

News Release

Knight Frank Reports Slow Recovery in HCMC and Hanoi Apartment Markets, HCMC Office Market Net Absorption Expected to Drop 50% in 2025

Ho Chi Minh City, 03 April 2025 - Knight Frank Vietnam has released its latest Market Report for Q1 2025, providing a comprehensive overview of the apartment and office markets in Vietnam.

The apartment markets in both HCMC and Hanoi are experiencing a slow recovery

HCMC apartment market witnessed a silent sound after Tet when new supply recorded low volume over the last 5 years in Q1 2025. During this quarter, there were only 619 new units, driven by the largest share (55%) from one affordable project in the West while existing projects in the East and the South dominated the remaining share. This new volume made up total primary stock of more than 4,200 units which performed a humble absorption rate of 16%, equivalent to 689 units sold. Despite a modest demand in general, new supply from reputable projects recorded positive sales with 80% absorbed while inventory showed a slow pace with 11% absorbed only. When facing serious supply shortages and legal obstacles, both developers and buyers expanded their boundaries to satellite areas to grasp investment opportunities. Meanwhile, an increasing number of buyers sought potential purchases in the secondary market, especially legally resolved projects recently.

Similar to HCMC, Hanoi also experienced a slowdown after Tet when new supply stayed moderate over the last 5 years in Q1 2025. New supply reached approx. 3,100 units, down 60% q-o-q and 27% y-o-y, dominated by 83% share from townships in the East and the South, resulting in total primary stock of 4,700 units, presenting a medium performance with 56% absorbed, leading to around 2,650 units sold. Due to remarkable supply last year, making up a wide range of secondary lists during this year, new products experienced slumped sales with 73% absorbed while inventory faced challenges with more than 30% absorbed only. When primary products remained at higher prices, associated with diversified secondary products, buyers shifted to the secondary market and greater provinces to seize affordability thanks to accelerating infrastructure and various product developments.

During this quarter, HCMC's primary price remained stable at USD 3,648 per sq m due to the market's slow performance when lacking supply while Hanoi's primary price narrowed down the escalation rate to 6% q-o-q, achieving USD 3,083 per sq m owing to competitive secondary products surging last year and diversified products within less than 1-hour drive from CBD.

In the remaining quarters of 2025, there are approx. 5,900 new units entering HCMC apartment market while Hanoi is projected to reach more than 14,400 units. In the next 3 years, HCMC is forecasted to welcome around 56,000 units which is similar to Hanoi's volume. Demand is projected to be on the recovery track in both markets after the bottom level in 2023 while selling price is on the steady rise thanks to supply expansion to suburban areas with more diversity and affordability. By 2028, HCMC's overall selling price is expected to stay at nearly USD 4,300 per sq m while Hanoi's is likely to reach approx. USD 3,500 per sq m.

"The apartment markets in both HCMC and Hanoi are experiencing a slow recovery as new supply remains limited in Q1 2025. While demand has been slow, reputable projects are still achieving positive sales, particularly in satellite areas, as buyers seek more affordable options amidst supply shortages and legal obstacles. Looking ahead, both markets are expected to recover, driven by a new legal framework and the development of numerous infrastructure projects." said Mr. Son Hoang, Valuation and Advisory Associate Director, Knight Frank Vietnam.

Total net absorption of HCMC office market might see a half decrease to around 50,000 sq m in 2025

During Q1 2025, Vietnam office market only welcomed additional 8,400 sq m, remarkably lower compared to around 88,000 sq m of Q1 2024. In HCMC, after a record year of 2024, net absorption of both Grade A and Grade B offices remained stable, reaching 1,300 sq m and 7,600 sq m, respectively as of Q1 2025. 2025 is anticipated to be a year of more stable growth for HCMC office market. After a record year of 2024, with over 100,000 sq m net absorption, total net absorption for both grades might see a half decrease to around 50,000 sq m by 2025.

"Despite the decline in net absorption, due to improving infrastructure and its reputation as a premier economic center, HCMC is expected to continue to be a thriving and competitive office market. Besides, new tenants are more demanding when choosing office space in terms of location, amenities and environmental sustainability for their best value." said Mr. Leo Nguyen, Senior Director, Occupier Strategy & Solutions, Knight Frank Vietnam.

Meanwhile, Hanoi market continues to see a positive recovery, proven by an increasing number of large-scale inquiries from 1,000 to 3,000 sq m NLA, thus marking total net absorption for both grades of 15,000 sq m.

In Q1 2025, new high-quality office buildings with green certifications and modern amenities are the key demand driver for the office for lease market in these major cities. Owing to the fast-paced growth over the past 6 months, IT/Technology sector dominated the office transactions in Vietnam.

Due to the steady demand, market-wide asking rent for Grade A and Grade B offices in HCMC stayed at USD 59.3 per sq m per month (up 1.6% year-over-year) and USD 33.3 per sq m per month (up 2.4% year-over-year), respectively. Regarding Hanoi market, average asking rent slightly grew to USD 36.1 per sq m per month for Grade A and USD 19.5 per sq m per month for Grade B, mainly from new supply. Nevertheless, many landlords tend to offer more incentives, such as longer rent-free period, higher discounts for early birds, furniture packages, etc to attract several new tenants.

Looking ahead to the next 3 years, Hanoi office market will see a remarkable increase in new supply in both CBD and non-CBD areas, notably Tien Bo Plaza, Shilla Hotel, Gelex Tower, Pearl Tower, Landmark 55, etc. Meanwhile, the comeback of majority pipelines after long delays such as Eco Smart City, One Central, etc is expected to enhance the HCMC office market landscape in upcoming time.

"The projected influx of new office space towards the West and Westlake area in the next 3 years might put a large pressure on the Hanoi market stability. With increasing available space, it is necessary for landlords to prepare more strategic leasing schemes by lowering the asking rents, beside various incentives, to improve office occupancy." said Mr. Leo Nguyen, Senior Director, Occupier Strategy & Solutions, Knight Frank Vietnam.

Media Contact

Tien Pham

Manager, Marketing & Communications

Email: Tien.Pham@knightfrank.com

Mobile: +84 93 949 3735

Research Contact

Son Hoang

Associate Director, Valuation & Advisory

Email: Son.Hoang@knightfrank.com

Mobile: +84 977 282 930

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