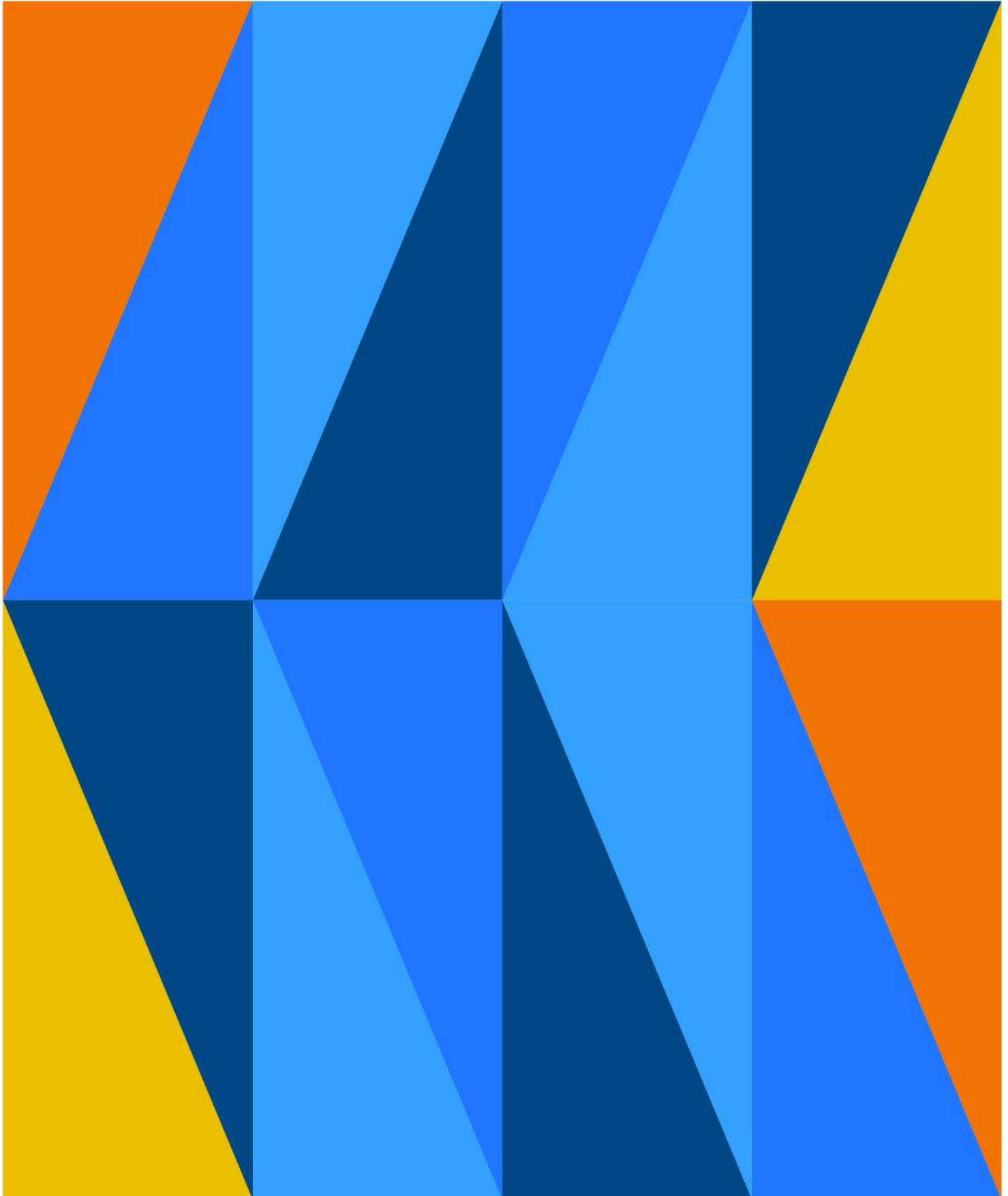


Hanoi
Media Release
Q1/2022



NATIONAL MACRO INDICATORS

GDP GROWTH RATE



5 % ↑ 0.3 ppt YoY

RETAIL SALES GOODS & SERVICES



57 US\$ BIL ↑ 4.4 % YoY

CREDIT GROWTH



4 % ↑ 1.5 ppts YoY

TRADE SURPLUS



0.8 US\$ BIL ↓ -71% YoY

INTERNATIONAL VISITORS



91k ↑ 89% YoY

TOTAL FDI



8.9 US\$ BIL ↓ -12% YoY

NEW STOCK ACCOUNT



676,616 ↑ 1.6% YoY

CPI



1.9 %

NEWLY ESTABLISHED BUSINESSES



34,600 ↑ 18% YoY

YoY: Year on Year

In Q1/2022, gross domestic product (GDP) growth was 5%, increasing 0.3 ppt YoY. Viet Nam's economy improved after social distancing restrictions were lifted. However, GDP growth was still lower than the 6.9% in Q1/2019.

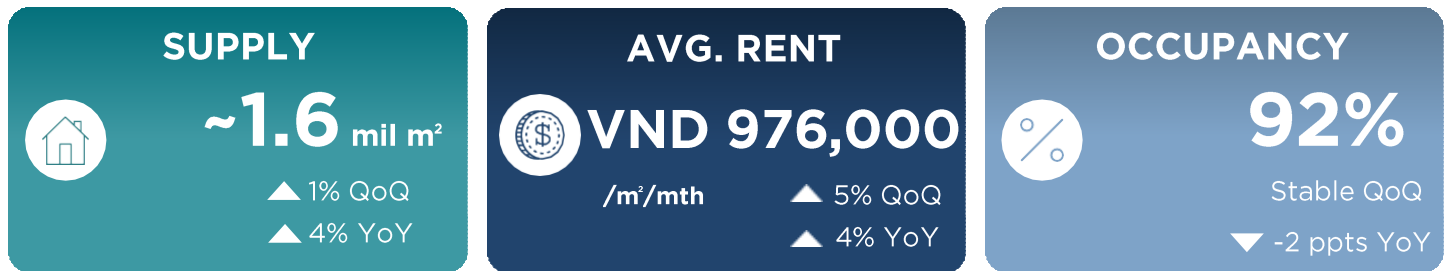
Trade and commerce showed signs of recovery. Retail sales of goods and services reached US\$57 billion in Q1/2022, increasing 4.4% YoY. Credit growth was 4%, representing a 1.5 ppts YoY increase.

Foreign trade struggled as total FDI decreased -12% YoY to US\$8.9 billion. The trade surplus of goods was only US\$809 million, decreasing -71% YoY from US\$2.8 billion in Q1/2021.

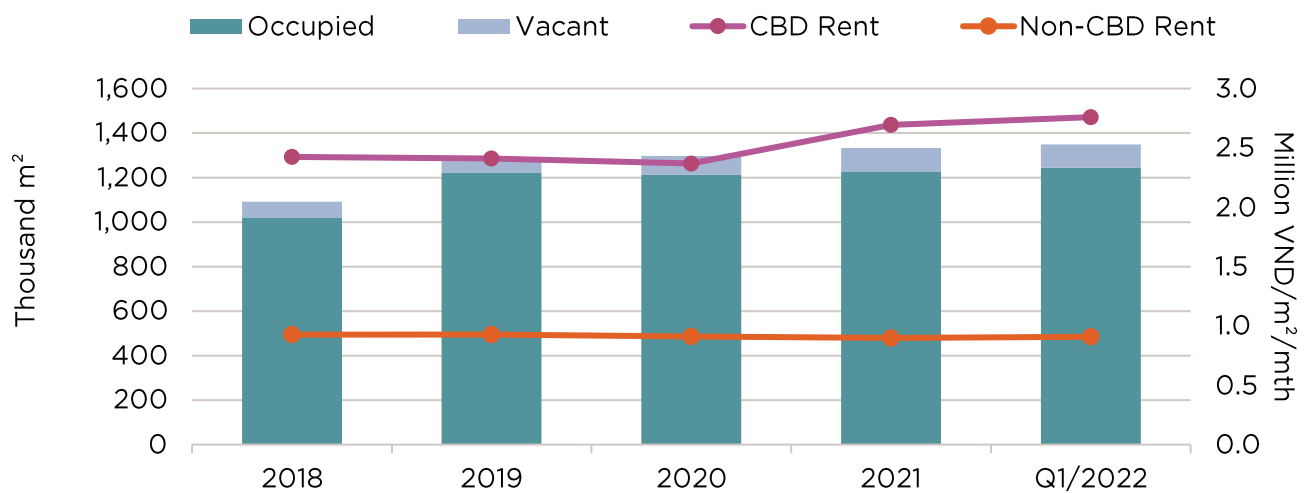
Tourism had an improved performance with 91,000 international arrivals, increasing 89% YoY. Viet Nam officially reopened its borders to tourists in mid-March.

RETAIL

Quarter 1 2022

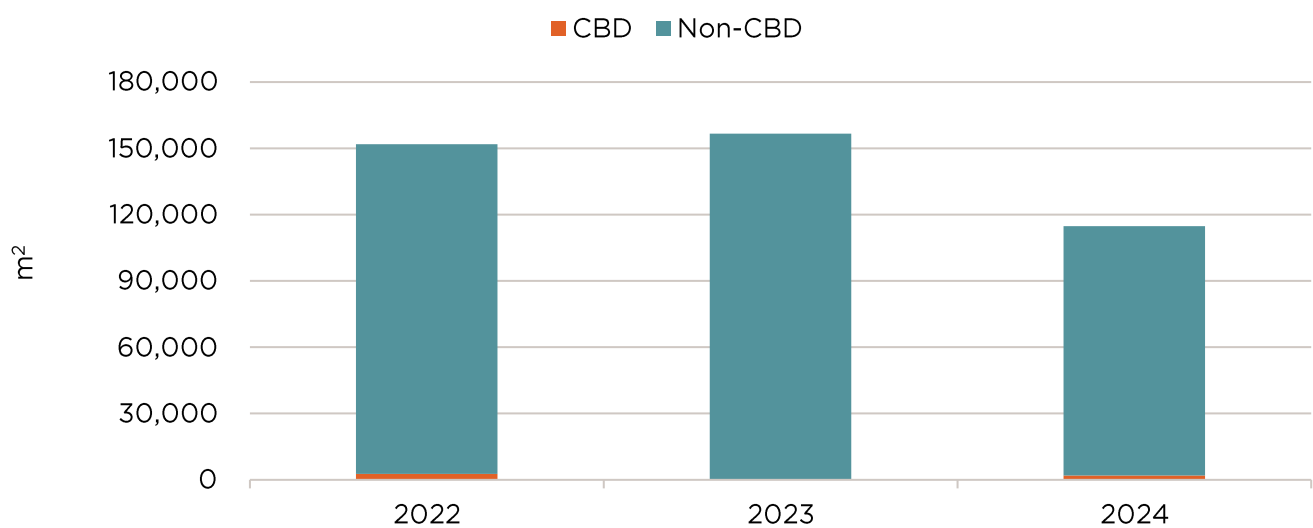


Performance



Source Savills Research & Consultancy

Supply to 2024



Source Savills Research & Consultancy

- (1) Data collection as of Q1/2022
 (2) Occupancy calculated by leased area divided by leasable area
 (3) Avg. Rent: ground floor rent including service charges but excluding VAT

QoQ: Quarter-on-quarter comparison
 YoY: Year-on-year comparison

“Luxury retail brands are seeking sites in Hoan Kiem, which is pushing up ground floor rent in the area. However, mid-end retail brands are still cautious about expanding after Covid-19. The growth of e-commerce is undoubtedly impacting traffic in shopping malls.”

Ms Hoang Nguyet Minh

Director, Commercial Leasing, Savills Ha Noi



KEY FINDINGS

Limited New Supply

Total stock of more than 1.6 million m² increased 1% QoQ and 4% YoY. The only new stock was from three retail podiums; the segment's market share reached 14%, increasing 1 ppt QoQ and 2 ppts YoY.

For the past three years, supply growth has been sluggish at 1% per annum (pa). Since 2019, no new department stores have entered, and shopping centre supply grew by 1% pa. Retail podiums had the highest growth of 5% pa.

Increased Rent, Stable Occupancy

At VND 976,000/m²/month gross, ground floor rents increased by 5% QoQ and 4% YoY. Rents rose the fastest in the CBD and eastern Ha Noi, with an average increase of 5% pa since 2018. Western Ha Noi had growth of 4% pa, and the Secondary and 'Others' areas had 2% pa each.

Retail occupancy was stable QoQ but decreased -2 ppts YoY to 92%. Retail podium occupancy decreased the most due to newly launched projects. The Secondary area had the best quarterly performance as take-up increased by 9,000 m² NLA.

Outlook

Economic recovery was evident, with Ha Noi's GRDP increasing by 5.8% YoY, and retail sales increasing by 9.1%. According to ADB, GDP is expected to rebound to 6.5% this year and reach 6.7% in 2023, the highest in Southeast Asia.

In 2022, 151,817 m² from eleven projects are expected to launch; four projects are complete, five are fitting out, and two are under construction. Notable projects include Vincom Mega Mall Smart City, Hinode City and Mipec Xuan Thuy. The West and Secondary area have four projects each, the CBD has one project, and the "Others" area has two. Shopping centres and retail podiums will each have 50% of the future supply.

Good Retail Podium Take-Up

In Q1/2022, retail podiums had the highest take-up of 14,000 m² NLA, maintaining the greatest share. In 2021, the segment had take-up of 21,000 m² NLA while department stores and shopping centres had decreases.

Digital Take-off

According to Google, Temasek and Bain & Company, Viet Nam had eight million new digital consumers since the start of the pandemic, with 55% coming from non-metro areas.

The extraordinary shift in consumer behaviour has led to the rise of digital merchants. Digital merchants are embracing end-to-end digitalisation efforts, including front-end digital tools used to engage customers and back-end digital solutions to help enhance operations.

Viet Nam's 2021 Gross Merchandise Value is expected to reach a total value of US\$31 billion, a 31% YoY surge, underpinned by a 53% YoY growth in e-commerce. Looking at 2025, Viet Nam's internet economy will likely reach US\$57 billion in value, with a CAGR of 29%.

Some Retailers Eyeing Expansion

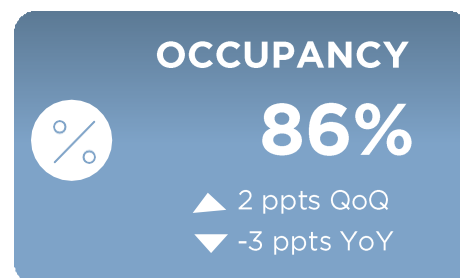
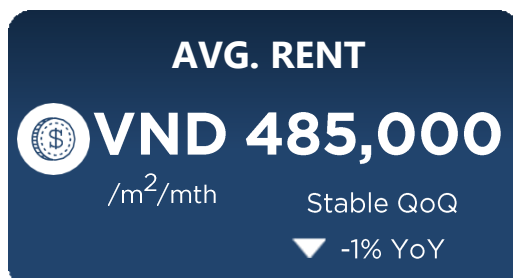
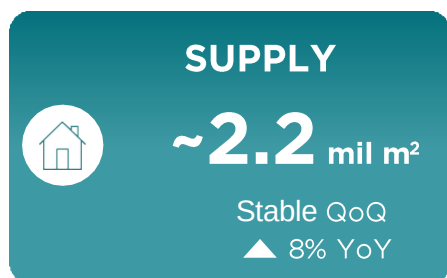
While some retailers, such as Bach Hoa Xanh, have no plans to open new stores, others have indicated massive expansion plans. Aeon plans to open 100 more of its MaxValu supermarkets in Viet Nam by 2025, a big jump from its seven stores in Ha Noi. BRG Group will coordinate with Sumitomo Corporation to expand the FujiMart supermarket chain, which currently has three branches in Ha Noi; the partnership aims to open five to ten new stores every year to reach 50 branches nationwide by 2028. Masan plans to have 30,000 mini malls nationwide by 2025. These malls will be one-stop-shops that will serve essential financial, educational, entertainment, and healthcare needs. Long Chau plans to open 300 new stores this year, bringing its total supply to 700.

Infrastructure to Accelerate Footfall

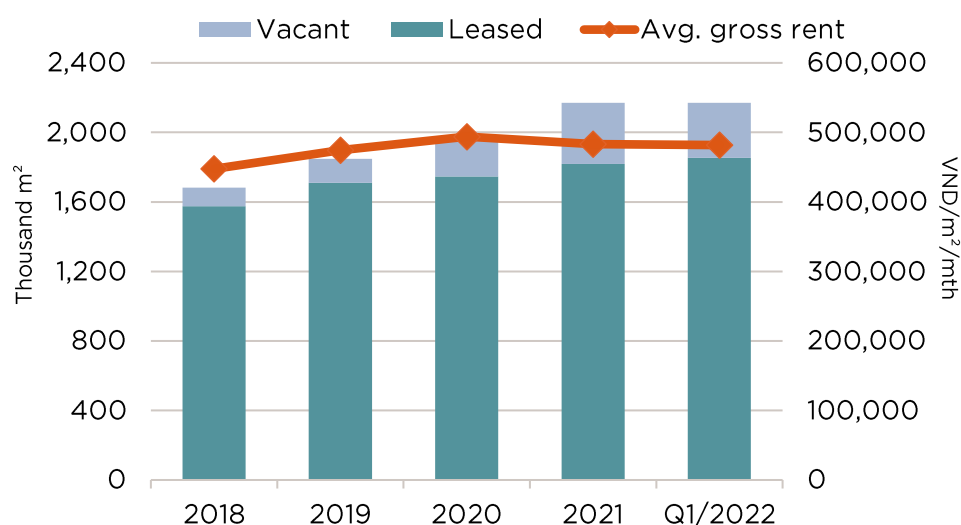
Ha Noi's first metro line was officially inaugurated in January 2022. In March 2022, passengers surged by 30% compared to the previous months. The line carries more than 10,000 passengers every weekday and 15,000 at weekends. Ha Noi currently has 136 bus lines with over 208,000 vehicles, and bus services can resume operations at full capacity from February. The city plans to open 28 new bus lines in 2022 and up to 100 lines by 2025.

OFFICE

Quarter 1 2022

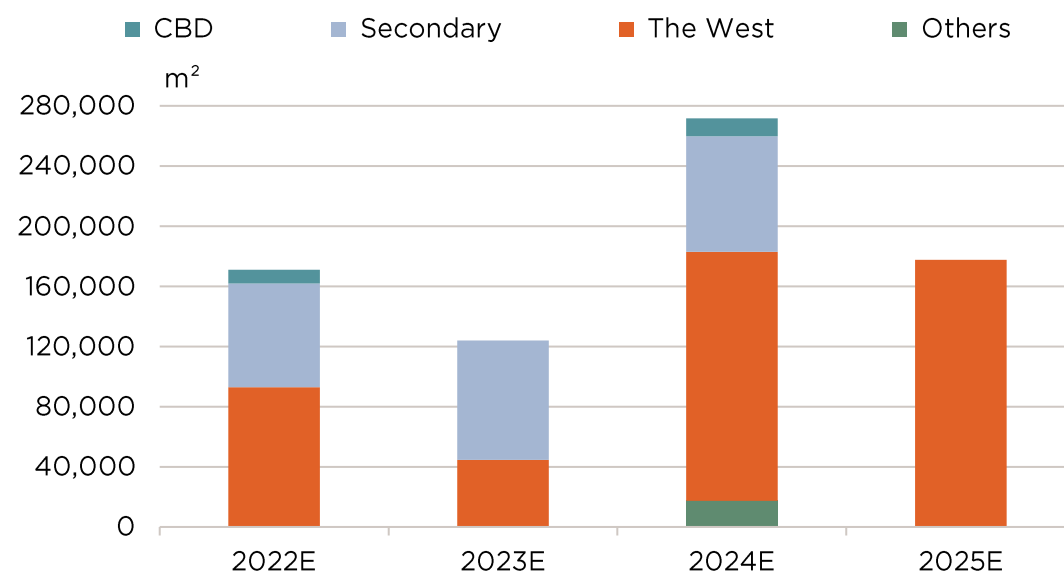


Performance



Source Savills Research & Consultancy

Future Supply



Source Savills Research & Consultancy

(1) Data collection as of Q1/2022

(2) Occupancy calculated by leased area divided by leasable area

(3) Avg. Rent: including service charge, excluding VAT

QoQ: Quarter on Quarter comparison YoY: Year on Year comparison

“ Tenants will have choices of new high-quality Grade A properties entering from the end of the year, mostly in CBD and Mid-town. New properties will compete with existing buildings in terms of quality, services and pricing. ”

Hoang Nguyet Minh
Director, Commercial Leasing, Savills Ha Noi



KEY FINDINGS

Supply

In Q1/2022, total stock of 2.17 million m² NLA from 191 projects increased 8% YoY. Grade B dominated with 50% of supply. The Secondary area led with nearly 870,000 m² or 40%, followed by the West with 39%. By district, Cau Giay had more than 607,000 m² or 28%.

Improved Occupancy

Average gross rent of VND 485,000/m²/month was stable QoQ but decreased -1% YoY, due to new supply with low rent entering in 2021. Grade A maintained its leading position with rent of VND 765,000/m²/month, stable QoQ and YoY. Occupancy increased 2 ppts QoQ, thanks to Grade A and Grade B improvements; however, occupancy still decreased -3 ppts YoY due to the large supply from 2021. Grade C had the highest occupancy of 90%, especially in western Ha Noi with many ICT and manufacturing enterprises.

Grade B was the most popular product, thanks to reasonable rents and good quality offices. It had the highest take up of 29,000 m², equivalent to 81%.

Outlook

For the remainder of 2022, six projects are expected with a supply of 170,000 m²; Grade B will account for 94%. The only Grade A project will be Techcombank Tower - 6 Quang Trung. The West will provide 54% of future supply, followed by the Secondary area with 40%.

Between 2023 and 2025, more than 570,000 m² from 19 projects are expected. Projects include 36 Cat Linh, Lotte Mall, Tien Bo Plaza, Gelex 10 Tran Nguyen Han, and Starlake offices.

Promising Year Ahead

Leasing will be strong in 2022. Even though Viet Nam had a record number of Covid-19 cases in March, the number of newly established businesses and businesses that resumed operations increased by 18% and 74% YoY, respectively in Q1. These are the highest numbers ever recorded by the General Statistic Office, likely to spill to office demand.

ICT and FIRE had the most deals in the first quarter. Companies in ICT and finance, banking and insurance led deals in the Secondary area and real estate businesses dominated in the West. Eighty-five percent were establishment deals.

Offices Going Green

In Ha Noi, there are several buildings with green certificates, including TechnoPark Tower, Capital Place, Leadvisors Place, and Leadvisors Tower. The trend of green buildings will continue, as upcoming projects are expected to receive green accreditations, including Techcombank Tower - 6 Quang Trung, Gelex 10 Tran Nguyen Han, 36 Cat Linh and Tien Bo Plaza with LEED Gold, Lancaster Luminaire with LEED Green, etc. These new properties will add nearly 90,000 m² of green office space.

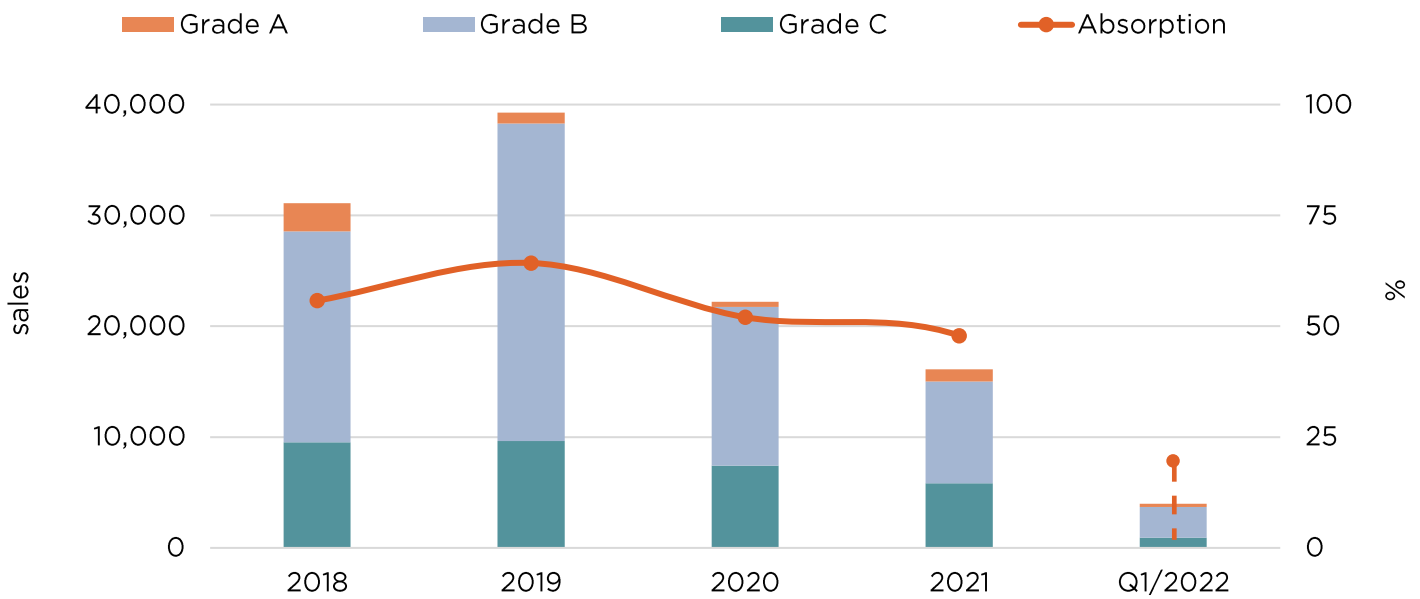
Increasingly, offices in green buildings will have a competitive advantage, as tenants seek quality offices in prime locations that are not simply spaces for desks; instead, they want workspaces that act as a tool to protect the environment, boost productivity, and attract and retain talent.

APARTMENT

Quarter 1 2022

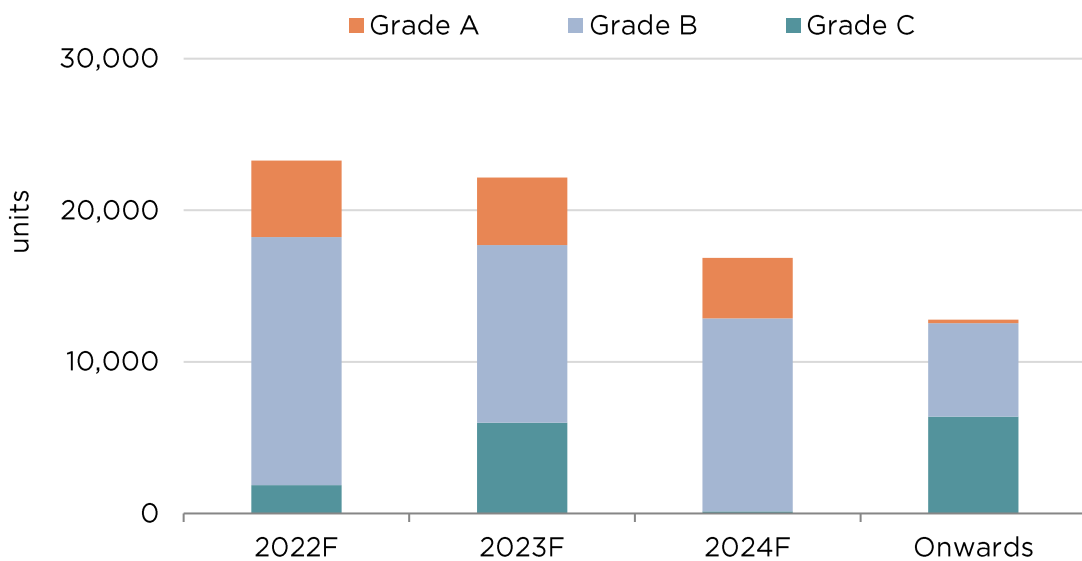


Performance



Source Savills Research & Consultancy

Future Supply



Source Savills Research & Consultancy

(1) Data collection as of Q1/2022

(2) Absorption rate calculated by sales divided by primary supply including inventory overhang

QoQ: Quarter on Quarter comparison

YoY: Year on Year comparison

“Following a soft quarter, Ha Noi's apartment market is expected to bounce back quickly. Decentralised infrastructure improvement will support real estate development.”

Do Thu Hang,

Senior Director, Advisory Services, Savills Hanoi



KEY FINDINGS

Limited New Supply

New supply in Q1/2022 decreased -38% QoQ and -29% YoY with approximately 2,800 units. There were no new projects, and all new supply came from the next phases of six existing projects.

Primary supply of 20,300 units dropped by -6% QoQ and -17% YoY. Grade B had 81% of supply, followed by Grade C with a 14% share.

Sales Down, Prices Up

In Q1/2022, there were 4,000 sales, decreasing -4% QoQ and -15% YoY. Absorption of 20% was stable QoQ and YoY. New supply was 52% absorbed.

Prices have trended upwards since Q1/2019. Over the last five years, Grade B average primary prices increased the most at 8% pa. Grade C primary prices increased by 7% pa, and Grade A had increases of 4% pa.

Healthy Demand

Viet Nam's urbanisation at 37%, is the greatest lever for property growth over the next decade. By 2030, the Vietnamese middle class will swell to 56 million by 2030, 23.2 million more than in 2021. By 2025, GDP per capita will reach VND 97 million (US\$4,200), significantly higher than the current VND 67 million (US\$2,900).

Ha Noi's residential market remains sound, backed by positive migration and natural population growth. By 2025, Ha Noi's population is expected to reach nine million. The urban population will represent 61%, increasing from 49% in 2019. Ha Noi's current GRDP per capita is VND 128 million (US\$5,600), but this will reach VND 191 million (US\$8,300) by 2025.

Outlook

In 2022, 32 new launches and the next phases of two projects will add 23,300 units. Currently, 19 projects with 11,600 units are under construction or at the foundation stage. Seventy percent will be Grade B. By district, Hoang Mai, Nam Tu Liem, and Gia Lam will have 54%.

With large land banks, five upcoming suburban districts Hoai Duc, Dong Anh, Thanh Tri, Gia Lam, and Dan Phuong will become key residential development targets, accounting for 24% of future supply.

Infrastructure Boost

Ha Noi's first metro line was officially inaugurated in January 2022. Secondary prices of projects close to the stations surged by up to 18% QoQ, averaging at 4%, which is high compared to the market average of 2%.

Apartment prices are set to benefit from infrastructure upgrades. Between 2021 and 2025, the city has earmarked VND 650 trillion for public investment. Priority projects include Ring Roads 2.5, 3, 3.5, and 4; major bridges like Vinh Tuy Phase 2 and Thuong Cat; new and upgraded provincial roads like National Roads 6, 32, 1A and 2B; and urban railway projects.

Lack of Affordable Housing

There was a lack of affordable housing; products below VND 20 million/m² in existing projects were fully absorbed. However, there was no new supply.

By 2025, the Ha Noi Housing Plan aims to have 1.25 million m² NFA of new social housing from 19 projects, equivalent to only 6% of new commercial housing. Most social housing projects will be in Nam Tu Liem, Hoang Mai, Long Bien, and Thanh Tri, with three projects each.

In January 2022, Viet Nam's legislature passed a VND 350 trillion stimulus package to boost post-Covid recovery. A credit package of up to VND 65 trillion will be allocated for social housing buyers and developers.

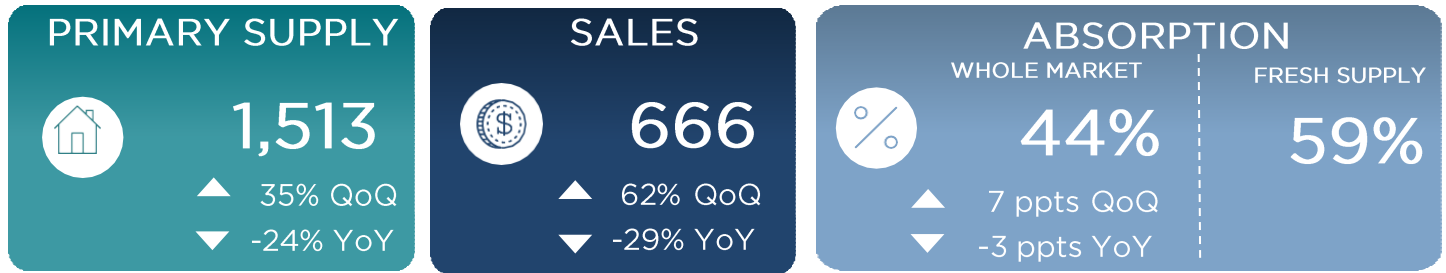
Corporate Bonds

The scale of outstanding corporate bonds in real estate was about VND 189 trillion at the end of 2021. FiiRatings' data shows that 73% of this value will have a maturity point in the next three years. This creates greater debt repayment pressure for real estate businesses already dealing with post-pandemic recovery and legal changes. Recent events have also impacted the liquidity risk of distribution agents with commitments to buy back bonds, namely financial institutions such as securities companies and banks.

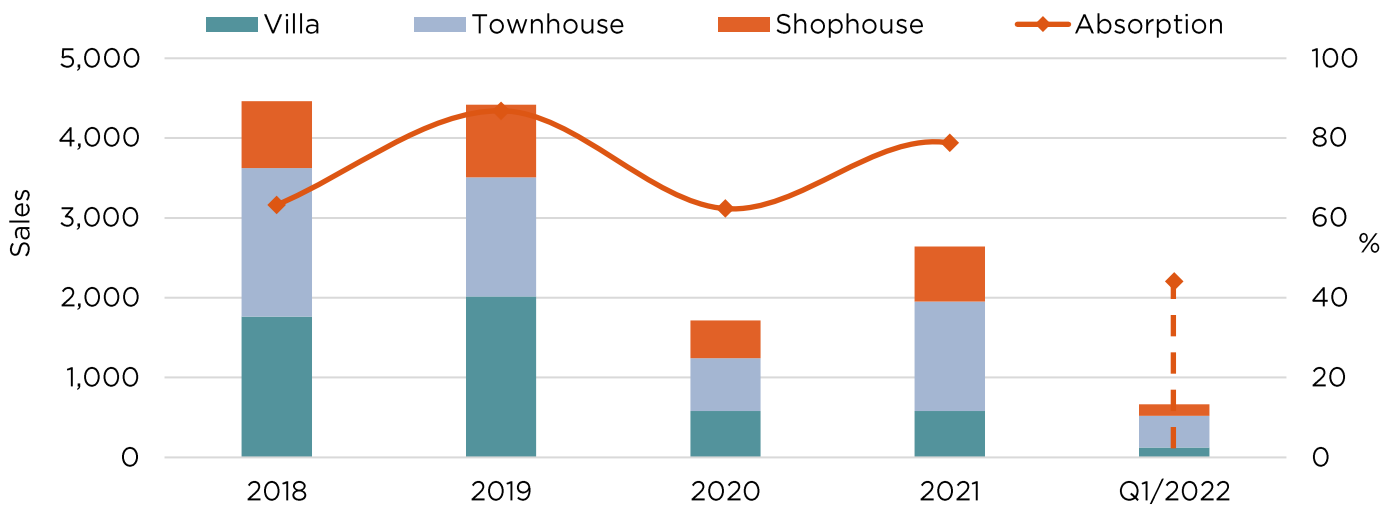
The Government has set a target to raise the scale of the corporate bond market to 20% of the country's GDP by 2025, increasing from 15% in 2021.

VILLA & TOWNHOUSE

Quarter 1 2022

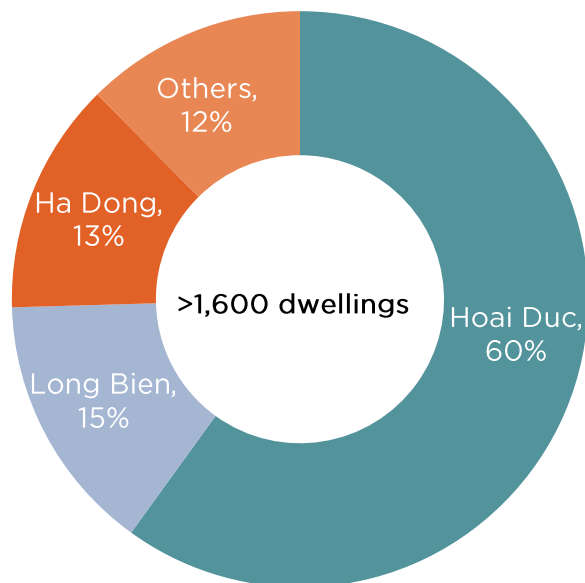


Performance



Source Savills Research & Consultancy

Future Supply 2022



Source Savills Research & Consultancy

(1) Data collection as of Q1/2022.

(2) Absorption is calculated by sales divided by primary supply including inventory overhang.

QoQ: Quarter-on-quarter comparison.
YoY: Year-on-year comparison.

“The prospect of price increases and inflationary pressure, against restricted lending may slow performance in the short term.”

Matthew Powell,
Director, Savills Ha Noi



KEY FINDINGS

New Supply Surge

New supply of 801 dwellings increased 227% QoQ but decreased -15% YoY, coming from two new projects and the next phases of three existing projects. Eurowindow Twin Park in Gia Lam District led with 46%; the remaining supply came from Hoai Duc, Bac Tu Liem, and Hoang Mai districts.

Primary stock of 1,513 dwellings increased 35% QoQ but decreased -24% YoY, that was distributed throughout the city. Eastern Ha Noi (Gia Lam District) had 25%; in the west, districts including Hoai Duc and Ha Dong had a 25% share. Hoang Mai District in the south had a 22% share; districts in the north, including Tay Ho, Bac Tu Liem, and Dong Anh, had a combined 28%.

Improved Performance

Performance improved with 666 sales, increasing 62% QoQ but decreasing -29% YoY. Hoai Duc had the most sales with a 33% share, followed by Bac Tu Liem with 23%. Townhouses and shophouses had 82% of sales. Quarterly absorption of 44% increased 7 pts QoQ but decreased -3 pts YoY. New launches were 59% absorbed.

High Primary Price

The average primary villa price of VND 134 million/m² land area (LA) decreased -26% QoQ but increased 30% YoY; the townhouse average of VND 185 million/m² LA increased 8% QoQ and 73% YoY; the shophouse price of VND 323 million/m² LA increased 35% QoQ and 79% YoY.

New supply from the next phases of existing projects had price increases over the previous phases. Next-phase shophouse prices in Hoang Mai District increased by 56% QoQ, and Hoai Duc District had townhouse increases of 42% QoQ and 26% QoQ increases for shophouses.

Since Q3/2021, primary asking prices have been the highest they have ever been. Q4/2021 recorded the highest average primary prices ever at VND 381 million/m² LA in Tay Ho District. However, this was surpassed in Q1/2022, with shophouses in Hoang Mai District reaching VND 417 million/m² LA.

Affordability

The price to income ratio is a basic measure of affordability. It is calculated by comparing median housing prices to median familial disposable income and is a ratio expressed as years of income. According to Numbeo, in 2022, the ratio in Viet Nam is 20.5, stable YoY. In Ha Noi, it is 20, which represents a YoY increase of two years. While lower than Ho Chi Minh City's 33.5 years, it is higher than many cities in Southeast Asia, including Kuala Lumpur, Yangon, Chiang Mai, and Pattaya.

Restricted Lending

In H1/2022, Sacombank will not provide loans to the real estate sector and will not offer new credit on mortgaged properties; Techcombank halted the disbursement of real estate loans from 25 March to 1 April. Further tightening measures are expected.

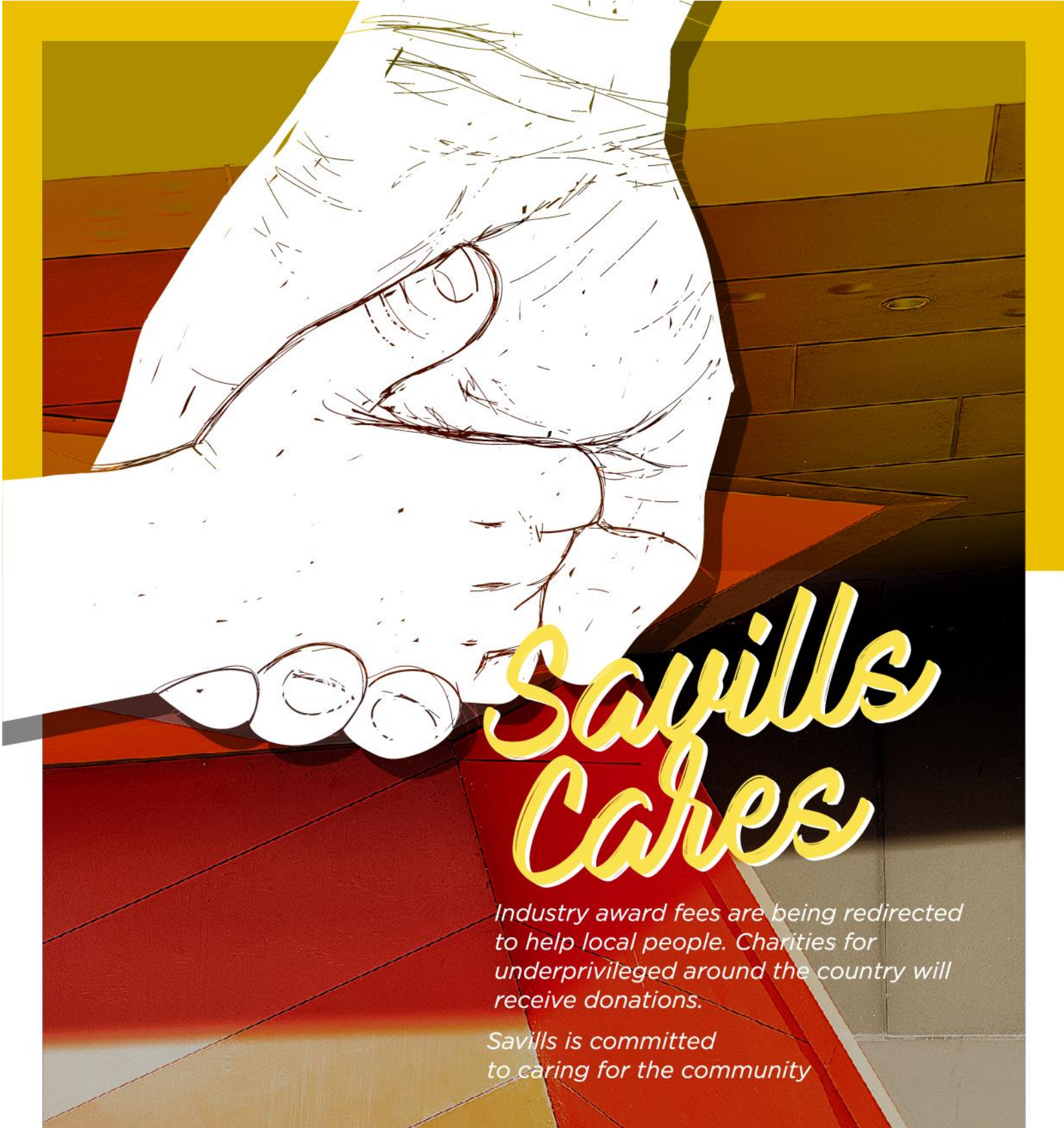
According to Resolution No. 11/NQ-CP dated 30 January 2022, the State Bank requires commercial banks to prioritise lending to manufacturing, business or the industries outlined in the Government strategy. Commercial banks strictly control lending to 'high-risk' industries such as investment, real estate trading, securities, BOT, BT projects, and corporate bonds. Real estate credit accounts for approximately 19% of the country's outstanding loans, however, this is expected to decrease in 2022.

Prudent Outlook

Until the end of the year, more than 1,600 dwellings from ten projects will enter. Western Ha Noi will have the most, with Hoai Duc providing 60% and Ha Dong with 13%. New launches in 2022 will be approximately 2,400 dwellings, similar to 2020 and 2021. There will only be five new projects, and 69% of future supply will come from the next phases of five existing projects. As supply in Ha Noi is limited, investors will look for properties in expanding surrounding markets such as Bac Ninh, Bac Giang, Hung Yen, or Hoa Binh.

Improved Infrastructure

Since Metro Line 2A (Cat Linh – Ha Dong) launched at the end of 2021, prices at villa/townhouse projects at the end of the line have increased by 5% QoQ. In 2022, key metro lines will be prioritised, including Metro Line 3 (Nhon – Ha Noi Station – Hoang Mai) and Metro Line 2 (Nam Thang Long – Tran Hung Dao). Villa/townhouse projects close to these lines, especially in Hoai Duc, Bac Tu Liem, Tay Ho, and Hoang Mai, will benefit. Ring Road 4 planning is being finalised, which will support the markets in Ha Noi, Hung Yen, and Bac Ninh.



Savills Cares

Industry award fees are being redirected to help local people. Charities for underprivileged around the country will receive donations.

Savills is committed to caring for the community



savills

Troy Griffiths
Deputy Managing Director

+84 (0) 933 276 663
tgriffiths@savills.com.vn

Do Thu Hang
Senior Director, Advisory Services

+84 (0) 912 000 530
dthuhang@savills.com.vn

Savills plc: Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.