

MARKETBEAT

HO CHI MINH CITY, Q1 2023

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APRIL 2023

Apartment

Ultra Luxury: > US\$ 10,000 per sqm

Luxury: US\$ 4,500 - 10,000 per sqm

High-end: US\$ 3,000 - 4,500 per sqm

Mid-end: US\$ 1,500 - 3,000 per sqm

Affordable: < US\$ 1,500 per sqm

UPCOMING INFRASTRUCTURE

Under construction Under planning



Tham Luong canal – Ben Cat – Nuoc Len renovations



Ring Road 3



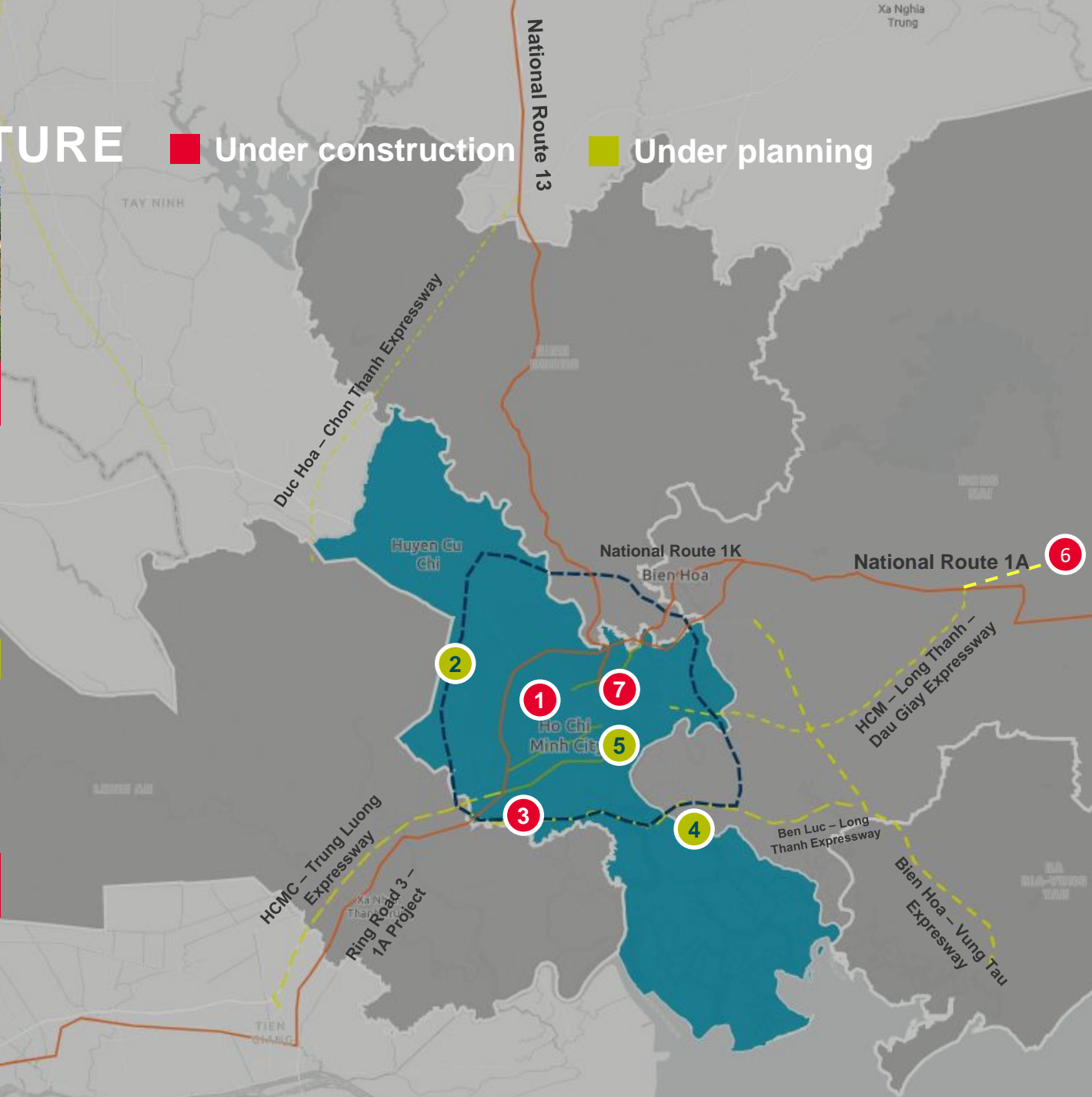
Highway 50 – Nguyen Van Linh Road Expansion

Under planning

National roads

Provincial roads

Expressways



An Phu Intersection



Dau Giay – Phan Thiet Expressway



Thu Thiem 4 Bridge



Can Gio Bridge

NOTABLE NEWS AND LEGAL UPDATES

DECISION NO. 388/QĐ-TTg	DECREE NO.10/2023/NĐ-CP	DECREE NO. 08/2023/NĐ-CP	CIRCULAR NO.11/2022/TT- NHNN
<ul style="list-style-type: none"> • Approves the implementation of a VND120,000 billion credit program for social housing. • Allow social housing developers to factor reasonable and valid expenses in the process of investment and business into final product price. 	<ul style="list-style-type: none"> • Supplementing regulations on land use rights auction. • Allow ownership certifications on condotel, officetel and resort real estate. 	<ul style="list-style-type: none"> • Allow enterprises to mortgage legal assets when facing difficulties in paying bond principal and interest. • Allow enterprises to extend the terms and swap issued bonds up to 2 years compared to previous plan. 	<ul style="list-style-type: none"> • The developers must request the issuance of a letter of guarantee to the buyers from the commercial bank after signing the purchase and sale contract.

APARTMENT – HCMC CURRENT SUPPLY

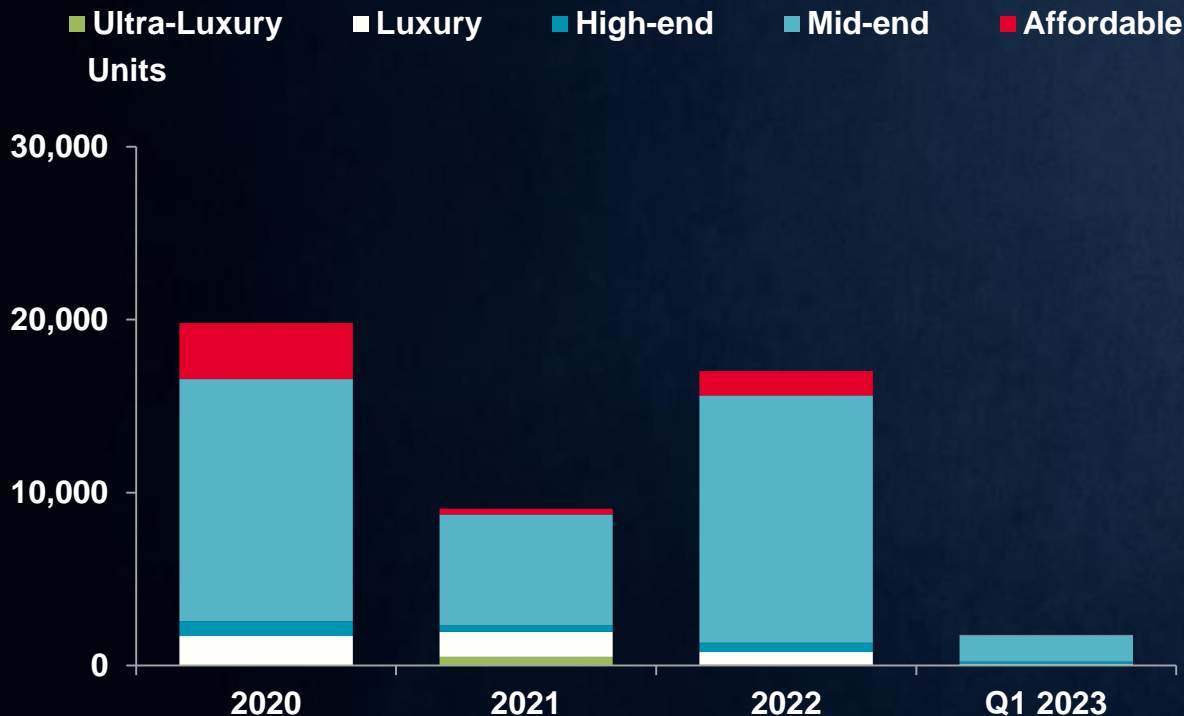
New supply

~1,647 units +49% QoQ
-34% YoY

Total primary supply

~4,901 Units +10% QoQ
-6% YoY

New supply (2018 – 2022)



Source: Cushman & Wakefield

Notable primary projects



Metropole Thu Thiem
(7.9ha, Son Kim Land)



De La Sol
(1.4ha, CapitaLand)



Elysian Lo Lu
(2.8ha, Gamuda Land)



Avatar 9x
(5.2ha, Hung Thinh Land)

In Q1 2023, there were more than 1,640 new units for sale from both current and new projects, which increased approximately 49% compared to the new supply in Q4 2022.

Majority of new supply were from the East and the South with the diversification in term of grading, from affordable to luxury segments.

APARTMENT – HCMC PERFORMANCE



Sales volume

~1,301 units +32% QoQ
-45% YoY

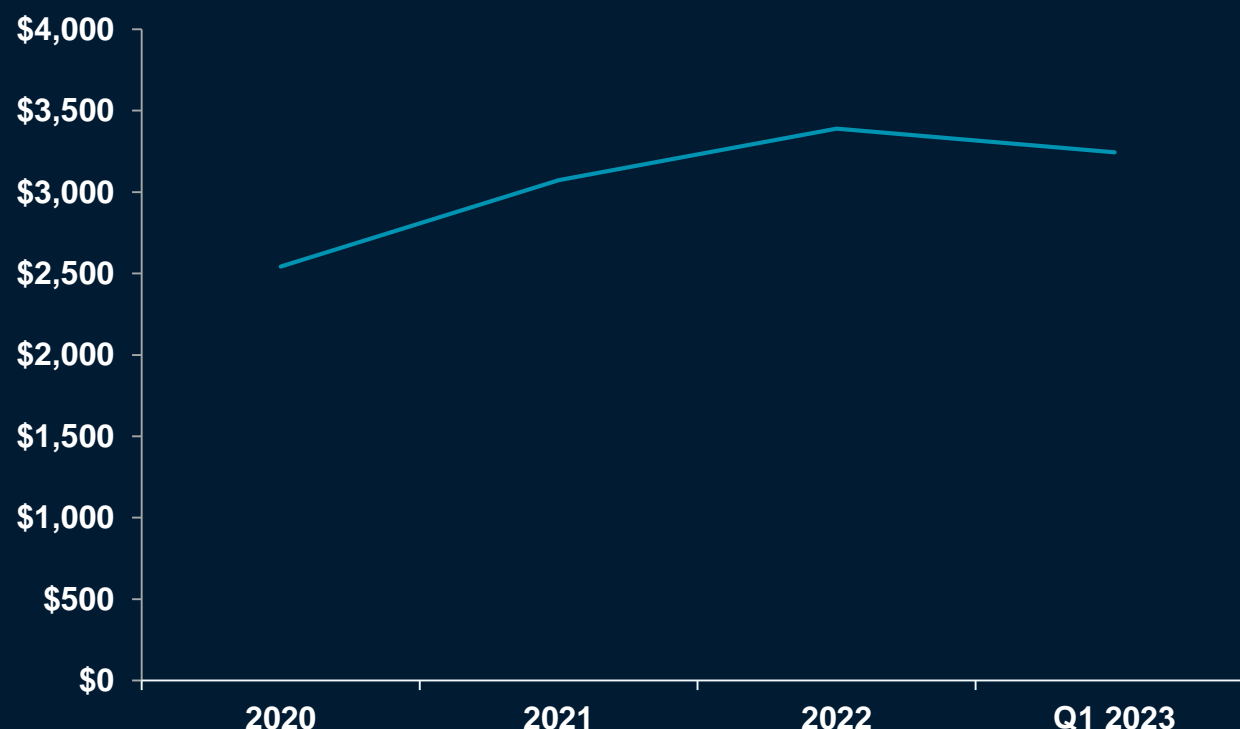
Average price

US\$3,250 per sqm -2.9% QoQ
-2.3% YoY

Future supply 2023 – onwards

~171,000 units

Average primary selling price (US\$/sqm)



In Q1 2023, the new sales volume reached around 1,301 units, up 32% QoQ.

The application of new legal framework and the current situation of bond issuance still affect the real estate market. The demand side witnessed buyers' hesitation amid the risk of a global economic recession. Buyers at this stage are mainly end-users and long-term investors rather than short-term investors with financial leverage compared to the last period.

Comparing to the primary supply of Q4 2022 with higher contribution of luxury segment, Q1 2023 welcome more products from lower segments (mid-end to high-end) such as Elysian Lo Lu, Avatar 9x and Moonlight Avenue, MT Eastmark City, etc. Consequently, the average primary price in Q1 2023 has decreased by 2.9% compared to Q4 2022, reaching approx. US\$3,250 per sqm.

Landed Property

LANDED PROPERTIES – HCMC OVERVIEW

New supply

~56 units

-85% QoQ
-72% YoY

Total Primary supply

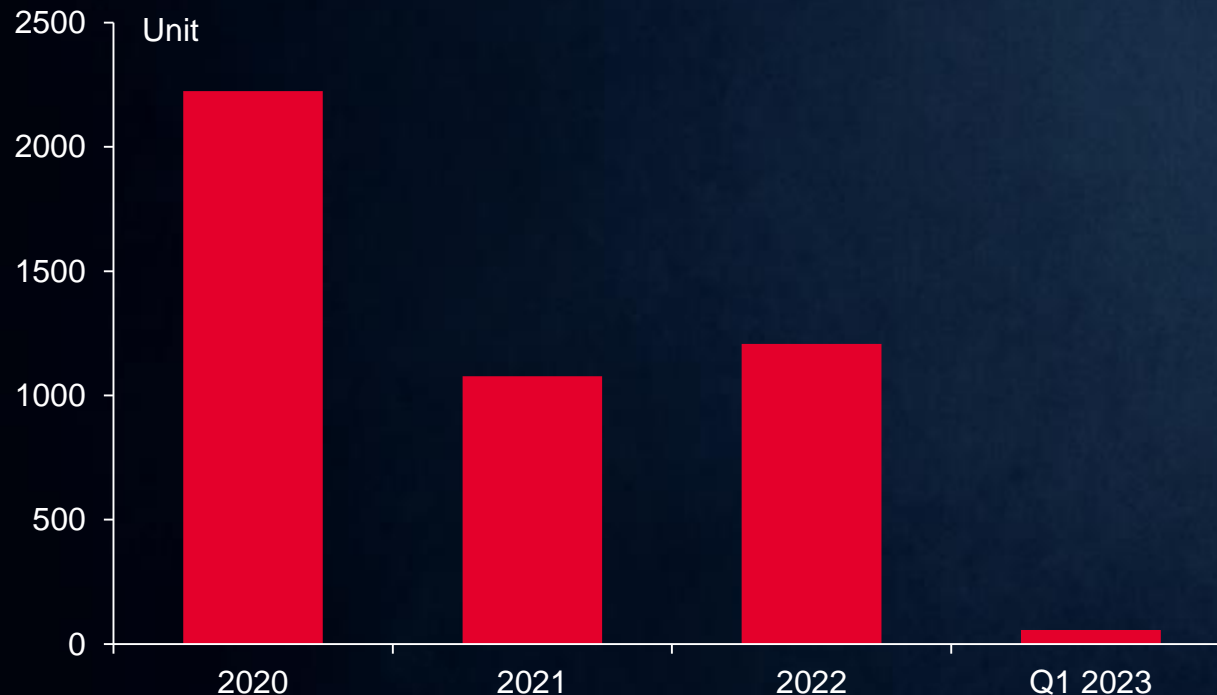
~663 units

-13% QoQ
+8% YoY

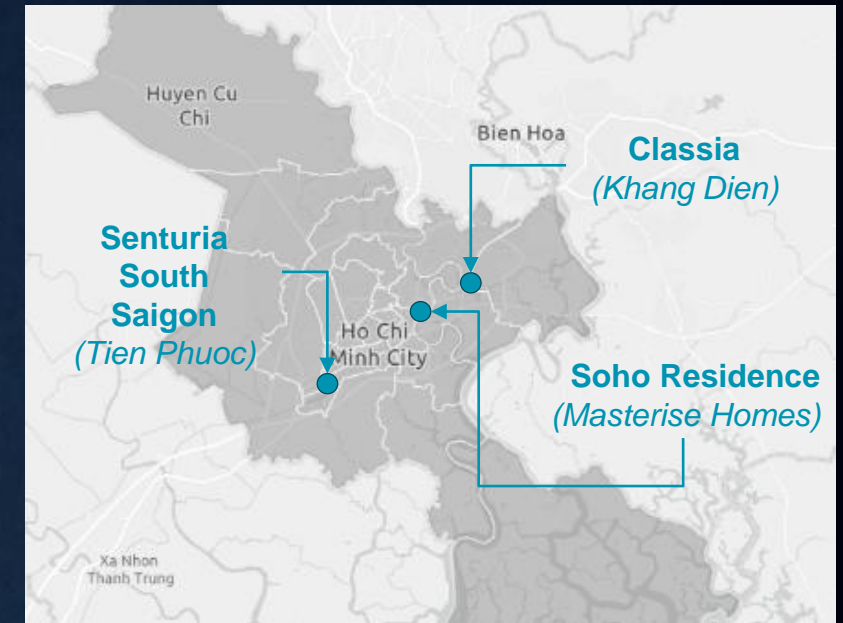
Future supply 2023 – onwards

~6,900 units

New supply by year (2020 – 2023)



Map of notable future supply (2023 – onwards)



- Q1 2023 saw a decelerated new supply launch within Ho Chi Minh City of only 56 units – without new first launch project. The risk of global economic crisis and legal challenges on a local level affecting development progress of developers.
- The trend also affected future supply as developers are likely to delay their future stock launch; with expected market recovery in a near future.

LANDED PROPERTIES - PERFORMANCE



Sale Volume

~42 units

-76% QoQ
-85% YoY

Average primary price (HCMC)

12,270

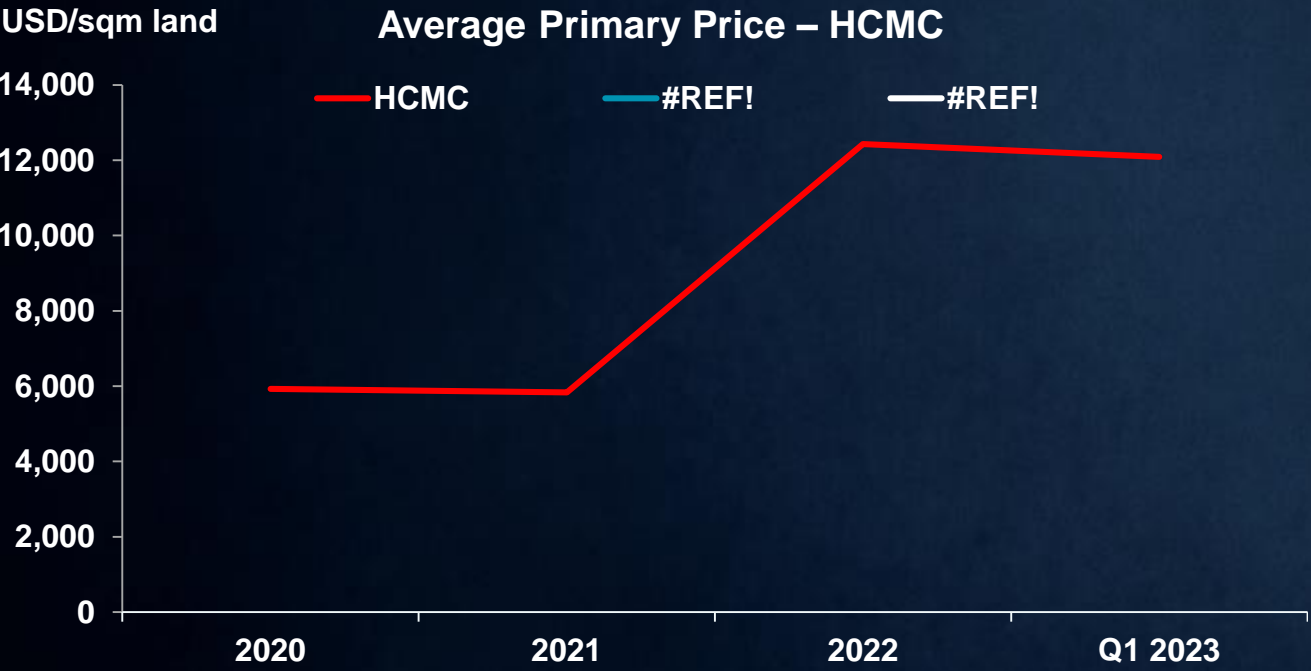
US\$ per sqm

-3% QoQ
+60% YoY

The average primary price decreased slightly by 3% QoQ. Current global economic adjustment period contributed to a pessimistic market, causing a steep decline in sale volume in Q1 2023. Thus, a majority of primary units taken this quarter are acquired by end users & long-term investors. Such factors affects Ho Chi Minh City, a region that leads in land value, with some minor adjustments in QoQ average primary price.

Notable existing primary launched project:

Classia Khang Dien
(4.3ha, Khang Dien House, District 9)



Source: Cushman & Wakefield
All prices are exclusive of VAT
US\$/VND = 23,720 as of March 2023

Office



ABOUT NEW OFFICE GRADING

- Considering the evolving office market, the emergence of new management and security technology, as well as the increasing awareness of Environmental-Social-Governance (ESG) standards, Cushman & Wakefield Vietnam has recently updated the grading criteria for office buildings for the Ho Chi Minh City market and Hanoi market.
- The new grading criteria take into account buildings' qualities and specifications, highlighting the integration of new technology and environmental and sustainability standards. Additionally, as infrastructure is improved around the city and facilitates the development of new business hubs in non-CBD areas, there has been an ongoing decentralization trend out of the CBD. Thus, we assert that the business-supporting capability of the surrounding areas (e.g., access to hotels, co-working space, F&B outlets, etc.) should be more important than the location of the buildings.
- In revising the grading criteria, we hope to make our baskets of office buildings more up-to-date and consistent with the most current trends in the office market.
- After the regrading process, there are 18 Grade A buildings and 59 Grade B buildings. Among these, 5 buildings were upgraded thanks to removal of location criteria, and 1 buildings were up-graded thanks to renovation.

CUSHMAN & WAKEFIELD GRADING CRITERIA

SPECIFICATION	OTHER CRITERIA
<ul style="list-style-type: none">• Ease of Access• Facade• Ceiling Height• Minimum NLA• Floor Plate (NLA)• Floor Specification• Lobby• Lift Specification• Toilets• Air-Conditioning• Parking	<ul style="list-style-type: none">• Developer• Management• Age• Green Certification• Access to Business Facilities• Access to Auxiliary Facility

ENTERPRISE REGISTRATION STATUS

Disrupted enterprises exceeded entering enterprises for the first time in Q1 periods

New and re-operating enterprises

56,946

- 5.4% YoY

Temporarily ceased and dissolution enterprises

60,241

+17.4% YoY

Challenges that businesses face:

- Lowered consumption demands
- Lowered product orders in some manufacturing industries
- Prospect of disrupted global supply chain
- Rising logistics cost
- Unstable energy cost
- Unstable interest rates
- Difficulties in funding access

OFFICE – CURRENT SUPPLY

New supply in Q1 2023

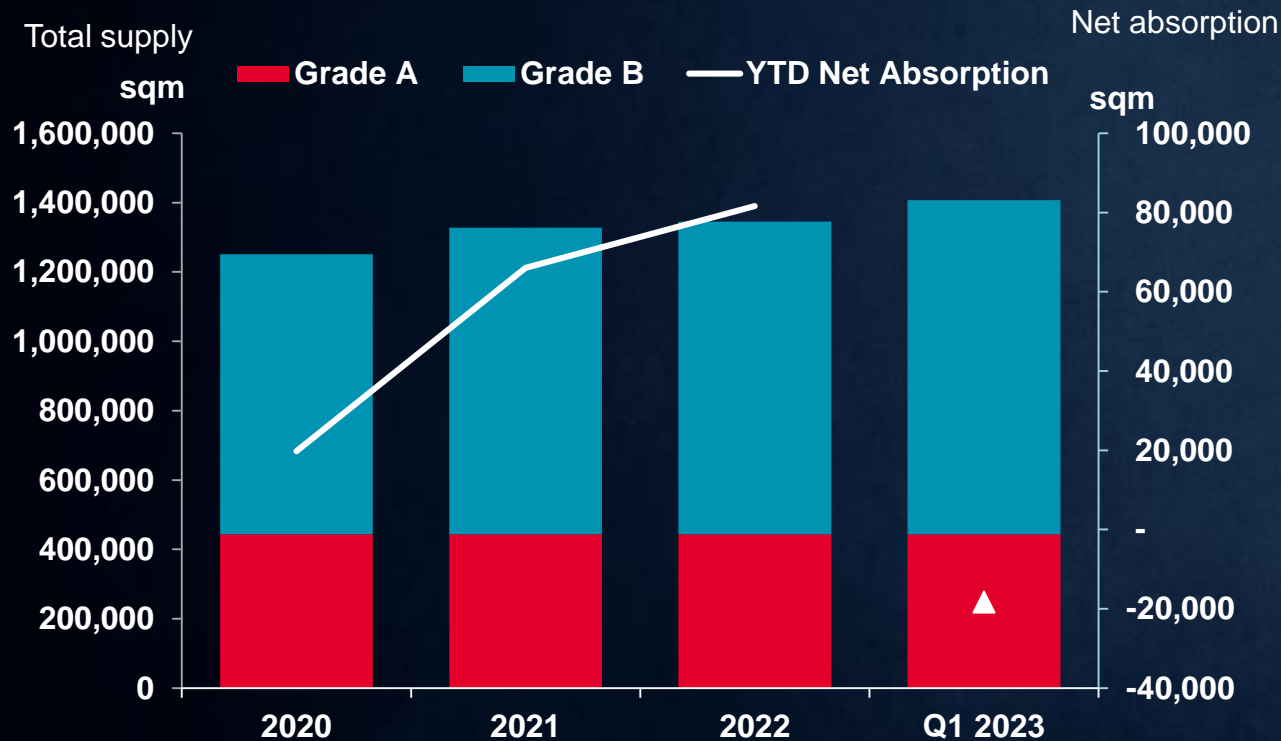
15,250 sqm

YTD Net absorption in Q1 2023

-17,120 sqm

Total supply Grade A & B

1.4 mil. sqm

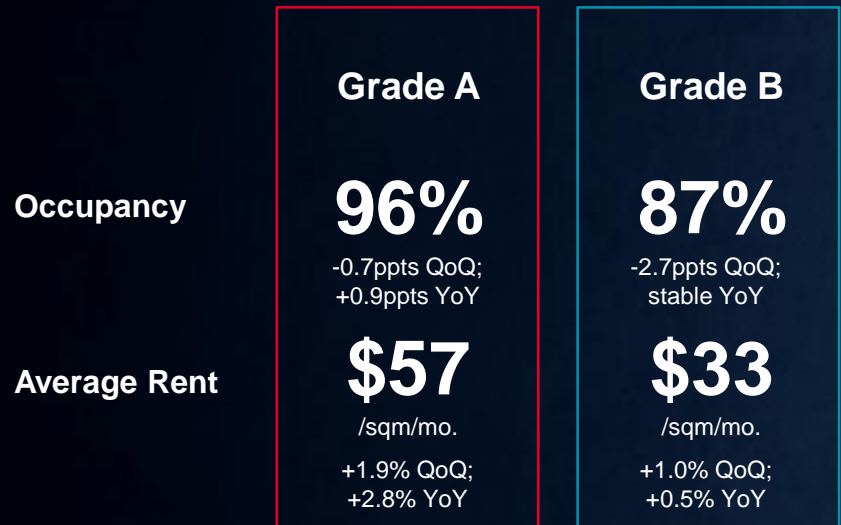


- In Q1 2023, OfficeHaus in Tan Phu District is officially ready to welcome incoming tenants, contributing more than 15,000sqm to HCMC office market.
- Renovation and upgrading buildings' quality continues to be a trend in old buildings, especially in the CBD area.
- Negative economic context has impacted the office demand, with companies preferring saving costs and unlikely to spend more on physical office space. Additionally, the ongoing renovation process has also influenced occupancy at some buildings, contributing to the lowering net absorption. Another significant contributor is Techcombank's relocation to their own building, which has released approximately 10,000sqm into the market.

Source: Cushman & Wakefield

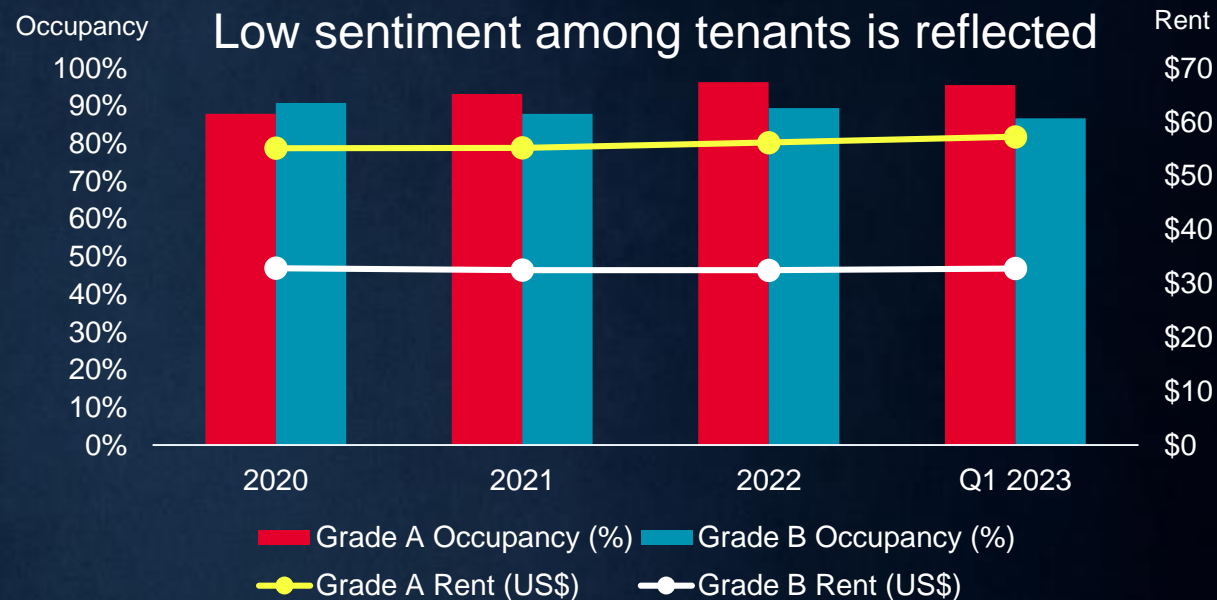
Notes: Data is based on a new basket of buildings, regraded in Q1 2023

OFFICE - PERFORMANCE



All rents are inclusive of SC but exclusive of VAT

US\$/VND = 23,720 as of Q1 2023



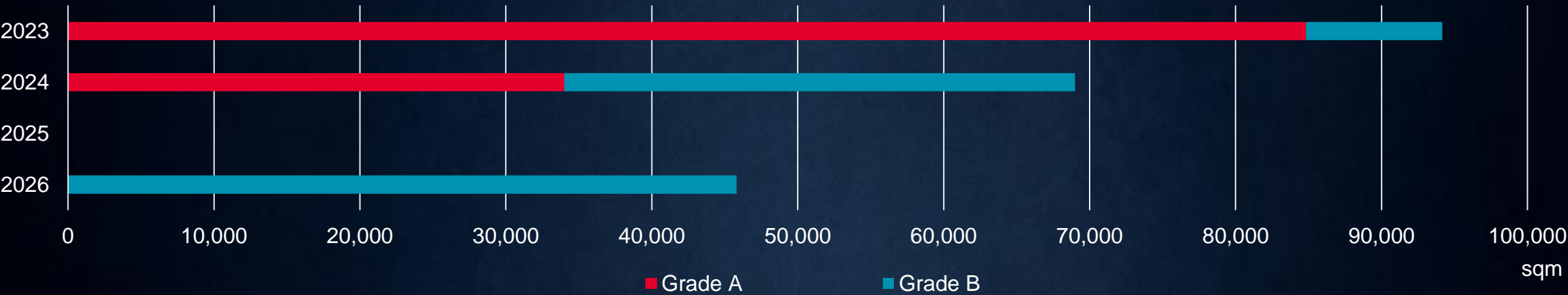
- Entering 2023 with a cautious sentiment, tenants are more likely to remain stable or even downsize to save operation costs. Accordingly, a slight drop in occupancy has been observed in both Grade A (-0.7 ppts) and Grade B (-2.7 ppts) submarkets compared to the previous quarter.
- However, asking rent still maintains its growth trajectory partly due to the rent updates at the beginning of the year, up 1.2% QoQ across submarkets, especially in the CBD area and/or among grade A buildings. The rent growth can also be attributed to some landlords increasing the asking rent for a few last available lots at their buildings.
- The new Fire Fighting regulations – Circular No. 06/2022/TT-BXD, which took effect from 16 January 2023, has put more pressure on the tenant's fit-out costs and office setup process.

Notes: Data is based on a new basket of buildings, regraded in Q1 2023

OFFICE - FUTURE SUPPLY



LIMITED HIGH-QUALITY SUPPLY EXPECTED TO BE COMPLETED IN UPCOMING YEARS



Source: Cushman & Wakefield

Notable Projects



The Hallmark
2023 – 54,500 sqm



The Mett*
2023 – 30,332 sqm



Fideco Center
2023 – 3,338 sqm



The Nexus
2024 – 34,000 sqm



e.Town 6
2024 – 35,000 sqm



UOA Tower II
2026 – 45,806 sqm

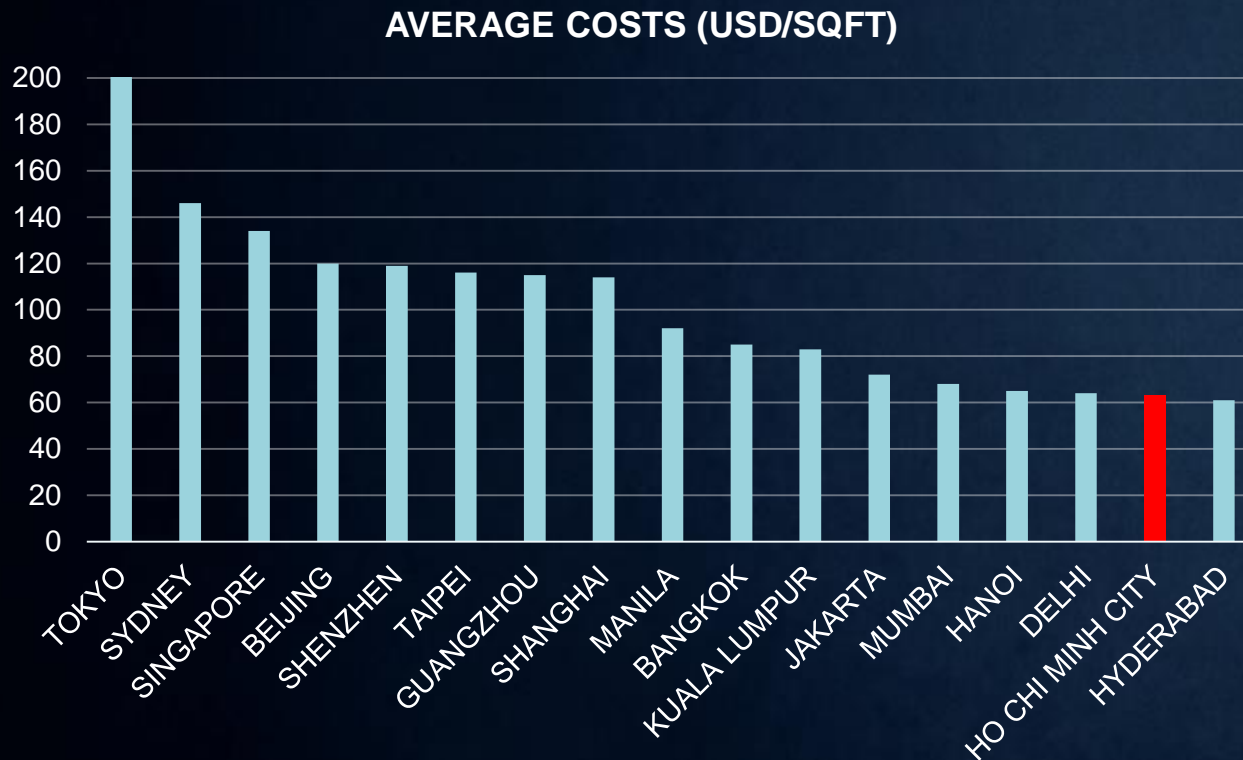
Source: Cushman & Wakefield

(*) The Mett's recorded approx. 10,400sqm available for lease

AVERAGE OFFICE FIT OUT COSTS ACROSS ASIA PACIFIC



Office fit-out cost in Vietnam has significantly increased due to rising cost of construction materials and the implementation of the new Fire Fighting regulation. Yet, it is still considered low in the APAC region.



The Prime Minister sent out a telegram to remove obstacles in fire fighting



Foreign enterprises complain about difficulty to obtain fire fighting permits



Private sector asking for help – It is difficult to operate in accordance with fire fighting regulations

Source: Cushman & Wakefield

Estimated costs provided herein are indicative of market averages based on certain assumptions. Exact costs for specific projects may differ to those presented here, and so we recommend engaging a Project & Development Services professional to advise on precise costings based on your unique construction requirements.

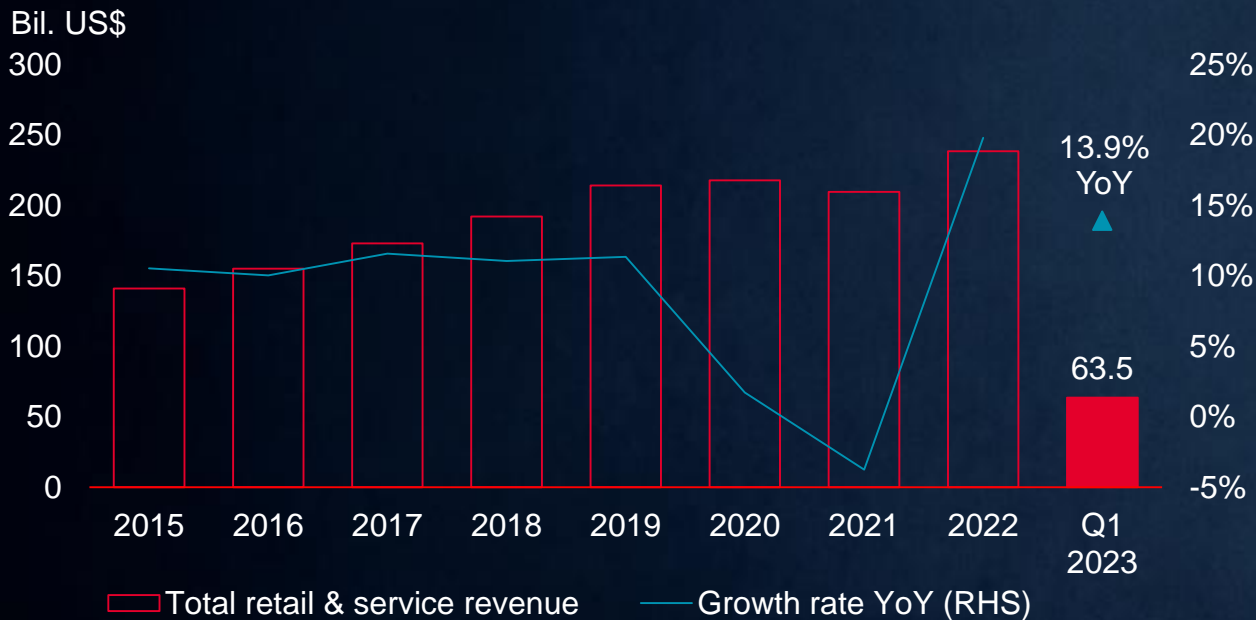
Retail



RETAIL TURNOVER & TOURIST ARRIVALS



Total Retail & Service Revenue by year and growth rate y-o-y



Number of international tourists in Q1 2023

~2.7mil arrivals

29.7 times higher compared to Q1 2022
60% of the performance in Q1 2019

Source: General Statistics Office, Vietnam

RETAIL - OVERVIEW

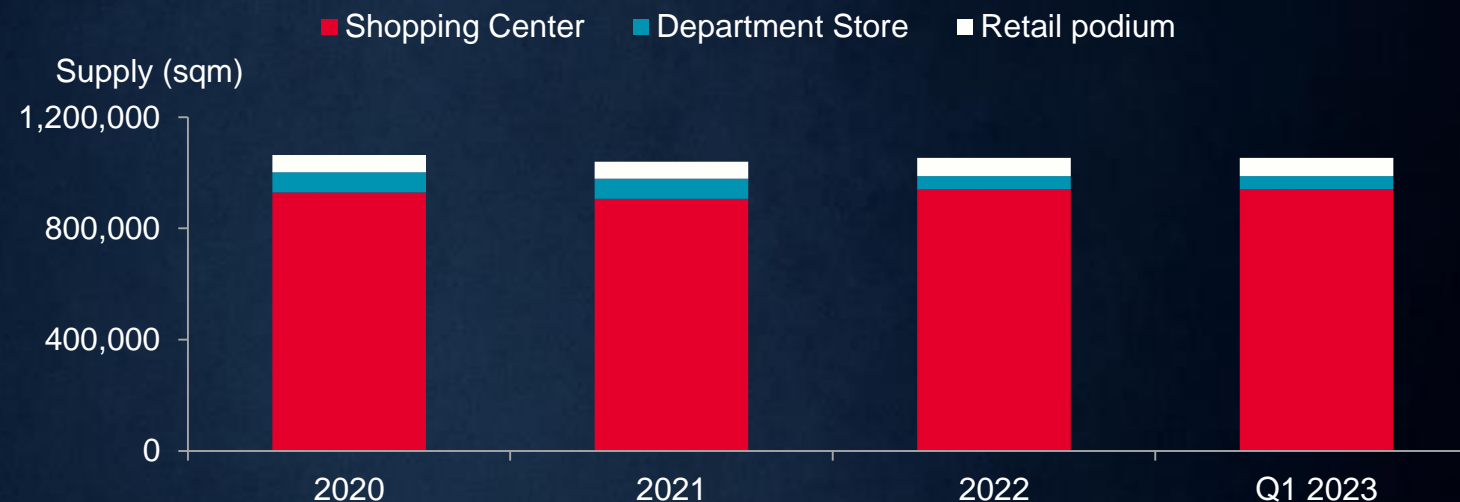
Total Active Supply

1.05 mil sqm stable QoQ;
+0.4% YoY

No new supply

in Q1 2023

TOTAL SUPPLY



Source: Cushman & Wakefield

Renovated retail space at a shopping mall in District 11 welcoming new tenants

The trend to renovate and re-layout is still ongoing as landlords look to create more efficient leasing area and improve tenancy mix, upgrading their malls positioning.



RETAIL – PERFORMANCE & FUTURE SUPPLY

Occupancy

90%

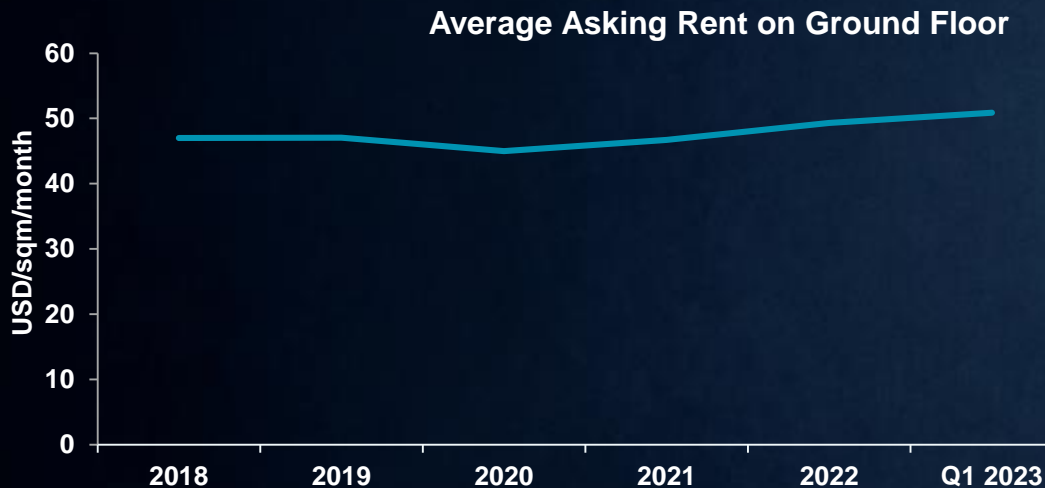
+1.9 ppts QoQ
-4.5 ppts YoY

Average asking rent

50.5

+2.4% QoQ
+7.1% YoY

US\$ per sqm per month



Source: Cushman & Wakefield
All prices are exclusive of VAT
US\$/VND = 23,720 as of Q1 2023

The overall occupancy has slightly increased compared to last quarter, yet lower than the same period last year. A few reasons are the new supply (Thiso Mall) is still being filled up, some retail spaces are temporarily inactive as individual tenants are fitting-out/renovating, and some malls are still undergoing the renovation and re-layout process.

Rent was recorded with positive growth rate thanks to upgraded spaces, alongside the improvement of the retail market.

Future supply 2023 – 2025+

~134,800 sqm
2023

~977,000 sqm
2024

Onwards



Central Premium Plaza

(D8, 16,227 sqm,
Hoang Anh Gia Lai)



Vincom Megamall Grand Park

(Thu Duc City, 44,000 sqm,
Vincom)



Emart 2

(Go Vap, 37,500 sqm,
Thaco Group)



Hung Vuong Plaza

(D5, 28,066 sqm,
Resco)



Parc Mall

(D8, 38,000 sqm,
Van Thai Land)

RETAIL – NOTABLE NEWS

RENOVATION AND EXPANSION TRENDS CONTINUE AMONG RETAILERS

Fashion is coming to the new expansion wave after the last period of slowing down and refinement



5th store of MUJI (2,000 sqm)
opened at Vincom Mega Mall Thao
Dien. At least 2 new stores have
been planned in near future.



16th UNIQLO store (1,700 sqm)
opened at Thiso Mall on 30 March.
17th store is expected at AEON Mall
Tan Phu Celadon (1,600 sqm)

RETAIL – NOTABLE NEWS

THE RACE FOR MARKET SHARE BETWEEN DOMESTIC AND INTERNATIONAL GIANTS

INTERNATIONAL



- US\$1.45 billion investment for the 2023-2027 period
- Aim at 600 outlets by 2027
- Commit to sustainability



- Expansion plan:
 - 30 AEON Malls by 2030
 - 100 AEON MaxValu Supermarket in Hanoi by 2025.
- Extended to fast fashion: My Closet brand (September 2022)



- Opened 3 new depots within the recent 12-month period in Sa Pa (May 2022), Binh Thuan (July 2022), and Thanh Hoa (March 2023)

DOMESTIC



- Expecting 1,000+ new stores with store-level revenue up 25% this year
- Shifting toward small-scaled outlets (e.g., convenience stores, mini-supermarkets) in both rural and urban areas



- Top 1 in supermarket retail
- Goals:
 - Accelerating digitization and e-commerce
 - Integrating AI technology to understand consumers and enhance their experiences

RETAIL – NOTABLE NEWS

ACCOMMODATIONS TO PROLONG VISITORS' STAY DURATION

More and more malls are adopting accommodations beyond providing a shopping space



Phone charging stations around shopping malls



Free seating area with green décor integrated



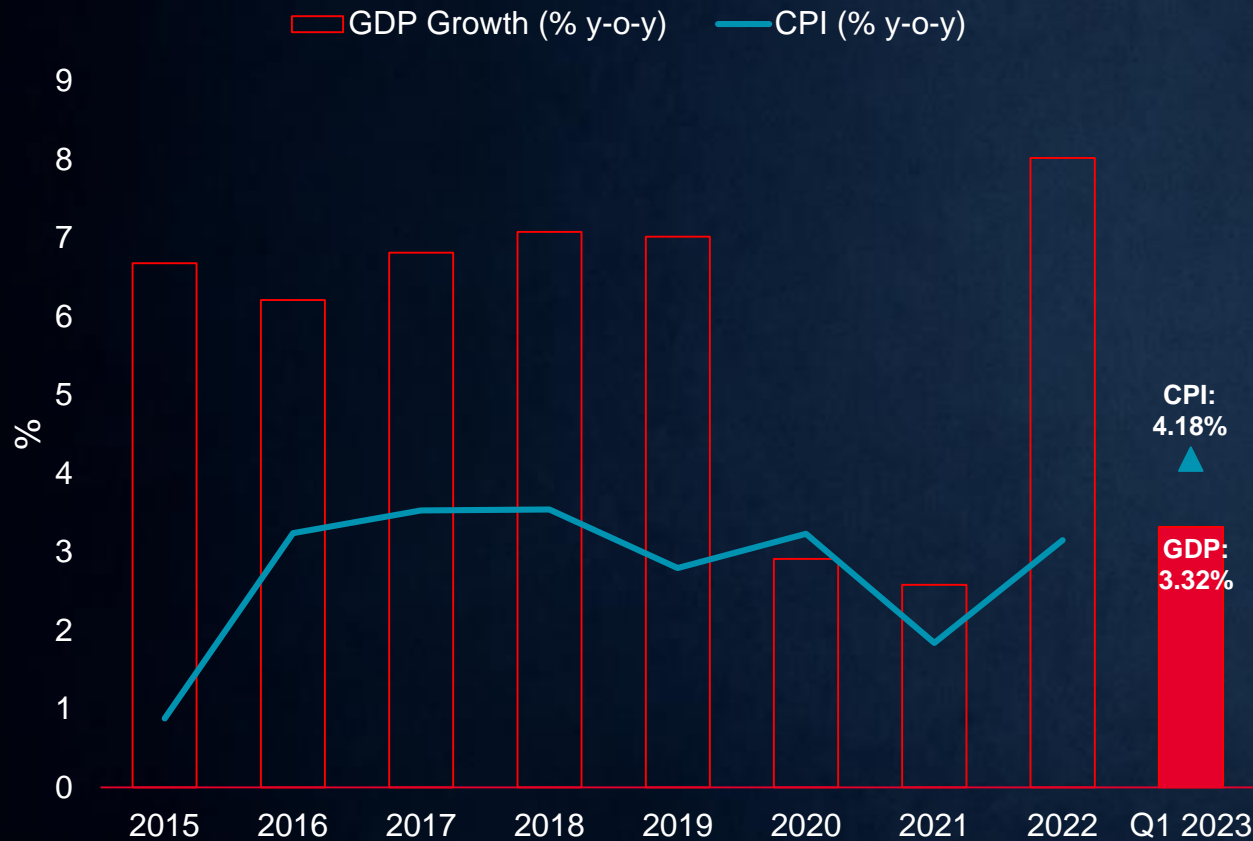
Private work booths available at some malls, accommodating visitors having urgent need

Industrial & Logistics

ECONOMY

VIETNAM'S ECONOMY IMPACTED BY GLOBAL CONTEXT

Real GDP Growth & CPI, 2015 – Q1 2023



Source: General Statistics Office (GSO), Vietnam

Vietnam expects to achieve around 5.8% - 6.6% GDP growth in 2023 by various domestic and international economic institutions.

Yet, in Q1 2023, GDP growth was recorded at 3.32% and CPI at 4.18%. Though satisfying the target CPI of below 4.5%, the rising inflation is an evidence that the unstable global economy has put a pressure on the local market.

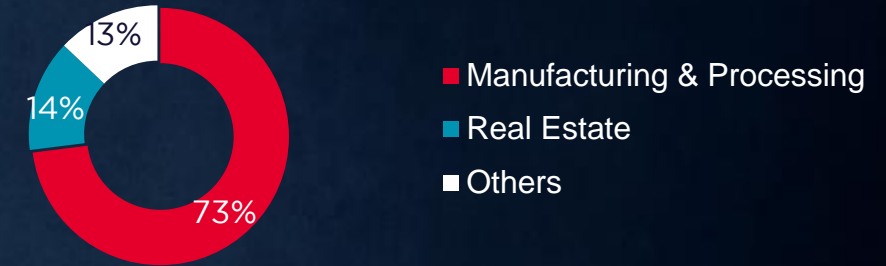
Industrial sector faces multiple challenges with lowered demands and disrupted supply chain. Therefore, service sector will become a core factor of Vietnam economy in 2023.

FOREIGN DIRECT INVESTMENT

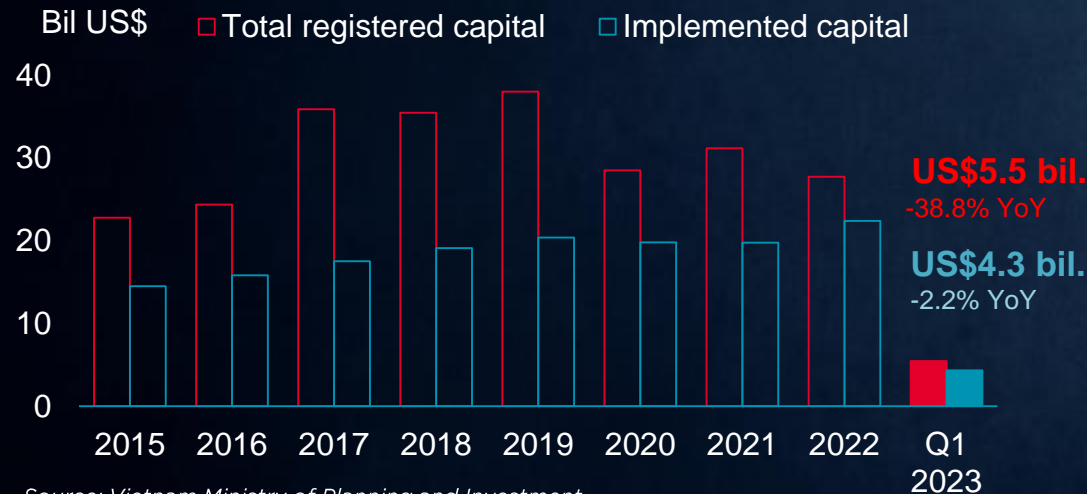
Top investing countries by total registered capital, Q1 2023

1. Singapore (31.0%)
2. China, PRC (10.1%)
3. Taiwan (8.8%)

Manufacturing & Real Estate remain the top sector for FDI



Decreased registered FDI due to lack of large-scale projects as compared to Q1 2022 when Lego entered Binh Duong



Despite the drop in total investment, FDI situation still recorded an increase in number of investment projects

Total value of the new projects

US\$ 3.02 bil. +62.1% YoY

Proportion of new capital

55.5% up from 36% in Q1 2022

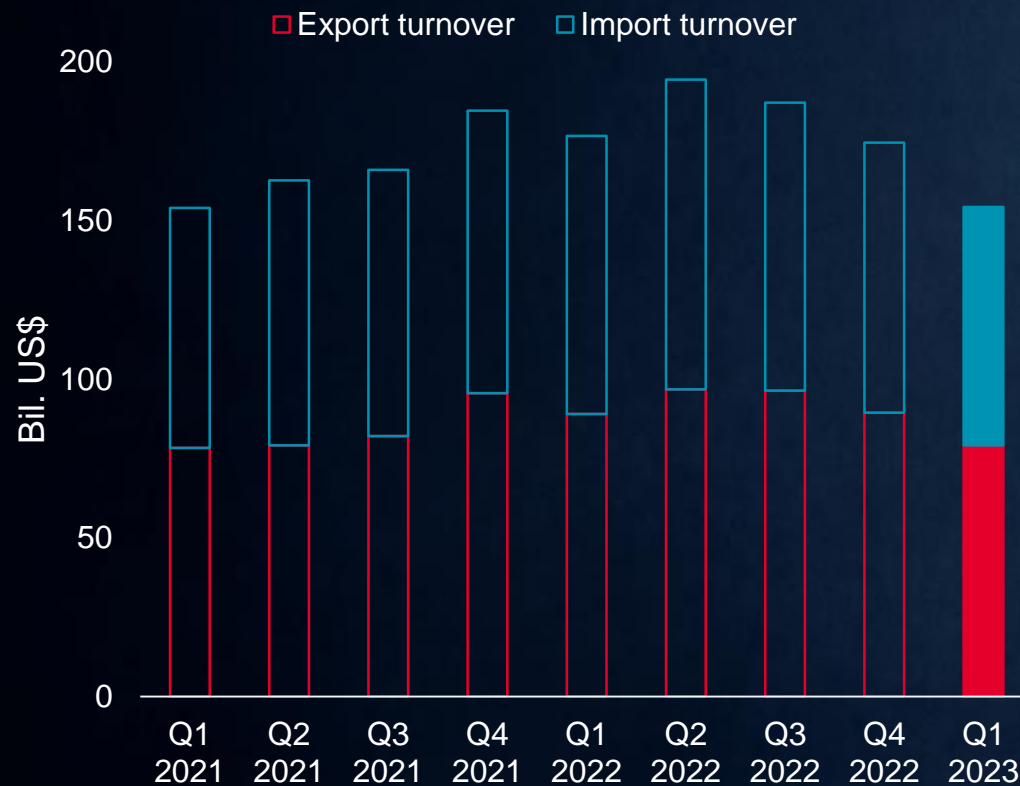
Proportion of capital from share & stock purchases

22.3% up from 18.3% in Q1 2022

INDUSTRIAL DEMAND DRIVERS

Slowing down trade activities ...

EXPORT - IMPORT IN RECENT QUARTERS



Source: GSO

...and its impacts on manufacturing

INDEX OF INDUSTRIAL PRODUCTION IN RECENT QUARTERS



Source: GSO

SOUTHERN INDUSTRIAL MARKET



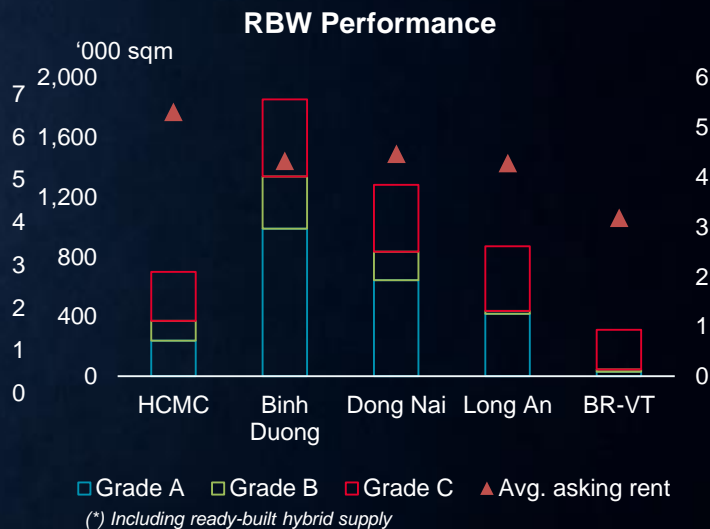
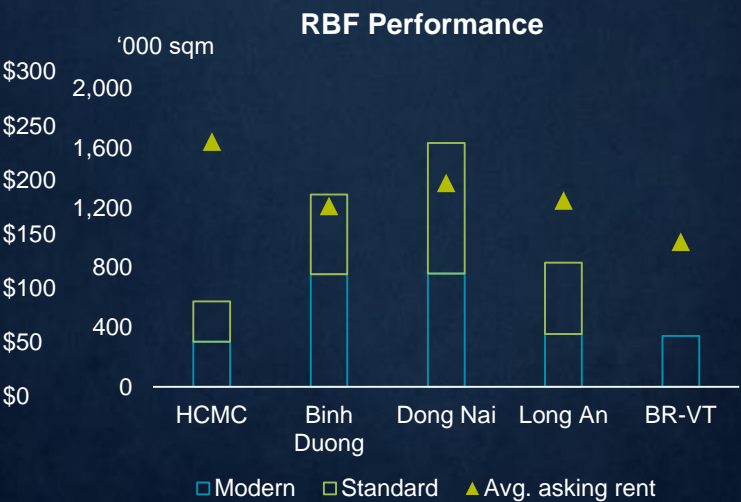
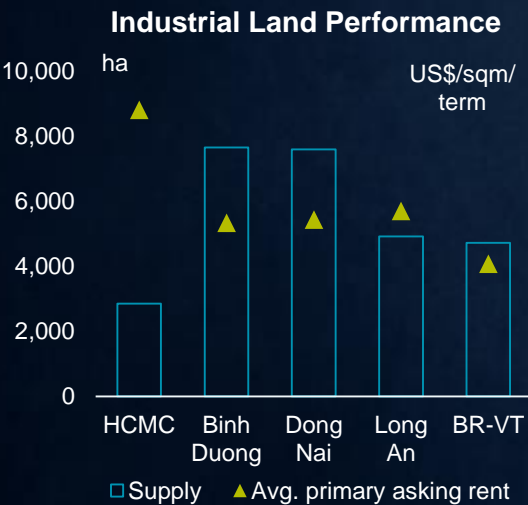
The gloomy global economy has affected the local industrial market

Southern Key Economic Region (SKER)

Total leasable land (ha)
~ 28,000 unchanged Q-o-Q
+12% Y-o-Y
Occupancy
~ 81% stable Q-o-Q
-8 ppts Y-o-Y
Average primary asking rent (US\$/sqm/term)
US\$ 163 +2.5% Q-o-Q
+13% Y-o-Y

Total RBF supply (sqm)
~ 4,850,000 +1.6% Q-o-Q
+6.0% Y-o-Y
Occupancy
~ 78% -2 ppts Q-o-Q
-11 ppts Y-o-Y
Average asking rent (US\$/sqm/month)
US\$ 4.6 stable Q-o-Q
-3.3% Y-o-Y

Total RBW supply (sqm) (*)
~ 5,070,000 +1.3% Q-o-Q
+25% Y-o-Y
Occupancy
~ 73% -3 ppts Q-o-Q
-9 ppts Y-o-Y
Average asking rent (US\$/sqm/month)
US\$ 4.4 stable Q-o-Q
+8.1% Y-o-Y



OUTLOOK

Future land supply (2023 – 2025F)

~ 2,641 ha

Future RBF supply (2023 – 2025F)

~1.1 million sqm

Future RBW supply (2023 – 2025F)

~1.1 million sqm

- No new supply of IP land recorded until this year-end.
- The new supply might be slowed down in 2023, at nearly 1,1 million sqm for both RBF & RBW.
- Global economic instability, weakening consumption, reduced export orders will affect demand in the short term
- Consequently, this will keep the rent of ready-built properties stable, or even decrease in the 2023 – 2025 period.


Property type	Supply CAGR (2023 – 2025F)
IP Land	3.4%
RBF	13.4%
RBW	4.7%

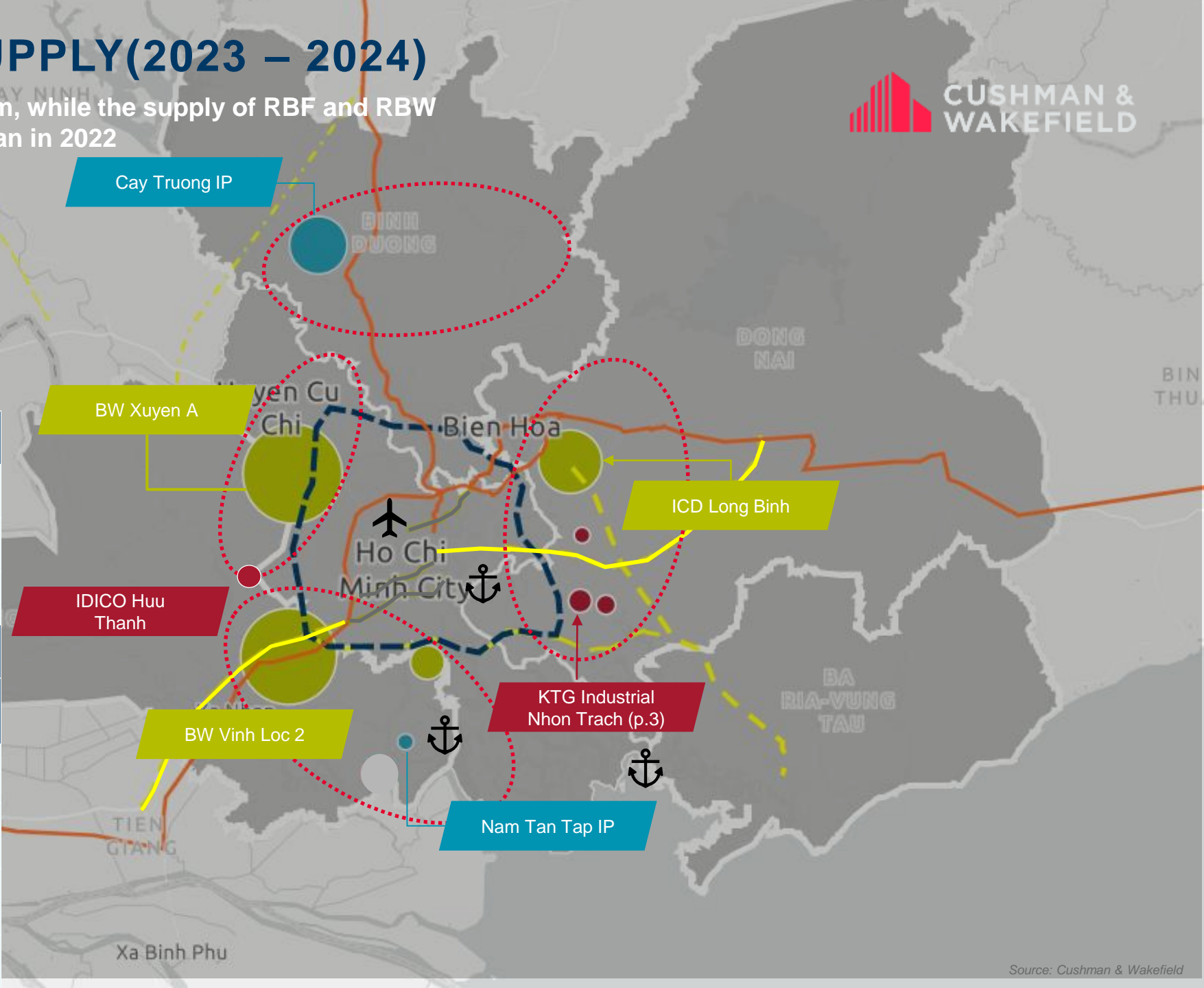
Source: Cushman & Wakefield

NOTABLE FUTURE SUPPLY(2023 – 2024)

Limited supply of IP land in the short-term, while the supply of RBF and RBW will still increase, but at a slower pace than in 2022



LEGEND			
International Airport			
International Seaport			
Existing Industrial Hubs			
NOTABLE PROJECTS			
Industrial Land (ha)	RBF (sqm)	RBW (sqm)	
< 100	< 20,000		
100 – 200	20,000 – 70,000		
200 – 300	70,000 – 120,000		
> 300	> 120,000		



FORECAST OF HCMC REAL ESTATE MARKET 2023



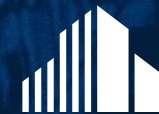
Market	Demand	Supply	Selling price/Rent	Absorption	Remarks
Apartment	▲	▲	▼	▲	Continue limited supply and slow down in demand due to global economic crisis
Landed Property	◀▶	▲	▼	▼	Developers look to limit launching new supply; with buyers remaining to majority be end-users and long-term investors
Office	◀▶	▲	◀▶	◀▶	More supply in mid year, but overall demand may not recover until the later half of the year
Retail	▲	▲	▲	▲	The market is likely to remain active, especially thanks to large retailers' expansion
Industrial	▼	▲	◀▶	▼	Ongoing market adjustment, rent might keep stable or even decrease. Lack of IP land supply ready for rent.

Source: Cushman & Wakefield





AT THE
CENTER OF
WHAT'S
NEXT



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THANK YOU

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