



KIRIN CAPITAL

Know Vietnam, Long Vietnam

VIETNAM REAL ESTATE MARKET REPORT Q1/2023

KCREF – Kirin Capital Real Estate Fund

KIRIN CAPITAL INVESTMENT & DEVELOPMENT JOINT STOCK COMPANY

REPORT Q1/2023



THỊ TRƯỜNG

BDS

2023



-  1. VIETNAM ECONOMY OVERVIEW
-  2. REAL ESTATE MARKET SUMMARY
-  3. HOUSING MARKET MOVEMENTS
-  4. OTHER SEGMENTS
-  5. CONCLUSION AND FORECAST

01

**VIETNAM ECONOMY
OVERVIEW Q1/2023**



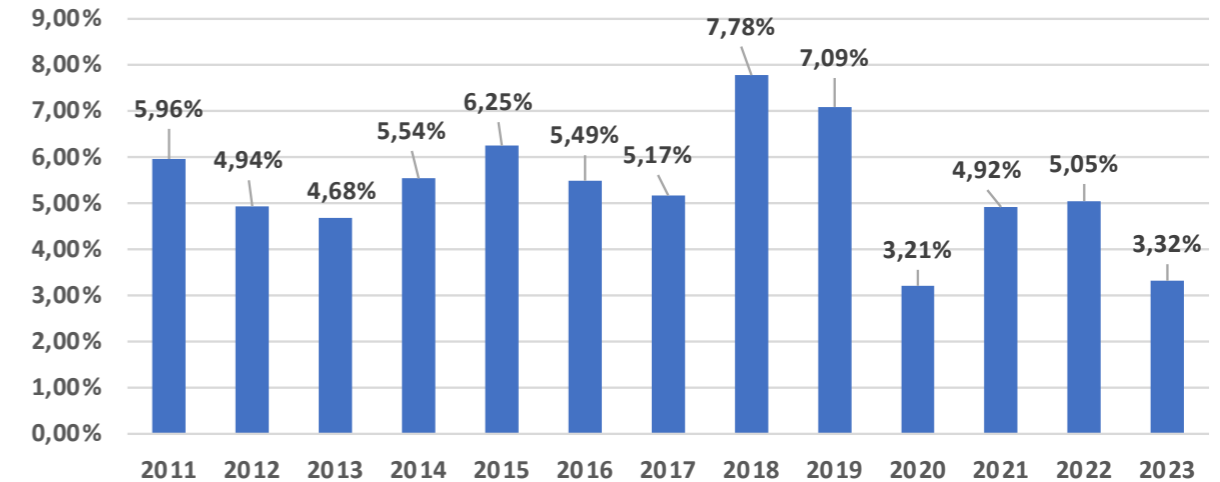
Vietnam Economy Overview Q1/2023

- **GDP in the first quarter of 2023** was estimated to increase by 3.32% over the same period last year, only higher than the growth rate of 3.21% in the first quarter of 2020 (the year of the Covid epidemic). Thanks to effective policies to stimulate domestic consumption, finance, transportation, wholesale and retail activities have a large growth rate. Promotion activities, promoting Vietnam's tourism were promoted, the tourism industry recovered strongly and contributed to the increase in total added value of the first quarter of 2023.

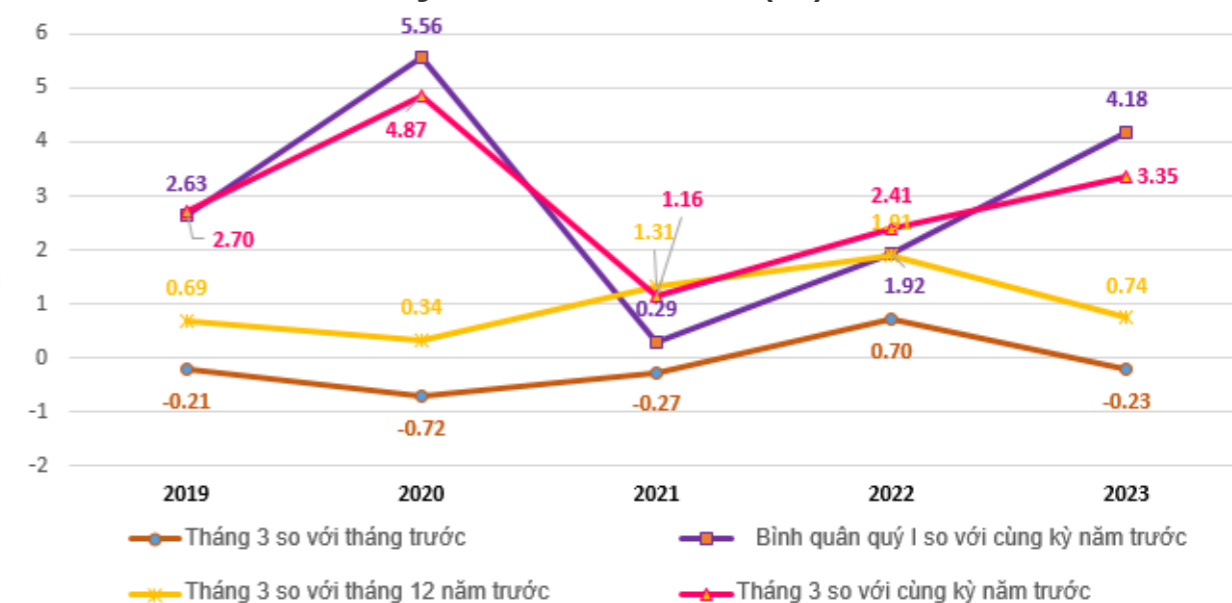
- **Average CPI in the first quarter of 2023** increased by 4.18% over the same period last year. CPI in March 2023 decreased by 0.23% compared to the previous month and increased by 3.35% compared to the same period in 2022. The main reason came from the increase in prices of housing and construction materials, in addition to the price of construction materials. Food items increased mainly due to increased consumer demand during the Lunar New Year.

- **Foreign investment capital** registered in Vietnam as of March 20, 2023 including newly registered capital, adjusted registered capital and estimated value of capital contribution and share purchase by foreign investors, reached 5.45 billion USD, down 38.8% over the same period last year. Realized foreign direct investment capital in Vietnam was estimated at \$4.32 billion, down 2.2% over the same period last year.

Vietnam's GDP growth in the first quarter of the years



CPI growth/decrease rate in March and first quarter of the years 2019-2023 (%)

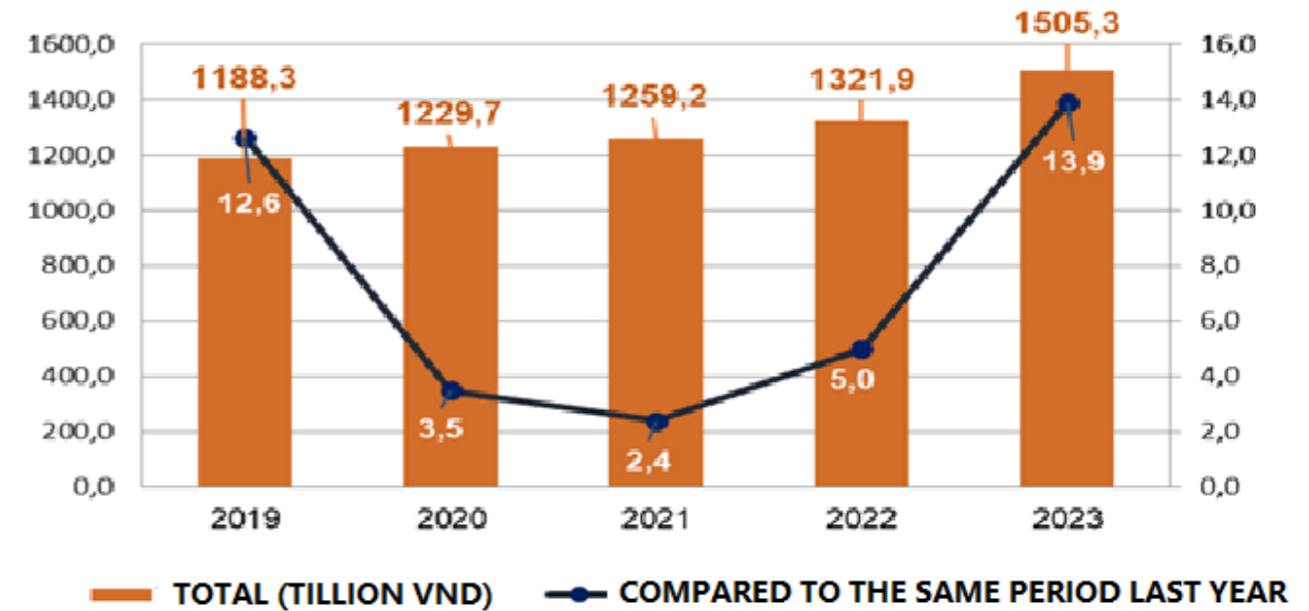


Vietnam Economy Overview Q1/2023

- **Retail sales:** Total retail sales of consumer goods and services in the first quarter of 2023 was estimated at VND 1,505,300 billion (US\$63.78 billion), up 13.9% over the same period last year. In March 2023, the total retail sales of consumer goods and services was estimated at \$21.24 billion, up 2.0% over the previous month and up 13.4% over the same period last year.

- **International visitors** to Vietnam in the first quarter of 2023 were estimated at nearly 2,699.5 thousand arrivals, an increase of 29.7 times over the same period last year. In March 2023, international visitors to our country reached 895.4 thousand arrivals, down 4% compared to the previous month and 21.5 times higher than the same period last year.

Total retail sales of consumer goods and services in the first quarter of 2019-2023



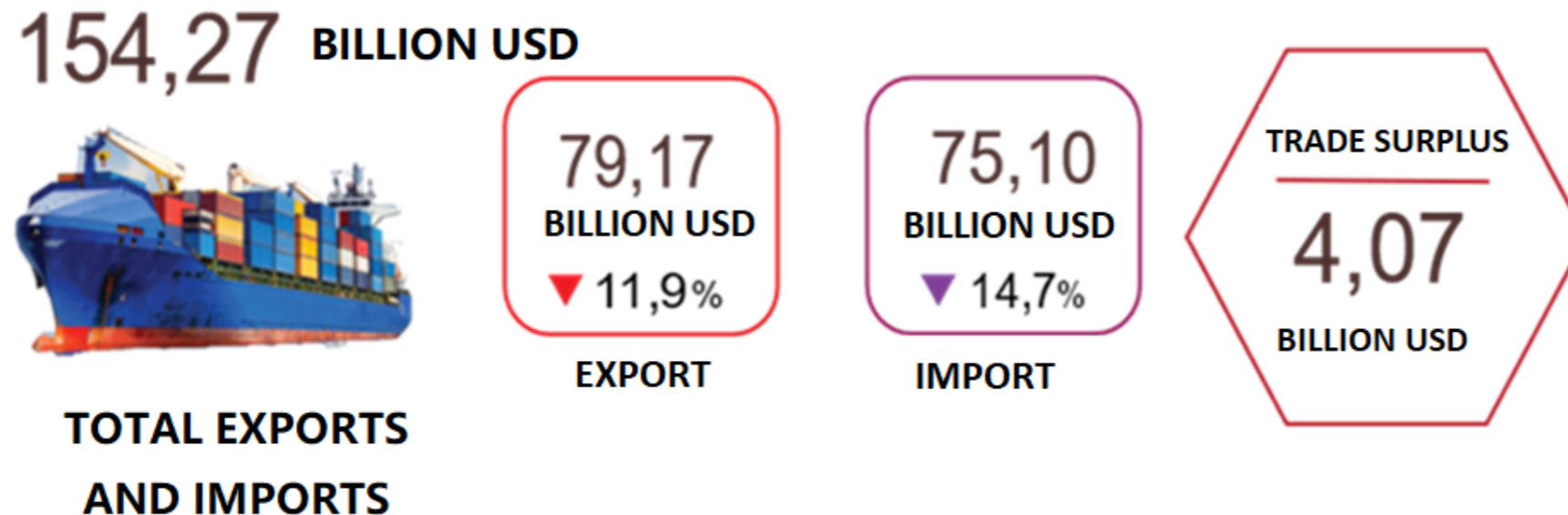
Khách quốc tế đến Việt Nam



Phân theo vùng lãnh thổ (Nghìn lượt người)



- **Export turnover** in the first quarter of 2023 was estimated at 79.17 billion USD, down 11.9% over the same period last year. In March 2023, export turnover reached 29.57 billion USD, up 13.5% over the previous month and down 13.18% over the same period last year.
- **Import turnover** in the first quarter of 2023 was estimated at 75.10 billion USD, down 14.7% over the same period last year. In March 2023, import turnover reached 28.92 billion USD, up 24.4% over the previous month and down 11.48% over the same period last year.
- **Merchandise trade balance** in the first quarter of 2023 was estimated to have a trade surplus of US\$ 4.07 billion (in the same period last year, a trade surplus of US\$ 1.9 billion); in which the trade surplus of a number of items is: Phones of all kinds and components at 11.04 billion USD; wood and wood products 2.39 billion USD; seafood 1.08 billion USD; other machinery, equipment, tools and spare parts 763 million USD; vegetables and fruits 501 million USD.




02

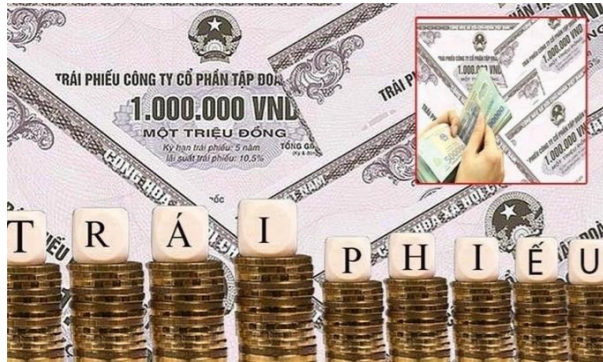
**VIETNAM REAL
ESTATE MARKET
SUMMARY Q1/2023**



Vietnam Real Estate Market Summary Q1/2023

- In the first quarter of 2023, the market continued to be in a quiet state, with no signs of recovery. However, there were still positive signs of supply and transactions in a number of apartment projects with favourable locations, invested by reputable investors and with good handover quality.
- Real estate businesses, brokers, customers and investors together press the “wait button”.
- The whole market "holds its breath", is not completely "immovable", but is always in a state of "listening", "waiting" for every move from the Government.
- In the last two months of the quarter, the market received positive signals from the issuance of Decree 08/2023/ND-CP, Resolution 33/NQ-CP, information about 120 trillion VND credit package of commercial banks, 5 interest rate reduction decisions of the State Bank and information on amending and supplementing Circular No. 16/2021/TT-NHNN
- The solutions to "troubleshoot" the market show the Government's determination to accompany real estate businesses. Add more confidence to businesses and individuals participating in the market.
- However, new solutions are promoting at the "mental reassurance" stage. Not enough penetration and force to become leverage, creating a push for the market to "bounce".
- New laws and sub-law documents such as decrees and circulars have not yet been promulgated, leading to the inability to thoroughly remove barriers.
- The market has positive signals but no concrete results, not really getting out of difficulties and depressions settle. Many businesses are still struggling, facing crisis and bankruptcy.
- The concept of "saving yourself", "overcoming difficulties together" is gradually replacing the "waiting for rescue" mentality of businesses.
- The market still has a phase difference in both segments: High-end and Affordable





▪ **Bond issuance activities after Decree 08/2023/ND-CP was issued**

- In the first half of March 2023, 6 real estate companies issued individual corporate bonds with a value of nearly 19,000 billion VND, accounting for 80% of the total issued value (According to information disclosure of HNX)
- Some businesses have negotiated with bondholders to adjust terms and interest rates. Some businesses have successfully negotiated to help them have more time to process cash flow, thereby ensuring the interests of customers and investors.



▪ **The move to reduce interest rates of banks after the news of the 120 trillion dong package.**

- At the end of the first quarter of 2023, after agreeing on a credit package of VND 120 trillion, banks simultaneously took action to reduce interest rates.
- The average new lending interest rate has decreased by about 0.43%/year (compared to the end of 2022) and about 22 commercial banks have reduced the average lending interest rate.
- Interest rates after reduction of banks range from 10%-10.9%. This is still not a really attractive interest rate. But it also shows the move of "talking and doing" of banks.

- The period to enjoy the preferential interest rate is quite short, only from 6 months to 1 year.

▪ **The move on project approval**

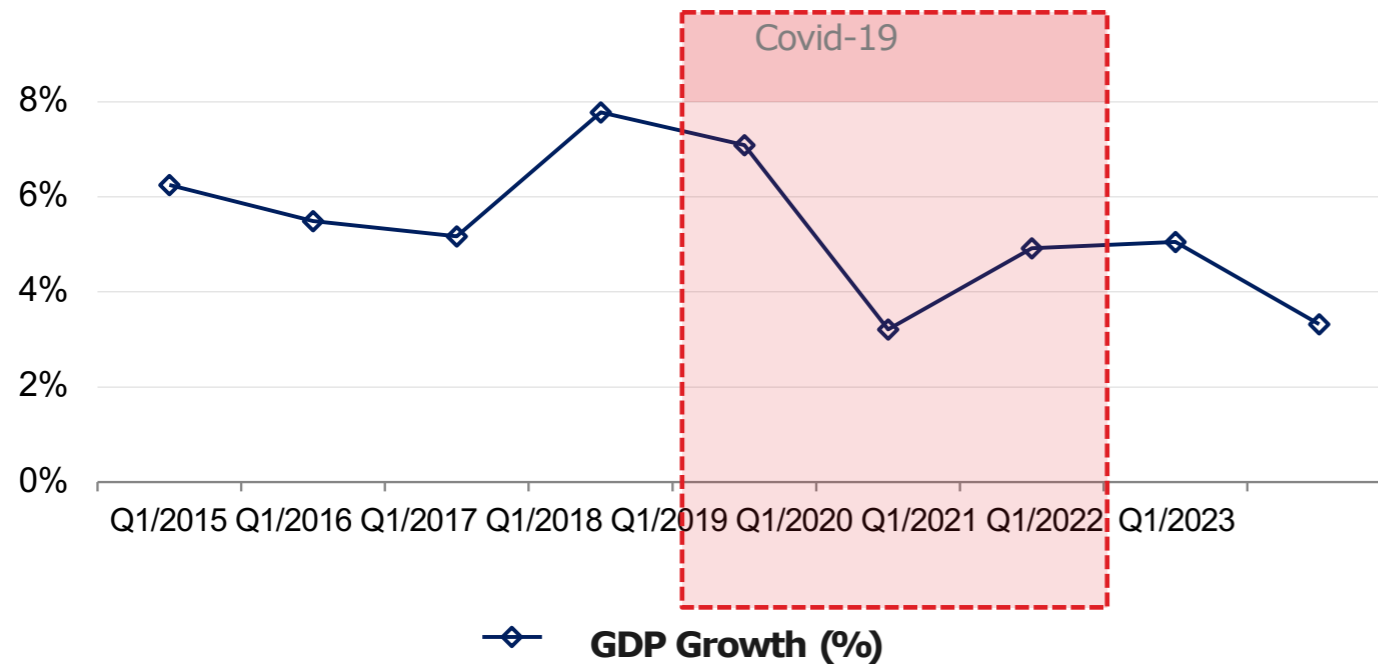
- There are positive signs.
- Some localities have reviewed and approved the project to put it into operation in the near future.



➤ **The market recorded positive developments after new mechanisms and policies were issued. This partly shows the practical effects of mechanisms and policies.**

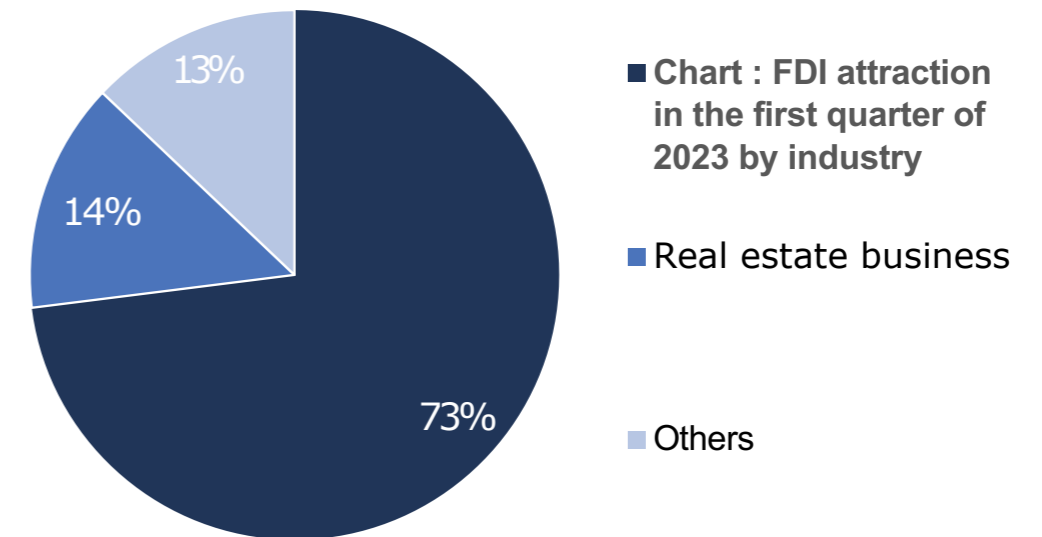
Impact Factors On The Real Estate Market

Chart: GDP growth in the first quarter over the years (%)



Source: GSO

Chart : FDI attraction in the first quarter of 2023 by industry



Nguồn MPI

- GDP in the first quarter of 2023 was estimated to increase by 3.32% over the same period last year, only higher than the growth rate of 3.21% in the first quarter of 2020 during the period.2011-2023.
- This is not a high growth rate, but it is a positive and remarkable result when the economic growth of many countries in the region and the world is at a very low level or in decline.
- Real estate business ranked second in attracting FDI, with a total investment capital of nearly 766 million USD, accounting for nearly 14.1% of total registered investment capital.

WORLD ECONOMY

- At the beginning of 2023, China's reopening will increase market demand, creating a boost for global growth.
- According to BIDV Training and Research Institute, the drastic opening of China could help Vietnam's GDP increase by about 1.8%/year and CPI by 0.2%/year in 2023 and 2024.
- The tourism - import-export trade - real estate sectors for foreigners have the opportunity to receive large capital flows from China.
- Silicon Valley Bank (SVB), 16th largest bank in The US bankruptcy declaration did not affect Vietnam's economy but had a negative impact on stock investor sentiment. Accordingly, the real estate market has many opportunities to attract investment capital flows.

LEGAL CORRECTION

Positive

- Legal problems are in disassembly and finishing process.
- The Government has issued a series of directives, directives, public notices, decrees... to remove difficulties and promote the healthy and sustainable development of the real estate market in Vietnam; restore investor confidence.
- The Government's views and direction are increasingly closely following the current situation of problems that create difficulties, obstacles and deviations of the current market.

Affect

- Problems in bidding and approving investment procedures create barriers in investor selection. Especially investors in social housing projects.
- The implementation of investment policies to develop social housing projects, housing for workers is not really effective as expected.

INVESTMENT FROM GOVERNMENT

- As of the first quarter of 2023, the realized investment capital of the whole society increased by 3.7% over the same period last year, of which the capital of the State sector increased by 11.5%, showing the determination and efforts of the Government in drastically promoting the implementation of public investment capital from the first months of the year to create a driving force to promote economy
- The policy of promoting disbursement of public investment, in which the group of infrastructure projects accounts for a large proportion, will create many economic zones, tourism, urban areas,... which will lead to demand for housing, accommodation, resorts, services, offices,... Especially the industrial real estate segment in the trend of shifting industrial facilities of multinational corporations in the world.
- Through a support package of VND 350 trillion, the driving force for social housing development.

FINANCE

- Degree No. 08/2023/ND-CP of supplements regulations allowing enterprises to negotiate with bondholders to pay principal and interest of bonds due with assets. Together with Resolution 33 – the premise for many other supportive policies, reducing bond maturity pressure on investors in the short.
- In March 2023, the State Bank lowered the interest rate twice, on March 16, 2023 when the interest rate was from 0.5% - 1%, then on March 31, 2023 continued to lower the interest rate from 0.3% - 0.5% some operating interest rates. Creating conditions for joint stock commercial banks to lower deposit rates and lending rates will decrease from 1% to 1.5% from the second quarter of 2023.

03

MOVEMENTS OF HOUSING MARKET





SUPPLY

- There has been no improvement. Most of the projects are still in the legal completion stage and have not yet been granted an official license to open for sale.
- A few rare investors have goods but are not ready to sell because they are afraid that the market will not be good, which will affect sales results.
- The supply in the market mainly comes from the projects that have been opened for sale before, continuing to open for sale in the next stages.
- The supply of social housing has not yet improved.

DEMAND

- The demand to buy houses decreased because people's incomes were affected. Meanwhile, the supply in the market is mainly high-end products, the prices are too high compared to people's financial ability.
- Demand for housing, especially in big cities like Ho Chi Minh City and Hanoi, has increased due to house prices and high interest rates.
- Investment demand has increased in some regions where public investment is being promoted, and key infrastructure projects in the region have started.

PRICE

- The average selling price of projects remained largely unchanged from the previous quarter.
- Selling prices on the secondary market dropped sharply, with some projects dropping by 15%-20%. Due to the expiration of the grace period of the original debt, many customers no longer have enough money to keep their goods, so they accepted to cut their losses deeply.
- Rental prices increased due to increased demand for housing at this time. Especially in the center of big cities.
- The average rent in Hanoi increased by 8%, in Ho Chi Minh

TRADING RATE

- **Has not been improved. Although there are records, but not many. Reason:**
 - The financial ability of the majority of customers is facing difficulties due to the general economic situation.
 - Most products on the market belong to the high-end segment, which is not suitable for the financial ability of the majority of people.
 - Many customers still have the "bottom-fishing" mentality, waiting for the price to continue falling.
 - Customers' confidence in the real estate market has not been fully restored.
 - Many customers are afraid to sign the Contract, but the Owners cannot afford to complete the project and carry out the handover on schedule.

SALE POLICY

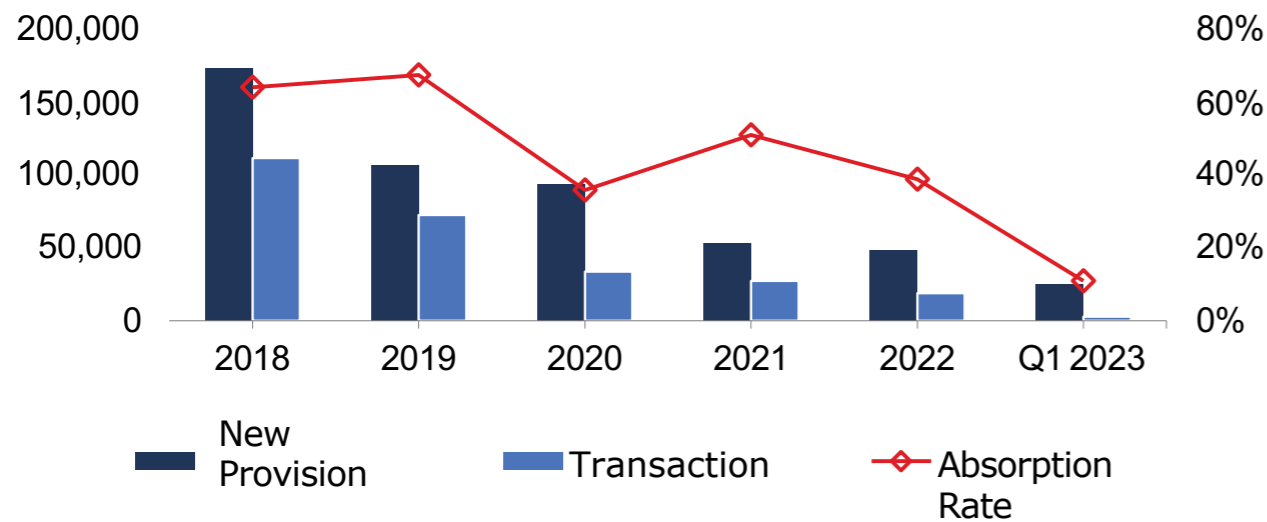
- High discount for customers who pay up to 90% of the contract value early is the hottest policy, applied by many investors. To create a channel to raise capital from customers.



3.1 Housing Real Estate Market

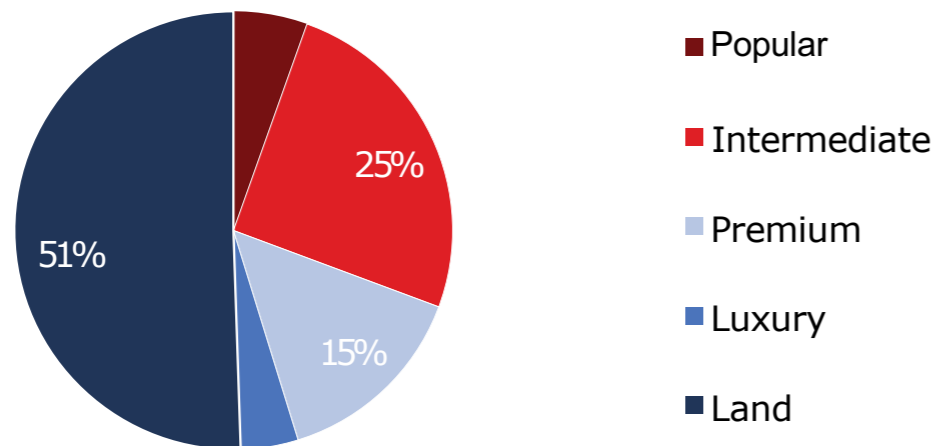
The market still lacks of affordable housing products

Chart: Supply, housing transactions in the period of 2018-2023



Source: Vars 2023

Chart: Supply structure by segment5

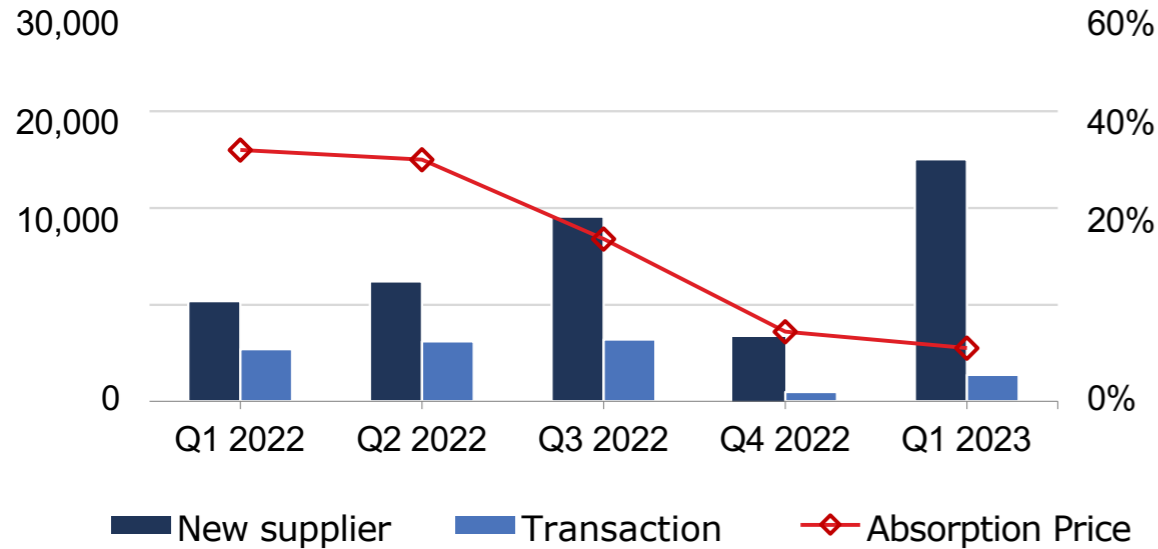


Nguồn: Vars 2023

- In the first quarter of 2023, the supply to the market reached more than 25,000 products in all segments. In which, there are 6 projects in Hanoi, 5 projects in Ho Chi Minh City which are confirmed by the Department of Construction to be eligible for sale, lease-purchase of houses formed in the future.
- The supply structure is still mostly low-rise products and land plots, accounting for 51% of the total housing supply in the country.
- The uneven distribution of primary supply is mostly concentrated in the next phase of a few large-scale projects.
- Lack of new supply from development projects in Hanoi and Ho Chi Minh City
- Supply is concentrated mainly in the Southwest region, accounting for nearly 40% of the total housing supply in the country.
- Hanoi and Ho Chi Minh City accounts for 29.9% and 30.3%, respectively total supply of apartments across the country.
- The market is completely lacking in suitable housing products with the "pocket" of the majority of people.

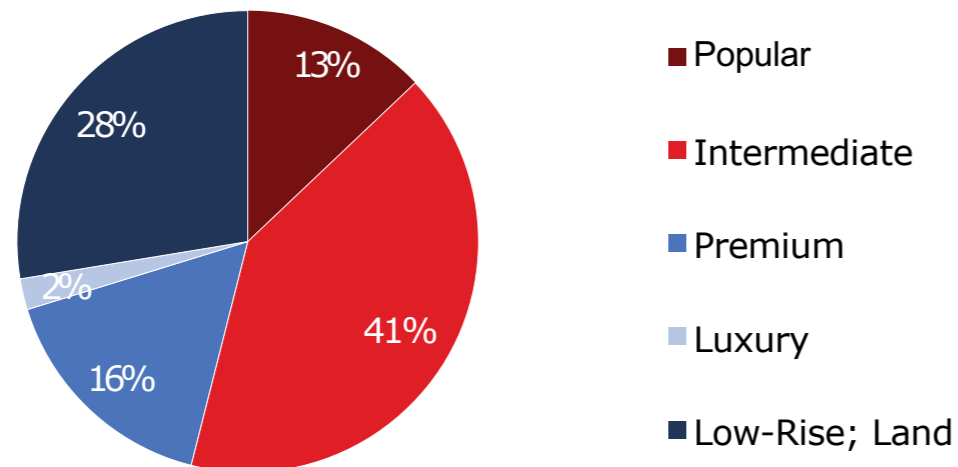
Demand is high but transaction volume is low

Chart: New supply, housing transactions Q1/2022-Q1/2023



Source: Vars 2023

Chart: Transaction structure by segment



Source: Vars 2023

- The overall consumption rate of the whole market in the first quarter of 2023 reached about 11%, or more than 2,700 transactions, equal to 50% of the same period last year.
- The demand is high but the transaction volume is low because the supply in the market is mainly investment and high-end products that do not match the real needs and affordability of the people.
- More than 72% of transactions are Apartments
- Apartment for living, with good size, facilities and quality in Hanoi, Ho Chi Minh City and the provinces with many large industrial parks still attract the attention of people with real housing needs, including high-end products..
- The search and purchase volume of Apartment has increased sharply since the beginning of March in both primary and secondary markets.
- Some apartment projects are developed by reputable investors, convenient locations and guaranteed handover quality, with absorption rates up to more than 80%.
- The villa/shophouse products for peri-urban projects in many localities have almost no transactions. Because of the high price, customer confidence is still low, along with interest costs and other opportunity costs, buying and selling real estate for the difference or for rent becomes more risky.
- The number of transactions recorded in the land plot segment accounted for 28%, luxury apartments accounted for 2%, premium apartments accounted for 16%, intermediate apartments accounted for 41%, popular apartments accounted for 13%.

An aerial photograph of a city, likely Shanghai, featuring a wide river in the foreground and a dense urban landscape with numerous skyscrapers in the background. The sky is a mix of blue and light yellow, suggesting a clear day or early morning. The text '3.2 Apartment' is overlaid in a large, bold, yellow font in the center of the image.

3.2 Apartment

Apartment Price Index in Hanoi, Da Nang and Ho Chi Minh

Chart : Index of apartment buildings in some districts of Hanoi (primary market)

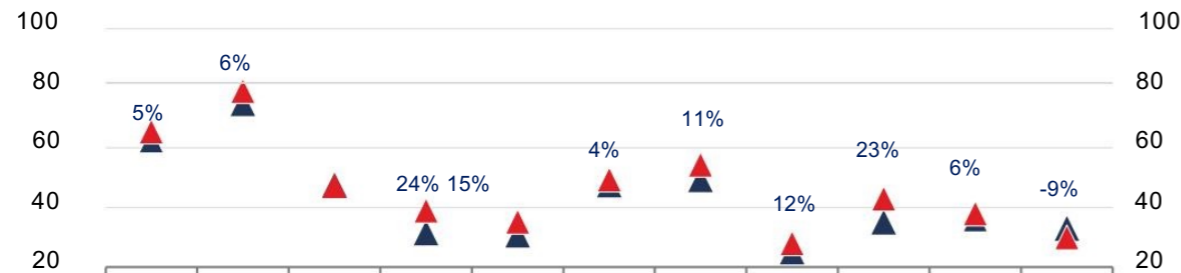


Chart : Index of apartment buildings in Da Nang (primary market)

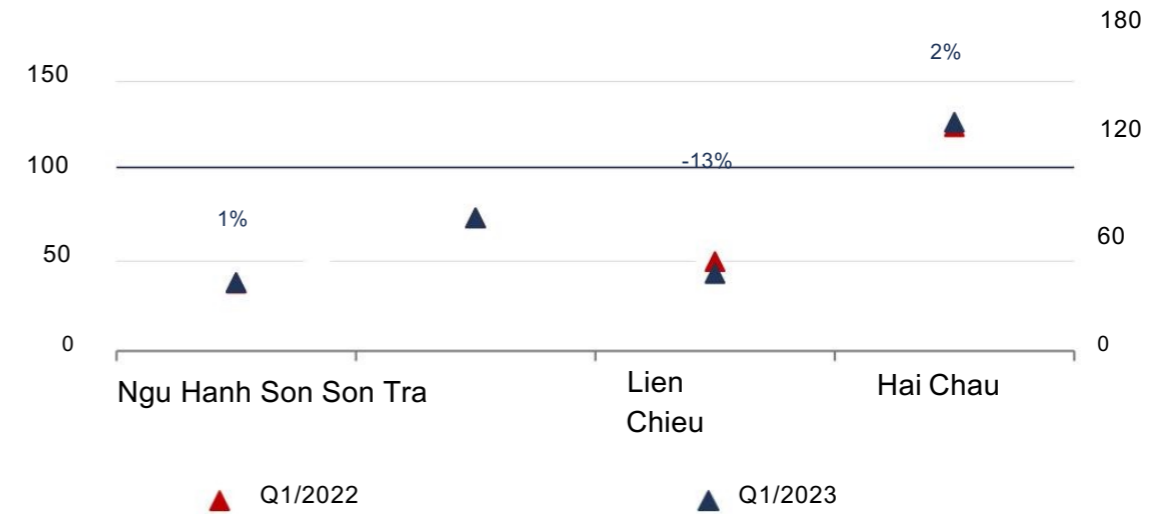
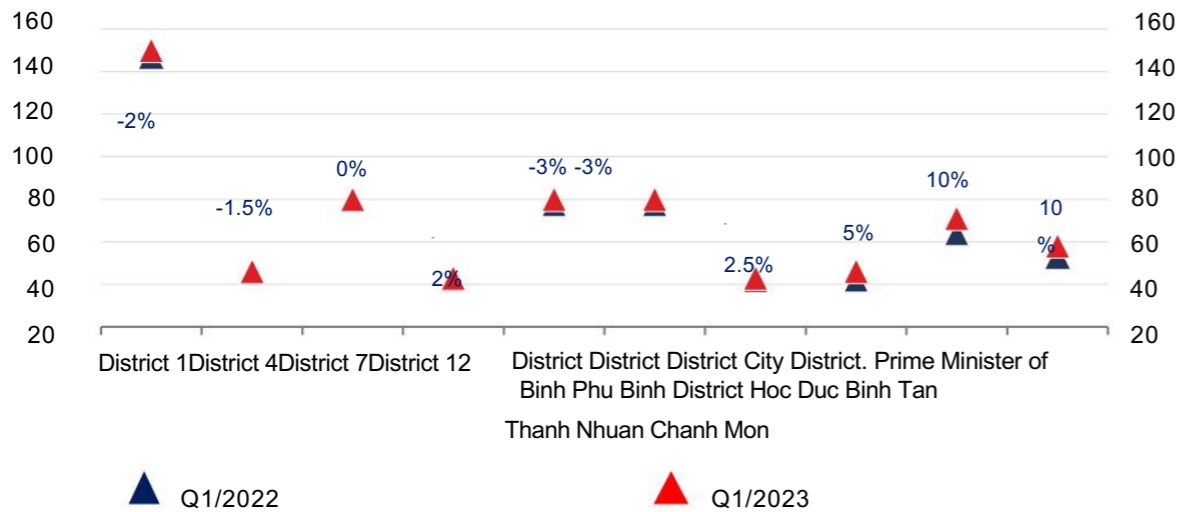


Chart : Index of apartment buildings in some districts of Ho Chi Minh City (primary market)



Source: VARS

- Aptment price index in the first quarter of 2023 in Hanoi increased by 2 points hundred compared to the same period last year.
- Aptment price index in the first quarter of 2023 in Da Nang decreased by 9 percentage points compared to the same period last year.
- Aptment price index in the first quarter of 2023 in Hanoi decreased by 3 percentage points compared to in the same period last year.

Hanoi Apartment Real Estate Market

Many preferential policies, discounts

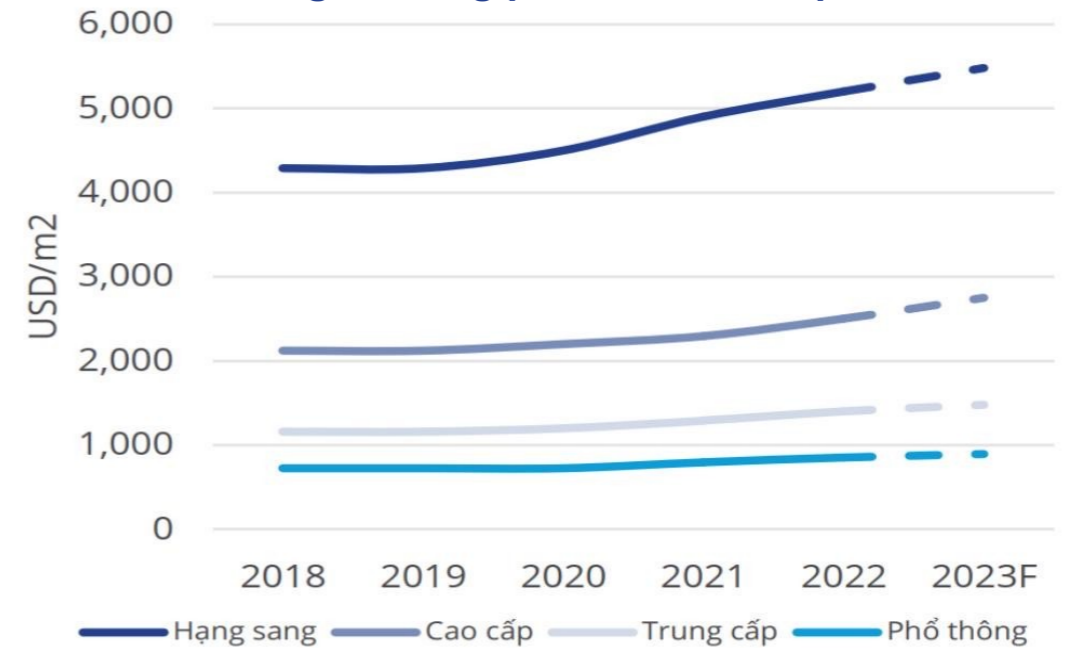
- The selling price of apartments in the Hanoi market also offers discounts and incentives to attract customers, but the selling price is still beyond the ability of many buyers with real housing needs. The primary selling price in Hanoi was recorded at a price of 1,355 - 4,200 USD/m², the sales volume was still low due to the market's difficulties in credit tightening and project licensing issues. hindered the customer's decision to withdraw money. In addition, Hanoi is promoting investment and synchronous development of infrastructure, increasing connectivity between the central area and the districts of the Capital, along with projects being increasingly positioned in the market segment. higher will be the lever for the growth of apartment real estate prices in Hanoi.

New supply is rare

- In this quarter, Hanoi's bright spot belongs to CapitaLand's Heritage West Lake project, the exclusive introduction event of the T2 - SOHO building of the project with 202 apartments took place in March with the average selling price of about \$2,669/ m². A highly anticipated super product in Hanoi that is being focused on speeding up approval to start construction early this year is a smart city project co-operated by BRG Group with Sumitomo Corporation (Japan) with a total investment of 4 \$2.2 billion. Also in March, the first luxury apartment project in Hanoi - The Ritz-Carlton Residences was topped off and was soon handed over to customers. Similar to City. In Ho Chi Minh City, the apartment transaction volume in Hanoi is also quite quiet due to legal difficulties and the tightening of credit room.

- Primary selling price: 1,355 – 4,200 USD/m² & Absorption rate: 50 – 60%**

Average selling price of Hanoi apartments



Expected apartment supply 2023



The above is just a part of the Q1/2023 Real Estate Market Report conducted by **Kirin Capital's Real Estate Fund**. To view the full report or for any cooperation or investment inquiries, please contact:

RESEARCH TEAM

K C R E F

KIRIN CAPITAL REAL ESTATE FUND



- NGO DUNG -
Fund Managing Director
dungnt@kirincapital.vn
+84 977 944 999



- BUI VIET DUNG -
Analyst
dungbv@kirincapital.vn
+84 973 669 550



THANKS FOR WATCHING

CONTACT

Address: 12A Floor, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong Ward,
Dong Da District, Hanoi, Vietnam

Hotline: +84 243 976 0666

Email: kirincapitalcompany@kirincapital.vn

Website: <https://kirincapital.vn>

