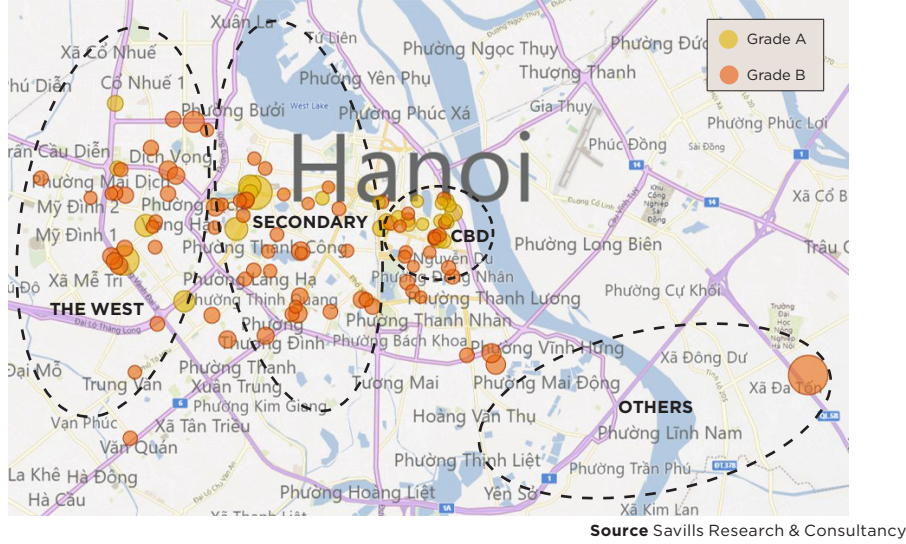


Ha Noi Offices

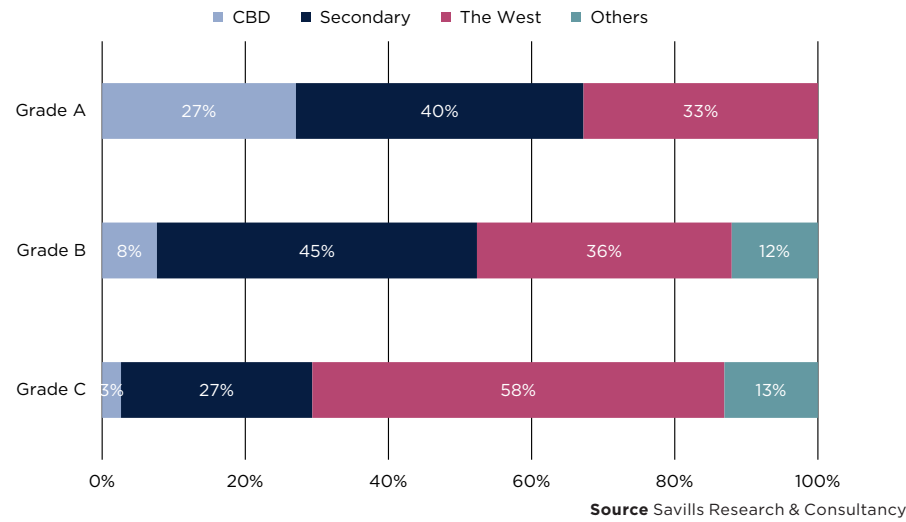


Ha Noi offices remain resilient

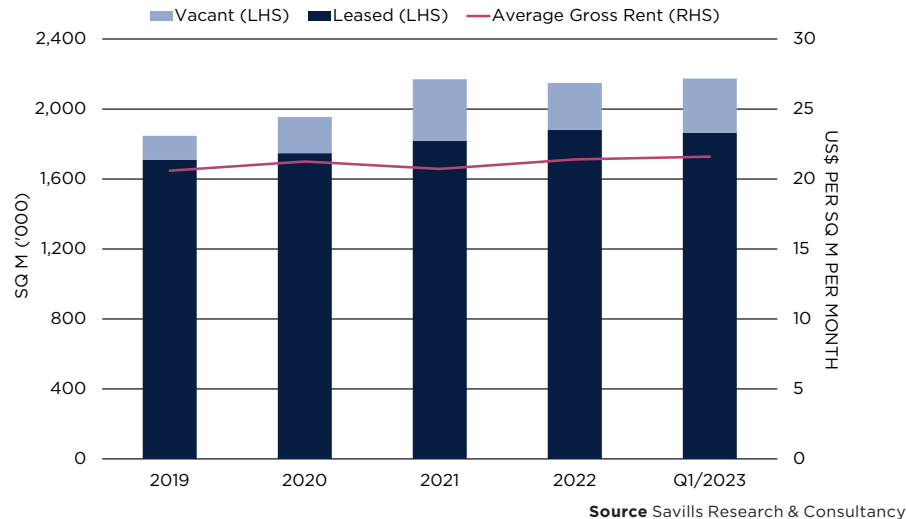
MAP 1: Grade A & B Stock in Ha Noi



GRAPH 1: Office Stock by Grade and Location, Q1/2023



GRAPH 2: Market Performance, 2019 to Q1/2023



ECONOMY

Ha Noi's GDP growth improved by 5.8% YoY in Q1/2023, higher than the national average of 3.3% YoY. Industry and construction expanded by 2.4% YoY, and services saw robust growth of 7.4% YoY. Administration and services recorded the greatest increase at 35.1% YoY, followed by finance, banking, and insurance at 9.7% YoY, real estate at 9.4% YoY while warehousing and transportation increased by 6.9% YoY.

In Q1/2023, foreign direct investment (FDI) into Ha Noi increased by 260% YoY to US\$1.71 billion, which is approximately equal to total FDI in 2022. Distribution, construction, information technology, telecommunications, and manufacturing received the largest investment. The influx and expansion of foreign businesses in Viet Nam will almost certainly stimulate office demand and further investor interest.

SUPPLY

Thirty-six new office buildings have been completed since 2019. By Q1/2023, stock reached 2.17 million sq m net leasable area (NLA), increasing by 4% per annum since 2019; Grades A and B increased by 5% per annum and Grade C trailed at 2% per annum.

With seven projects or a 40% share, the Secondary area had the greatest Grade A stock while The West contributed a 33% share from five projects, and the CBD had a 27% share from 15 projects.

By the end of 2023, office stock is expected to reach 2.24 million sq m NLA. By 2025, 12 new projects totalling 265,370 sq m are expected. Starlake in the Secondary area is expected to have a 30% share or 80,900 sq m.

PERFORMANCE

Despite Viet Nam's sound domestic performance, fear of recession and global layoffs have meant businesses are cutting costs and reducing office expenditure. Consequently, occupancy is expected to drop in Ha Noi in the short term. In Q1/2023, occupancy fell by 2 ppts QoQ to 86%; 309,400 sq m are vacant. Grade A occupancy decreased 3 ppts QoQ to 80%, while Grade B fell by 1 ppt QoQ to 86%.

Despite challenges, the average gross Grade A rent reached US\$34.6 per sq m per month, increasing by 4.1% QoQ. Market rent has increased by 2% per annum since 2019. Ha Noi is regionally competitive and has seen significant development, like Singapore, Seoul, and Taiwan. However,

rents are highly competitive compared to these markets; the Grade A rent in Seoul reached US\$96 per sq m, Singapore stands at US\$100 per sq m, while Hong Kong has the highest rent at US\$209 per sq m.

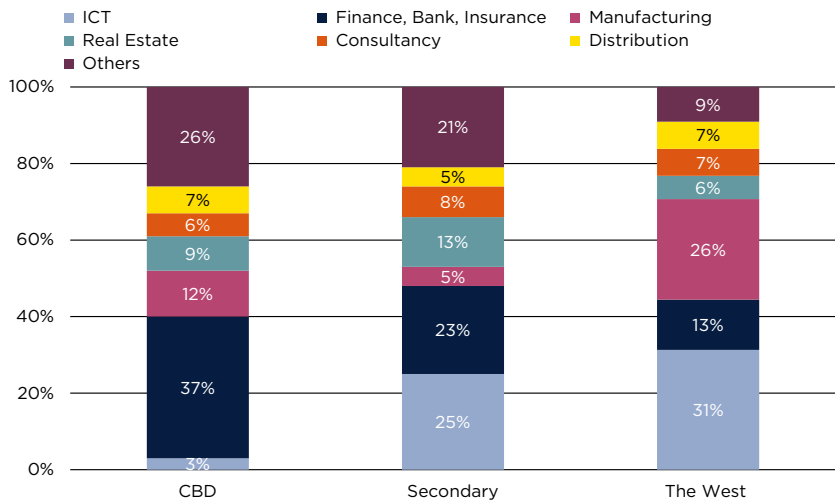
Increased supply and slowed leasing activity have meant tenants can leverage their bargaining power to secure favourable deals. Several landlords offer short-term discounts and other incentives to retain their tenants. However, this is occurring amid inflation concerns and escalating business expenses.

DEMAND

Manufacturing, IT, and finance, banking, and insurance tenants lead office demand.

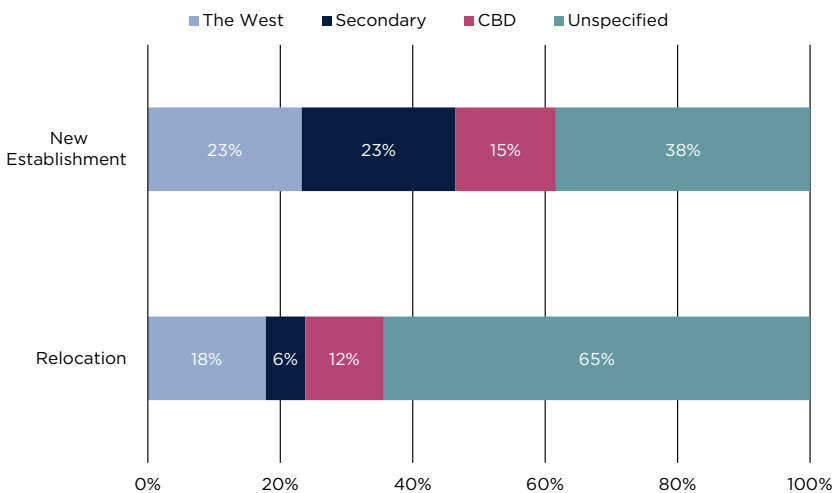
Sustainability is a key element in commercial real estate and investors and developers are integrating ESG principles to maximise their potential tenant pool. Adopting ESG practices supports risk management, enhances transparency and can reduce costs and drive future revenue.

GRAPH 3: Leased Area by Industry and Location, Q1/2023



Source Savills Research & Consultancy

GRAPH 4: Preferred Location by Purpose, Q1/2023



Source Savills Research & Consultancy

They have high technical requirements for their offices, which creates a clear distinction between old and new office developments. Old Grade A properties that have not been upgraded or renovated may have to offer reduced rents and could be downgraded. To meet exacting standards, newer office developments deliver innovative designs and high-tech solutions like energy-efficient systems, flexible floor plans, advanced security systems, and integrated technology infrastructure. Modern offices increasingly prioritise sustainability and human wellbeing with green certifications and amenities like green spaces, fitness centres, and communal areas. Older properties must renovate to remain competitive.

The CBD is home to many finance, insurance, and real estate (FIRE) enterprises; however, the Secondary area is increasingly popular with these tenants, given its high-quality buildings and competitive prices. Capital Place and Lotte Center Ha Noi were popular for relocation and establishment deals. When relocating, banks follow their corporate clients and consolidate into a single office; ICT companies require modern buildings with high technical specifications; consulting firms are leaving the CBD for newer buildings in the Secondary area; embassies and administrative offices have moved to newer buildings in the Secondary area with high technical, security and safety standards.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE (ESG)

Workspaces must now cater to health, flexibility, sustainability, productivity, and collaboration. In Ha Noi, seven new green-certified office projects are expected by

2025, which will bump green stock to 276,000 sq m. However, increased scrutiny around ESG and sustainability has prolonged the leasing process to as long as a year. Although leasing is expected to be more active in 2023, transactions will be lengthier.

LEASE-TERMS

Most leases (62%) are five-year agreements and 25% are three-year contracts. Tenant size has the greatest impact on lease duration; smaller tenants (below 500 sq m) like NGOs and consulting firms prefer three-year leases, while larger tenants

(>500 sq m) generally opt for five-year leases to account for asset depreciation.

Incentives vary but are mostly rent-free fit-outs of one to three months. Rent increases also vary and include increases of 3% or 5% per year, fixed rent for the first two years then an increase from year three of 3% to 10%, or a fixed rent. For five-year leases, increases average 3% to 5% per year with a review at the end of the section year; the revision is capped at 10% to 15%. The Viet Nam Dong to US dollar exchange is subject to the Viet Nam Commercial Joint Stock Bank (VCB) selling rate. The utilised exchange rate is the

prevailing VND rate at the time the lease is signed or when the rent is reviewed. Most contracts are negotiated in US dollars; however, payment is made in Viet Nam Dong. For three-year leases, rent is fixed in VND for the first two years and is subject to review at the start of the third year.



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