Property Market Brief 2Q20

Vietnam | July 2020
Research Report

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Contents

IMPORTANT NOTES

The effects of the COVID-19 will inevitably vary from market-to-market, and the true impact and recovery will manifest in forthcoming quarters. We will continue to monitor the situation on the ground across the country and will provide real -time updates to our clients on new and emerging trends, as this situation evolves.

Since the beginning of 2019, JLL Research applies a new grading system and methodology for processing market data to better reflect the market situation. This might subsequently result in some changes in historical data.

VIETNAM’S ECONOMIC BACKDROP

Vietnam's economic growth slows down, due to the impact of Covid-19: Amid the Covid-19 outbreak affecting every socio-economic aspect of all countries globally, Vietnam also faced many challenges. Vietnam's GDP in 2Q20 was estimated to increase by 0.36% over the same period last year, which was the lowest increase of all second quarters in the period of 2011-20. For 1H20, GDP grew 1.81% y-o-y, which was also the lowest increase of all first half in the years 2011-20.

In particular, the service sector achieved the lowest growth rate, 0.57% y-o-y, contributing 14.97% to the overall growth of the economy. Next was the agriculture, forestry and fishery sector, which increased by 1.19% y-o-y, only half the growth rate of the same period last year, as the impact of climate change and the African swine cholera epidemic continues, and the Covid-19 again slowed down the domestic and international consumption. Although the industrial and construction sector grew the highest among the three, nearly 3% y-o-y, this was the lowest increase in the first 6 months of 2011-20 because the outbreak of the Covid-19 epidemic in many countries has affected the source of imported raw materials for industrial production.

Covid-19 outbreak weighs on retail sales and international arrivals: The total retail sales of goods and services in 2Q20 and in 1H20 decreased by 4.6% and 0.8% y-o-y, respectively. In particular, only retail sales of goods achieved positive annual growth due to the abundant supplies, and the increasingly popular of online shopping, especially during the social distancing, helping to meet people’s demand. Whereas, all services revenue from accommodation, food and travel decreased. International visitors to Vietnam amounted to 3.7 million in 1H20, down 55.8% y-o-y.

Figure 1: Real GDP Growth (y-o-y)

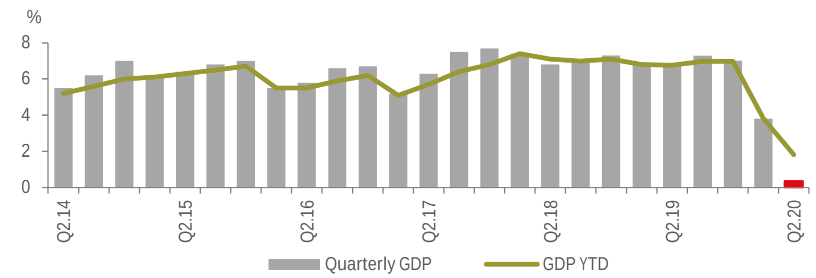


Figure 2: Retail Sales vs. International Arrivals Growth (year-to-date, y-o-y)

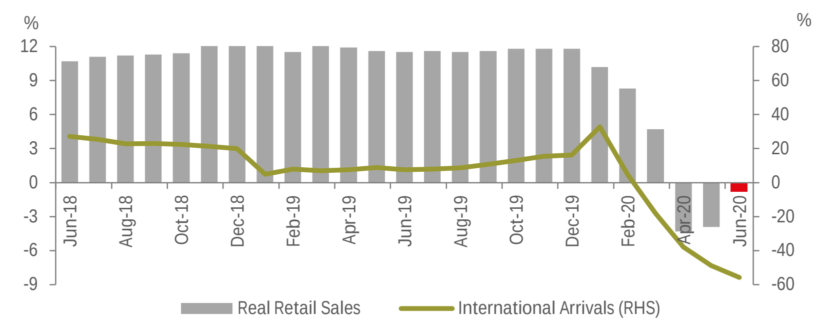
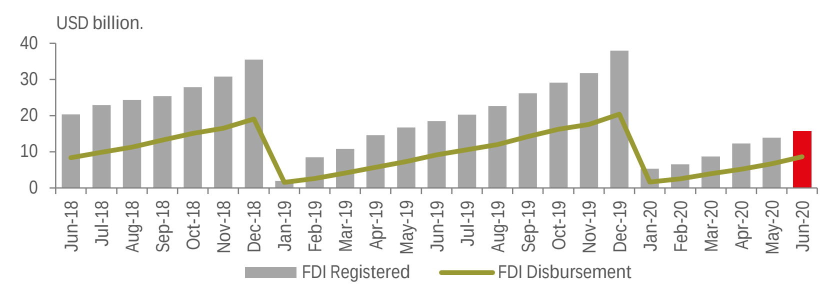


Figure 3: FDI (year-to-date)



Source: General Statistics Office

Vietnam’s FDI falls: The Covid-19 epidemic was keeping investors on the sidelines as to whether to invest or expand businesses in Vietnam. Total foreign investment amounted nearly USD 15.7 billion in 1H20, down 15.1% y-o-y. Of the total, USD 8.5 billion came from newly licensed projects, while those with additional registered capital and those with capital contribution, share purchase totalled USD 3.7 billion and 3.5 billion, respectively.

Of the 18 sectors invested in 1H20, manufacturing industry took the lead of over USD 8 billion, accounting for 51.1% of the total registered investment. Electricity production with USD 3.95 billion ranked in second place, equivalent to 25.2% of the total. This was followed by retail sales and real estate investment with USD 1.08 billion and nearly USD 850 million respectively.

In terms of investment partners, Singapore topped the lead in 1H20 with USD 5.44 billion, accounting for 34.7% of the total investment. Thailand and China followed in the second and third place respectively.

CPI affected by mixed factors: Average CPI of 2Q20 increased by 2.83% y-o-y, but decreased by 1.87% q-o-q. On average CPI increased by 4.19% y-o-y in 1H20, slightly higher than the set target of 4%.

The CPI increased in 1H20 as food prices climbed over the same period last year. Particularly, pork price increased by 68.2% y-o-y, contributing to 2.86% increase in the overall CPI in the same period. Prices of drinking items, cigarettes and ready-made clothes also soared. In the opposite direction, a number of factors contributed to a curb of the CPI growth in 1H20, such as the price of essential commodities such as gasoline, oil, and gas. In addition, the demand for travel and tourism decreased under the influence of Covid-19, resulting in a drop in travel package price, as well as the transportation cost. Besides, the electricity price also dropped under the support of Vietnam Electricity Group during Covid-19 season.

Vietnam's total import-export turnover decreases: The Covid-19 was spreading vigorously among Vietnam's leading trading partners, affecting the country's import and export turnover to some extent. Generally for the first half of 2020, the import and export turnover totalled USD 238.4 billion, down 2.1% y-o-y, of which exports reached USD 121.2 billion, down 1.1% y-o-y; import reached USD 117.2 billion, down 3%y-o-y. However, the country posted a trade surplus of USD 4 billion in 1H20, higher than the same period last year. Some key export items included phones and components, machinery, equipment, spare parts, footwear and textiles. The United States and China were the two largest export markets of Vietnam. Meanwhile, electronics, computers and components, machinery, equipment, spare parts, phones and components were the main imports, and China and South Korea remained the two major import markets.

Newly registered enterprises decreases in both quantity and registered capital: for 1H20 as a whole, Vietnam had more than 62 thousand enterprises registered for new establishment with a total registered capital of VND 697.1 trillion and a total registered labour of 507.2 thousand employees, down 7.3% y-o-y in the number of enterprises, down 19% y-o-y in registered capital and 21.8% y-o-y in the number of employees. The average registered capital of a newly established enterprise in 1H20 reached VND 11.2 billion, down 12.5% y-o-y. By economic sector, only agriculture, forestry and fishery saw the number of newly established enterprises increasing by 14.1% y-o-y, reaching 1,095 enterprises. As for industry and construction sector; and services sector, the number of businesses decreased by 1.8% y-o-y and 9.9% y-o-y, respectively. Particularly, the real estate business had 2,929 enterprises established in the first 6 months, down 27% over the same period last year, and 444 businesses completed dissolution procedures.

Figure 4: CPI – Overall

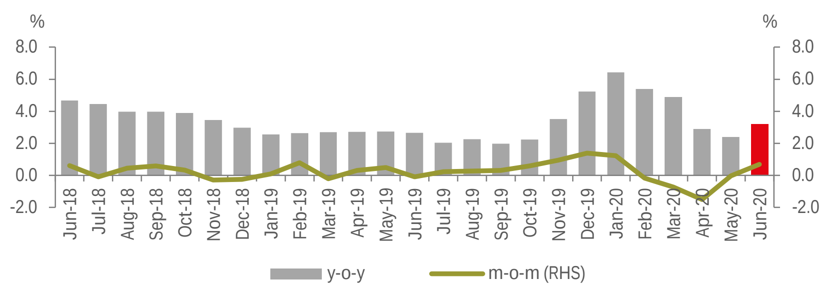


Figure 5: CPI – Housing & Construction Materials

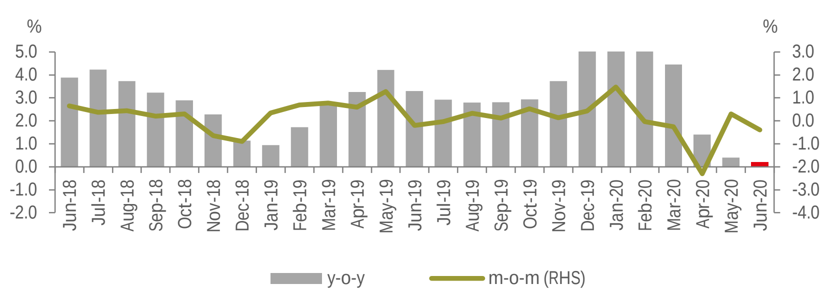
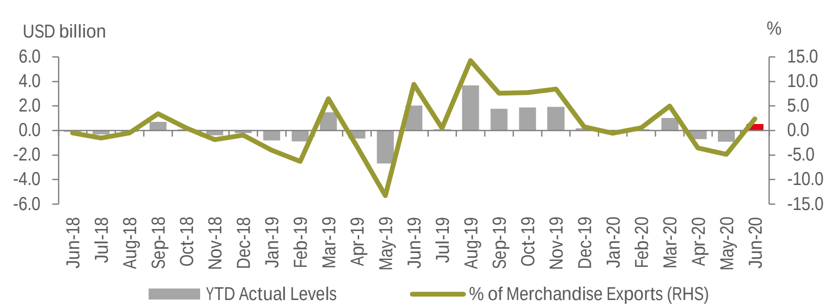


Figure 6: Merchandise Trade Balance



Source: General Statistics Office, General Department of Vietnam Custom

HCMC
Office Market

Rents[1]

USD 30.9

per sqm per month, net on NLA

Rent Growth y-o-y

8.5%

Stage in Rent Cycle

Growth Slowing

One new prime building enters; yet, the market remains tight

Friendship Tower was the only new building entering the market in 2Q20, providing 11,900 sqm of leasable space. In addition, a number of buildings recorded negative net absorption in the quarter as tenants under financial difficulty returned the spaces. The combination resulted in an increase of the overall vacancy in Grade A&B market by 107 bps q-o-q in 2Q20, although the market remained tight with only 8.0% vacant space.

Negative net absorption recorded for the first time in a decade

HCMC's Grade A&B market started to feel the heat with net absorption falling into the negative territory for the first time in a decade, registering minus 3,619 sqm in 2Q20. This was mainly due to small and medium enterprises, who were major sources of tenants in Grade B market, scaling down and early terminating the contracts as a result of the Covid-19 impacts. Grade A sector, albeit more resilient, backed up by deep-pocketed companies, was also under pressure. This was proven by the halting demand from expansion and new set-up during the outbreak.

Rents increase q-o-q as a result of higher rent recorded in renewal transactions

Regardless of lingering economic uncertainty, rental of Grade A&B continued to grow in 2Q20, mainly driven by the higher rent compared to the prvious contractual rents witnessed in renewal transactions, while most landlords offered stablised rents q-o-q for other leasing purposes (e.g. relocation). The market has not recorded much rent adjustment this quarter as landlords seemed to stay confident with the current tight market and limited future supply. However, it should be highlighted that landlords' supports such as rental concessions or flexible negotiation terms, which used to be limited last quarter, were starting to get more prevalent this quarter given the weak take-up under the Covid-19 impact.

Outlook

By end-2020, the market will welcome more than 100,000 sqm of Grade B office, mainly contributed by those in Non-CBD area, bringing the total stock for Grade A&B to 1.5 million sqm.

As the global economy remains uncertain, especially now with the impact of Covid-19, office tenants will take a hard hit with probably those in Grade B&C first, and likely followed by those in Grade A later if the virus is not globally contained soon. Therefore, depending on the pandemic situation, buildings with increasingly large vacancy, especially in lower grades, will likely reconsider their asking rents and leasing strategies to maintain the required occupancy rate.

Figure 7: Office Total Stock

('000 sqm NLA)

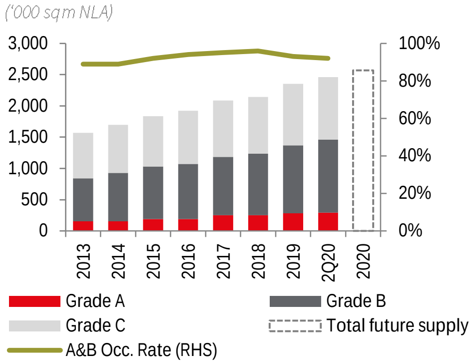
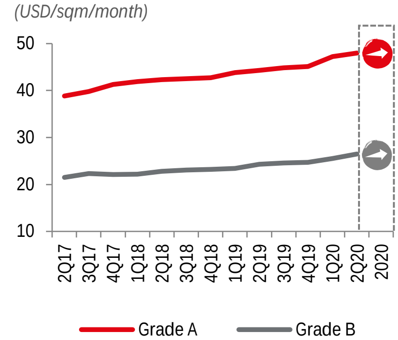


Figure 8: Office Average Rents

(USD/sqm/month)



Note:
[1] Rent value refers to average net rent of the Grade A and B office markets, excluding VAT and service charges.
[2] Flexible space represents a variety of workspaces used by occupiers to increase their portfolio flexibility through short- to medium-term leases.
[3] CBD area refers to District 1. Non-CBD area refers to the rest of the city.
Source: JLL Research

HCMC
Retail Market

Rents [1]

USD 45.0

per sqm per month, gross on GLA

Rent Growth y-o-y

-1.5%

Stage in Rent Cycle

Decline Slowing

New supply delayed as a result of unfavourable market condition

In 2Q20, no new supply was recorded in the retail sector. Under the impact of the pandemic, one shopping mall and one retail podium set to open in 2Q20 had to defer their launching events due to the less-than-expected occupancy achieved under the current market circumstance.

Weak sentiment during Covid-19 pandemic leads to an increase in vacancy

The 'social distance' during first three weeks of April led to the temporary close down of all the malls in HCMC. After this period, most of the malls started to re-operate, however, with more vacant space, especially those shopping malls in city fringe districts as weak leasing demand continued. Therefore, vacancy rate in HCMC shopping malls increased to 30% in 2Q20.

Large-scale tenants including game & entertainment, spa & wellness were struggling to maintain the footfall as the end-users tended to cut their budget for those merchandise and activities, and thus being forced to compress its occupied space. Meanwhile, food and beverage retailers in HCMC seemed more resilient, especially after the partial lockdown, recording a solid increase in leasing inquiries in 2Q20. Unlike expected, a short and partial lock down period in Vietnam has not changed much the dining out habit on the market. It is observed that since social distance was lifted, strong footfall has gradually come back in many restaurants across the city.

Rent remains unchanged q-o-q

The rental remained unchanged q-o-q in 2Q20, staying at USD 79.4 per sqm per month in the CBD and USD 38.5 per sqm per month in the non-CBD area. Some landlords maintained their rental concessions such as rent discount or rent deferment till end-May. Rental policies in almost malls were getting back to normal in June and only those who can afford are quality tenants after all.

Outlook

Nearly 280,000 sqm GFA of retail space are scheduled to open at end-2020; However, this remains uncertain as the weak sentiment in traditional retail sector may affect the opening plan. Although the market is expected to pick up steam again when the situation improves, landlords, especially the domestic ones, should start to consider shifting from their traditional fixed-rent model to base-rent and revenue-sharing concept, to help sharing risks and enhancing the relationship between landlords and tenants. Moreover in the longer term, traditional retail model in Vietnam is expected to restructure the concept and tenant profiles to counter the stagnation happening.

Figure 9: Retail Total Stock

('000 sqm GLA)

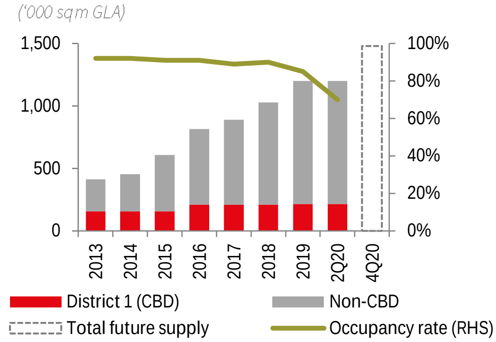
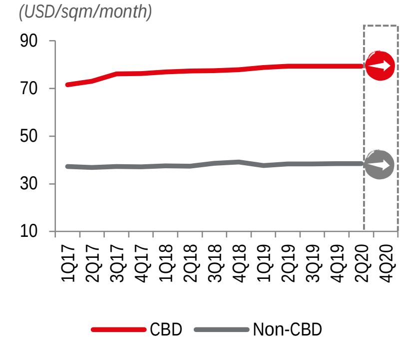


Figure 10: Retail Average Rents

(USD/sqm/month)



Note:
[1] Rent value refers to average gross rent across the city, including service charges but excluding VAT.
[2] CBD area refers to District 1. Non-CBD area refers to the rest of the city.
Source: JLL Research

HCMC
Apartment for Sale Market

Primary Price [1]

USD 2,582

per sqm NFA

Price Growth y-o-y

27.5%

Stage in Price Cycle

Growth Slowing

Supply shows signs of improvement q-o-q

Supply improved remarkably with 3,820 units officially launched, nearly doubling that of 1Q20. 48% of this was contributed by Akari Project in Binh Tan, which managed to sign SPAs for their first phases. However, this number was only a third of the quarterly average during the peak period of 2017-18, as the legal concerns continued to prevail in HCMC real estate market. As bright spots in the quarter, a number of projects in the Eastern areas of HCMC in District 9 and 2 managed to obtain the launching permission. Also, sales events were starting to gain steam since the gathering was allowed again given the virus being well under control in Vietnam.

Affordable and Mid-end segments drove market demand

Take-up in 2Q20 totalled 3,855 units, nearly equivalent to 2Q19 but also doubling that of 1Q20 figures. Most of the sales were made before the outbreak and only managed to sign the Sales and Purchases Agreement (SPA) this quarter. The top performers remained Affordable and Mid-end segments, contributing 83% of the total units sold, most of which were from the owner-occupier demand. For investors, they remained cautious and hesitant in making the investment as although Vietnam has succeeded in containing the Covid-19, worries about financial instability due to lay-offs and pay cuts were still around.

Prices continue their upward trend despite uncertain conditions

In response to the Covid-19, the developers gave out attractive sales policies like price discount and the extension of payment schedule; however, it was noted that the prices were raised up slightly beforehand. This showed the developers' insist on their prices, given the scarcity of supply and the healthy demand from owner occupiers. Most projects recorded a moderate price increase of 1-3% q-o-q as a result. In addition, this quarter saw the entrance of a Luxury project in District 2 (Phase 1 Galleria of Metropoles Thu Thiem), and price increase in some projects reaching their handover (One Verandah, Giai Viet Central Premium), have together raised the average market price, reaching USD 2,582 per sqm in 2Q20, up 27.5% y-o-y and 5.3% q-o-q.

Outlook

The tightening supply is expected to continue with about 15,000-20,000 units scheduled to come online in 2H20, bringing the total number for 2020 up to 20,000-25,000. This is set to fall short of 2017-19 period when there was at least 30,000 units launched as the legal issues and the economic uncertainty remain in place.

Figure 11: Apartment Total Launches [2]

('000 units)

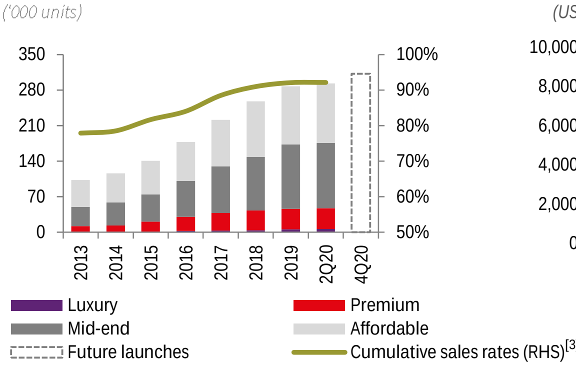
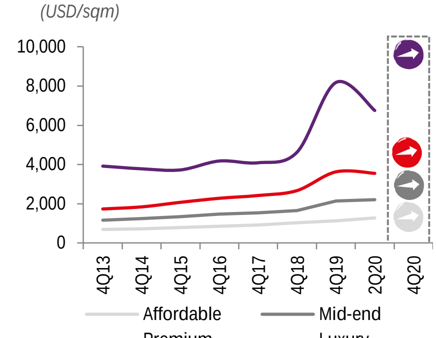


Figure 12: Average Primary Prices

(USD/sqm)



Note:
[1] Prices exclude VAT and sinking fund.
[2] Official launch figures. Projects are considered as officially launched when the Sale Purchase Agreements are signed, typically upon foundation completion.
[3] Sale rate is end-of-period figure.
Source: JLL Research

HCMC
Ready-built Landed property (RBL) Market

Primary Price [1]

USD 5,277

per sqm land

Price Growth y-o-y

35.9%

Stage in Price Cycle

Prices Rising

Supply is pushed up by Manhattan phase of Vinhomes Grand Park

The supply remained limited with the number of units launched this quarter only half of the quarterly average during 2017-18 period; yet it has shown some signs of improvement when recording a 37% increase from 1Q20. Eastern areas of HCMC, where some key infrastructure projects going on, was again a bright spot in 2Q20 with Vinhomes Grand Park, Manhattan phase contributing nearly 65% of units launched, bringing the total to 609 units. Without this project, the supply in 2Q20 was just about the same as the quarterly average seen last year.

Healthy demand continues in the quarter

In line with supply, the total take-up increased by more than 50% from 1Q20, reaching 569 units this quarter and 65% of which came from Manhattan phase of Vinhomes Grand Park. In terms of sales rate, it remained healthy with about 70% of units available on the market taken up. As landed properties tended to locate far from the city centre where there were large land bank available for spacious and green living environment, they mainly attracted buyers for owner occupation. However, some large-scale projects also saw a number of long-term investors who looked to open their own shops, business or simply to keep the assets for capital gain as there was always a strong desire to own properties and land in the perception of Vietnamese people. Most of them had deep pockets and seem to be less affected by the slowing economy.

Prices continue to move higher

Primary prices set another new record high in 2Q20, reaching USD 5,277 per sqm land, up 35.9% y-o-y and 5.2% q-o-q. This was mainly due to the entrance of new projects with higher-than-average price. Owing to the developer's confidence back by the scarity of supply and healthy demand, many developers were seen to keep the prices unchanged over the quarter, or some gave out discounts in the promotion package format after slightly raising the prices. This led to the prices almost stable q-o-q on the project basis.

Outlook

About 1,500 -2,000 units are expected to come online in 2H20, bringing the total units launched in the year up to 2,500-3,000 units, at least 50% more than that was seen in 2019. This is mainly contributed by the large-scale project, Vinhomes Grand Park, which will have another phase to be launched in 3Q20. However, this supply is still lower than the annual average during 2016-18 period as the legal issues still linger on.

Figure 13: RBL Total Launches [2]

('000 units)

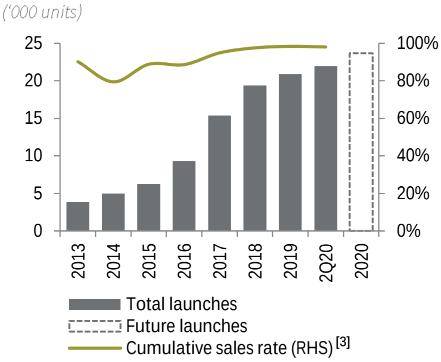
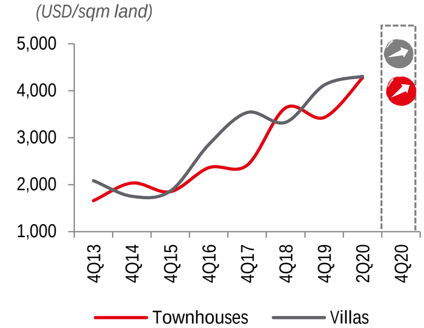


Figure 14: Average Primary Prices

(USD/sqm land)



Note:
[1] Prices exclude VAT and sinking fund. Price per sqm land = total unit value / size of the land plot on which the property is built.
[2] Official launch figures. Projects are considered as officially launched when the Sale Purchase Agreements are signed, typically upon infrastructure completion.
[3] Sale rate is end-of-period figure.
Source: JLL Research

Southern[1] Industrial Market

Land Price

USD 106

per sqm per lease term [3]

Price Growth y-o-y

9.7%

Stage in Price Cycle

Price Rising

Readily available land for occupation is increasingly limited

The South's total leasable land reached 25,045 ha[4] as of 2Q20. Some remaining land in HCMC's existing IPs still in stagnation by difficulties in compensation/site clearance and now further postponed by Covid-19, making such land temporarily unable for launching. The lack of readily available land for occupation was getting more evident since existing IPs were highly occupied supply pipeline timeline remained uncertain, depending on compensation progress..

Albeit strong interest, land acquisition is subdued due to travel restriction

Buoyed by strong fundamentals, Vietnam, with an aim to become a new regional industrial powerhouse, has received strong interest from both investors and manufacturer for industrial property during 1H20. By end of June, Vietnam is amongst the first countries to fully reopen its domestic economy, showing it as a safe destination for potential manufacturing relocation. However, as the outbreak still took hold regionally and globally, limited successful transactions recorded in the quarter. Most are either from domestic enterprises or those had taken place before the outbreak. The average occupancy rate, therefore, increased modestly at 84 bps compared to 1Q20 and reached roughly 84% in 2Q20.

Land price reached new level despite the pandemic

Vietnam still affirmed its position as a favourable location for the manufacturing relocation trend. Although Covid-19 may be causing temporary difficulties in upcoming plans, yet, by the long-term investment strategies, industrial properties in Vietnam remained significantly desirable for investors. This has strengthened IP developers' confidence to put new level for land price in 2Q20 despite the Covid-19's aftermath still lingering, averaged at USD 106 per sqm per lease term in Southern region, up 9.7% y-o-y. RBFs, which aim to attract SMEs and supporting industries in the region, stabilised its rents at USD 3.5-5.0 per sqm per month due to their short leasing term of 3-5 years and the tenants seemed to be more vulnerable under the impact of the outbreak.

Outlook

As pandemic remains the ever-present threat, the modest leasing requirements will likely continue till the end of 2020. The market, however, is expected to quickly rebound as soon as the situation is well under control. Vietnam's success in containing COVID-19, the country's strong market fundamentals, together with the emerging trend of diverse sourcing will promisingly help to push the country to the next level to compete with other countries.

Figure 15: Total Stock and Occupancy Rate

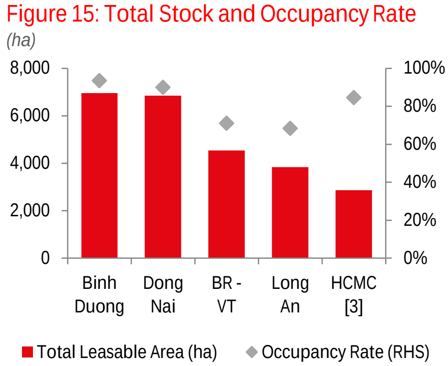
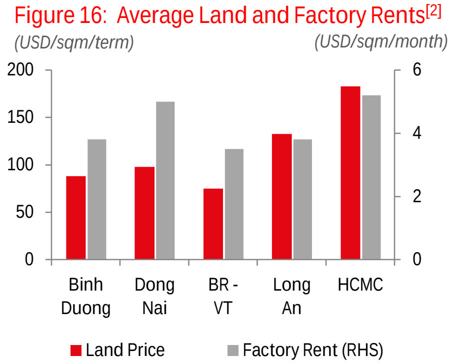


Figure 16: Average Land and Factory Rents[2]



Note:
[1] In this report, Southern industrial market refers to HCMC, Binh Duong, Dong Nai, Ba Ria – Vung Tau and Long An markets only.
[2] Infrastructure maintenance, service fees and VAT are not included in the average land rent. Leasing term is the remaining years.
[3[HCMC total supply excluding Saigon High-tech Park and Quang Trung Software Park owing to their special characteristics.
[4] The total leasable land squeezed down slightly compared to 4Q19 owing to the adjustment in IPs Development master plan of BR-VT.
Source: JLL Research

Hanoi Office Market

Rents[1]

USD 17.9

per sqm per month, net on NLA

Rent Growth y-o-y

1.8%

Stage in Rent Cycle

Growth Slowing

Covid-19 affects the construction progress

As of 2Q20, the total supply of Hanoi office remained at 2.1 million sqm. Following the partial lockdown during April and the lasting impact of the pandemic, the construction progress has been slowed down, resulting in the delay in expected completion date of office buildings across grades.

Negative net absorption recorded

The impact of Covid-19 pandemic was apparent during 2Q20 as negative net absorption was recorded in both Grade A and B. This led to a rise in vacancy rate of 37 bps q-o-q, although the market remained tight with only 7% of space vacant.

Tenants had to either move to locations with lower rents or shrink down their sizes. In addition, not only small and medium businesses were experiencing difficulty, large corporates also became more cautious in their spending as the global market has been affected heavily by the pandemic. As companies looked for alternative options in order to save cost, flexible spaces was put into consideration of many, including multi-national corporates, thanks to its competitive and versatile offerings.

Rental rate stabilises

In 2Q20, the overall Grade A and B average rent remained stable q-o-q, at USD 17.9 per sqm per month. The majority of buildings kept their asking rents constant to maintain the occupancy, while others located in CBD districts were able to raise rents. This was reflected by a slight rental growth of 0.2% q-o-q in Grade A, while Grade B rent stayed stable. However, it should be noted that as the market was facing financial challenges during this period, landlords were more willing to negotiate with tenants.

Outlook

The market is expected to welcome an influx of new supply in 2H20, and the most notable addition is Capital Place in Ba Dinh District. If completed as planned, Capital Place will bring to the market another 92,000 sqm high-quality office space in 2020.

On the demand side, tenants are likely to tighten their budgets and expansion plans might be held off, due to uncertainty in the global economy. Therefore, the growth rate of market rents is expected to slow down in comparison to previous quarters, which may lead to landlords adjusting their leasing strategies in order to stay competitive in the market.

Figure 17: Office Total Stock

('000 sqm NLA)

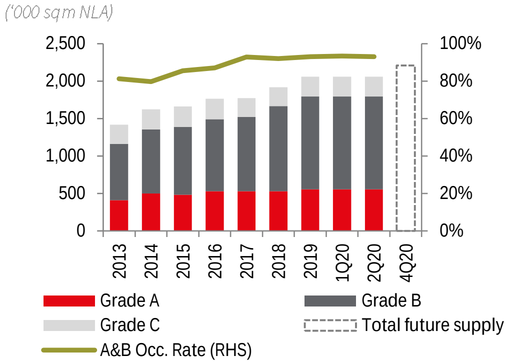
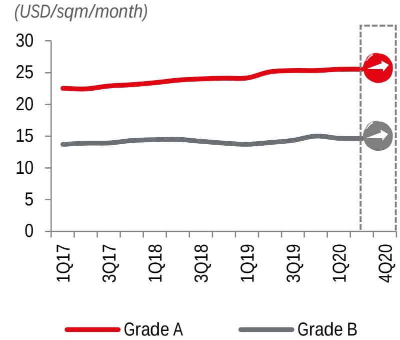


Figure 18: Office Average Rents

(USD/sqm/month)



Note:
[1] Rent refers to average net rent of Grade A and B office markets, excluding VAT and service charges.
[2] CBD area consists of Hoan Kiem (core CBD), Dong Da, Ba Dinh and Hai Ba Trung. Non-CBD area refers to the rest of the city.
Source: JLL Research

Hanoi

Retail Market

Rents[1]

USD 29.3

per sqm per month, gross on GLA

Rent Growth y-o-y

0.1%

Stage in Rent Cycle

Decline Slowing

No change in market supply

No new supply entered the market in 2Q20, keeping the total retail spaces at 1.2 million sqm. As decentralisation trend was carrying on, outer districts such as Thanh Xuan, Long Bien continued to lead the total supply with huge shopping malls such as Vincom Royal City or Aeon Mall.

Vacancy rate continues to increase with negative net absorption

Negative net absorption was recorded in 2Q20, pushing vacancy rate up to 11%, the highest since 4Q18. Lack of viable source of revenue on top of operation costs have forced some tenants to completely shut down their stores, and some large brands had to even close a few inefficient locations, especially during the country's partial lockdown in April. Retail tenants such as home goods, clothing brands also faced challenges during this period as customers were less willing to spend on those merchandises.

However, with the reopening of the country after the epidemic was contained in May, the retail market has showed sign of recovery, as proven by the opening of the long-waited Hadilao brand in Vincom Center Pham Ngoc Thach. Similar to HCMC market, F&B seemed to better rebound after the lock down period.

Rental rate remains the same as last quarter

With the impacts of Covid-19, the average rental rate of Hanoi retail market was kept at USD 29.3 per sqm per month in 2Q20. With regards to special support packages seen in previous quarters, they were becoming less popular when retail activities resumed again in May. However, for tenants that experienced a significant drop in revenue, landlords could extend certain aids on case-by-case basis.

Outlook

Although the pandemic was contained in Vietnam, it is still carrying on in other countries, resulting in high uncertainty in the global market. Moreover, 2H20 is expected to welcome a large supply, including two Vincom Megal malls, Vincom Smart City and Vincom Ocean Park. Therefore, it is unlikely that the rent will be adjusted higher any time soon.

As a trend in the market, where e-commerce is growing quickly while brick-and-motar store is struggling, both landlords and tenants are recommended to opt for omnichannel to better capitalise on the new consumer trends on the market.

Figure 19: Retail Total Stock

('000 sqm GLA)

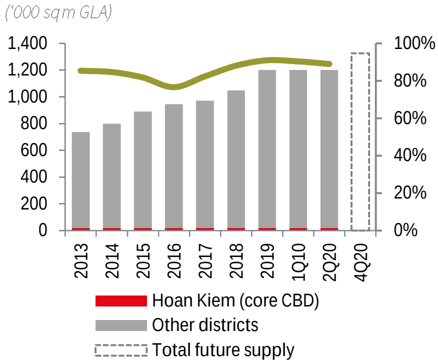
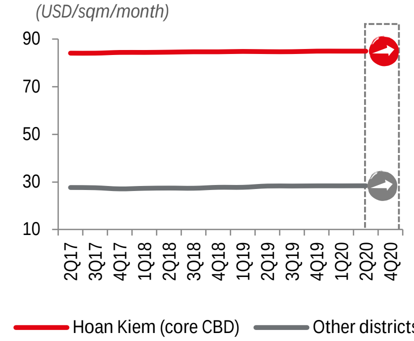


Figure 20: Retail Average Rents

(USD/sqm/month)



Note:
[1] Average gross rent across the city, including service charges but excluding VAT.
[2] CBD area consists of Hoan Kiem (core CBD), Dong Da, Ba Dinh and Hai Ba Trung. Non-CBD area refers to the rest of the city.
Source: JLL Research

Hanoi
Apartment for Sale Market

Primary Price [1]

USD 1,493

per sqm NFA

Price Growth y-o-y

4.9 %

Stage in Price Cycle

Growth Slowing

Supply set a new record low for the last seven years

Only 2,910 units were officially launched on the market in 2Q20, down 36.7% q-o-q, which was also a new low level for the last seven years. While launching activities were expected to pick up after lockdown eased, government's tightening control relating to granting land use rights and construction licences over new developments, that HCMC experienced likewise last year, have dampened the new launches recorded. Subsequently, majority of new launches in the quarter came from subsequent phases of existing projects. Amid Covid-19, developers have paid increasing attention in both sales method and policies. Online sales platforms and more desirable financial packages with notably longer term-payment and zero interest scheme were witnessed in numerous projects. The scheme was widely appreciated on the market, especially by end-users.

Solid sales recorded thanks to resilient demand from owner-occupiers

Sale showed sign of recovery in 2Q20 with total 5,298 units sold, up by 30.6% q-o-q. This figure, however, was still lower than the average quarterly sales **during strong period of 2015-19.** The most remarkable sales recorded in Vinhomes Ocean Park (48.3% of 2Q20 total sales) with a view of Vinpearl Land entertainment complex being added nearby and officially opening of VinUni. Market wide, end-users demand for Affordable and Mid-end products, priced USD 1,200 –USD 1,800 per sqm, remained top performers. Buyers in this segment tend to attract by projects with green concept, reputable developer and having financially support package offered.

Primary market prices resilient while secondary market under pressure

Developers quickly adjusted the prices higher in the wake of loosening lockdown measures, signalling the primary market to remain resilient given the limited supply and sturdy demand from homebuyers. The primary price was stood at USD 1,493 per sqm, up 2.0% q-o-q and 4.9% y-o-y. On a project basis, the primary price grew by 2.8% q-o-q on average. However, secondary price fell 1% q-o-q as leasing market slowed down. Foreign tenants unable to return to the city, has weighed on property owners' confidence, especially those buy-to-let investors.

Outlook

The supply pipeline for the rest of 2020 is expected to vary between 10,000 -15,000 units, of which Affordable and Mid-end sectors continues to be the main contributors. Buy-to-let residential demand will remain lukewarm since less-favourable economic growth and business downscale may affect the hiring and rent budget to a certain extent.

Figure 21: Apartment Total Launches [2]

('000 units)

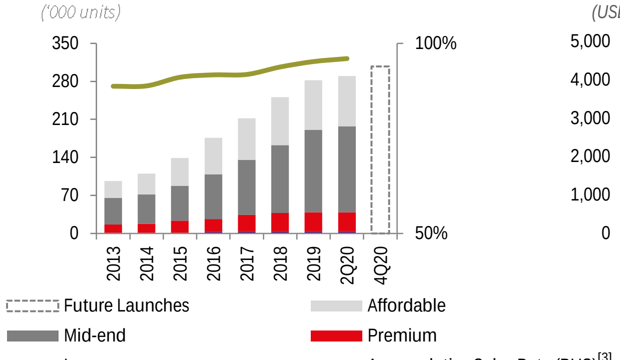
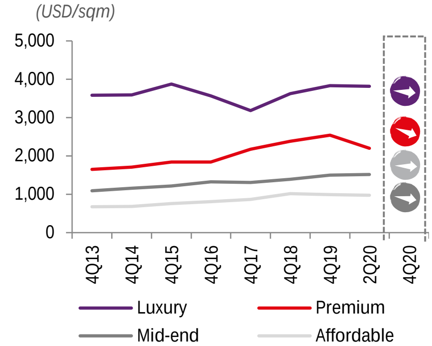


Figure 22: Average Primary Prices

(USD/sqm)



Note:
[1] Prices exclude VAT and sinking fund.
[2] Official launch figures. Projects are considered as officially launched when the Sale Purchase Agreements are signed, typically upon foundation completion.
[3] Sale rate is end-of-period figure.
Source: JLL Research

General Terminology

Chain-linked change

The quarter-on-quarter change in the chain-linked basis illustrates the change in rents or prices in properties that existed in the basket during two consecutive quarters. This is different from the standard spot change series, which is a weighted average of all buildings in the market at that given moment.

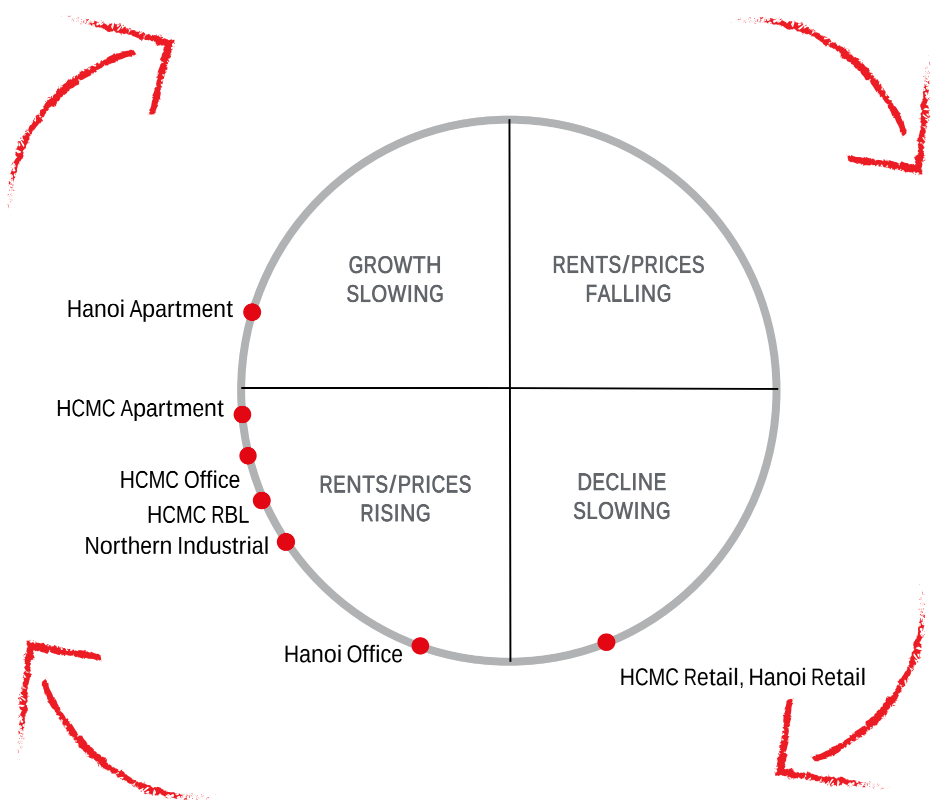
The chain-linked change can be used across time to show more accurately the level of rent growth achieved in a stabilised asset that is acquired and held over that time period.

Property Clock

The clock diagram illustrates where JLL estimates the stage of each property market within its individual rent/price cycle as at the end of the review quarter. Markets can move around the clock at different speeds and directions.

The diagram is a convenient method of comparing the relative position of markets in their rent/price cycle. Their position is not necessarily representative of the investment or development market prospects. Their position refers to the prevailing rent or price trend and its expected movement in the next quarter.

Figure 23: Vietnam Property Clock, 2Q20



Source: JLL Research

Terminology
Office market

Current supply
The total amount of cumulative office space (in NFA terms) that has been completed at a given time.

Future supply
The total amount of office space slated for completion in the future at a given time.

Vacant space
The total amount of available office space that remains to be leased by the property owner(s) at a given time. This excludes space available for sub-lease by tenants (i.e. shadow space), space physically empty but already pre-leased or reserved, and space to be available for lease in the future.

Occupied space
Current supply less vacant space. "Net absorption" refers to the change in the occupied space from quarter to quarter.

Gross floor area (GFA)
The total amount of all covered areas including columns, walls, common passageways, lift, lobbies and toilets.

Net floor area (NFA)
The amount of usable floor areas excluding columns, walls, common passageways, lifts, lobbies and toilets. Net lettable area or net leasable area (NLA) refers to the amount of NFA that is available for lease.

Net rent
The amount of market rent receivable by landlords after deducting outgoings.
Market practices: Net rents may be quoted on an NLA or a GFA basis.

Outgoings
The estimated costs set aside by landlords for building maintenance that are passed on to tenants in the form of service charges or management fees.
Market practices: Service charges/management fees may or may not be quoted separately from net rents.

Gross rent
The total achievable rent to be borne by tenants, including service charges/management fees. Gross rents equal net rents plus outgoings.
Market practices: Gross rents may be quoted on an NLA or a GFA basis.

Capital value
The market value or probable price of a property at a given time from a valuation point of view.

Yield
The percentage return on property investment at a given time from a valuation point of view. It is based on current market rents assuming full occupancy.

Grade A
A Grade A property meets all of the factors in a set of criteria regarding its offerings to a typical sophisticated occupier. These criteria are broadly concerned with the property's overall profile, location, amenities, management standards and technical specifications.

Grade B
A Grade B property meets some of the factors in a set of criteria regarding its offerings to a typical sophisticated occupier. These criteria are broadly concerned with the property's overall profile, location, amenities, management standards and technical specifications.

Grade C
A Grade C property meets a set of criteria regarding its offerings to a typical non-sophisticated occupier. These criteria are broadly concerned with the property's overall profile, location, amenities, management standards and technical specifications.

Terminology
Retail market

Current supply
The total amount of cumulative *modern* (as opposed to traditional) retail space (in GFA terms) that has been completed at a given time. This includes department stores, shopping centres and prime retail space.

Future supply
The total amount of *modern* retail space slated for completion in the future at a given time.

Vacant space
The total amount of available *modern* retail space that remains to be leased by the property owner(s) at a given time. This excludes space available for sub-lease by tenants (i.e. shadow space), space physically empty but already pre-leased or reserved, and space to be available for lease in the future.

Occupied space
Current supply less vacant space. "Net absorption" refers to the change in occupied space from quarter to quarter.

Gross leasable area (GLA)
The total amount of leasable floor areas on which rents and service charges are based, which may include common areas used for foot traffic.

Gross rent
The total achievable rent to be borne by tenants including service charges/management fees but excluding VAT. Rents are calculated by the average rents of leasable area for single tenants in department stores, shopping centres and prime retail space in HCMC.
Market practices: Gross rents in the retail market are usually quoted on NFA basis.

Shopping centre
A shopping centre is a property housing commercial multi-branded rental units/stores/establishments and common areas. It is planned, developed and operated. The property is classified in the hierarchy by function and/or size and by the area served.

Department store
Usually, a multi-level retail property varying in size from one selling a variety of goods to one selling a full range of different lines. A distinctive feature of a department store is that 90% of the space is under a centralised payment system and it stocks a significant amount of cosmetics, fashion and household goods.

Prime retail space
Refers to retail spaces built as part of a mixed-use project. Defined according to the structural/physical qualities of the premises. Location is generally dispersed around the prime area of a city, considered to be retail space built to international standards.

Terminology
Residential market

Commercial apartment for sale or Apartment for sale

The developer-built apartments that are available for sale widely on the market without any restriction on target buyers according to the market mechanism.

According to JLL in-house classification, the Vietnam apartment for sale market is categorised as Luxury, Premium, mid-end and Affordable segments. The detailed classifications are provided on the following page.

Ready-built landed property for sale or Ready-built landed property

The developer-built landed properties that are available for sale widely on the market without any restriction on target buyers according to the market mechanism, where the products comprise the houses on their own grounds. The developers provide a land plot with the necessary infrastructure, and the houses built based on the master plan and the design of the developer.

As per market practices, there are three types of Ready-built landed property, namely villa, townhouse and shophouse. The detailed classifications are provided on the following page.

Current supply

The total amount of supply available for sale, either through the primary market or the secondary market, *regardless of construction status.*

Future supply

The total amount of supply to be launched for sale in the future.

Completed supply

The total amount of supply that has been physically completed and handed over for occupation. Also known as existing supply.

Uncompleted supply

The total amount of supply that has not been physically completed and handed over for occupation. Includes supply under construction and supply planned for construction. Also known as supply in the pipeline.

Primary market

That part of the market comprising first-hand supply available for sale from developers.

Secondary market

That part of the market comprising second-hand supply available for resale from previous buyers.

Launches (Official launches)

The estimated amount of new supply (in units) officially launched for sale during a period. Projects are only considered as officially launched when the Sale Purchase Agreements are signed, typically upon the completion of foundations for the apartment sector and the completion of internal infrastructure according to the project schedule for Ready-built landed property.

Market practices: Many developers choose to launch their projects in phases which may or may not be publicly announced.

Take-up

The estimated amount of supply (in units) sold during a period. Includes sold units from new supply in the period and supply in previous periods.

Market practices: Take-up may comprise units sold via capital contributions or sale and purchase agreements.

Total inventory

The total amount of *unsold* supply that has been launched for sale.

Cumulative sales rate

The percentage between cumulative units sold and cumulative units launched up to the specific time.

Primary asking price

The stock-weighted average asking price in the primary market.

Secondary asking price

The stock-weighted average asking price in the secondary market.

Non-chain-link changes

Q-o-Q and Y-o-Y changes include the effect of supply additions/removals.

Chain-link changes

Q-o-Q and Y-o-Y changes are adjusted to remove the effects of supply additions/removals.

Terminology
Residential market (cont.)

Luxury apartment

A *luxury* property meets *all* of the factors in a set of criteria regarding its offerings to a typical local wealthy household. These criteria are broadly concerned with the property's overall profile, location, facilities, amenities and management standards. A majority of *luxury* properties are located in or near the CBD of the city under review.

Typical price range: > USD 3,500 per sqm, excluding VAT and sinking fund

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Premium apartment

A *premium* property meets some of the factors in a set of criteria regarding its offerings to a typical local wealthy household. These criteria are broadly concerned with the property's overall profile, location, facilities, amenities and management standards. A majority of premium properties are located in new urban areas outside the CBD of the city under review.

Typical price range: USD 2,500–USD 3,500 per sqm, excluding VAT and sinking fund

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Mid-end apartment

A *mid-end* property meets *all* of the factors in a set of criteria regarding its offerings to a typical local middle-class household. These criteria are broadly concerned with the property's overall profile, location, facilities, amenities and management standards. A majority of *mid-end* properties are located within the inner districts of the city under review.

Typical price range: USD 1,200 – USD 2,500 per sqm, excluding VAT and sinking fund

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Affordable apartment

An affordable property meets some of the factors in a set of criteria regarding its offerings to a typical local middle-class household. These criteria are broadly concerned with the property's overall profile, location, facilities, amenities and management standards. A majority of affordable properties are located in the outer districts of the city under review.

Typical price range: < USD 1,200 per sqm, excluding VAT and sinking fund

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Note: The price ranges provided above should not be understood as the sole and utmost criterion based on which projects are assigned grades.

High-end apartment: including Luxury and Premium segments

Low-end apartment: including mid-end and Affordable segments

Villa

A large and luxurious country house on its own grounds, generally having a maximum of three floors. The plot ratio is usually less than 70%, with a focus on a green area.

- Most popular villas are located on 200-300 sqm land plots. Some luxury villa plot areas may reach 500-1,000 sqm.
- The popular construction area/Gross Floor Area (GFA) is about 250-350 sqm while the land plot is large. For that reason, all things equal, the selling price per square metre of land is lower than that of townhouses.
- Typically, there are two types of villa, as shown below:
  - Detached villa: a single villa built on private land
  - Semi-detached villa: a single villa built as one of a pair that shares one common wall; often, each house layout is a mirror image of the other

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Townhouse

A tall, narrow terraced house, generally having three or more floors. The plot ratio is usually more than 70% and is focused on the construction floor area.

- Most popular townhouses have plot areas of 60-100 sqm
- The popular construction area/Gross Floor Area (GFA) is about 150-250 sqm

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Shophouse

A townhouse opening on to the pavement for commercial purposes.

- The construction and design are similar to those of townhouses. The popular construction area/Gross Floor Area (GFA) of shophouses is about 250-400 sqm, with the upper 3-4 floors for living purposes and the ground floor (or middle floor, if applicable) for commercial purposes. It is larger than a townhouse.
- In one project, all things equal, the selling price per square metre of land is higher compared to townhouses because usually, in one project, shophouses have better locations and wider street frontage compared to other landed property units, for commercial purposes.

Note: The product classification provided above should not be understood as the sole and utmost criterion based on which projects are assigned types.

Terminology
Industrial market

Operating IPs or Existing IPs
Industrial parks and processing zones that are officially offered for lease at a given time.

Total leasable land area
The total land area for lease according to the master plan of the whole IP regardless its development status. Total leasable land of an IP at a given time can comprise three types as below:

- Infra-developed land: The leasable land area which has been cleared and implemented internal infrastructures (including internal road, electricity, etc.) by the developer and ready for tenants to occupy.
- Non-infrastructure land: The leasable land area which have been cleared but not yet have internal infrastructures developed. Non-infrastructure land can still be offered for lease yet tenants may have to wait for a while (typically 3-6 months) to be able to occupy.
- Uncompensated land: The leasable land area which has not been compensated at a given time.

Market practices: The developer usually develops an IP in batches, depending on the expected demand on the market which is typically reflected by the number of enquiries the developer received, not the total leasable land area at once.

Total leasable warehouse/ready-built factory area
The total area of leasable warehouse/ready-built factory at a given time.

Vacant space
The total amount of available industrial land area that remains to be leased to tenants at a given time. This excludes space available for sub-lease by tenants (i.e. shadow space), space physically empty but already pre-leased or reserved, and space to be available for lease in the future.

Occupied space
Total leasable area less vacant space. "Net absorption" refers to the change in occupied space from period to period.

Net rent – land area
The amount of market rent applied for leasable land area that is receivable by landlords after deducting outgoings.
Market practices: Net land rent is normally quoted per square metre per lease term.

Lease term
Lease term is the remaining years of the industrial park or the property. In Vietnam, the maximum lease term can be up to 50 years.

Net rent - warehouse/ready-built factory
The amount of market rent applied for leasable warehouse/ready-built factory area that is receivable by landlords after deducting outgoings.
Market practices: Net warehouse rent may be quoted per square metre per month.

Future supply
The total area of future industrial parks and processing zones according to the master plans of provincial authorities.

North Key Economic Zone (NKEZ)
North Key Economic Zone is made up of seven cities/provinces, namely Hanoi, Hai Phong, Bac Ninh, Hai Duong, Hung Yen, Vinh Phuc and Quang Ninh.
In this Property Market Brief, Northern Industrial market refers to Hanoi, Hai Phong, Bac Ninh, Hung Yen and Hai Duong markets only.

Central Key Economic Zone (CKEZ)
Central Key Economic Zone comprises five provinces: Thua Thien Hue, Danang, Quang Nam, Quang Ngai and Binh Dinh provinces.

South Key Economic Zone (SKEZ)
South Key Economic Zone is made up of eight cities/provinces, namely HCMC, Binh Duong, Dong Nai, Long An, Ba Ria-Vung Tau, Binh Phuoc, Tay Ninh and Tien Giang.
In this Property Market Brief, Southern Industrial market refers to HCMC, Binh Duong, Dong Nai, Long An and Ba Ria-Vung Tau markets only.

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