Photo: Le Toan

Property prices in Ho Chi Minh City continue to rise even amid the pandemic

# Real estate market on firm basis in first half

By Bich Ngoc

Moves to slow the damage being done by the pandemic and curb resulting land fever issues have helped keep the fortunes of the domestic real estate market in good stead so far in 2021.

In the first six months of the year, Vietnam's average GDP reached 5.64 per cent, of which real estate grew by four per cent over the same period.

Reported land fever reduced in the second quarter, stemming from the Ministry of Natural Resources and Environment requesting 26 local authorities to inspect the planning, leasing, and transferral of land in March.

The interest in land plots located within a radius of about 50-100km from Hanoi also decreased sharply. In which, Thai Nguyen decreased by 6 per cent, Bac Giang by 35 per cent; Bac Ninh was down 38 per cent; and Hanoi's Quoc Oai district in fell by 17 per cent, according to figures released by Batdongsan.com.vn.

In Q2 the outbreaks of COVID-19 have led many localities across the country to apply social distancing measures, meaning the residential real estate market in Ho Chi Minh City and surrounding areas only truly operated mainly in April and early May. Notably, there was a significant decrease in supply and consumption in the apartment segment.

Meanwhile, DKRA Vietnam released that in Ho Chi Minh City, with limited new supply, the price of all segments has increased. Specifically, in the second quarter, land plots in both the city and neighbouring provinces recorded a more abundant supply than the first quarter, increasing 125 per cent. The consumption rate, meanwhile, increased by 59 per cent.

The apartment market in Ho Chi Minh City and nearby recorded a slight decrease in supply and consumption compared to Q1, of which supply dropped by 28 per cent and consumption fell by 26 per cent.

Notably, the Ho Chi Minh City market recorded more exciting developments with new supply mainly from Grade A and B apartments. There were not any Grade C or affordable apartments released in the market during this time.

In the second quarter, apartment prices in Ho Chi Minh City saw a slight rise of about 3-5 per cent compared to the beginning of the year and were mainly in the next phase of nearly completed projects.

The new supply of townhouses and villas in the metropolic and in provinces next door had a sudden surge, about 78 per cent compared to the previous quarter, but only concentrated in the first period of the second quarter, according to DKRA.

Dong Nai province continued to lead the supply and consumption of the whole market, while Ho Chi Minh City experienced a sharp decline due to the influence of the social distancing measures implemented for the latest wave of the pandemic.

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In the hospitality segment, the supply increased significantly in coastal townhouses and shophouses (up five times) and condotels (up 26 per cent) compared to the previous quarter. These hospitality projects are concentrated on Kien Giang's Phu Quoc Island, and in Ba Ria-Vung Tau and Binh Thuan provinces.

The consumption of the market as a whole from the end of the first quarter to the beginning of the second recorded positive signals. Still, there was a decline from the middle of Q2 due to the widespread impact of the pandemic.

A forecast from some experts pointed out that most segments will maintain new supply at the same level of the first half of 2021, but apartment supply may increase slightly. In particular, the new supply of land plots is concentrated mainly in the market of neighbouring provinces from Ho Chi Minh City. The demand may recover in the latter months of the year if the pandemic is under control.

The real estate market movement will inevitably depend much on the process of mass vaccinations in the coming months. Currently, the government is making significant efforts in community vaccination. The number of people vaccinated is likely to increase rapidly in the third quarter of 2021 with millions more vaccine doses due to arrive in the country in Q3 and beyond.

The government is aiming for 50 per cent of workers in the major cities to have access to vaccines by the end of the year and if this scenario plays out according to the schedule, the demand for real estate transactions will be expected to grow.■

**NICOLAS MICHAUX**
Managing partner
Alpha Prime Hong Kong

Foreign investors look at the current outbreak as a short and mid-term deceleration in Vietnamese real estate growth. There is still a lot to do in Vietnam to build infrastructure, housing, and commercial and office buildings, as well as tourism facilities and resorts. The pandemic is a temporary slowing factor but that won't affect market expansion.

Originally, foreign investors were more focused on the residential market, which is more easily transferrable and segmentable. Over the past few years, however, more interest has been shown first for offices and later on to resorts and tourism residences, with booming tourism industries – especially in and around Danang.

From the legal side, there are no significant barriers hindering international investors from coming into Vietnam. The two factors that mainly prevent foreign investment come from the temporary right of use of 50 years (renewable), although this limitation is also applicable in many other countries; and the fear of being prevented from transferring assets or income out of the country, given the capital control rules that apply here.

But overall, they are usually not refrained by these factors and are still very keen to consider investments in Vietnam, which remains one of the most attractive countries in terms of real estate and asset appreciation.

**GREG OHAN**
CEO and co-pioneer
The Sentry

We have been fortunate to experience the Vietnamese government taking decisive measures to minimise the negative impact of COVID-19. While the effects of this will take some time to be felt, it will have a strong impact on the property market in the second half of the year. There are many unknowns, and each property sector is responding differently.

Hardest-hit has been and will continue to be the retail and hospitality sectors with closures of retail centres and little or no domestic and international tourism in the time ahead.

While industrial demand continues to grow, international travel restrictions will slow new entrants from China relocating to Vietnam. However, domestic consumption and demand continue to fuel growth off limited land availability.

The residential market has not been immune. We expect to see it cooling over the second half – however, limited quality projects and supply continues to ensure steady domestic and international buyer demand.

The office market sector has remained resilient due to long-term tenant contracts and limited new supply and we expect it to continue its positive trend. While social distancing has encouraged more work from home, the need for business centres and disaster recovery options has driven a take-up for flexible and non-traditional office spaces.

**HUONG NGUYEN**
CEO, Dai Phuc Land

In the second half, the fortunes of the real estate market will completely depend on the ability to control the pandemic.

At this point, we have to face the fact that the pandemic will last and it is difficult to determine when it will end. Vietnam and the world will be forced to coexist with it. We may have to sacrifice the third quarter to track the pandemic and deploy vaccination.

There are two possible scenarios for the second half. A positive scenario is that the market partially recovers in the middle of the third quarter and prospers again in the fourth quarter with the assumption that at least 50 per cent of people can be vaccinated and 100 per cent of companies can vaccinate their employees. The market in the last six months is likely to grow at least 25-30 per cent compared to H1 if this ideal rate is achieved.

A more negative scenario is that it will continue to take the third quarter to control the pandemic, vaccinations only reach fewer than 30 per cent of the population, and companies are not able to get less than half of their employees inoculated. The market in the last six months is not likely to grow because enterprises are gradually being exhausted. Production plans will be disrupted and revenues will drop severely. The whole market will barely grow above 20 per cent compared to the first six months of the year if the necessary and timely support is not received.

However, in both scenarios, there will still be external factors.■