of blue and orange, with scattered white clouds. A prominent, tall, pointed skyscraper stands out in the center-right. To its left is another tall, rectangular building. The foreground is filled with a dense urban landscape of various buildings and a river winding through the city. A large, semi-transparent teal frame is overlaid on the left side of the image, containing the text.

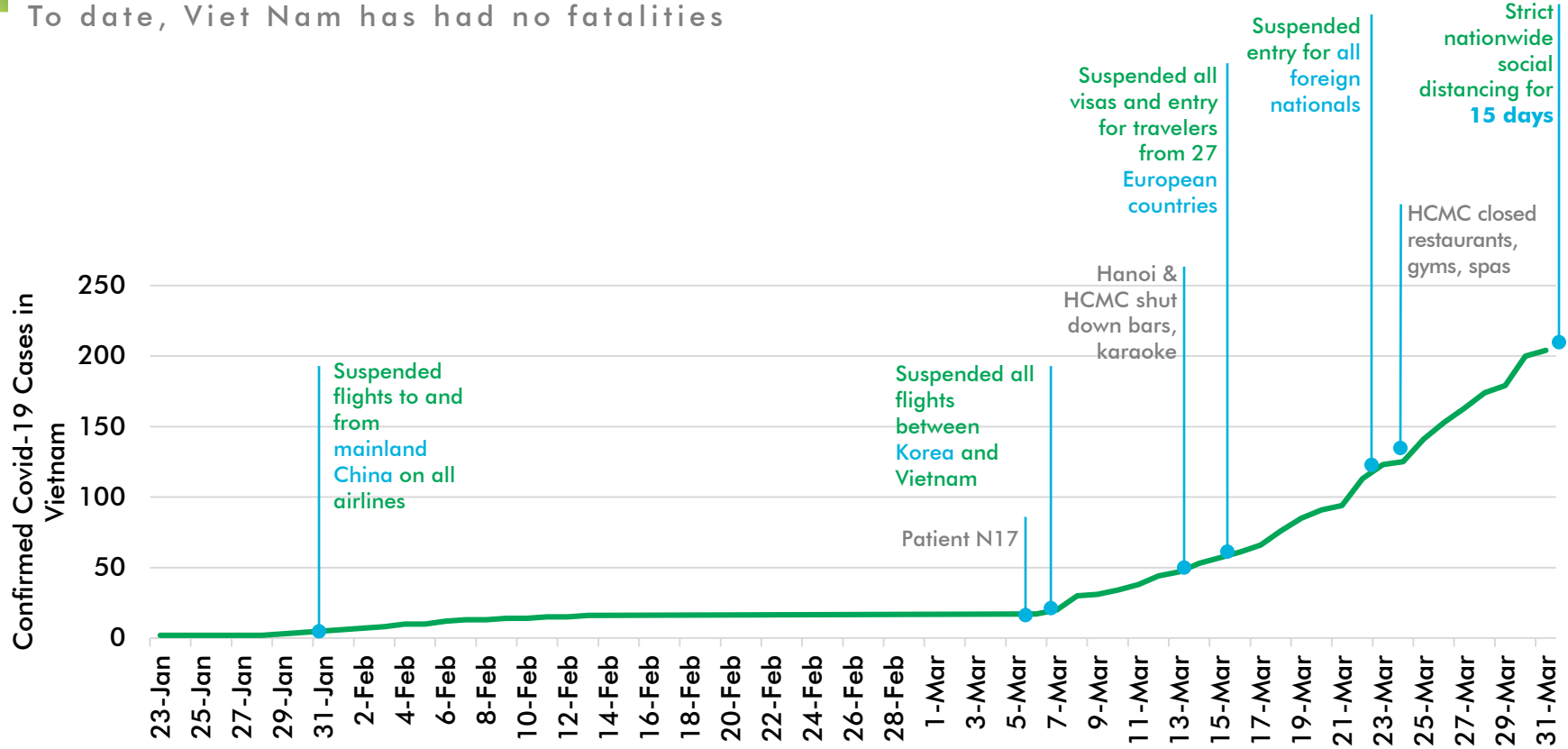
MACRO UPDATES

Q1 2020

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NUMBER OF CONFIRMED COVID-19 CASES

To date, Viet Nam has had no fatalities



COVID-19 POSES VARIOUS CHALLENGES

for Vietnam's Economy, including Real Estate

 04/02/2020

Coronavirus epidemic weighs heavy on real estate market



18/03/2020

Vietnamese workers worried about losing jobs amid Covid-19 outbreak



25/02/2020

Vietnam retailers striving to mitigate COVID-19 implications



27/03/2020

Tourism firms hibernate as Covid-19 fight rages

 **Vietnam Investment Review** 15/03/2020

Circa 500 transaction centres close due to real estate downturn



06/04/2020

HCM City to suspend work on non-urgent construction projects

THE GREAT EMPTY IN HANOI AND HCMC



Source: vnexpress.net, zingnews.vn



Source: tuoitre.vn, vov.vn



Source: Kenh14.vn, vietnammoi.vn

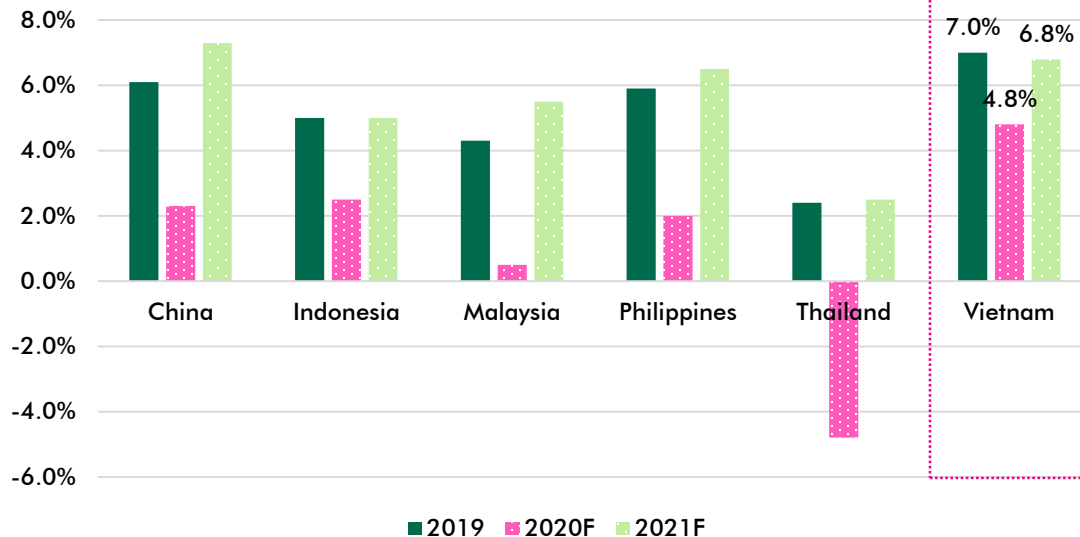
GDP OUTLOOK HAS BEEN REVISED DOWN WORLDWIDE INCLUDING VIETNAM

Vietnam's GDP would be as low as 4.8% in the worst case

Main Economic Indexes, Vietnam, Q1/2020

GDP Growth	3.82%
CPI	+ 5.56% y-o-y
FDI	- 20.9% y-o-y
Retail Turnover	+ 4.7% y-o-y
Industrial Production	+ 5.28% y-o-y
Trade Balance	US\$2.8 billion
International Tourist Arrival	- 18.1% y-o-y

GDP Growth Forecast Under Impacts of COVID-19



Source: General Statistics Office, "Asian Development Outlook 2020" – Asian Development Bank, Q1 2020.

VIETNAM'S RELIEF MEASURES TO COUNTER COVID-19 IMPACT

Fiscal Stimulus



Delaying tax and land-use fee payment
180,000 VND billion

Preferential credit
258,000 VND billion



Support impacted businesses and workers
62,000 VND billion

Exempt or reduce interbank transfer fees



Reduce internet & electricity cost



Monetary Policies



Decrease refinancing rate & rediscounting rate
By 0.5% to 1.0%



Lower lending rate
Up to 2.5%

Source: Vietnam's Government website



RETAIL MARKET

Q1 2020

CBRE

VIETNAM RETAIL: IMPACT FROM COVID-19

Hanoi: No new supply in Q1 2020

There could be no New Supply in 2020

Drop of Retail Sales

Vietnam's retail turnover in Q1 2020 is 4,7%, lower than 12% growth of Q1 2019

Strong Growth of E-commerce

Revenue growth of online retail >100% **

Source: GSO, CBRE Research, Q1/2020.

**Survey was carried out for some CBRE's clients in major shopping centres, March 2020

▼ 70% y-o-y

Footfall in Shopping Centre **

▼ 10-30%

Rent reduction by
landlords for most
tenants *

* For tenants of categories that are forced to shut down by the Government, some landlords offer rent reduction up to 50%.

CBD



SUPPLY

NLA (sqm)

54,517 sqm NLA

2 Shopping malls &
10 Shopping podiums



RENTAL RATE *

US\$/sqm/month

US\$ 91.6

▼ 3.6% y-o-y

▼ 6.6% q-o-q



VACANCY RATE

(%)

0.72%

▼ 0.2 ppt y-o-y

▼ 0.6 ppt q-o-q

**NO
NEW
SUPPLY**

Non-CBD



SUPPLY

NLA (sqm)

949,964 sqm NLA

32 projects



RENTAL RATE*

US\$/sqm/month

US\$ 20.3

▼ 16.2% y-o-y

▼ 18.1% q-o-q



VACANCY RATE

(%)

8.15%

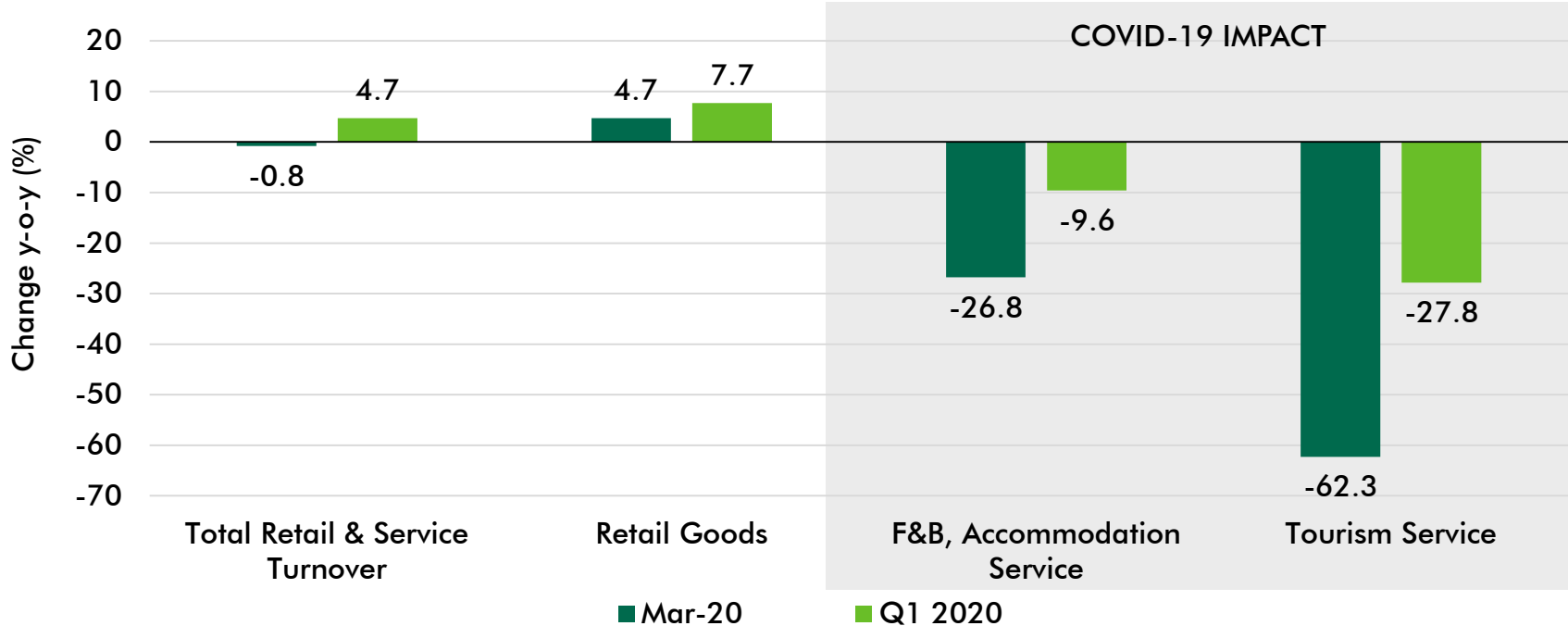
▲ 0.4 ppt y-o-y

▼ 0.2 ppt q-o-q

Note: Rental rate is average of Ground Floor and First floor, excluding of Service Charge and 10% VAT.
Source: CBRE Research, Q1 2020.

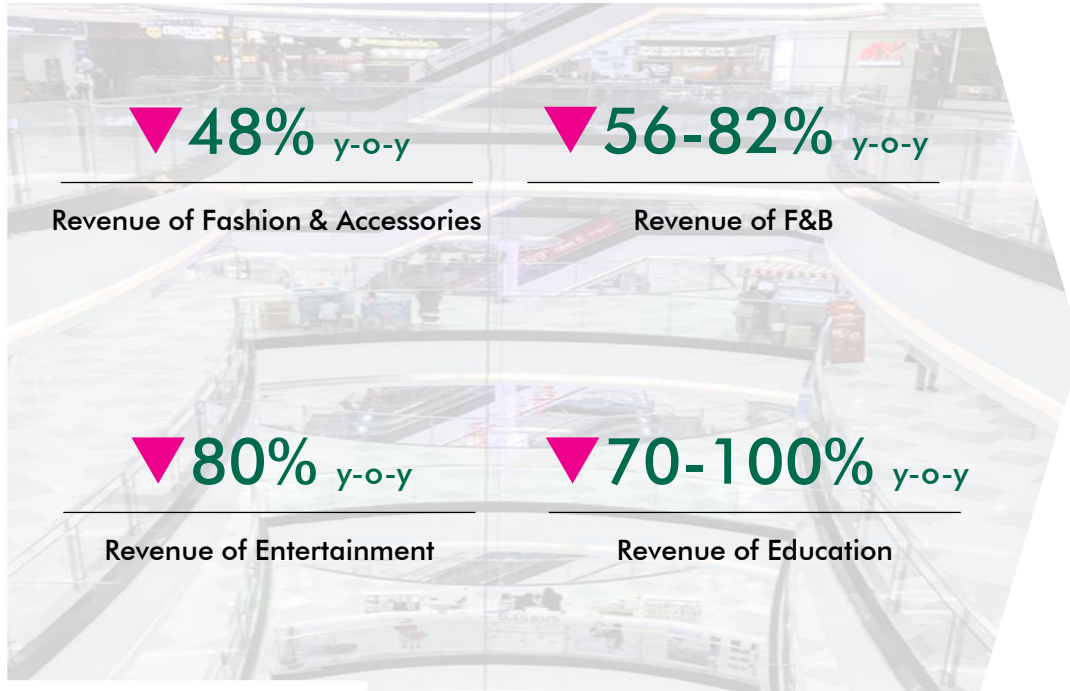
SERVICE REVENUE SAW A SIGNIFICANT DROP IN MARCH

Vietnam Retail Service Turnover, Q1 2020



Source: GSO, CBRE Research, Q1 2020.

RETAILERS STRUGGLED WITH FALLING SALES



Source: CBRE Research, Q1 2020. Survey was carried out for some CBRE's clients in major shopping centres, March 2020



WIN^{2m} COV
#CungVincom #ChienthangCovid19

ĐỒNG HÀNH CÙNG CHÍNH PHỦ VÀ TOÀN BỘ NGƯỜI DÂN VIỆT NAM PHÒNG NGỪA VÀ ĐỂ LẠI DỊCH COVID-19. VINCOM XIN THÔNG BÁO

TẠM THỜI DỪNG HOẠT ĐỘNG CÁC GIAN HÀNG TRONG TTTM

(Trừ Siêu Thị và các Cửa hàng Kinh doanh các mặt hàng thiết yếu)

THỜI GIAN ÁP DỤNG: 27.03 - 05.04.2020
(cho đến khi có thông báo tiếp theo)



DECREASE IN NUMBER OF NEW TENANTS/OPENINGS

Hanoi - 2019

Hanoi –
Q1/2020

Expected 2020 in Hanoi

F&B



Fashion & Accessories



GUCCI

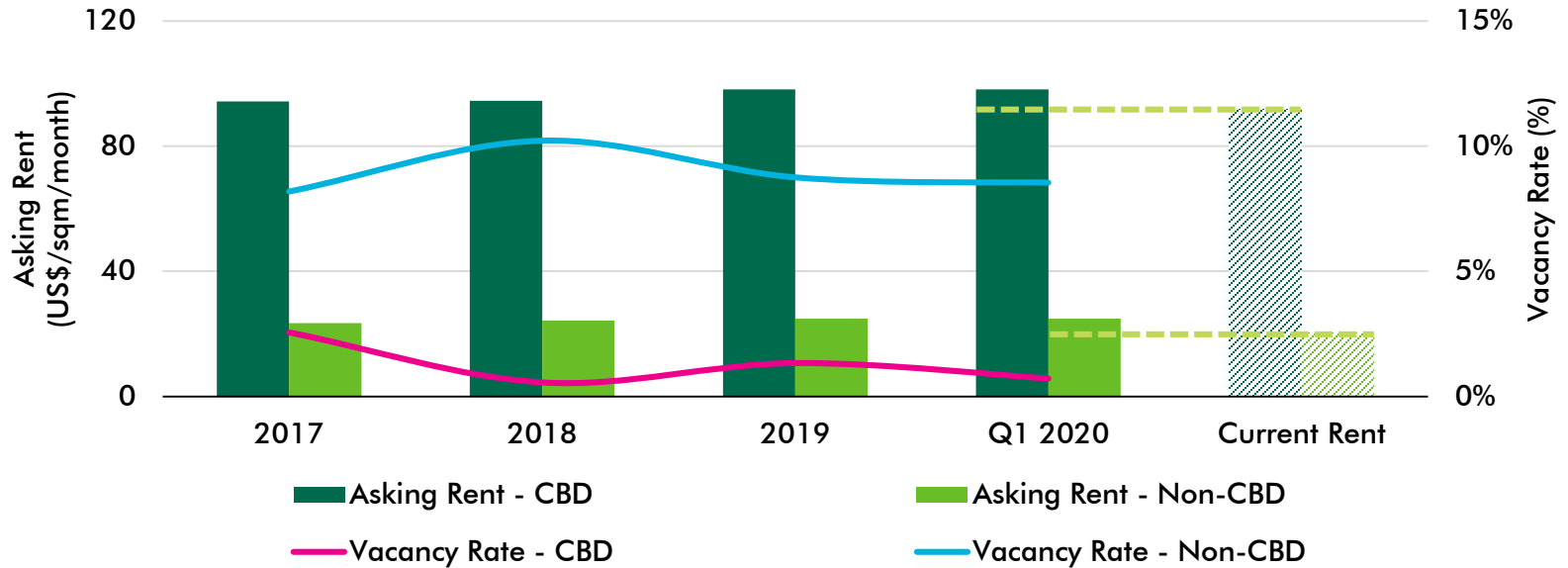
Others



RETAIL MARKET PERFORMANCE IN Q1 2020

Rental Rate Decreasing While Occupancy Rate Stable

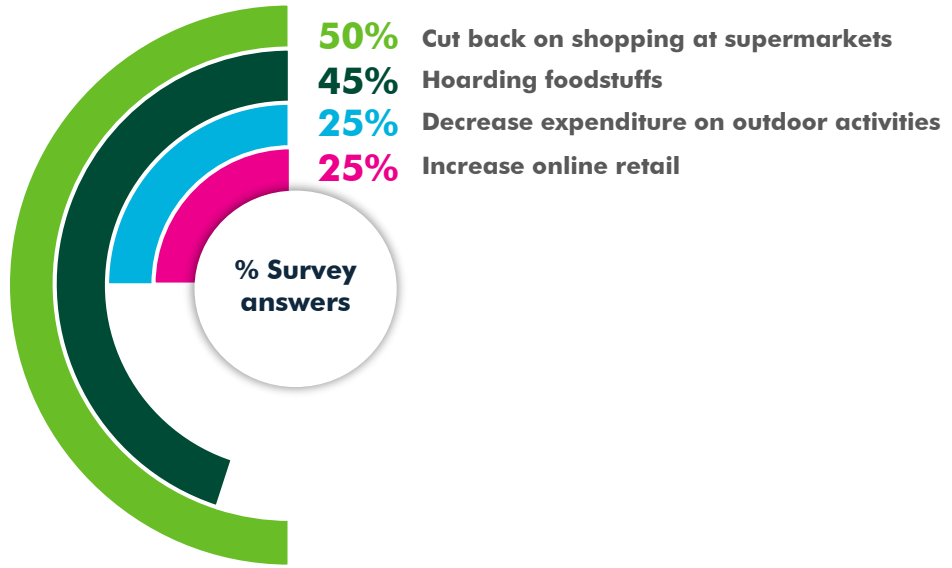
Hanoi Retail, Rent and Vacancy Rate



Rental rate is average of Ground Floor and First floor, excluding of Service Charge and 10% VAT.
Source: CBRE Research, Q1 2020. Data were collected prior to shopping centres closures.

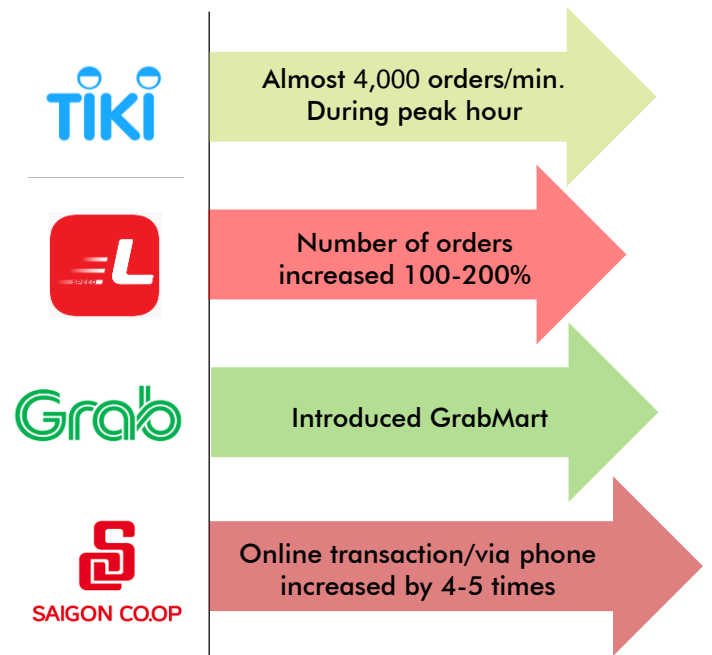
ONLINE RETAIL: OPPORTUNITY FROM CHANGES IN CONSUMER BEHAVIOURS

Effect of COVID-19 on consumer behaviors in Vietnam urban areas 2020



Source: Infocus Mekong, Nielsen, Website (brandsvietnam.com); ID 1102863

Expansion and increase in online revenue of retailers/supermarkets



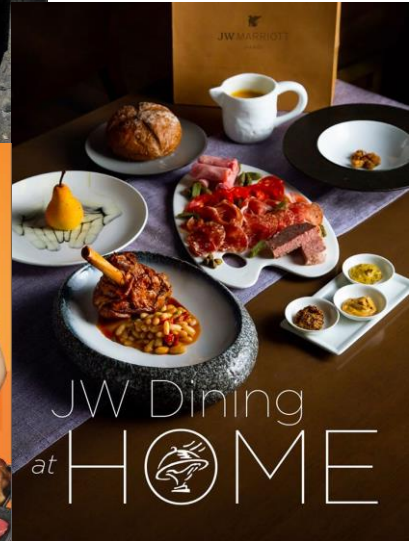
ONLINE RETAIL – OPPORTUNITY FROM CHANGES IN CONSUMER BEHAVIORS



Ride-hailing companies open services for grocery shopping delivery

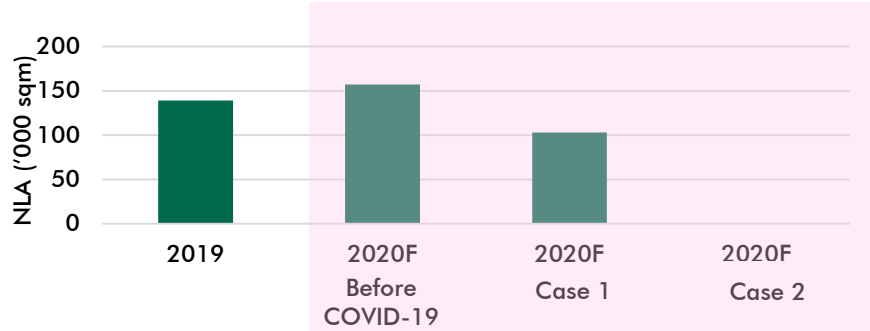


Closing due to Covid-19 epidemic, restaurants in Hanoi switched to selling online



HANOI RETAIL: MARKET OUTLOOK

Hanoi Retail, New Supply Forecast



NOTICEABLE NEW SUPPLY 2020F, HANOI



Vincom Megamall Smart City
 Nam Tu Liem
 NLA: ~49,000 sqm

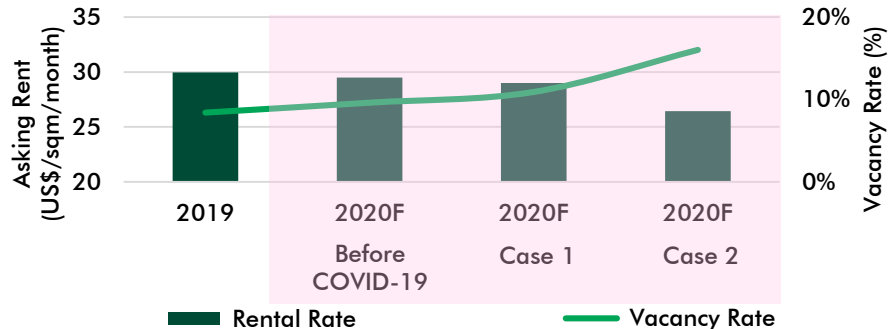


Vincom Megamall Ocean Park
 Gia Lam
 NLA: ~39,500 sqm



FLC Twin Towers
 Cau Giay
 NLA: ~14,000 sqm

Hanoi Retail, Rental and Vacancy Forecast



Rental rate recorded on ground & first floor, exclusive of VAT and service charge
 Source: CBRE Research, Q1 2020
 Case 1: COVID-19 contained by Jun 2020
 Case 2: COVID-19 contained by Sep 2020

HANOI RETAIL: 2020 FORECAST SUMMARY

1

CASE 1

Covid-19 contained by Jun 2020



NEW SUPPLY

▼ **-26% y-o-y**



RENTAL RATE*

CBD: Recover
▼ **Non-CBD: -2.2% y-o-y**



VACANCY RATE

CBD: Stable
Non-CBD: 10-12%
▲ **2.3ppts y-o-y**

2

CASE 2

Covid-19 contained by Sep 2020



NEW SUPPLY

No New Supply



RENTAL RATE*

CBD: Recover
▼ **Non-CBD: -13% y-o-y**



VACANCY RATE

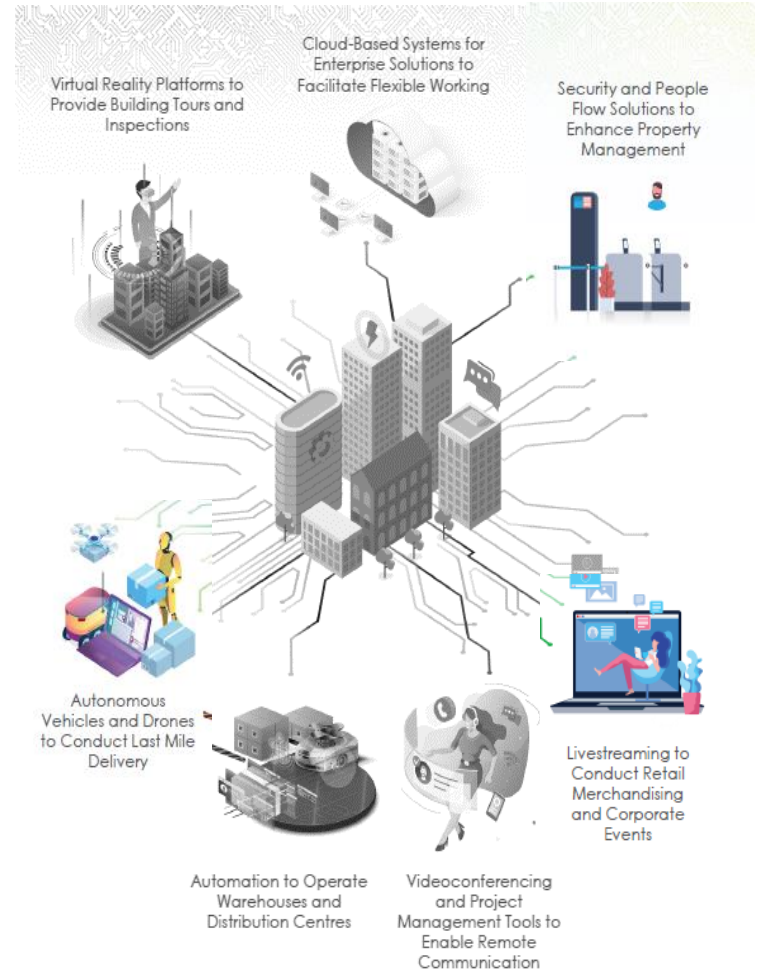
CBD: Stable
Non-CBD: 15-18%
▲ **8.3ppts y-o-y**

(*) Rental rate recorded on ground & first floor, exclusive of VAT and service charge
Source: CBRE Research, Q1 2020

RETAIL NEW TRENDS AFTER COVID-19

- 01 Growing popularity of online groceries
- 02 Brick and mortar stores to support last leg delivery
- 03 Community malls set to gain momentum

- 04 Property management to be a key focus
- 05 E-commerce application for many categories
- 06 Use Robot for Delivery





OFFICE MARKET

Q1 2020

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HANOI OFFICE: IMPACT FROM COVID-19

Q1 2020

No new supply
Disrupted leasing activities

FY2020

Vacancy rate may rise by **5 - 15**ppts
Rental rate may shrink by **5% - 10%**

New trends

Agility to become a priority
Wellness features



GRADE A



SUPPLY

NLA (sqm)

434,767 sqm NLA

20 projects



RENT*

US\$26.2

▲ **0.0%** y-o-y
▼ **0.1%** q-o-q

US\$/sqm/month



VACANCY

6.4%

▼ **2.9** ppt y-o-y
▼ **1.1** ppt q-o-q

(%)

NO NEW PROJECT

GRADE B



SUPPLY

NLA (sqm)

947,306 sqm NLA

73 projects



RENT*

US\$14.3

▲ **3.9%** y-o-y
▼ **0.1%** q-o-q

US\$/sqm/month



VACANCY

8.8%

▼ **0.7** ppt y-o-y
▼ **0.5** ppt q-o-q

(%)

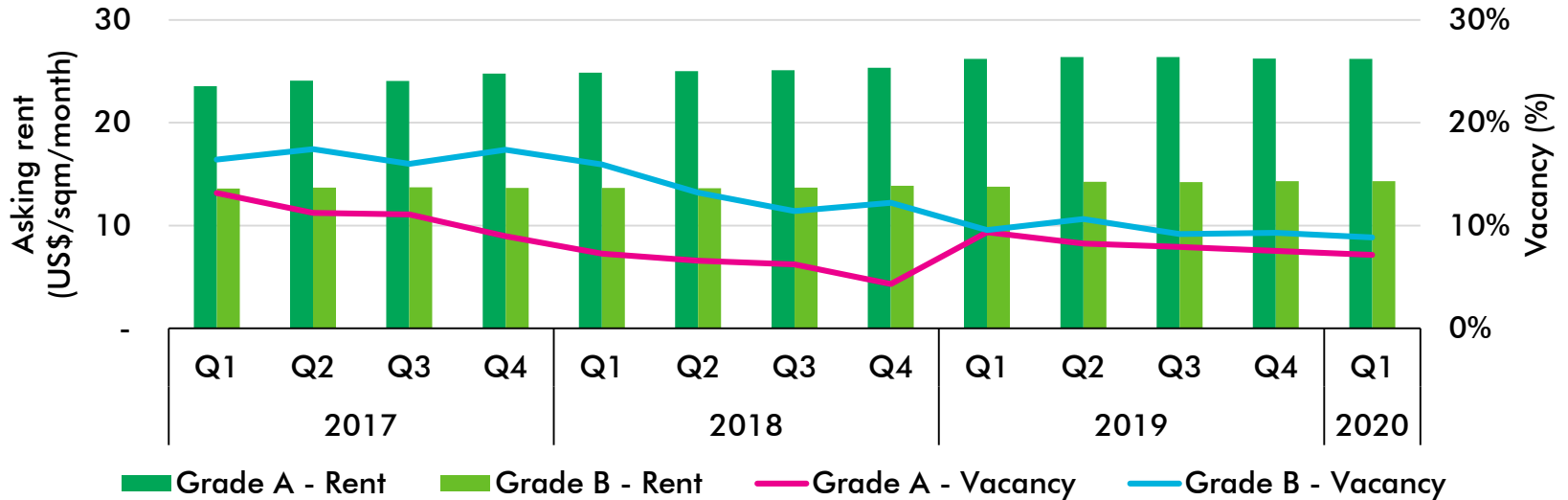
*Asking rent is quoted on Net Leasable Area, excluding VAT and service charge

Source: CBRE Research, Q1 2020.

OFFICE MARKET PERFORMANCE IN Q1 2020

COVID-19 Has not yet Affected the Office Market In Q1 2020

Hanoi office, Asking Rent and Vacancy Rate, Q1 2020



* Asking rent is quoted on Net Leasable Area, excluding VAT and service charge

Source: CBRE Research, Q1 2020.

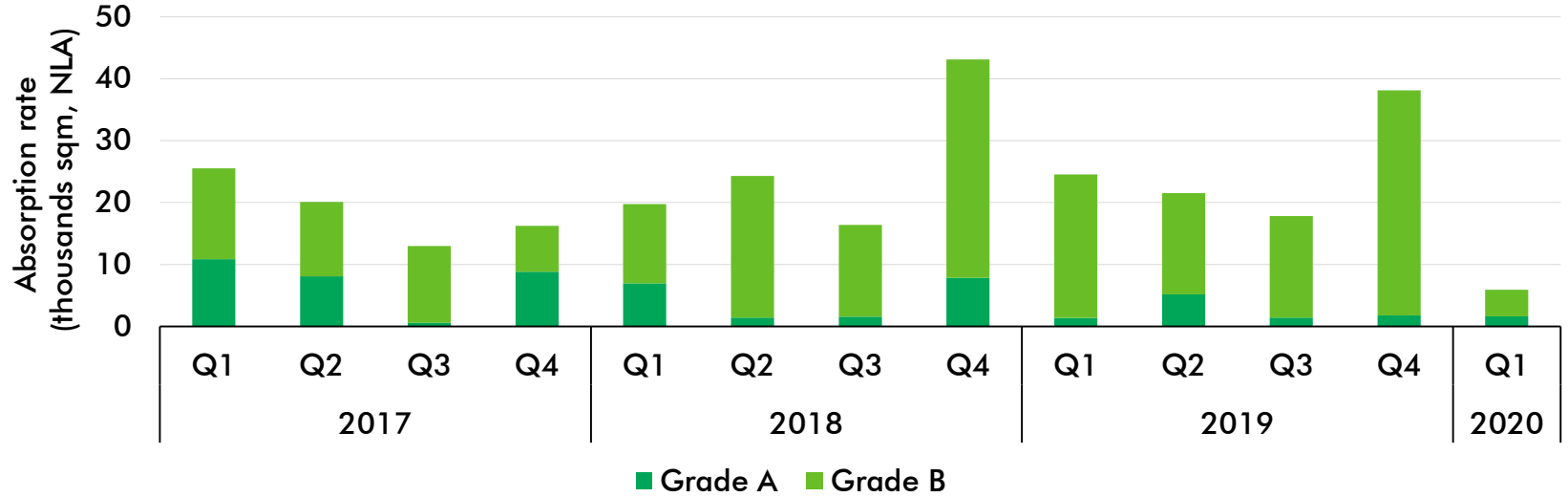
RENTAL SUPPORT OF LANDLORDS PROVIDED TO TENANTS



Source: CBRE Research, Q1 2020.

DISRUPTED LEASING ACTIVITIES

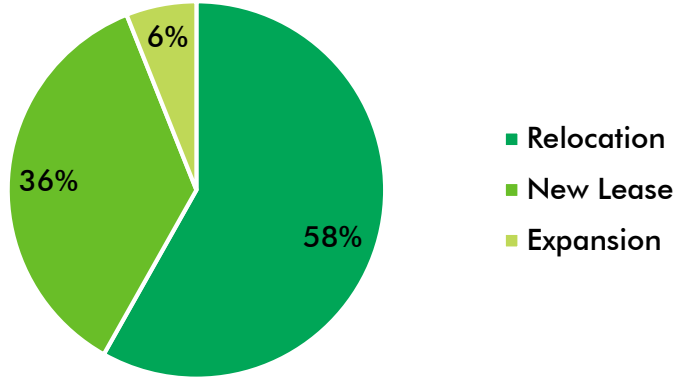
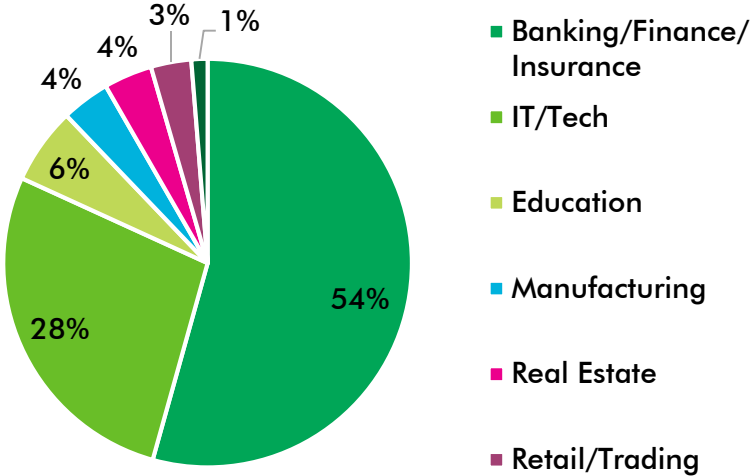
Hanoi Office Market, Net Absorption Rate, Q1 2020



Source: CBRE Research, Q1 2020.

LEASING POSTPONEMENT AT SOME MAJOR SECTORS

Hanoi Office Market, Delayed transactions by industries by CBRE, Q1 2020



Capital constraints and **travel restriction** are **major factors** in delaying leasing activities

Source: CBRE Research, Q1 2020.

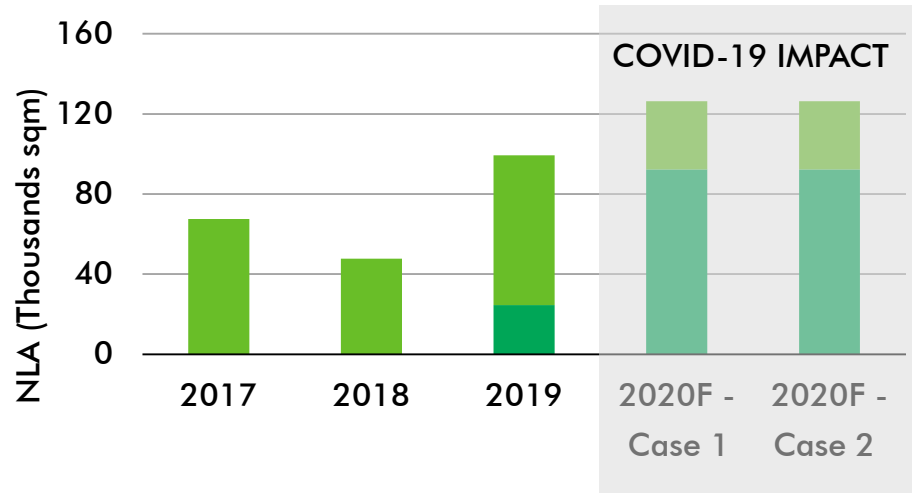
OFFICE MARKET OUTLOOK

Hanoi office market, Highlighted new supply



More than 126,000 sqm NLA is expected to be completed in 2020, located in Midtown and the West

Hanoi office market, Future pipeline



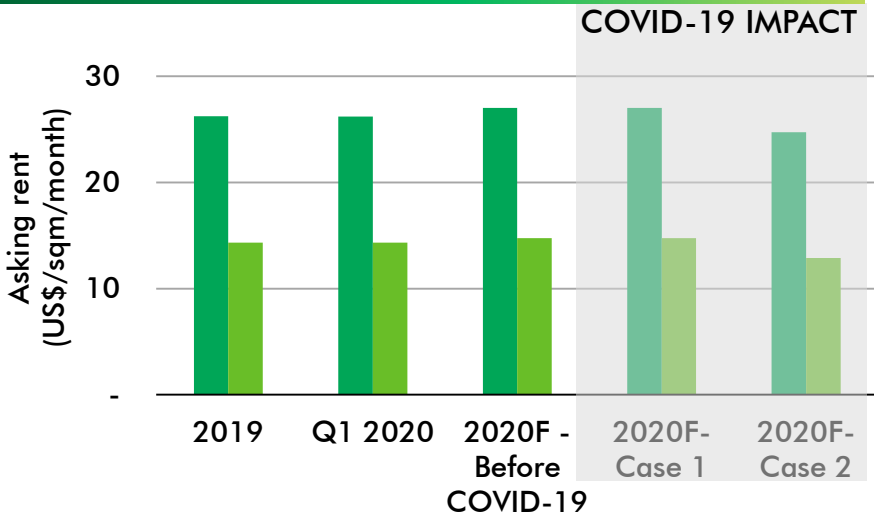
■ Grade A ■ Grade B

Case 1: COVID-19 contained by Jun 2020
 Case 2: COVID-19 contained by Sep 2020
 Source: CBRE Research, Q1 2020.

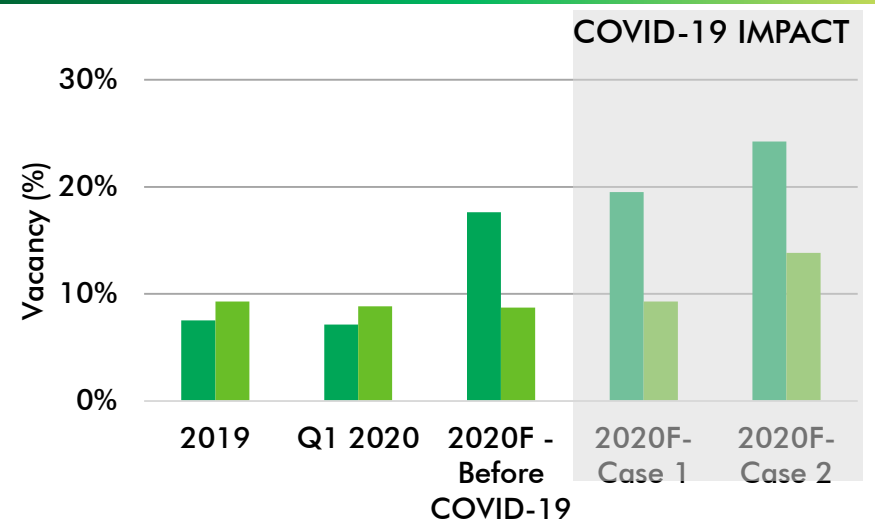
OFFICE MARKET OUTLOOK

Increase vacancy rate due to interrupted leasing activities
Landlords to reduce rent to support tenants

Hanoi office, Rent forecast, 2020



Hanoi office, Vacancy forecast, 2020



■ Grade A ■ Grade B

■ Grade A ■ Grade B

Asking rent based on NLA, exclusive of VAT and service charge
Source: CBRE Research, Q1 2020.

Case 1: COVID-19 contained by Jun 2020
Case 2: COVID-19 contained by Sep 2020

1 CASE 1

Covid-19 contained by Jun 2020



New completions are on time



Average asking rent

0% y-o-y



Vacancy rate

1 – 2ppts y-o-y

2 CASE 2

Covid-19 contained by Sep 2020



New completions are on time



Average asking rent

5% - 10% y-o-y



Vacancy rate

5 – 15ppts y-o-y

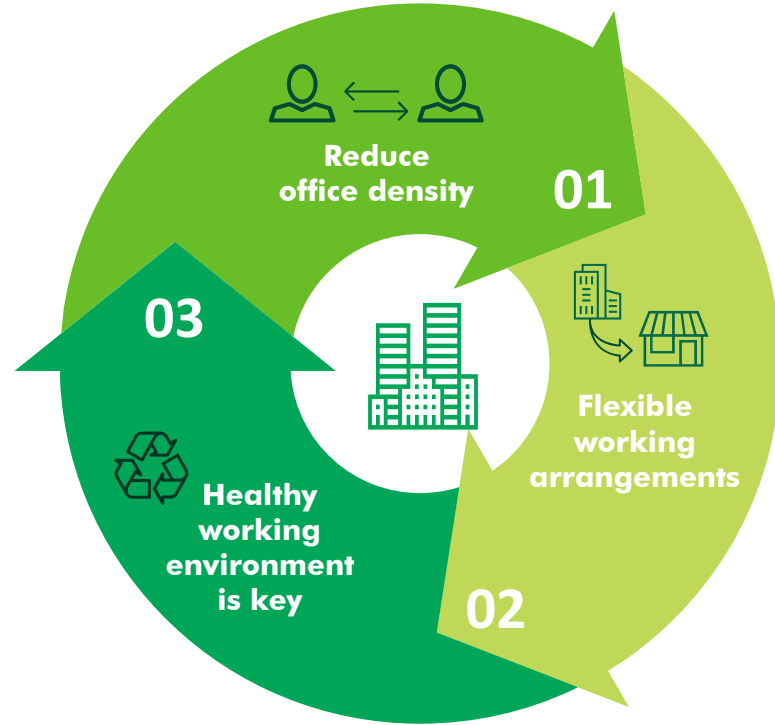
OFFICE NEW TRENDS AFTER COVID-19:

Re-evaluate Business Continuity Plan



ENHANCING RESILIENCE

to adapt with abrupted changes of the business



EMPLOYEE'S WELLNESS is prioritized



CONDOMINIUM MARKET

Q1 2020

LUXURY:

US\$4,000 psm

HIGH END:

US\$2,000 – 4,000 psm

MID END:

US\$1,000 – 2,000 psm

AFFORDABLE:

< US\$1,000 psm

CBRE

HANOI CONDOMINIUM: IMPACT FROM COVID-19

▼ 86% y-o-y

Drop of New Launch
Supply in Hanoi in
Q1 2020

▼ 77% y-o-y

Drop of Sold Units in
Hanoi in Q1 2020

30% - 40%

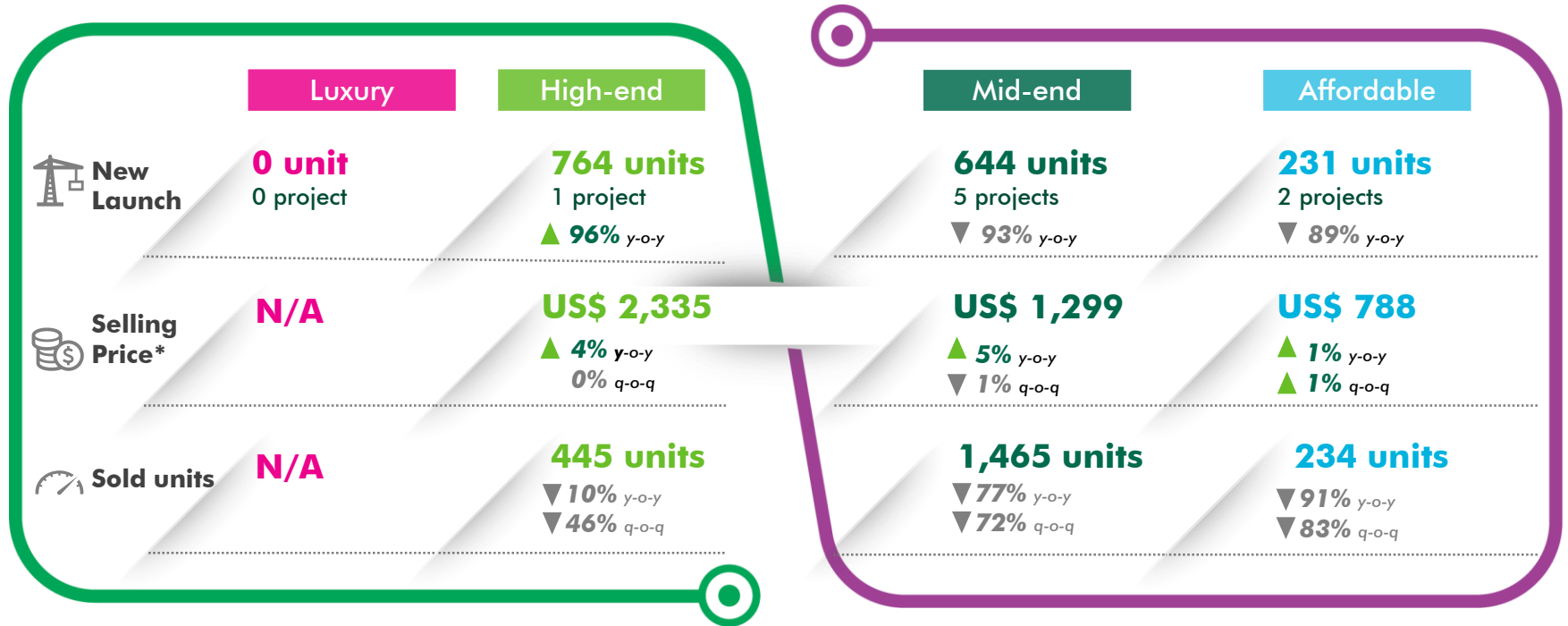
Average sales rate of
newly launched projects
(lower than that of 40 –
45% in 2019)

▲ 4% y-o-y

Average selling price
in Hanoi in Q1 2020



HANOI CONDOMINIUM: MARKET SNAPSHOT IN Q1 2020



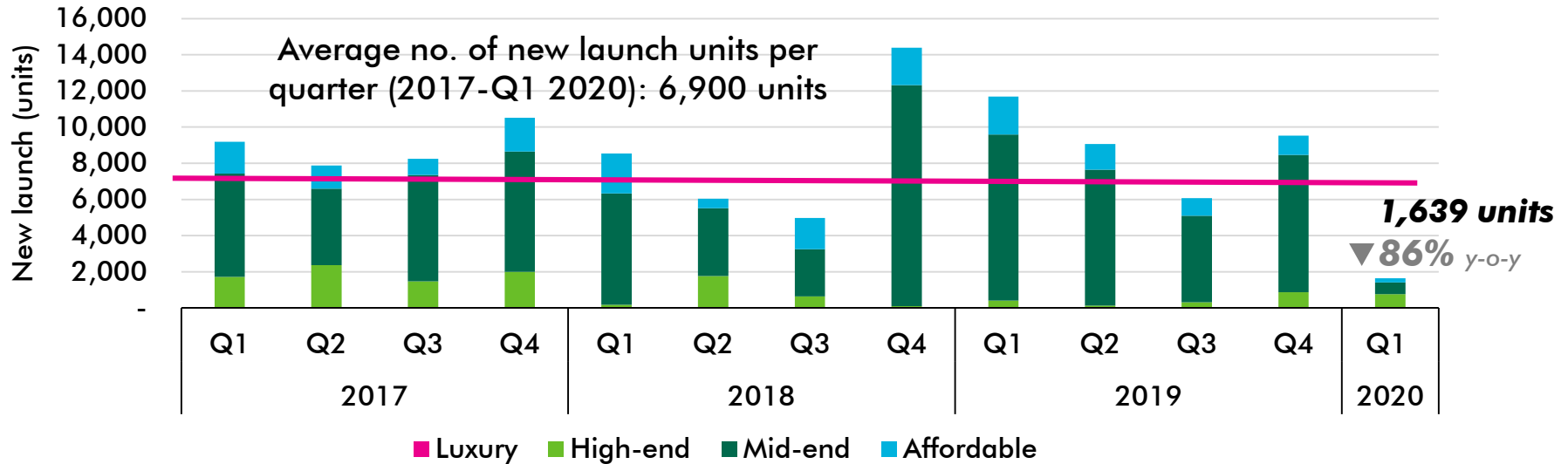
(*) Selling price: US\$ psm (excluding VAT and quoted on NSA)

Source: CBRE Research, Q1 2020.

THE LOWEST QUARTERLY NEW LAUNCH IN THE PAST 9 YEARS

New supply mostly from follow-on launches

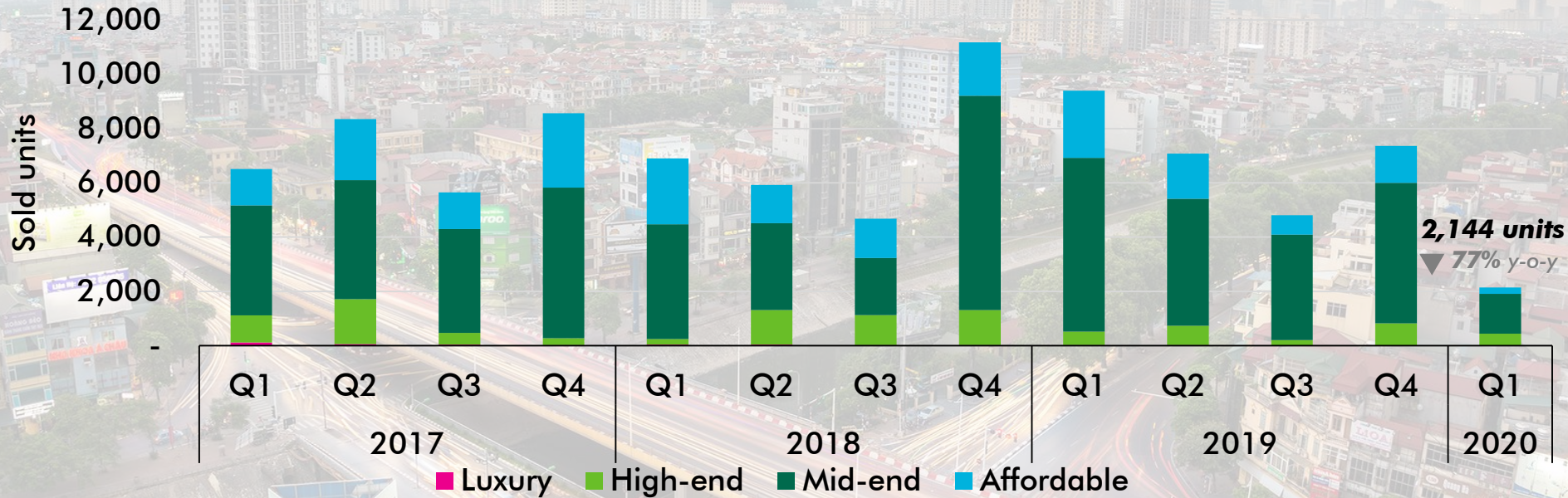
Hanoi Condominium Market, Quarterly New Launch



Source: CBRE Research, Q1 2020.

SOLD UNITS: LOWEST SINCE 2013, BUT HIGHER THAN NEW LAUNCH DUE TO LOWER NEW SUPPLY VOLUME

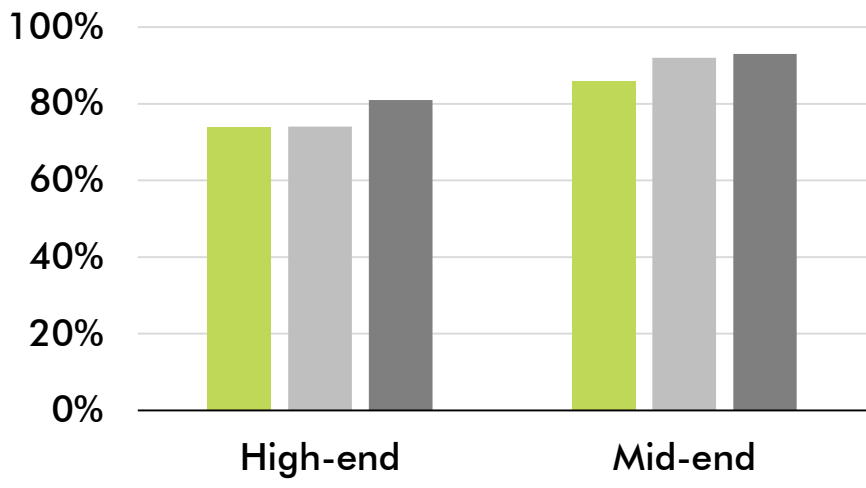
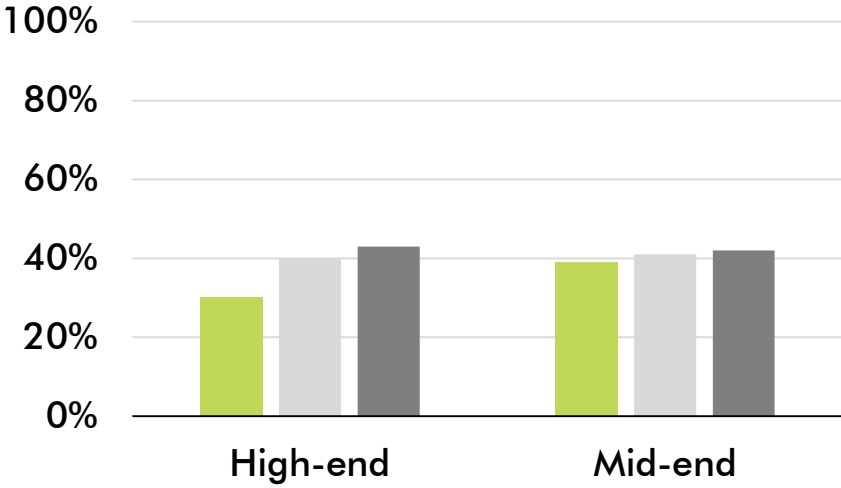
Hanoi Condominium Market, Quarterly Sold units



**HCMC: LIMITED NEW SUPPLY, NEW PROJECTS ACHIEVED GOOD ABSORPTION
 HANOI: LONGER SOLD OUT PERIOD DUE TO MORE CAUTIOUS BUYERS**

Hanoi Condominium, average sales rate of newly launched project during the quarter

HCMC Condominium, average sales rate of newly launched project during the quarter

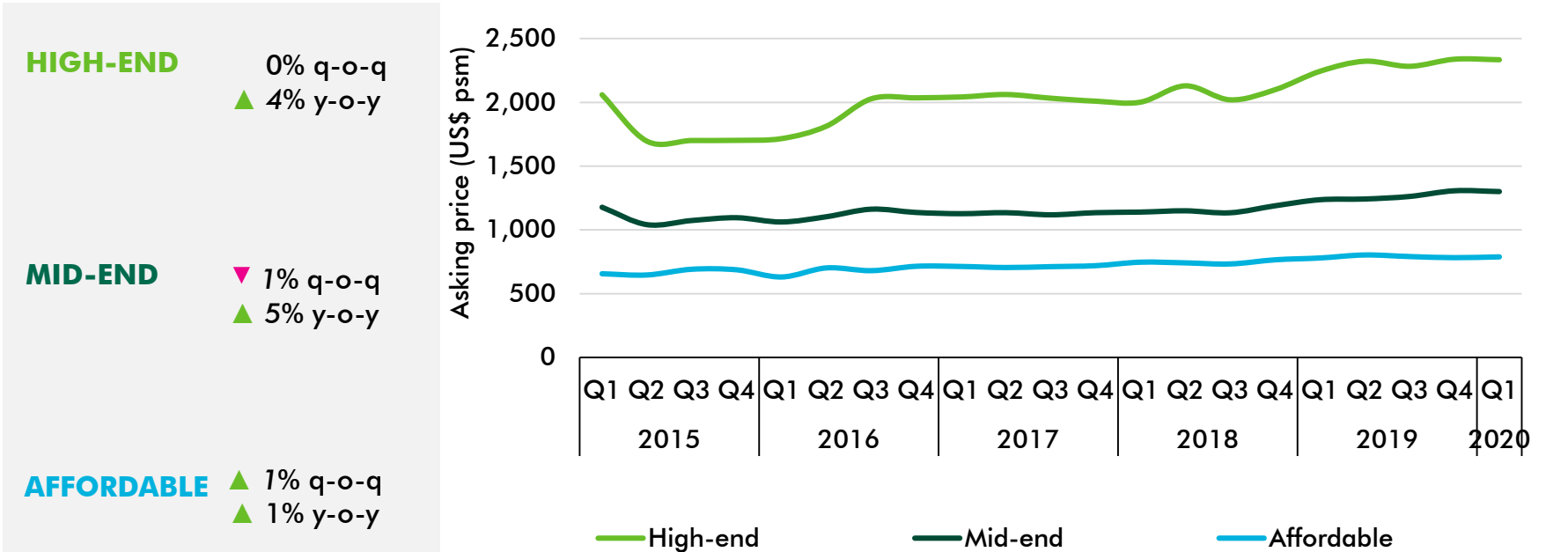


■ Q1 2020 ■ Q1 2019 ■ Avg 4 quarters of 2019

Source: CBRE Research, Q1 2020.

STABLE PRIMARY PRICING ACROSS SEGMENT

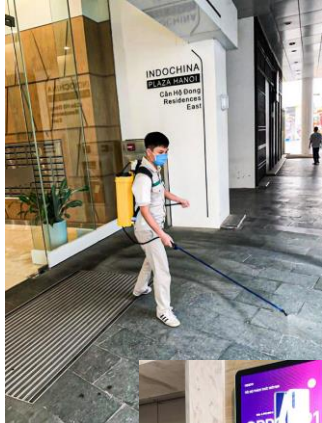
Hanoi Condominium Market, Average selling price, Q1 2020



(*) Selling price: US\$ psm (excluding VAT and quoted on NSA)

Source: CBRE Research, Q1 2020.

INCREASINGLY IMPORTANT ROLE OF PROPERTY MANAGEMENT



Zing.vn

12/03/2020

Use toothpicks in lifts in condominium in Hanoi during the Covid-19 season



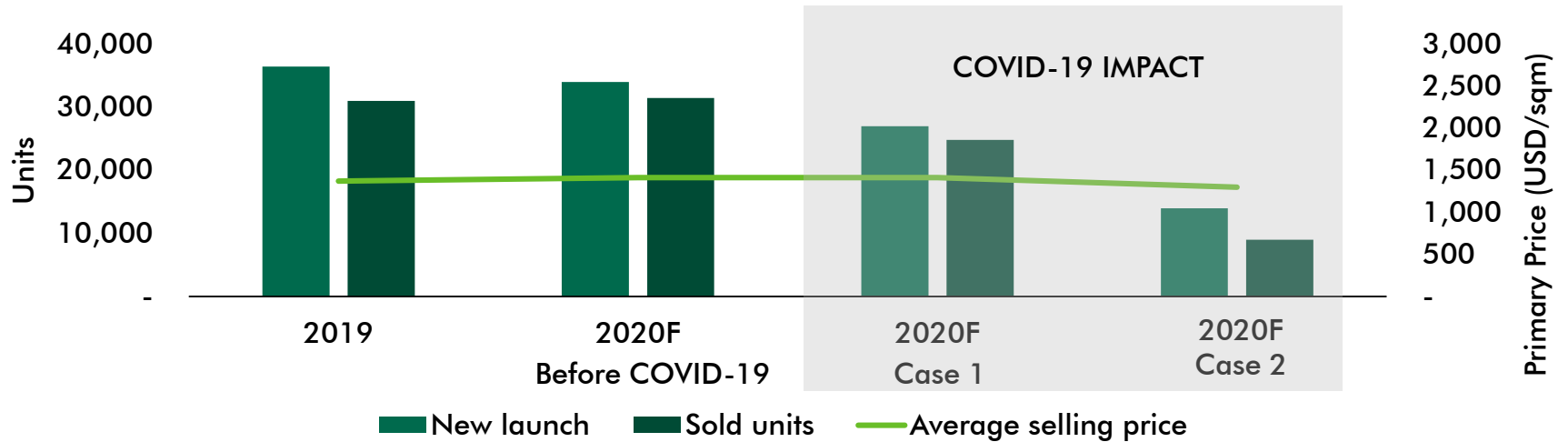
Thời báo **KINH DOANH** 30/03/2020

From Covid-19, look again at management issues at the apartment projects

LIMITED IMPACT IF COVID-19 CONTAINED BY JUN

Significant Drop in Volume If Disease Prolonged

Hanoi Condominium Market, Forecast for FY2020



Source: CBRE Research, Q1 2020.

Selling price: US\$ per sq.m (exclude VAT and quote on NSA)

Case 1: COVID-19 contained by Jun 2020

Case 2: COVID-19 contained by Sep 2020

HANOI CONDOMINIUM: 2020 FORECAST SUMMARY

1

CASE 1

Covid-19 contained by Jun 2020



New launch supply

▼ 26% y-o-y (~ 27,000 units)



Average selling price

▲ 3% y-o-y



Sold Units

▼ 20% y-o-y (25,000 units)

2

CASE 2

Covid-19 contained by Sep 2020



New launch supply

▼ 62% y-o-y (14,000 units)



Average selling price

▼ 6% y-o-y



Sold Units

▼ 70% y-o-y (9,000 units)



HOTEL MARKET

Q1 2020

CBRE

TOURISM AND HOTEL MARKETS: IMPACT FROM COVID-19

▼ 18% y-o-y

Drop of International
and Local Visitors in
Q1 2020

▼ 40-60% y-o-y

Drop of Hotel Bookings
and Occupancy Rates
in Vietnam in Q1 2020

▼ US\$5.9-7 bn

Estimated Loss of
Vietnam's Tourism
from Feb-Apr '20

▼ US\$2.12 bn

Estimated Revenue Loss of
Vietnam Airlines in 2020



SUSPENSION OF FLIGHTS SINCE MARCH

Resulting In A Plunge Of Demand For 4- And 5-star Hotels

International Tourist Arrivals (ITA), Q1 2020



Hanoi

Arrivals 0.96 mil
Y-o-y (%) ▼ 43,9%

Da Nang

Arrivals 0.66 mil
Y-o-y (%) ▼ 24,4%

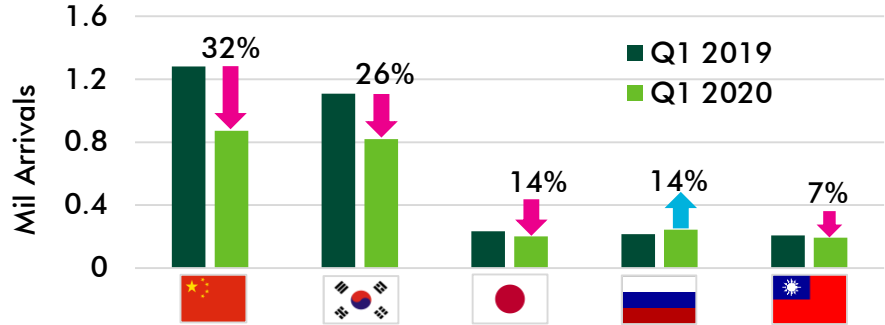
Nha Trang

Arrivals 0.63 mil
Y-o-y (%) ▼ 51,6%

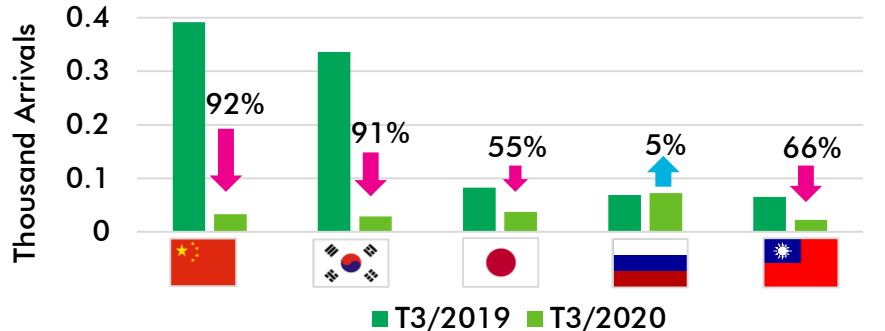
HCMC

Arrivals 1.3 mil
Y-o-y (%) ▼ 42,3%

International Tourist Arrivals, Q1 2020



International Tourist Arrivals, March 2020 only



Source: Various Departments of Tourism, CBRE Research, Q1 2020.

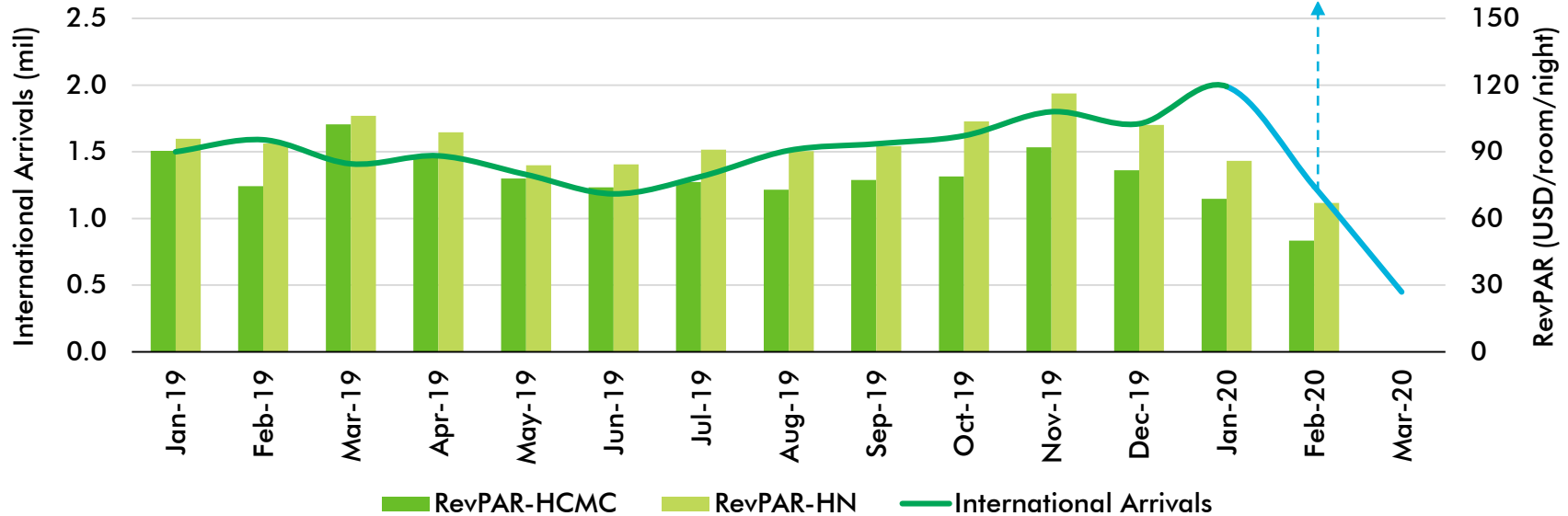
SIGNIFICANT DECREASE IN REVENUE

The impact on Mar-Apr will be more severe than Feb

Hotel Performance in Feb 2020 (changes are y-o-y)

HCMC		Hanoi	
ADR: \$112	▼ 6.9%	ADR: \$118	▼ 8.0%
OCC: 44.6%	▼ 27.8%	OCC: 56.6%	▼ 22.3%
RevPAR: \$50	▼ 32.8%	RevPAR: \$67	▼ 28.6%

Arrivals to Vietnam & Hotel Performance in HCMC and Hanoi



Source: STR, VNAT, CBRE Research, Q1 2020.

HANOI HOTEL*: 2020 FORECAST SUMMARY

1 CASE 1

Covid-19 contained by Jun 2020



New hotels **might not be opened** as expected



Average Room Rate

▼ 8-10% y-o-y



Occupancy Rate

28-33% (vs. 2019: 81.2%)

2 CASE 2

Covid-19 contained by Sep 2020



New hotels **might not be opened** as expected

Supply contraction as **some** hotels are closed



Average Room Rate

▼ 15-17% y-o-y



Occupancy Rate

18-23% (vs. 2019: 81.2%)

For more information regarding this presentation please contact:
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T: +84 28 3824 6125 | E: research.vietnam@cbre.com

THANK YOU

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