HCMC Real Estate Market, Q2 2021

UNEVEN RECOVERY

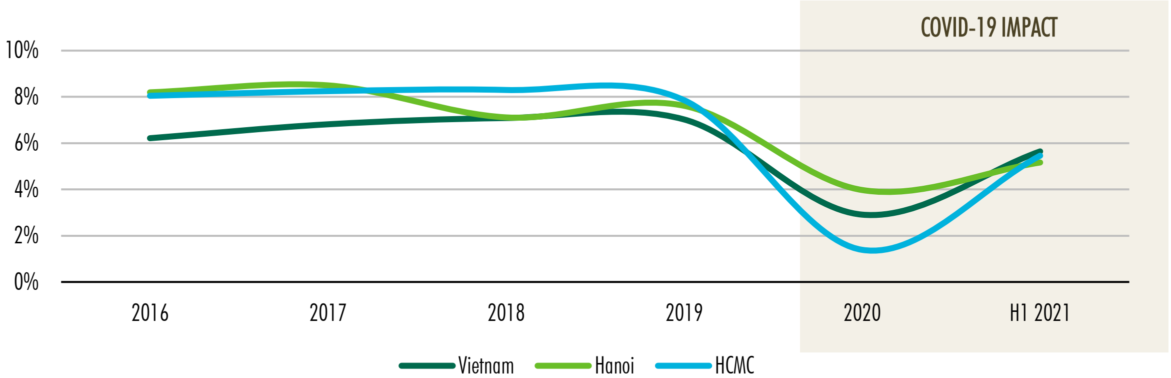
VIETNAM GDP
5.64% y-o-y

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.

NEW SUPPLY WITH GOOD ABSORPTION

In Q2 2021, the HCMC office market had one new Grade B office building, adding 10,841 sqm of NLA to the total supply.

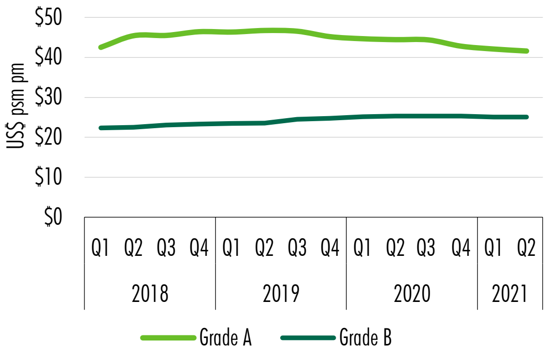
In terms of market performance, vacancy in Grade A continued to decrease by 2 ppt q-o-q mostly due to new leased areas at newly buildings, which offer high quality and closeness to existing office clusters. In the Grade B segment, the vacancy rate was stable while old buildings continued to witness occupier return spaces and move to newer buildings. Net absorption was positive for Q2 2021 at both Grade A and Grade B building, bringing total net absorption for H1 2021 to over 33,300 sqm NLA, in contrast to negative level of 2020.

Based on CBRE's transaction, renewal and expansion accounted for 82% of the total number of transactions in Q2 2021. Top four leading industries were Information Technology, Finance/Banking, Logistics and Retail/Trade/E-commerce, accounting for 78% of total transacted areas

RENTALS FALLING AT SLOWER PACE

The second quarter of 2021 witnessed the new wave of COVID-19 in which recent cases rose to a record high since the initial outbreak. Many companies were more open to working from home or rotation policy. Regarding the rental rate, on a brighter note, Grade A's decrease trend has slowed down to 1.2% q-o-q while Grade B's rental rate was stable. Although in the short term, the market is uncertain due to effect of new COVID-19 wave, the outlook in the medium term is positive.

Figure 2: Asking Rent, HCMC Office



Rents are quoted excluding service charge and taxes.

Source: CBRE Research, Q2 2021.

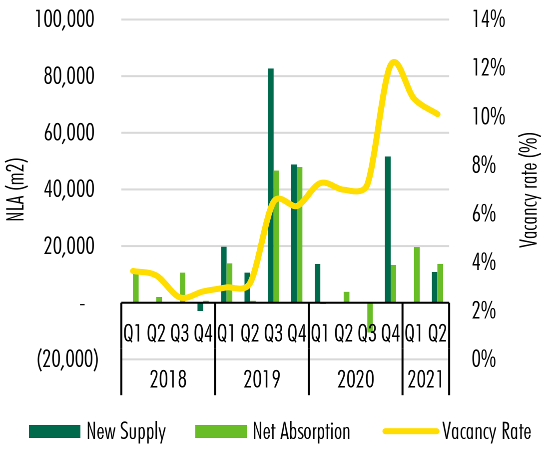
Table 1: Asking Rent, HCMC Office

	Q2 2021	Q-o-Q	Y-o-Y
Grade A - CBD	$47.0	-2.3%	-4.6%
Grade A - Decentralised	25.9	2.5%	-2.1%
Grade B	$25.1	-0.1%	-1.0%

Rents are quoted excluding service charge and taxes.

Source: CBRE Research, Q2 2021.

Figure 3: Supply – Demand Dynamics, HCMC Office



Source: CBRE Research, Q2 2021.

UNEXPECTED NEW WAVE OF PANDEMIC CLOSE ALL PROJECTS

Because of the new wave of COVID-19, all shopping centres were forced to close starting from June 2021, except for necessary categories such as supermarket, pharmacy. In June 2021, all shopping malls offer free rent and service charges for closed tenants; some landlords even offer 10%-50% rent reduction in May given the decrease in the number of footfall despite no forced closure, based on category. Asking rental rate in the CBD is USD 137.1 psm pm, up 1.1% q-o-q and rental rate in the non-CBD is USD 33.9 psm pm, down 2.3% q-o-q.

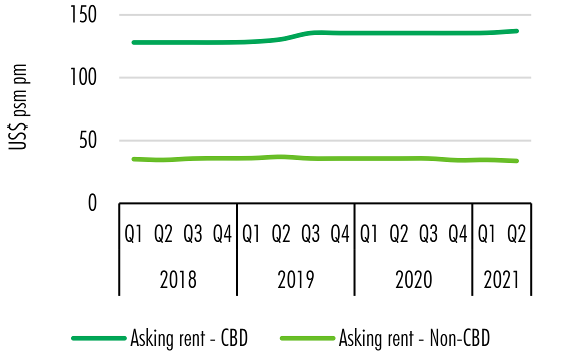
In Q2 2021, a new project in non-CBD opened with 16,000 sqm of NLA bringing the total retail supply in HCMC to 1,068,128 sqm NLA.

In Q2 2021, the vacancy rate in the non-CBD areas decreased by 1.4ppt q-o-q due to new openings of big anchor fashions such as Decathlon, Uniqlo in April and May; for the CBD area, the limitation in supply has kept vacancy at low level.

RECOVERY DEPENDS MUCH ON VACCINATION

The city is expected to have over 200,000 sqm of new retail spaces until 2023, both in CBD and non-CBD areas. In the short term, categories such as F&B, coffee chain, convenience store, health & beauty will continue to expand at retail podiums, opting more at residential blocks, before more shopping centres supply coming online. The market sentiment and consumer confidence is expected to recover rapidly once pandemic is thoroughly controlled as well as more vaccination is carried on throughout the nation. The country is expected to have 70-75% of its population vaccinated by 2021.

Figure 4: Asking Rent, HCMC Retail



Rents are quoted excluding service charge and taxes. Rents are average for Ground floor and First floor.

Source: CBRE Research, Q2 2021.

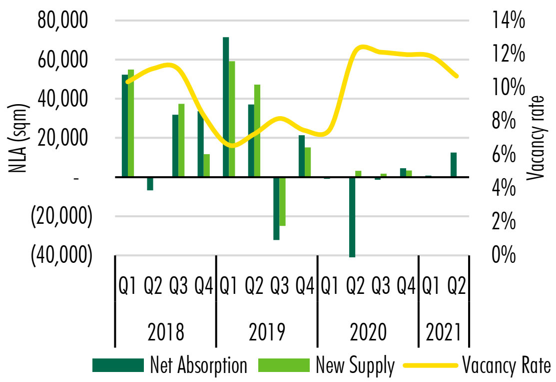
Table 2: Asking Rent by Location, HCMC Retail

	Q2 2021	Q-o-Q	Y-o-Y
CBD	137.1	1.0%	1.2%
Non -CBD	33.9	-2.3%	-5.4%

Rents are quoted excluding service charge and taxes. Rents are average for Ground floor and First floor.

Source: CBRE Research, Q2 2021.

Figure 5: Supply – Demand Dynamics, HCMC Retail



New Supply is net of new completion and new demolition.

Source: CBRE Research, Q2 2021.

LIMITED NEW SUPPLY CREATE CHANCES TO CLEAR INVENTORY

In Q2 2021, there were 4,155 condominium units launched in HCMC, which was double that of the previous quarter and showing a recovery of sales activities. However, with 5,800 units, the total new condominium launch in H1 2020 was still 9% lower y-o-y because of COVID-19 resurgence. In terms of segment, 79% of units launched in Q2 2021 were from the mid-end segment while the remaining were in the luxury and the high-end segment.

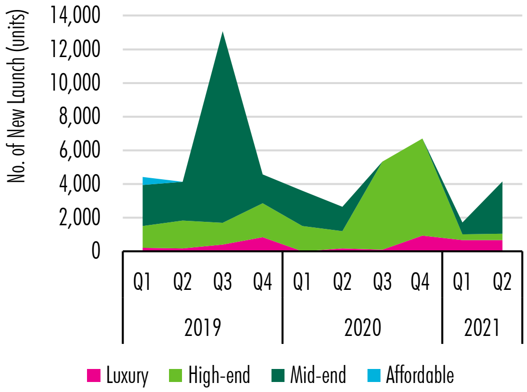
Sales momentum was relatively positive in Q2 2021 as compared to the previous quarter, with over 80% of units launched during the quarter having been absorbed. In Q2 2021 there were 4,700 sold units, increased by 76% q-o-q. The sales picked up in Q2 thanks to active sales activities before the travel restriction period. Diversification in sales channels (online channels combined with direct marketing via sales events, limited buyer per section, etc.) and the introduction of innovative sale policies have boosted the sales during the quarter. Local buyers are key focus of developers during the first half of the year as foreign sales have been disrupted due to the suspension of international flights since last year.

Selling prices in the primary market in Q2 2021 averaged US$2,260 per sqm (net of VAT), up by 16.5% y-o-y. The significant price escalations were due to a lack of supply in the mid-end segment and the branded residence project in the luxury segment.

THE MARKET EXPECTS TO RECOVER SLOWLY IN 2021

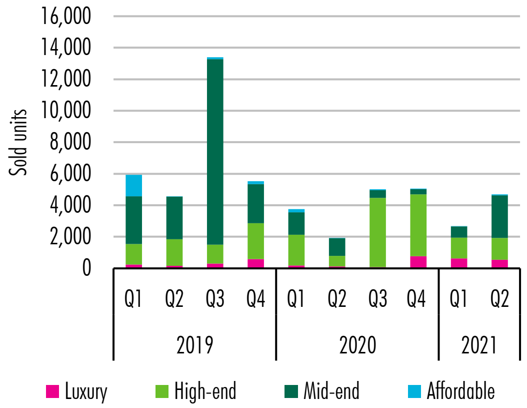
COVID-19 resurgence has changed the nature of residential sales positively and the market remains attractive. Developers are introducing innovative sales strategies while local buyers are adapting to the new normal. Vaccine visa and increasing vaccine rate will drive foreign buyers back to Vietnam.

Figure 6: New Launch Supply, HCMC Condominium



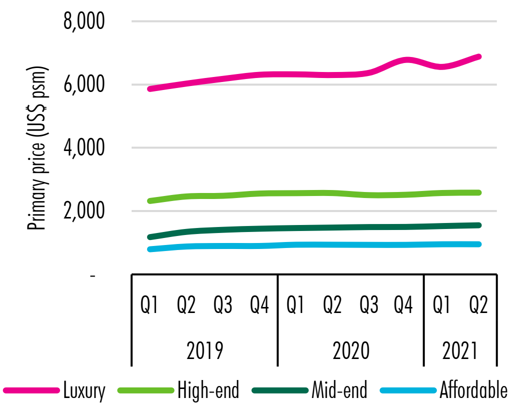
Source: CBRE Research, Q2 2021.

Figure 7: Sold units, HCMC Condominium



Source: CBRE Research, Q2 2021.

Figure 8: Primary Prices, HCMC Condominium



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

Source: CBRE Research, Q2 2021.

LACK OF NEW LAUNCH SUPPLY AMID STRONG DEMAND

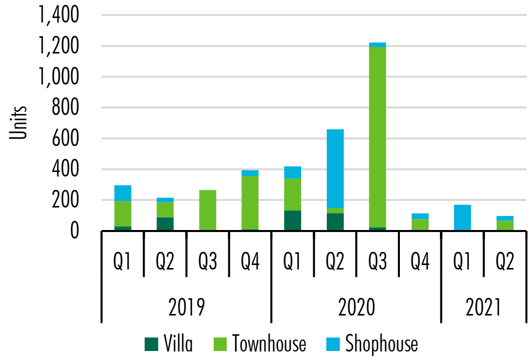
In Q2 2021, the market recorded two new projects and a subsequence phase launched. Total new launch supply in Q2 2021 was only 97 units. Townhouse accounted for 67%, the remaining is villa. There was no new launch of shophouse in reviewed quarter. Cumulative supply of HCMC reached 19,497 units from 119 projects as of Q2 2021.

Cumulative sold rate of primary market reached 99% approximately in Q2 compared to 97% of Q1 2021. Average primary asking price levels were US$3,661 per sqm land for townhouse (up 10% q-o-q and 17% y-o-y), US$4,276 per sqm land for villa (up 7% q-o-q and 11% y-o-y) and 6,102 per sqm land for shophouse (stable by quarter and up 10% y-o-y). Price improvement by years because of limited supply in primary market and the new supply in District 9, Binh Tan and Thu Duc had high average selling price.

Average secondary asking price of townhouse was US$4,202 per sqm land, increase by 12% q-o-q and up 17% y-o-y in Q2 2021. Villa secondary price was $4,901 per sqm land (up 2% q-o-q and up 3% y-o-y). Average secondary asking price of shophouse was US$5,595 per sqm land, increasing 6% y-o-y.

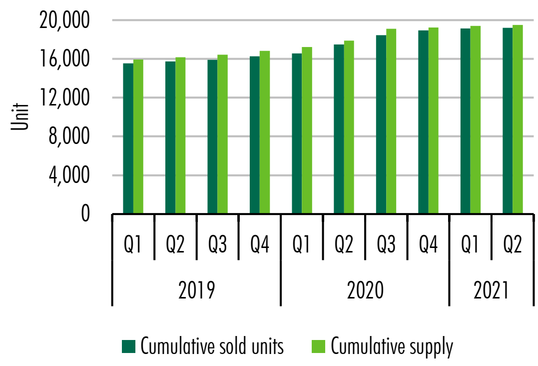
Looking forward to 2021 and beyond, due to the lack of inner-city clean land banks and difficulties of legal issues in HCMC's urban area, further expansion of developers to untapped locations will be observed frequently with large-scale projects. The tighter credit and legal regulations will significantly affect real estate developers and customers but will make the market healthier and more transparent. In the near future, adjustments of the market due to legal changes will soon occur rapidly, and we expect that the market will return to its excitement after this period.

Figure 9: New Supply, HCMC Villa and Townhouse



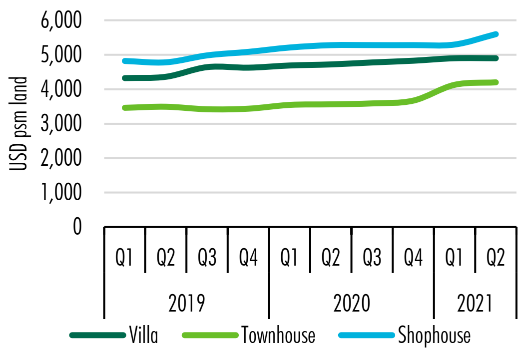
Source: CBRE Research, Q2 2021.

Figure 10: Sold Unit, HCMC Villa and Townhouse



Source: CBRE Research, Q2 2021.

Figure 11: Secondary Price, HCMC Villa and Townhouse



Asking price are quoted excluding taxes.

Source: CBRE Research, Q2 2021.

NO NEW INDUSTRIAL PARKS

In Q2 2021, there is no new supply in the market. The total liable land supply reach approximately 25,000 ha.

OCCUPANCY IS STABLE WHILE RENTS CONTINUE TO INCREASE

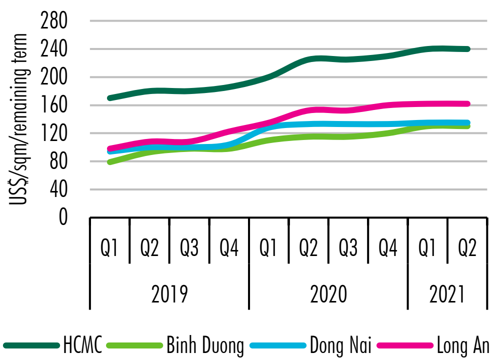
Average occupancy rates of existing industrial parks in four key Southern industrial cities and provinces (HCMC, Binh Duong, Dong Nai, and Long An) were over 85.0% thanks to high demand from production movement from China as well as EVFTA.

Despite high asking rents in 2020, CBRE recorded that asking rents of industrial parks in good location in Dong Nai, and Long An still increased from 5% to 10% y-o-y.

Performance of ready-built factory and warehouse market remained stable q-o-q due to large supply added in 2020 as well as delayed leasing activity from travel restrictions. Warehouse market maintained high asking rents for modern and traditional warehouses.

From 2017 to 2020, high demand in the market, especially from the E-commerce industry, allowed developers to built up and open more warehouse space. As a result, the need to find a land bank for developing logistics facilities increased significantly, reflected in the increasing number of inquiries for this sector, recorded by CBRE.

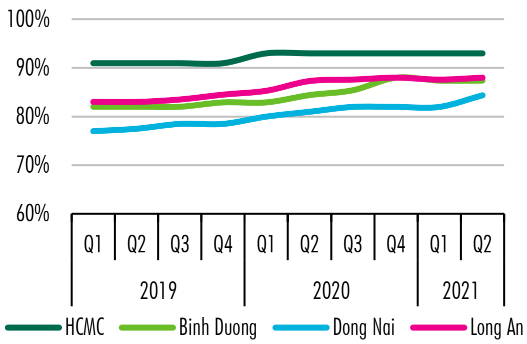
Figure 12: Asking Price, Industrial Land



* Remaining term is remaining leasing terms of the industrial land, commonly ranging from 30-40 years.

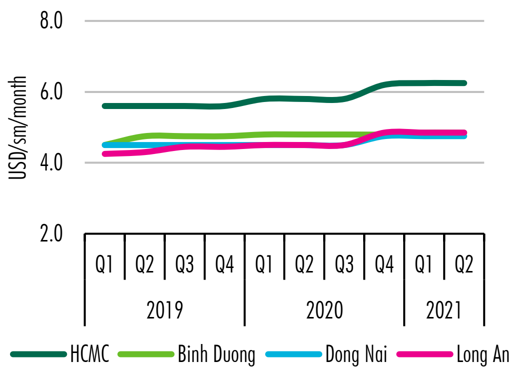
Source: CBRE Research, Q2 2021.

Figure 13: Occupancy Rate, Industrial Land



Source: CBRE Research, Q2 2021.

Figure 14: Asking Rent, 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:

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:

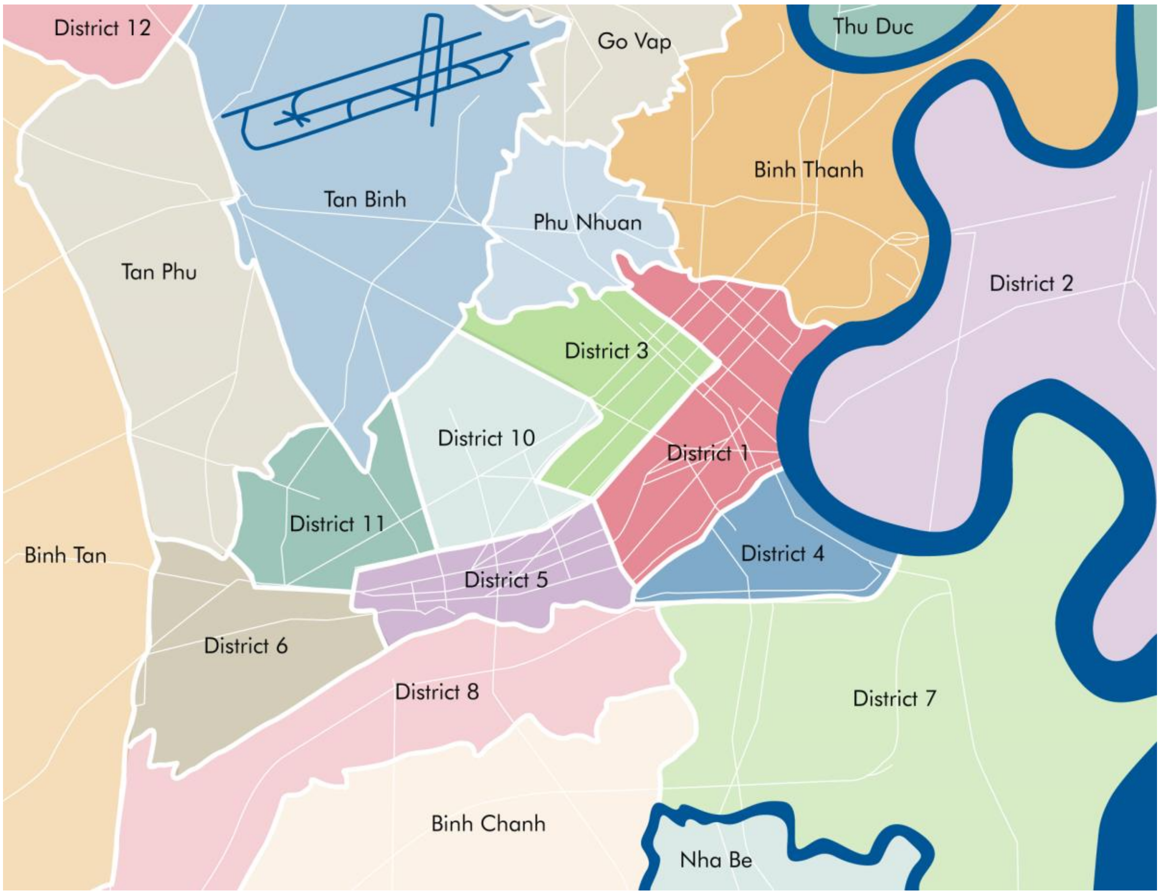
Luxury: projects that have primary prices over US$4,000 per sq.m

High-end: projects that have primary prices from US$2,000 psq.m to US$4,000 per sq.m

Mid-end: projects that have primary prices from US$1,000 psq.m to US$2,000 per sq.m

Affordable: projects that have primary prices under US$1,000 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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