



HO CHI MINH CITY

Office Q2 2020

y-o-y
Change 12-Mo.
Forecast

1,301,300

Current Supply (Grades A & B)

2.3%

Rent Growth (Grades A & B, y-o-y)

8.5%

Vacancy Rate (Grades A & B)

Source: Cushman & Wakefield Vietnam – Research & Consultancy

Economy Recorded Modest Growth

Vietnam's GDP grew at just 0.4% in the second quarter of 2020, much lower than the 3.8% achieved in Q1, primarily due to the strict social distancing measures implemented in April 2020. For the first half of 2020 the economy suffered its lowest first six-month GDP growth of the past 10 years, recording just 1.8%. The CPI rose significantly at 4.2% in 1H, while retail sales and services recorded negative growth, down 0.8% compared to the same period last year. Total import and export value dropped by 2%, while FDI attraction and disbursement was reduced by 15% and 5%, respectively. The number of enterprises temporarily closed rose by 38%. However, the economy is expected to strongly recover in 2H, with growth forecast at well over 5%. Main drivers of a rebound include pent-up activity following the containment of the pandemic, and ongoing trade tensions that have prompted production movements out of China.

New Supply And Pandemic Fuel Higher Vacancy Rate

Three new Grade B buildings were completed in Q2, pushing the segment's stock up by 7% q-o-q and 18% y-o-y. Grade A supply was unchanged on both a quarterly and yearly basis. Absorption in the quarter was primarily at new buildings. Low occupancy rates at newly completed developments, and softer performance at some existing buildings amid the impact of the pandemic, were a drag on both grades, with occupancy dropping around 4.0 pp compared to the past quarter. The market is expected to remain soft in the short-to-medium term.

Average Rents Continue Trending Upwards

High rental levels at new projects and rent increases at existing projects, combined with limited available leasable space in prime locations, boosted overall average rental rates for both grades by 2% y-o-y. Overall rent remained stable q-o-q.

VIETNAM ECONOMIC
INDICATORS 6M 2020y-o-y
Change 12-Mo.
Forecast

1.81%

GDP growth

4.19%

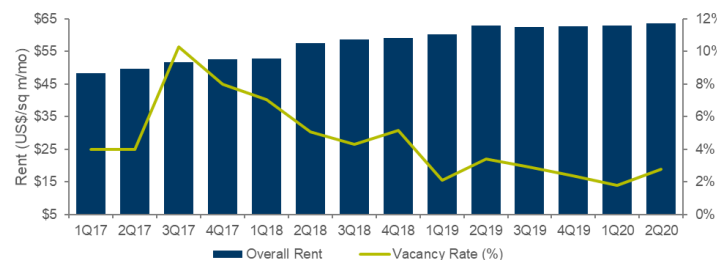
Inflation (CPI)

15.70

FDI (bil. US\$)

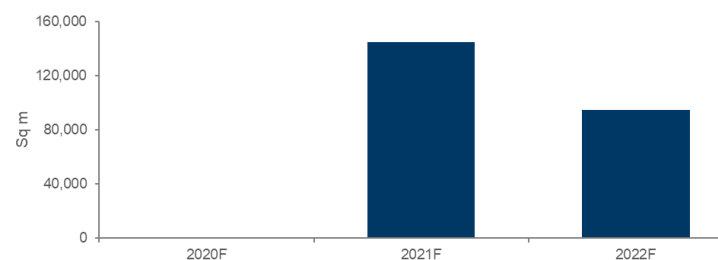
Source: General Statistic Office

GRADE A OVERALL VACANCY & ASKING RENT



Source: Cushman & Wakefield Vietnam – Research & Consultancy

GRADE A SUPPLY PIPELINE



Source: Cushman & Wakefield Vietnam – Research & Consultancy

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MARKET STATISTICS

SUBMARKET	INVENTORY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION(SQ M)	OVERALL NET ABSORPTION (SQ M)	YTD OVERALL NET ABSORPTION (SQ M)	PLANNED & UNDER CNSTR (SQ M)	OVERALL AVG ASKING RENT		
Grade A	260,500	2.8%	(2,600)	(1,100)	(1,100)	777,800	VND/SQ MMO	US\$/SQ MMO	EUR/SQ MMO
CBD	260,500	2.8%	(2,600)	(1,100)	(1,100)	777,800	1,482,000	63.6	56.7
Grade B	1,040,800	10.0%	21,700	23,500	23,500	761,900	787,000	33.8	30.1
CBD	481,800	10.6%	7,400	9,900	9,900	-	971,000	41.7	37.1
Non-CBD	559,000	9.5%	14,300	13,600	13,600	761,900	628,000	26.9	24.0
HCMC GRADE A & B TOTAL	1,301,300	8.5%	19,100	22,400	22,400	1,539,700	926,000	39.7	35.4

*All rents are inclusive of SC but exclusive of VAT

US\$/VND = 23,303; US\$/€ = 0.891 as at 04 June 2020

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	TYPE
Centre Point	Non-CBD	Nielsen	2,166	Renewal
Lim Tower 1	CBD	ALMA	2,046	Renewal
The Flemington	Non-CBD	Abbott	1,932	Relocation
Vincom Center	CBD	AIA	1,449	Relocation
Melinh Point	CBD	VIB	576	Renewal
Lim Tower 3	CBD	SITC Co., Ltd	560	Relocation
Pearl Plaza	Non-CBD	BW Industrial	500	Relocation
Friendship Tower	CBD	Allianz	450	Acquisition

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	EST. COMPLETION
UOA Tower	Non-CBD	N/A	37,500	2020
152 Dien Bien Phu	Non-CBD	N/A	20,000	2020
257 Dien Bien Phu	Non-CBD	N/A	18,950	2020

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	DEVELOPER	SQ M
Phu My Hung Tower	Non-CBD	Phu My Hung Corp.	31,000
Friendship Tower	CBD	CZ Slovakia Vietnam	18,900
Viettel Complex (Tower B)	Non-CBD	Viettel Real Estate Co.	22,950

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