

VIETNAM

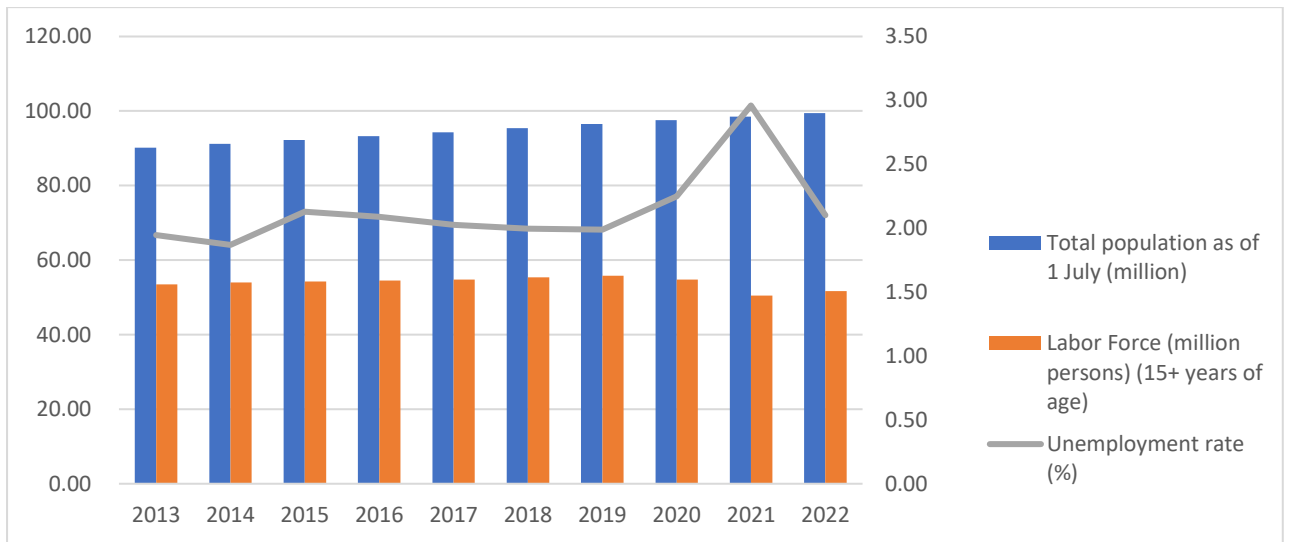
Vietnam country report

1. General economic aspects and outlook

1.1 Population, Demographic Composition (Population by Age group)

Vietnam is the third most populous ASEAN country with nearly 100 million people in April 2023. Vietnam's population has been steadily increasing over the years, going from 90.19 million in 2013 to 99.46 million in 2021. This indicates a consistent upward trend in population size.

Figure 1: Total population, Labor force and unemployment rate



Source: GSO and World Bank

The labor force, which includes individuals aged 15 and above, is quite substantial with 51,7 million in 2022. The labor force has also been on the slowly rise, which showing a generally increasing trend. However, the most significant change occurred in 2021 when the population aged 15 and above decreased by approximately 4.3 million people compared to 2020. This decrease is significant and could be influenced by various factors, including changes in birth rates, the age distribution of the population, etc.

Vietnam's unemployment rate was 2.10% in 2022, relatively low compared to many other ASEAN nations. The increase of the unemployment rate in 2020 and 2021 is expected because of the economic impact of the COVID-19 pandemic, which led to job losses and reduced labor force participation.

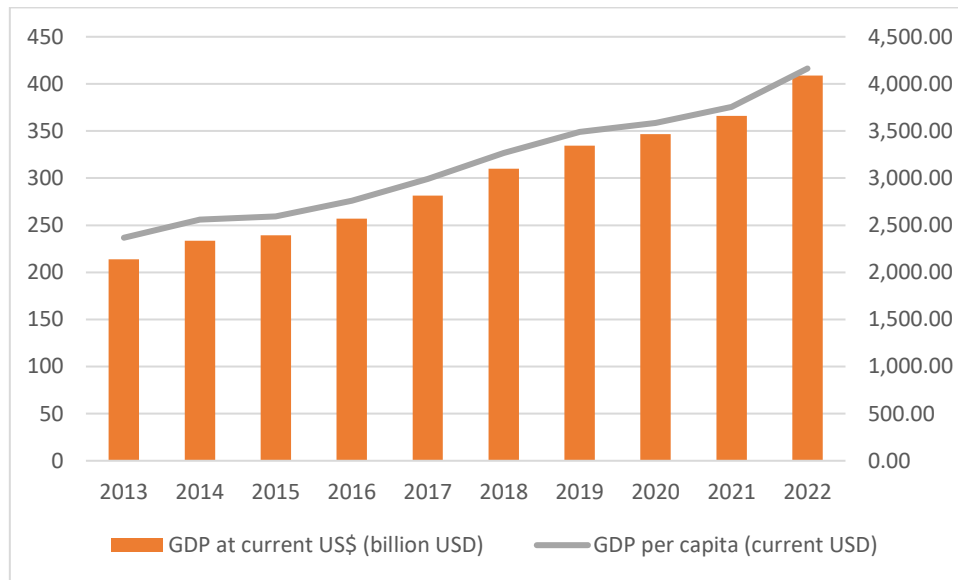
1.2 Real GDP, GDP per capita, Inflation/CPI

Vietnam's GDP and GDP per capita has shown steady and consistent growth over the years. The GDP has more than doubled from 213.71 billion USD in 2013 to 408.8 billion USD in 2022. Vietnam's GDP per capita rose from 2,367.50 USD in 2013 to 4,163.50 USD in 2022. This reflects not only the growth

of the overall economy but also the improved living standards for the population. The rate of increase in GDP per capita is generally slower compared to the growth in total GDP.

Vietnam recorded faster economic growth in early half of 2023, driven by the services sector. GDP in the second quarter grew by 4.14% y-o-y, faster than the 3.32% expansion in the first quarter. Vietnam expects a 5.3% growth in 2023 amidst weak global demand. By 2024, Vietnam's economy is expected to rebound at 6.2%, the highest among ASEAN countries.

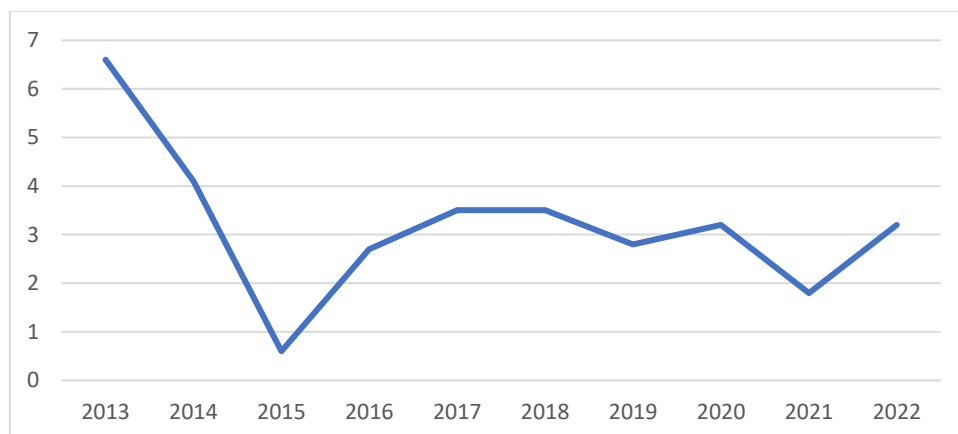
Figure 2: Vietnam GDP and GDP per capita



Source: GSO and World Bank

Vietnam has shown remarkable economic growth over the past decade, with both GDP and GDP per capita increasing significantly. While Vietnam's GDP is not the largest in the ASEAN region, its recent growth rates have been impressive.

Figure 3: Inflation (%)



Source: GSO and World Bank

Vietnam's inflation rate has shown fluctuations over the years, with both positive and negative trends. In 2013, the inflation rate was relatively high at 6.6%, indicating rising general price levels. In the following years, inflation generally decreased. By 2015, Vietnam experienced very low inflation at

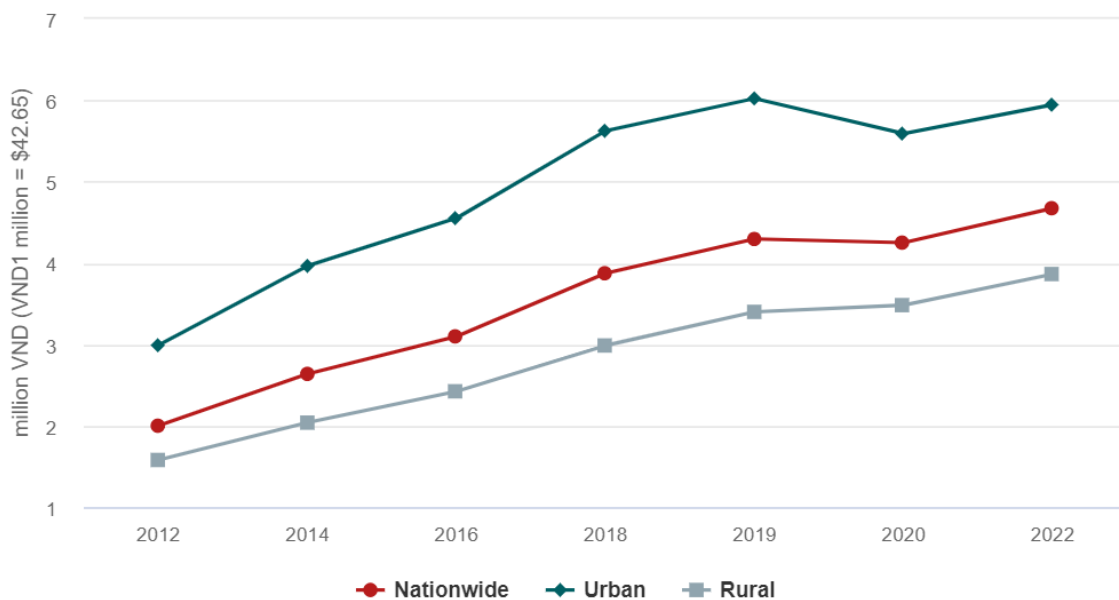
0.6%, reflecting price stability. From 2016 onwards, inflation gradually increased but remained relatively moderate, staying below 4% for most of the period. The inflation rate increased slightly in 2020 (3.2%) and 2022 (3.2%), but these rates are still considered moderate and manageable.

The global economic crisis has weighed on the GDP growth of Vietnam in 2023, but the country stands firm against challenges. State Bank of Vietnam has cut the interest rates 4 times in the first half of 2023 to stabilize the market. The country's macroeconomy maintains its stability with the consumer price index increasing less than 4% in the first half of 2023.

1.3 Per capital income & Household income

According to the Citizen Living Standard Survey released by the General Statistics Office (which polled nearly 47,000 households¹ across the country), the richest group, defined as the 20% of the population with the highest income, had an average income of VND10.23 million (\$436) a month last year. It was 7.6 times higher than the poorest group, the 20% of the population with the lowest income.

Figure 4 Vietnam's average monthly income per person



Source: The General Statistics Office of Vietnam

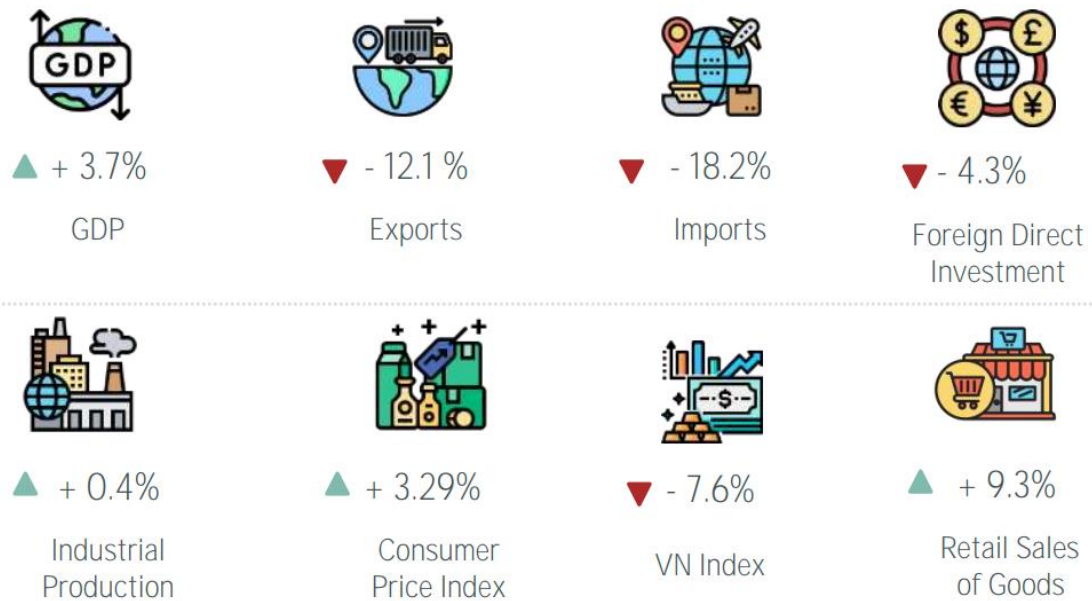
The survey found that average income was VND4.67 million per person per month, up 11.1% from 2021, with rises seen in both urban and rural areas, showing a recovery from Covid-19. This was the first increase after three years of decline. Urban area recorded an average income of VND5.95 million, and rural area VND3.85 million. The southeastern part of the country recorded the highest average income of VND6.33 million, while the northern mountainous area posted the lowest at VND3.17 million.

An average person spent VND2.8 million a month last year, down 3.3% from 2020 (there was no data for 2021). The decline in expenses is attributed to people tightened spending due to concerns of rising prices. The richest group spent 3.2 times more than the poorest group, at VND4.1 million versus VND1.3 million.

¹ A Vietnamese household had an average of 3.6 persons last year, and 2.1 persons are in the working age (GSO)

1.4 Other economic indicators in first half of 2023

Vietnam's key economic indicators, H1 2023, y-o-y change



Source: GSO, CBRE Research

2. Office sector

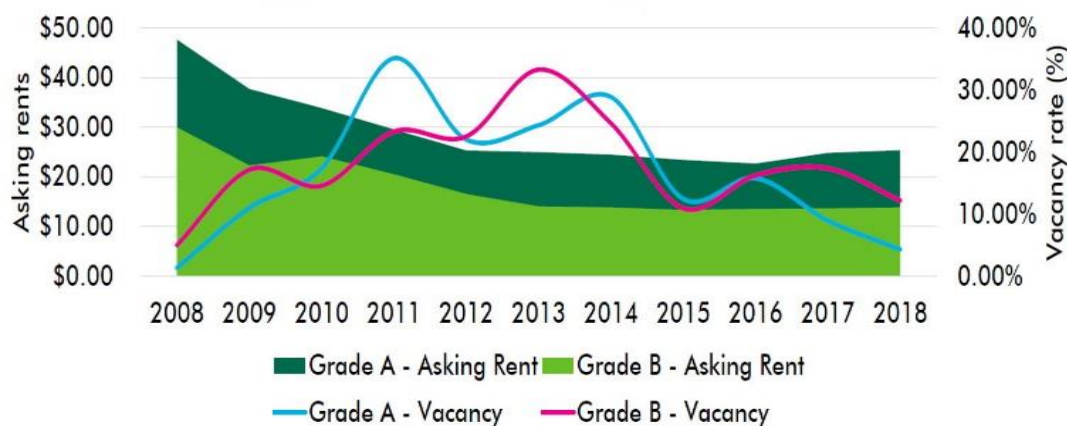
Vietnam's office market has witnessed significant growth over the past decade, driven by robust economic development, urbanization, and increased foreign direct investment (FDI). Major cities like Ho Chi Minh City and Hanoi have been the primary focus for office space development, with many international corporations establishing a presence in these urban centers.

Office sector continues to have a limited new supply, which supported its performance. Looking forwards, the West is the most desired location in Hanoi and CBD Fringe is still the most sought-after location in HCMC due to the low available space in the CBD.

2.1 Hanoi – the capital of Vietnam

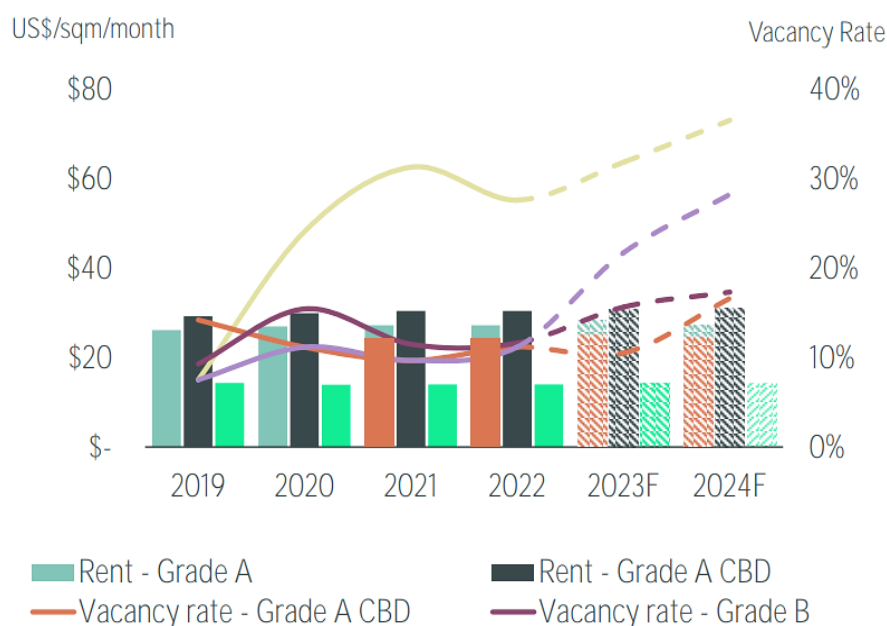
According to Cushman & Wakefield Vietnam, in line with the decentralization, Grade A and B supply in Hanoi is mainly located in non-CBD area, which is 6.2 times higher than that in the CBD. Among all submarkets, secondary submarket (including Ba Dinh, Dong Da, Thanh Xuan, Hai Ba Trung, Tay Ho districts) accounted for 44% of Grade A & B supply with the enter of new and high-quality buildings within the past 3 years.

Figure 5: Hanoi Office - Rent and Vacancy by year (2008 – 2018)



Source: CBRE

Figure 6: Hanoi Office - Rent and Vacancy by year (2019 – 2023)



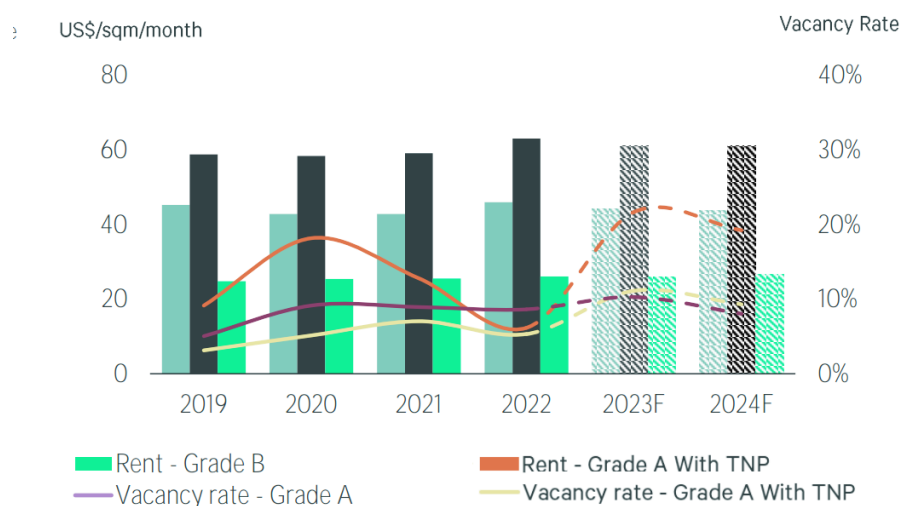
Source: CBRE

Vacancy at the end of 2023 is expected to go up as more supply enter the market in 2023 while demand is still stagnant. This rate is expected to decrease throughout 2024-2026 period on the back of economic and demand recovery, reaching about 24% in 2026.

2.2 Hochiminh city

Rent is likely to remain stable (less than 1% growth) in 2023-2024 as expected by Cushman & Wakefield. Besides the impacts of the current economic context, high vacancy and rising competition from new premium supply are likely to cause developers to be more cautious when setting asking rent. From 2025 onwards, along with economic recovery, rents are expected to grow at least 1-2%, especially at more recent and premium supply.

Figure 7. Hochiminh city: Office - Rent and Vacancy by year (2019 – 2023)



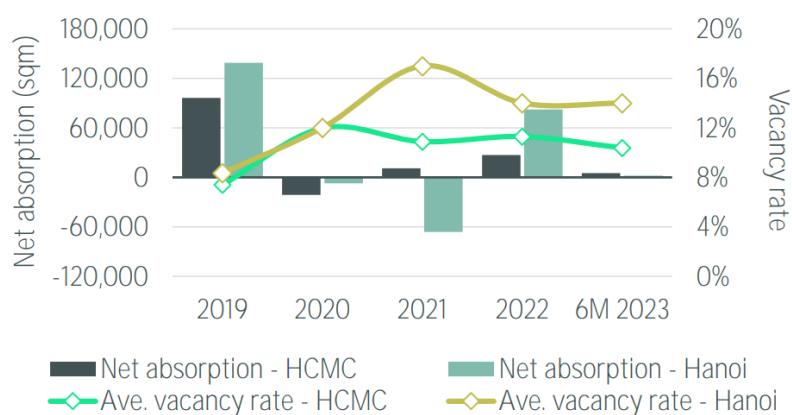
Source: CBRE

The cap rate of CBD office in Vietnam is 6 – 7.5% in the first quarter of 2023, quite high compared to more developed city in the world (CBRE Vietnam).

3. Retail sector

The retail sector is recovering relatively well from the pandemic's disruptions. CBD's rent hit a record high as the vacancy rate dropped.

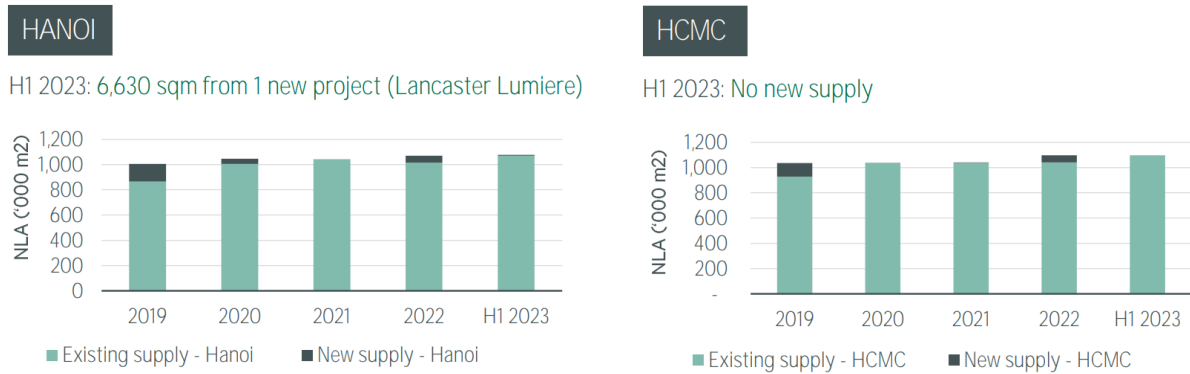
Figure 8. Retail sector - Net absorption and vacancy rate in Hanoi and Hochiminh city



Source: CBRE

Retailers continue seeking high-quality retail space in the city centre and along prime high streets. Retail space in CBD will continue to be limited, which may form a new trend as retailers will seek locations in non-CBD areas to launch pop-up stores while continuing to look for prime locations.

Figure 9. Net lettable area in Hanoi and Hochiminh city



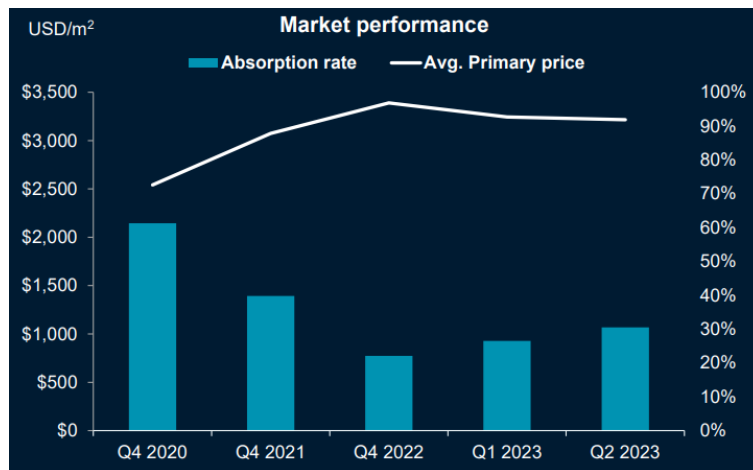
Source: CBRE

According to CBRE Vietnam, the cap rate of CBD retail in Vietnam is 6 – 7.5% in the first quarter of 2023.

4. Residential market

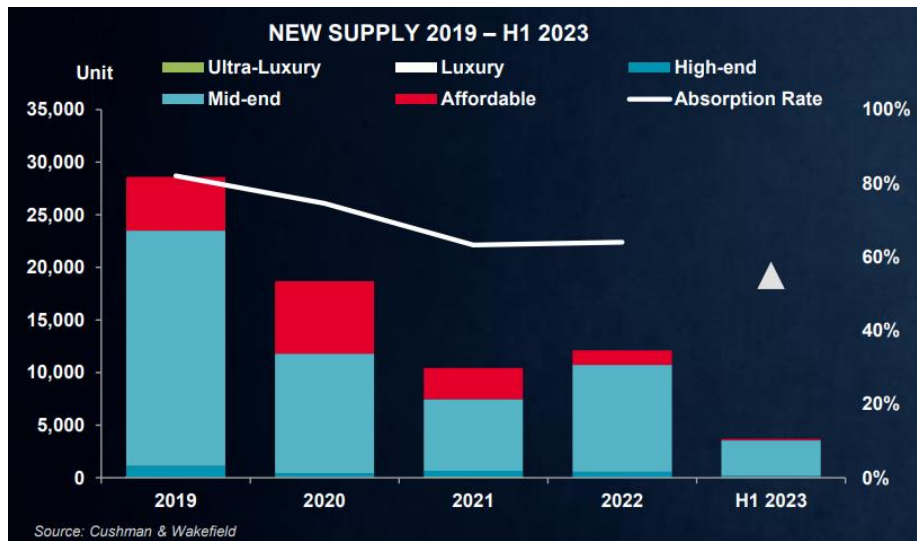
4.1 Apartment

Figure 10. Apartments in Hochiminh city



Source: Cushman & Wakefield

Figure 11. Hanoi apartments

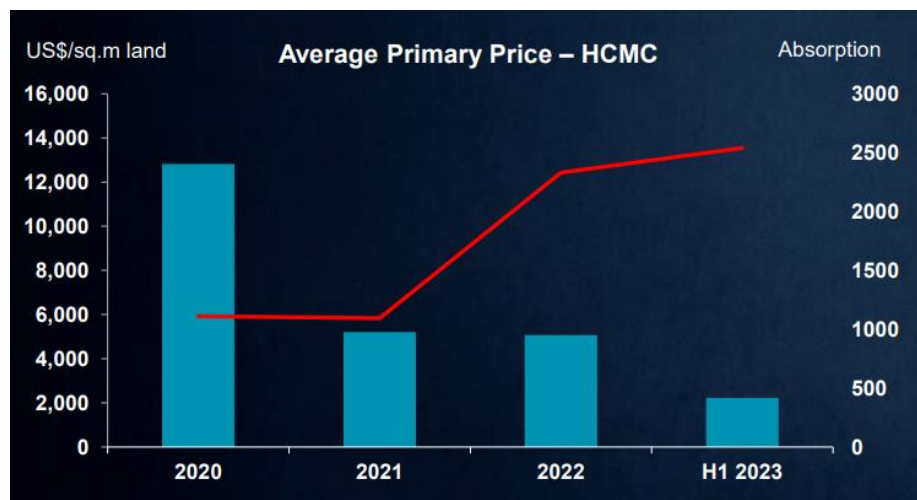


Source: Cushman & Wakefield

New supply of apartments in HCMC and Hanoi was the lowest in 9 years (excluding pandemic period). The high-end segment dominated the market, while the affordable segment was absent in both cities.

4.2 Landed properties

Figure 12. Landed properties in Hochiminh city



Source: Cushman & Wakefield

Figure 13. Landed properties in Hanoi



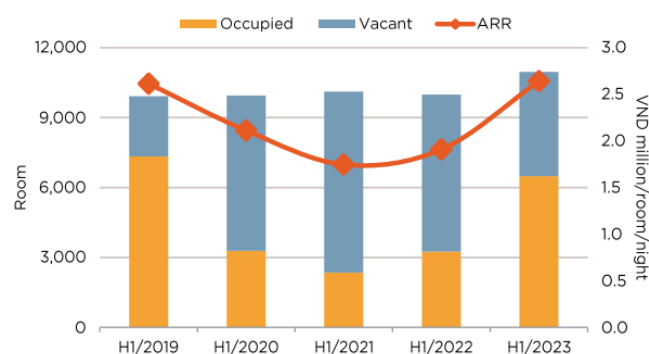
Source: Cushman & Wakefield

The first half of 2022 witnessed the recovery of the residential market, and this trend had been expected to continue. However, turbulence in the latter half amidst the recovery has affected the recovery speed and market sentiment.

CBRE forecasts that difficulties will continue in 2023 with limited supply and low liquidity. There will be adjustments in the supply with fewer luxurious products and the focus will be on high-end and upper mid-end segments. The average primary price will stabilize in 2023-2024.

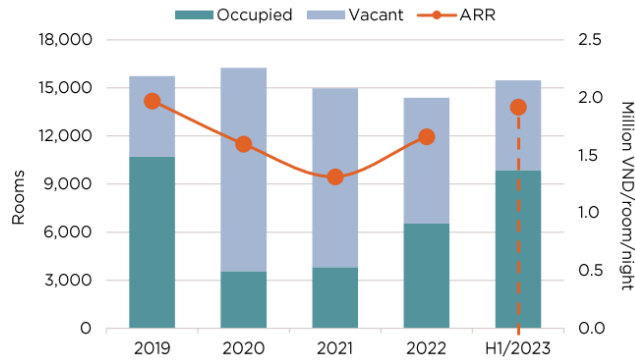
5. Hospitality (hotel sector)

Figure 14. Performance of hotels in Hanoi



Source: Savills

Figure 15. Performance of hotels in Hochiminh city

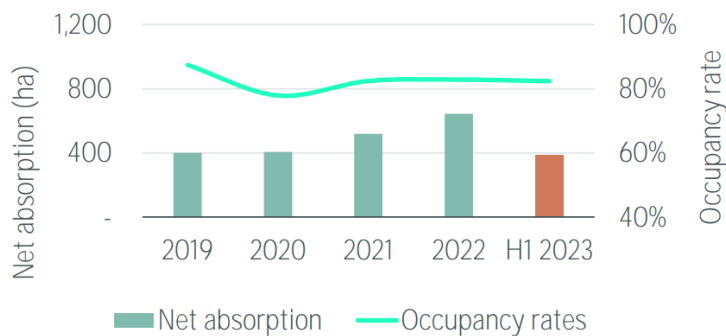


Source: Savills

The performance of 4 and 5 stars hotels are getting better, average room rate is getting higher with less vacant rooms. There is a slight downturn in recent years but it is getting recovery.

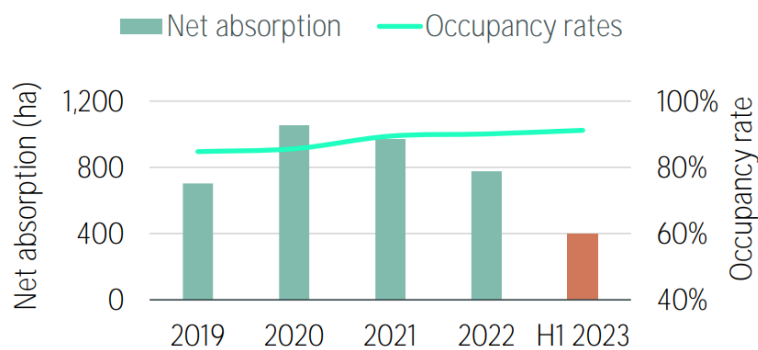
6. Industrial sector

Figure 16. Industrial land - Net absorption and occupancy rate in the north of Vietnam



Source: CBRE

Figure 17. Industrial land - Net absorption and occupancy rate in the south of Vietnam



Source: CBRE

Although supply chain disruption has now largely eased, companies are still looking to diversify risk by adding locations for sourcing and manufacturing. Industrial land performed well across regions.

Due to limited landbank in prime locations, it is expected to see more vigorous activities in secondary markets. Tier-2 markets in the North draw attention from manufacturers and ready-built factory developers. The trend of investment in these coming years is green industry developments and renewable energy associated with environmental protections.

According to CBRE Vietnam, the cap rate of Logistic (Tier 1) in Vietnam is 7 – 8% in the first quarter of 2023.