NAI Vietnam

OFFICE SNAPSHOT

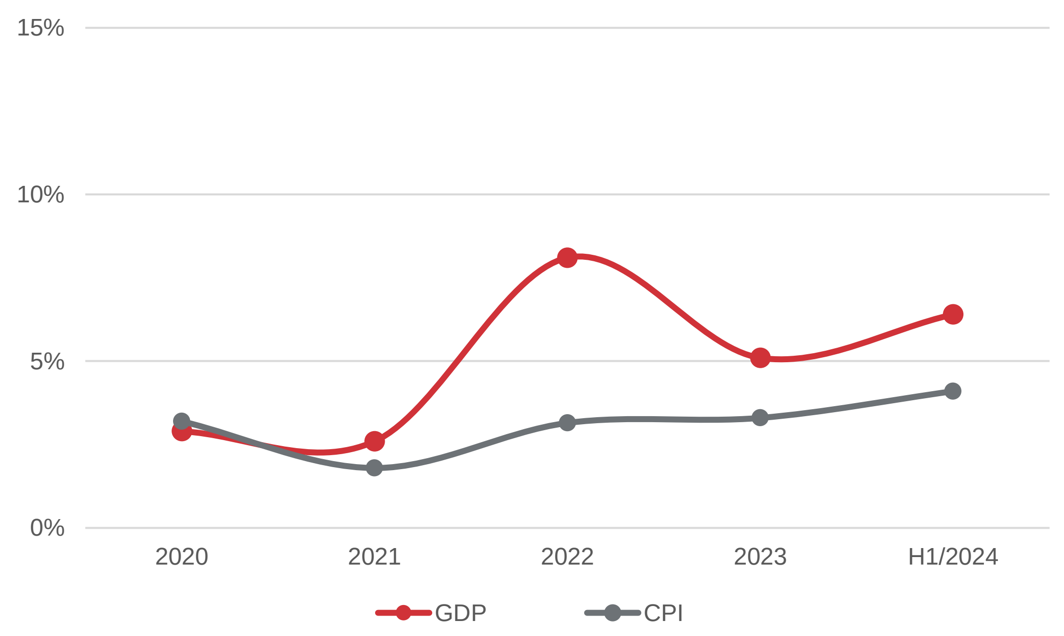
HO CHI MINH CITY Q2/2024

July 2024

VIETNAM MACROECONOMICS

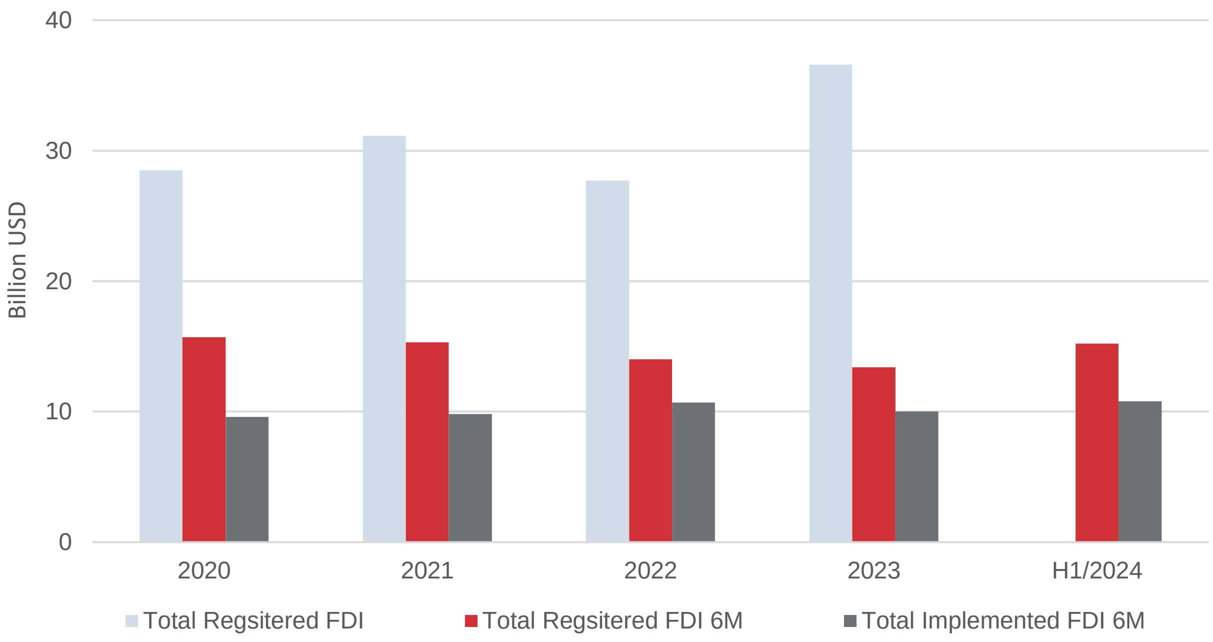
- In H1/2024, **GDP growth** was reported at 6.4% year-on-year (YoY), marking the second-highest growth in the past five years.
- **The Consumer Price Index (CPI)** increased by 4.08%, which is a rise of 0.8 percentage points (ppp) YoY, marking the highest CPI in five years while the core inflation rate increased by 2.8% YoY.
- The country witnessed a 13.4% YoY increase in **registered FDI** and an 8% YoY rise in **implemented FDI** during H1/2024. This marks the highest foreign direct investment in the first half of the year in the past five years. The current top three FDI contributors were Singapore (42.1%), Hong Kong (12.4%), and China (10.6%).

NATIONAL GDP AND CPI GROWTH RATE 2020-H1/2024



Source: NAI Vietnam Research & Commercial Services, GSO

TOTAL FDI TO VIETNAM 2020-H1/2024



Source: NAI Vietnam Research & Commercial Services, General Statistics Office GSO

In Q2/2024, Grade A offices in Ho Chi Minh City enjoyed rent increases and rising occupancy. In the latter half of 2024, office market is seeing growth in Grade B supply, this influx of new projects is expected to heat up competition in the market.

Growth in Grade B Supply

The opening of e.town 6 in Tan Binh District has expanded the Grade A and B office supply in Ho Chi Minh City (HCMC) to 1.67 million square meters (sqm), marking a 2.2% quarter-on-quarter (QoQ) increase. Looking ahead to H2/2024, the market anticipates the arrival of additional Grade B projects in Districts 1, 3, and 7, potentially adding over 52,000 sqm to the existing stock.

Positive Grade A Performance

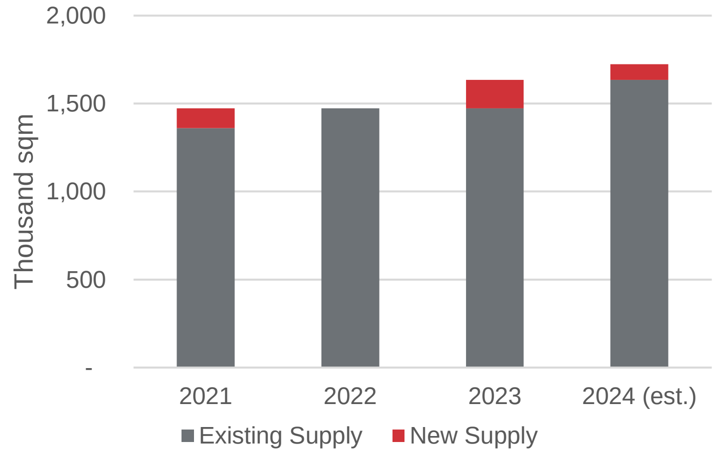
Grade A average rent rate reached USD 59.3/sqm/month, a 1.2% QoQ increase. The occupancy rate is 89.3%, improving by 1.9 percentage points (ppt) QoQ, largely due to limited new supply in the CBD. Notably, in terms of occupancy rate, Grade A buildings in Thu Duc City showed significant improvement one year post-launch. Conversely, Grade B rents experienced a slight 0.6% QoQ decrease at USD 35.2/sqm/month, while occupancy rates at 90.8% increased by 1.3 ppt YoY but dipped by 1.4 ppt QoQ, primarily attributed to the introduction of non-CBD supply.

Outlook

The anticipated increase in Grade B supply during H2/2024 is expected to intensify competition within this segment. Given the current economic situation, landlords in this category may adopt more flexible pricing policies and offer incentives to attract tenants. Furthermore, to meet the strong demand for green office spaces in HCMC there's a trend of older Grade A and B buildings undergoing renovations to obtain green certifications.

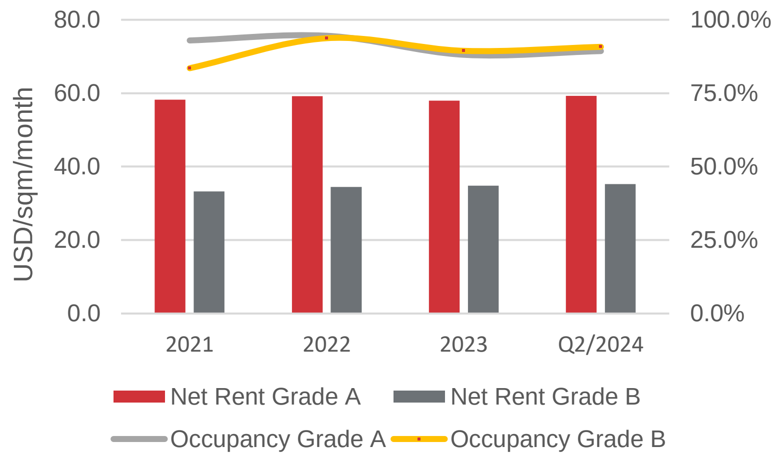
Note: All rents are inclusive of Service Charge (SC), but exclusive of VAT, 1 USD = 25,200 VND

HISTORICAL & FUTURE SUPPLY OF GRADE A & B OFFICE



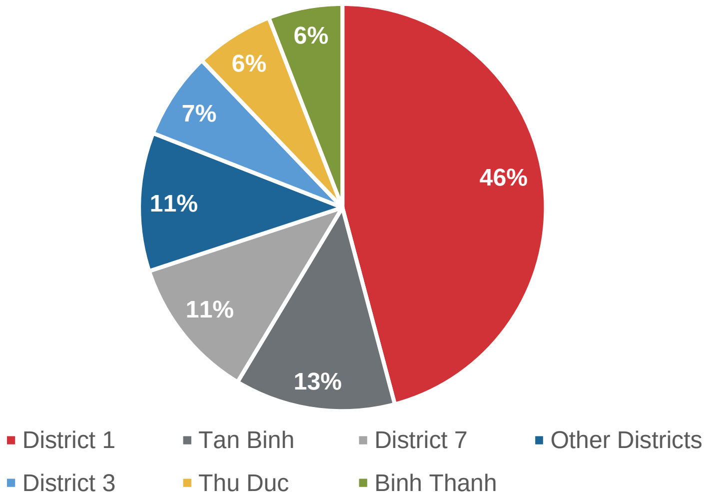
Source: NAI Vietnam Research & Commercial Services

GRADE A & B OFFICE PERFORMANCE



Source: NAI Vietnam Research & Commercial Services

GRADE A & B OFFICE SUPPLY BY KEY DISTRICTS



Source: NAI Vietnam Research & Commercial Services

Thank you

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