

HO CHI MINH CITY

Office Q3 2020

 y-o-y
Change
 12-Mo.
Forecast

1,301,300
Current Supply (Grades A & B)

4.1%
Rent Growth (Grades A & B, y-o-y)

8.1%
Vacancy Rate (Grades A & B)

Source: Cushman & Wakefield Vietnam – Research & Consultancy

VIETNAM ECONOMIC INDICATORS 9M 2020

 y-o-y
Change
 12-Mo.
Forecast

2.12%
GDP growth

3.85%
Inflation (CPI)

21.21
FDI (bil. US\$)

Source: General Statistic Office

Economy on the Mend

Vietnam's economy recorded signs of recovery with GDP growing at 2.6% in the third quarter of 2020, much higher than the 0.4% achieved in Q2, mainly due to government measures to effectively control the pandemic and to support businesses. However, in 9M 2020 the economy suffered its lowest GDP growth of the past 10 years at just 2.1%, while the CPI rose by 3.9%. Retail sales and services recorded minimal growth at only 0.7% y-o-y. Total import and export value dropped by 1.8%, while FDI attraction and disbursement fell by 19% and 3.2%, respectively. The number of enterprises temporarily closed rose significantly by 81.8% y-o-y. The economy is expected to continue recovering in Q4, with full year growth for 2020 projected at 2-3%, one of the highest in the world, as economic momentum accelerates and production continues to relocate out of China.

Supply Stable but Pandemic Fuels Higher Vacancy Rate

No new projects were completed in Q3. With limited availability in Grade A offices, absorption in the quarter was primarily in new Grade B entrants from the previous quarters. The overall occupancy rate remained healthy at approximately 92%, stable q-o-q but dropping by about 5 pp compared to the same period last year, due to lower occupancy rates at newly completed developments and selected existing buildings amid the impact from the pandemic. The market is expected to remain soft in the short-to-medium term.

Average Rents Continue to Trend Up

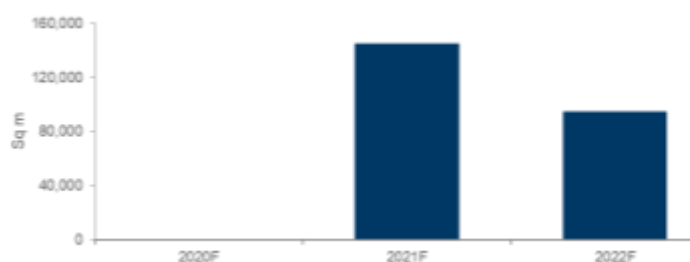
Limited available leasable space in the CBD continued to sustain high rental levels at new buildings and to prompt rent increases at existing properties in prime locations. Overall rental rates for both grades rose by 1% q-o-q and 4% y-o-y as a result. The upwards trend is expected to persist in the short to medium-term.

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 OVERALL NET ABSORPTION(SQ M)	YTD OVERALL NET ABSORPTION (SQ M)	PLANNED & UNDER CNSTR (SQ M)	VND/SQ MMO	US\$/SQ MMO	EUR/SQ MMO
Grade A	260,500	2.6%	500	(600)	657,800	1,502,000	64.6	53.8
CBD	260,500	2.6%	500	(600)	657,800	1,502,000	64.6	53.8
Grade B	1,040,800	9.4%	5,800	29,200	577,800	791,000	34.0	28.6
CBD	481,800	9.4%	5,800	15,700	-	982,000	42.2	35.7
Non-CBD	559,000	9.5%	0	13,500	761,900	627,000	26.9	22.8
HCMC GRADE A & B TOTAL	1,301,300	8.1%	6,300	28,600	1,235,600	933,000	40.1	34.0

*All rents are inclusive of SC but exclusive of VAT

US\$/VND = 23,258; US\$/€ = 0.846 as at 10 September 2020

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SQ M	TYPE
Sofic Tower	Non-CBD	Connell Bros.	1,580	Relocation
Sofic Tower	Non-CBD	IKEA	1,528	Relocation
Pearl Plaza	Non-CBD	GoJek	1,200	Relocation
Friendship Tower	CBD	Hoan My Medical	723	Relocation
Centre Point	Non-CBD	Elanco	500	New Lease
Me Linh Point Tower	CBD	SunLife Insurance	500	Expansion
Empress Tower	CBD	Quoine	500	Relocation

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	15,200
Viettel Complex (Tower B)	Non-CBD	Viettel Real Estate Co.	22,950

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