Analyzing inbound M&A in real estate's Vietnam after Covid-19 pandemic

1. Introduction

The Covid 19 pandemic had a more profound negative impact on every industry. In particular, real estate which attracts huge investment capital is also affected strongly, both in business market as well as capital, especially in the segments of resort real estate and commercial centers (Shopping center), retail space, offices for rent. Besides, although the demand for housing real estate of urban people is very high, supply has not met demand but this market is leveling off due to the financial capacity of buyers is narrowed.

Specifically, when developing real estate projects such as resorts, hotels, offices for rent, shopping centers, etc., investment capital is mainly taken from banks. And now, under the impact of the pandemic to close, new premises paid or not rented, many investors are nearly unable to pay the principal and interest. Similar to housing projects.

Vietnam is highly appreciated in efforts to prevent and treat diseases. With 324 infected cases and zero deaths, Vietnam has relaxed restrictions, enabling itself to become one of the first countries to restart its economy. For that reason, property developers, private equity funds and voluntary are still betting on the prospects of Vietnam's real estate market in which foreigners and foreign organizations are eligible to own houses in the country in a tenure of 50 years.

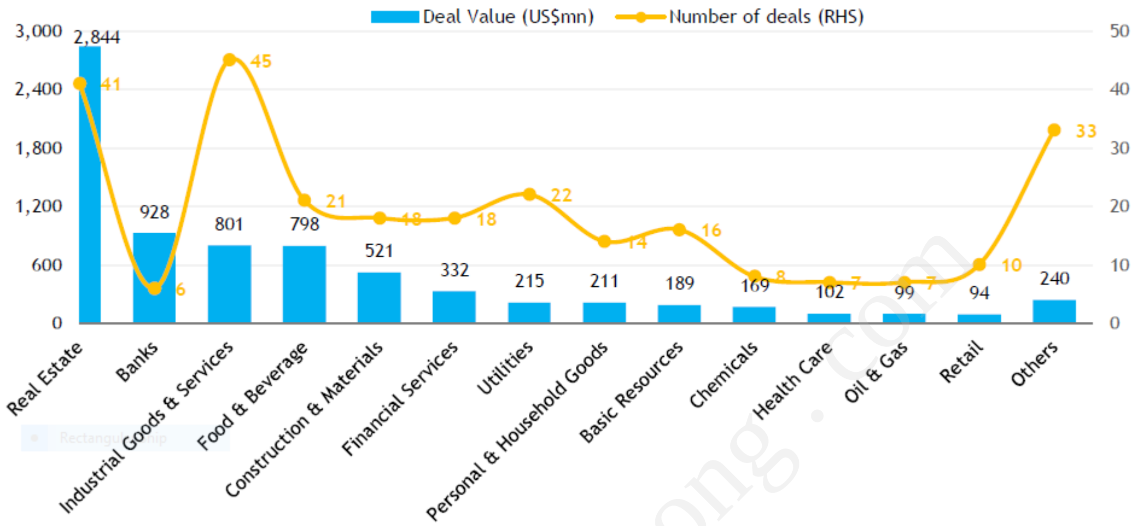
The economy is in a state of recovery, the real estate sector began to operate again. The M&A market in the real estate sector has been very active in recent years. However, the ban on entry to Vietnam is still persistent because the complexity of the pandemic is happening globally. Vietnam's real estate is expected to recover by 2021 if the global epidemic situation is under control. After the 19 covid epidemic, a wave of investment will appear in Vietnam in this area. However, a challenge for the real estate industry is that unprofitable businesses can be acquired cheaply. This research paper will analyze inbound M&A activities in the real estate sector of Vietnam after the covid pandemic 19. Solutions to create a favorable and transparent investment environment will be mentioned at the end.

2. Nội dung

2.1. Tình hình trước dịch

An overview of the M&A market shows that Vietnam has become an attractive destination for foreign investors, thanks in large part to the Government's policies to encourage investment, political stability and foundation as well as the stable economic growth.

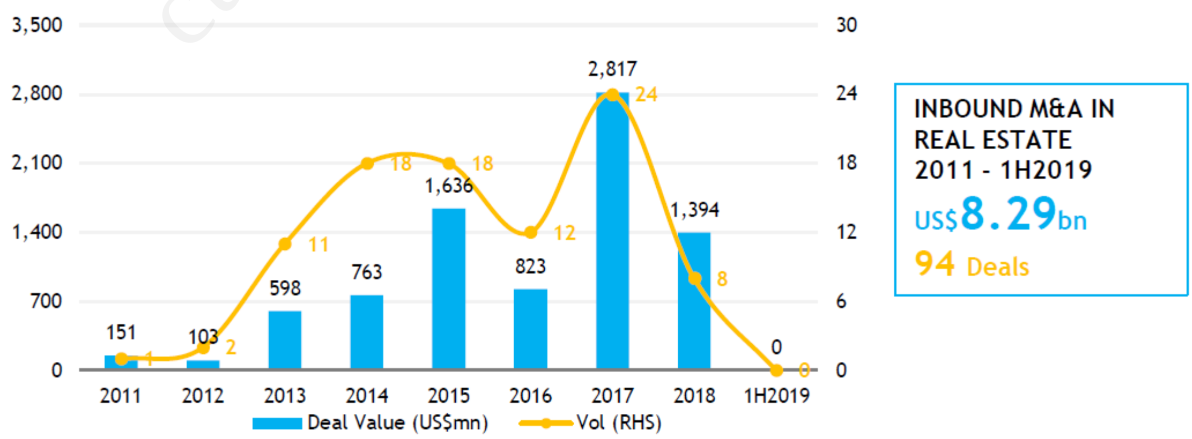
Figure 7: Total M&A Deal Value (US$mn) & Number of Deal by Top Sectors, 2018



Source: FiinGroup

It can be seen that real estate industry had the highest M&A value in Vietnam and ranked second in the number of deals in 2018. This industry generated $ 2.84 billion, equivalent to 38% of total activities. Industrial goods and services industry was the leader in term of volume but valued at only US $ 801 million. Next industries that attract M&A are banking, construction & materials and food & beverage with the value of over $ 500 millio. Except for the purchase of 5.7% Vinhomes from GIC Private Limited, the real estate industry has witnessed 3 other megadeals closed by 2 players Vingroup and Novoland. Megadeals amounted to US $ 2.1bn contributed to 74% of the entire sector M&A value. Overall, M&A activities in sector are currently driven by the expansion of key players like VinGroup and Novaland to accelerate their land bank for future projects.

Figure 21: Inbound M&A Activities (US$mn) in Real Estate, 2011 - 1H2019



Source: FiinGroup

Real Estate sector remained the largest contributor for inbound M&A in Vietnam because of high demand for all real estate segments. From 2011 to 2018, there was over US$8.29bn inbound deals in the sector, registered an outstanding 37% CAGR and accounted for 22% of the total inbound value. However, as the sector begined to attract increasing interests from the domestic market, foreign investments into real estate dropped in both deal volume and value. In 2018, the industry only reached USS$1.4bn from 8 deals, the lowest volume since 2012. Except from the US$1.3bn megadeal of GIC Private to acquire Vinhomes , there was a witness that market did not occur any other large scale transactions that surpassed US$50mn. The market remained dormant during 1H2019 due to the absence of domestic transactions.

In spite of a decrease in 2018 and 1H2019, the real estate industry is still posting great opportunities with solid growth trajectories, driven by the following determinants: (i) fast urbanization rate; (ii) middle class growth with increasing disposable income; and (iii) rising demands for industrial real estate in period of US China trade war.

Top four bidders made up the large market share (76%) of total real estate inbound value from 2011 to 1H2019: Singapore (US$2.3bn), Hong Kong (US$2.1bn), South Korea (US$934mn) and Japan (US$827mn), with variety appetites and investment scales. Specifically, Singaporean investors kept an eye on the residential segment with strong penetration of Keppel Land and CapitaLand, completely add nearly 30 large scale projects on one five year period. Meanwhile, South Korean investors who is led by Lotte Group, aimed at commercial properties for office supply and retail space for Korean companies. Remarkable transaction was the acquisition of Landmark 72 tower in 2016.

2.2. Tình hình trong dịch

- **Kiểm soát dịch ở VN**

On January 23, 2020, Vietnam recorded its first case of covid. On 8 July 2020, there were 369 covid-positive cases nationwide. Among them, 349 people recovered and there were no deaths. Hanoi, as of June, is the city with the most cases with 121 confirmed cases.

Vietnam has restricted the entry of all foreigners from March 22, 2020 until a new announcement. This action as an effort to limit the spread of COVID-19. However diplomats, officials, foreign investors, experts and skilled workers are not prohibited from entry. For foreigners entering Vietnam before March 1, including those with temporary residence permits will be extended until June 30 but must show proof of health. [5]

Vietnam is internationally recognized as one of the best pandemic control countries in the world, along with other highlights such as Taiwan and South Korea. [8] Some data have praised the Vietnamese reaction, comparing it to success in 2003 when Vietnam became the first country to announce the end of the Sars epidemic. [8] Although economic and technological capacity is existed limitation, Vietnam has responded aggressively to the outbreak and has received acclaim for the direct, effective and transparent programs in prevention and treatment of covid 19.

Table: Coronavirus pandemic stages in Vietnam

Stage	Cases	Description
23/1 – 25/2/2020	16	Positive cases from Vietnamese patients who have had travel history to China.

6/3 – 19/3	69	The virus is spreading globally, Vietnam has many cases from other countries but it is still easy to trace and quarantine.
20/3 – 21/4	183	Many cases are spread in the community, some cases begin to appear in high-density areas. The source of infection has not been completely determined.
22/4 - present	101	Vietnam has good control of the pandemic. The prevention of covid 19 is long-term and more difficult. In addition, the economy began to recover and develop in the efforts of the government and the entire population.

Source:

Vietnam was early aware of the risk of an outbreak that could devastate a developing country. Vietnam has acted quickly, making decisions quickly and promptly.

Accordingly, Vietnam has focused on measures that are within its control and won praise from the international community. Vietnam has launched a series of initiatives to prevent the virus from spreading as early as February 1, suspending all flights to and from China; close schools after the Chinese New Year holidays.

Two weeks after the first case was confirmed, health officials also quickly applied quarantine measures for 21 days in Yongfu Province, where workers returned from Wuhan, China.

Vietnam applies a range of measures, including a mandatory 14-day quarantine for anyone on entry and cancellation of all foreign flights, quarantining infected people and tracking down anyone who has followed. contact with an infected person. In addition, Vietnamese people have a high sense of supervision, actively reflect wrong actions to the authorities; behaviors such as sharing fake news, false information about SARS-CoV-2 virus are handled.

- **Tình hình BĐS**

COVID-19 is affecting all markets in Asia. For the real estate market, investors are still considering about the effects of the boom and how it will affect real estate assets in the long term. Some investors have noticed the immediate impact of the pandemic: hotels and retail are the two areas that suffered the most. The reason for the problem is the social distancing makes the shopping centers empty and hotels lack guests due to entry banning.

Many major hotel conferences around the world, such as MIPIM in Cannes and the ULI Summit 2020 in Tokyo, are procrastinated or canceled globally. It is undeniable that real estate, especially the hotel industry, will become one of the most affected sectors. The decline in Asia-Pacific transactions in the first two months of 2020 has also decreased by nearly 50% in a year.

Despite the country's macroeconomic challenges and the current uncertainty surrounding the pandemic, sentiment toward Vietnam remains positive. The government has implemented stringent outbreak control measures and efforts to stabilize the economy.

Although the virus has left the hotel industry inactive, Vietnam is still supported by strong market fundamentals with high rental yields, cheaper real estate prices than the region, and a high dollar rate. High urbanization, low labor costs and a young population structure.

Abundant labor supply and newly signed free trade agreements are advantages for Vietnam to attract investors.

Before the outbreak, abundant capital, both from overseas and domestic, was waiting to be sent on the Vietnamese real estate market. Real estate transactions are considered the most popular way for foreign capital inflows to the local market, the prospect of real estate mergers and acquisitions (M&A) in Vietnam may not be as gloomy as a number of economists analyzed.

As the global epidemic is prevented, travel bans are phased out, and transactions, especially cross-border transactions, will begin to improve. Assets in strategic locations such as Hanoi and Ho Chi Minh City, as well as leading hotel projects, will still gain large profits if they come to the market.

According to the quarterly real estate market report released by VAR,, in the first quarter, property enterprises nationwide offered a total of 53,200 units in housing projects, while the successful housing transactions reached more than 7,600 units. The absorption rate of this housing segment was 14.3 percent. Of which, the total new supply was nearly 18,700 housing units, including more than 8,350 apartments and more than 10,300 low-rise houses. The successful transactions for the new supply reached more than 2,750 housing units. Meanwhile, the inventory was more than 34,550 products, including 4,872 products traded successfully.

The luxury apartment segment had the largest inventory. According to the Hanoi Department of Construction, about 8,900 apartments were offered in the Hanoi market in the first quarter, including 1,167 newly-launched products. The market had only 1,300 successful apartment transactions.

The Ho Chi Minh City Department of Construction said more than 8,400 apartments were offered on the city market in the first quarter, including 4,664 newly-launched products. The market had 1,400 successful apartment transactions.

VARS reported that in the property market in other localities, transactions were mainly landed property. Before the Lunar New Year festival, these products still attracted many customers and small investors but now, due to the pandemic, the transactions of those products was very quiet.

Besides that, the pandemic made large investors and trading floors suspend trading activities of their products because customers do not want to come to crowded places. About 50 percent of total real estate trading floors must close and many property brokers are unemployed.

For the resort segment, the market had few newly-launched products while some products of the inventory were traded successfully in the first quarter. The association also reported in this quarter, there was a virtual land fever in Thach That district, Hanoi, and Ba Ria-Vung Tau province.

The Hanoi and HCM City markets are expected to have traded apartments in the second quarter but the volume would be low and mainly in the affordable and mid-grade segments due to high demand, he said. Those two large markets are predicted to have not many newly-launched apartments so property products that are traded on the markets would mainly be inventory goods. VARS also forecasts that the land and landed property will remain the dominant product in many provinces and cities, excluding Hanoi and HCM City. However, transactions are likely to decline sharply over the same period of last year.

Prices of affordable and mid-end apartments in urban areas are expected to not increase because of low demand during the pandemic and high inventory, according to the association. Meanwhile, price of high-end apartments may fall because capital pressure would force investors to reduce the price.

- Tình hình sau dịch:

No matter what recovery scenarios occur as the nation begins to emerge from the effects of the novel coronavirus (COVID-19), this year's hotel market is expected to witness a sharp decline in terms of room capacity and will only get back to normal levels in 2021.

This comes after Savills Vietnam, the nation's largest property consultancy with real estate services running since 1995 stated that most hotels must move to suspend parts or all of their business operations in a bid to cut costs while keeping on only key personnel as they prepare plans to resume operations.

According to Savills Vietnam, these strategies will partly offset the revenue decline faced in the short term. However, hotel owners have not been able to map out longer term plans due to the uncertainty over how long it will take for the tourism industry to return to pre-epidemic levels.

Savills believes that the global economic impact and complex developments of the COVID-19 will make it challenging for the hotel industry to fully recovery in 2020, with a full recovery likely to take place by 2021.

Moreover, domestic tourism demand, especially among young travelers, is set to play an important role in the process of the hotel industry's recovery.

Elsewhere, CBRE Vietnam stated that the situation with regard to the hotel market in Hanoi is more positive than that of Ho Chi Minh City.

The segment of four to five star hotels in Hanoi will enjoy a faster recovery as international businesses begin to get operations back to normal.

In addition, domestic guests and a small number of international visitors from Northeast Asia are poised to serve as contributory factors that drive the recovery of the Hanoi hotel market once the epidemic has been fully brought under control.

According to CBRE forecast for the country, if the disease is controlled by June, the average room rate this year will drop by between 8% and 13% compared to 2019's figure, with the occupancy rate falling by between 46% to 51%. If the epidemic is successfully contained by September, the average room rate will decrease by between 15% to 20%, with the room capacity dropping by between 50% and 55% from last year.

Following this, the Vietnam National Administration of Tourism has outlined a slow recovery scenario for the country's tourism industry with the number of international arrivals to the nation in 2020 anticipated to fall by 70% compared to 2019, providing the epidemic is brought under control in June. In a worse-case scenario, the number of international visitors will be reduced by up to 75% if the epidemic is not controlled until September.

In all of the scenarios, the year will see an unprecedented slowdown in terms of the number of tourists visiting the nation, leading to a serious decline in room occupancy in the hotel market, the Vietnam National Administration of Tourism notes.

2.3. Triển vọng sau dịch

- **Analyse the environment of international investment in Vietnam:**

1. Geography

Location advantages; Natural resources; Climate etc…

Located in the center of ASEAN, Vietnam has a strategic location. It is close to other major markets in Asia, the most notable neighbor of them being China. Its long coastline, direct access to the South China Sea and proximity to the world's main shipping routes give perfect conditions for trading.

Two major cities in Vietnam are Hanoi and Ho Chi Minh City. Hanoi, the capital, is located in the north and has extremely convenient trading opportunities. Ho Chi Minh City, the largest by population, is situated in the south and is the industrial mecca of Vietnam.

2. Political stability

Theo xếp hạng của Global Finance, Việt Nam xếp thứ hạng thứ 83/128 quốc gia với chỉ số an toàn đạt 11,15, xếp trên cả Thái Lan với 12,27 điểm. Điều này khá dễ hiểu khi Việt Nam có nền chính trị ổn định, hiếm khi xảy ra bạo động, tranh chấp lãnh thổ và chỉ số an ninh con người đang ngày càng được cải thiện.

3. Regulation and policy

Vietnam has made numerous amendments to their regulations to make investing in Vietnam more transparent. In terms of ease of doing business, Vietnam ranked 82 out of 190 countries in 2016. Compared to the previous year, the ranking improved by 9 positions. This rise was the result of improvements in some processes of doing business. For example, the government made the procedures of getting electricity and paying taxes easier, according to the World Bank report. Based on their economic models, Trading Economics predicts Vietnam to rank 60 by 2020. Hence, the future prospects of ease of doing business in Vietnam are very promising.

4. Stage of economic development

Investors can merge easily

In contrast to many other countries, there are no minimum capital requirements for most business lines in Vietnam. Investors can start a business in Vietnam without having a great amount of charter capital in your back pocket. Just make sure you have enough funds to cover the planned expenses of your company set up and you are good to go. Also, note that the amount of capital you stated must be fully paid in within 90 days of the date of your company registration.

Vietnam has good epidemic control, a stable investment environment

Vietnam's response to the coronavirus crisis has been hailed as a model for low-cost best practice in curbing the contagion. With 324 infected cases and zero deaths, Vietnam has relaxed restrictions, enabling itself to become one of the first countries to restart its economy.

For that reason, property developers, private equity funds and analysts are still betting on the prospects of Vietnam's real estate market in which foreigners and foreign organizations are eligible to own houses in the country in a tenure of 50 years.

Analysts are watching if Japan's latest move will instigate a rush to Vietnam and elsewhere. The Japanese government last month unveiled a US$2.2 billion fund to pay its manufacturers to move out of China, stricken by a breakdown in supply chain following lockdown measures in January to stem the viral outbreak.

Officials from the US and the EU have also indicated their willingness to reduce their dependencies on other countries. Apple, Nintendo and Samsung and many of its Asia-based suppliers have relocated some of their production or assembling capacity to Vietnam.

5. Young demographics

Unlike in China where the population is ageing rapidly, the demographics of Vietnam is young.

According to Worldometers, the median age in Vietnam is 30.8 years in contrast to 37.3 years in China. Nielsen has also estimated that 60% of Vietnamese are under the age of 35.

The workforce is young and large and shows no sign of decrease. In addition, the country also invests more money in education than other developing countries. Thus, besides being vigorous, the labor force in Vietnam is skilled as well.

6. Culture

According to the World Wide Fund For Nature (WWF), Vietnam ranks 30/140 countries on cultural resources. The organization of the World Travel Awards (WTA) nominates Vietnam as the leading cultural destination of global tourism. Most tourists, both domestic and international, are eager to experience Vietnamese cultural differences and are not satisfied. In addition, Vietnam is also an attractive destination for unique cuisine. Many types of delicious ethnic dishes attract customers. With a culture imbued with national identity, this is an opportunity to develop tourism in general and the resort real estate industry in Vietnam in particular.

Vietnam is a democratic country, people are free to learn a second language. English is a popular foreign language in Vietnam, besides languages like Chinese, Korean, Japanese, .. also be concerned about. This is the reason Vietnam increasingly attracts foreign companies to invest in Vietnam.

- Triển vọng

Vietnam set to become shelter for foreign real estate investment post-Covid-19

Vietnam's property market is likey to receive inflows of foreign investment after big countries encourage their companies to relocate manufacturing bases out of China after problems arising during the global pandemic. The Southeast Asian nation set to get a second round of tonic from global companies diversifying their production bases in the region as the coronavirus outbreak exposes the concentration risk in China, according to *South China Morning Post*.

It stands to benefit as the exodus from "the world's factory" accelerates, burnishing its appeal as an alternative to China since the likes of Apple, Samsung and their suppliers switched out to limit the damage caused by higher tariffs in the US-China trade war.

Analysts say industrial and residential property in the capital Hanoi and Ho Chi Minh City are likely to get another tailwind after the pandemic lockdown disrupted supply chains and escalated trade and political tension between China and other economic powerhouses.

"This Covid-19 outbreak is forcing many companies to re-evaluate their supply chain strategy," said Sunny Hoang Ha, sales director at SPG Land Viet Nam, part of a group that controls Greenland Hong Kong Holdings. "Vietnam is primed to benefit."

With relatively developed infrastructure and proximity to China, Vietnam has attracted the majority of those who wanted to diversify their manufacturing portfolio outside China, according to JLL, a global real estate and investment management firm.

Although the Covid-19 pandemic was currently causing difficulties for investment decisions or relocation activities, industrial park developers remained confident of increasing land prices as they were well aware of long-term potential in Vietnam's industrial segment, sending land prices soaring in the northern industrial market, JLL explained.

Demand for industrial land remained strong in the first quarter this year thanks to Vietnam's good industrial fundamentals, the consultancy company noted.

“With the influx of foreign industrialists, they will need accommodation for both the foreign staff as well as local staff who might have come from other provinces,” said Jeremy Williams, chief business officer at PropertyGuru, which operates www.batdongsan.com.vn portal. “The residential segment will see an increase in demand, hence providing an uplift to prices.”

M&A in Vietnam’s hospitality industry lures foreign investors post-Covid

M&A in hotels and resorts is expected to thrive as the social distancing orders have left devastating affects on low-end hotels and budget accommodations. Low or no occupancy at all are leaving many hospitality businesses in Vietnam on the verge of bankruptcy. However, this situation provides significant merger and acquisition (M&A) opportunities.

More affordable hospitality real estate than ever

Information about deals on hotels sales and transfer has flooded internet news websites. Low occupancy rate has heavily impacted the hotels' cash flows.

Hanoian broker Nong Van Thai said that before the pandemic, the 10-storey Phu Nhuan Hotel in Tran Duy Hung street was valued at VND35 billion (US$1.5 million) but the price has dropped to only VND32 billion (US$1.37 million).

A 27-room Saigon Palace Hotel on Tran Quoc Hoan street, Cau Giay district was transferred to a new owner at VND800 million (US$34,274), of which VND420 million (US$17,994) is the deposit for the 10-year lease. A series of 10 – 15 room guest houses in Hanoi have been offered at prices of VND80-100 million (US$3,427-US$4,284).

Located near Big C supermarket in Hai Phong city, a three-star hotel is currently listed for sale at VND115 billion (US$6.4 million) while before the pandemic, it was offered at VND180 billion (US$7.7 million).

A budget accommodation facility on Phan Dang Luu street, Ho Chi Minh City, is offered at VND10-20 billion (US$428,433-US$856,867). Local insiders said that the hotels in the area could yield a profit of VND200-300 million (US$8.57-12.86 million) per month before the pandemic outbreak.

Nguyen Hoang Ha, manager of Coffee House Hotel in Dalat, told Dau Tu newspaper that a new shareholder has participated in the hotel’s business management to add more the capital in the context of customer shortages during the social distancing period.

According to Tony Ryan, managing director of M&A global Hotels and Hospitality, JLL Group, investors now prefer operating hotels rather than owning them which is a trend to save costs and minimize risks.

M&A deals of hotels and tourist accommodations will become buoyant in the upcoming time as the majority of large-scale deals were completed in the past time. Local economist Ngo Tri Long commented that the opportunity for hotel investment is there for businesses who are strong financially and sound in business governance.

Phan Xuan Can, chairman of Sohovietnam, a property consulting company, said that M&A deals in hotels and resorts are diverse and in all different segments, especially for four-five-star city hotels near tourist destinations and beaches. Many investors with disposable funds of VND500-600 billion (US$21.4-25.7 million) are aggressively looking for four- to five-star hotels which are much more affordable than the period before Covid-19.

- **The challenges: the domestic M&A market has raised the issue of the ability to "acquire" enterprises at low prices**

It can be seen that the M&A situation is still "sluggish" to wait for the time to accelerate, of course, there is also a decrease compared to the previous year. However, in the common difficult situation after the COVID-19 pandemic, the domestic M&A market has raised the issue of the ability to "acquire" enterprises at low prices.

National Assembly member Vu Tien Loc, Chairman of Vietnam Chamber of Commerce and Industry (VCCI) also warned that many areas are at risk of stalking through mergers and acquisitions.
Mr. Tran Minh Hai, Director of Basico Law Firm, said that the "scary thing" is not the past few months, but the next few months, when businesses exceed the threshold, they will have to "sell themselves". He also said that, recently, Basico has received many applications for advising M&A deals, including the case of a large construction material company in Vietnam.

"France, Germany, Spain ... have all issued warnings that China's economy has begun to recover, so they can take advantage now to buy businesses. Avoid being bought in at the bottom, "said Mr. Do Nhat Hoang, Director of Foreign Investment Department, Ministry of Planning and Investment.

It is known that a series of economies, from the US, India, then Australia and European countries, in turn have issued warnings about stopping key industries in the hands of rivals. Because foreign investors can take advantage of when the stock prices of some large enterprises lose value to make the acquisition.

Therefore, many countries have set up barriers to avoid the risk of businesses being acquired by foreign countries, especially the wave of "acquiring the world" from China. According to Mr. Do Nhat Hoang, Director of the Foreign Investment Department, for capital contribution and share purchase in ordinary businesses, it should be allowed to happen naturally, but for businesses operating in key areas. core, strategy, have a great social impact, it needs control.

3. Hàm ý chính sách

Clarification on Land Transfer Pricing

The central government's first priority should be ending the uncertainty around the ongoing review of land transfer pricing. The review of project prices paid by developers should be hastened and given a clear framework for resolution. The review process has caused the development pipeline to all but stop, cascading to the commercial market and creating supply-side constraints.

Supply constrictions during times of increased demand will lead to increases in land, sales and rental prices. Vietnam has experienced this for months already, and the general underwriting for yielding assets in Vietnam currently has little correlation with market benchmarks and general feasibility.

Providing clear guidelines and a cohesive framework for developers to work within will help resolve supply-side issues without overwhelming or destabilising the market. The creation of a clear mechanism to assess historic and current land values - without resorting to public auctions or speculation - could also be a prudent move by the state.

Increasing Confidence Through Public-Private Partnerships

One proposal discussed by investors and developers in the industrial sector is for the state to work on the development of a PPP (public-private partnership) for land owned by the military and state. This would improve investors' access to suitable land for development and could be used by the landowners to develop more investment-grade facilities. These locations would increase FDI and help attract investors and occupiers in the manufacturing, industrial and logistics sectors.

Another possibility presented by domestic and offshore investors is to develop a robust and transparent application and approval process. This would entail appointing three independent evaluators to establish the value of developers' and investors' property. The evaluation would be binding to all parties and feed into the conversion process and Land Use Right Certificate (LURC) pricing.

This would give developers and investors confidence to move forward on projects in a timely manner, and supply-side issues would be curtailed. The government could strengthen this with wholesale investment through an online registry since the master planning of many cities and provinces is already executed online. Public access to these resources would also drive more transparency.

Clearer Guidelines, Processes, and Pricing

Processes and frameworks that allow this can be used to address another market bottleneck: the length and conditions of the LURC. 50 years is an adequate timeframe for investors looking to acquire land or assets, and they can work within these tenure constraints. Other regional markets have successfully used similar lengths of time for land leases. What investors do not like is the uncertainty that arises from the lack of guidance or clear framework for potential issues. In this case, the expiry of a project or asset's LURC, and the process to renew it, creates uneasiness for investors and developers.

The New Draft Law on Land might remove this bottleneck. The 13th National Congress subcommittee has started its first meetings to discuss the next national construction plan, and it is expected that they will ratify the law shortly after the 13th National Congress has been fully formed in early 2021.

However, as long as this remains in flux, the framework will be cumbersome and affect most sectors of real estate, resulting in project delays and increased development cost. By providing clear guidelines, processes and pricing, the state could open the gates to capital wanting to enter Vietnam.

Investment in Infrastructure

A third bottleneck is the lack of infrastructure hampering the real estate market. In Southern Vietnam, the completion of the inner and outer ring roads, the linking of ports and industrial parks by cargo trains, and the development of rapid transportation nodes would support the efficient and successful use of investment capital.

We have seen successful PPP projects in Quang Ninh, where Sun Group built an excellent airport, passenger cruise terminal and expressway. The same model could be applied to public transportation nodes by investing in efficient intermodal solutions for transportation, including speeding up the development of railways and improving access to inner cities. This would remove the infrastructure constrictions hindering the development and investment into many types of real estate. One state-led initiative yielding results is the Five Components Infrastructure plan. The plan focuses on infrastructure investment for coastal and border-gate economic zones as well as the development of industrial parks, hi-tech parks and agricultural zones.

Investment planning and distribution of capital have been identified by private and public sectors as essential to the sustained growth of real estate markets. Providing stakeholders with a clear understanding of their investment's impact assures that their investment is made in an effective manner. Likewise, developers look for investors that can flex up and down on the yield curve to service their capital needs.

Improve Access to Credit

Another bottleneck is access to credit, which the World Bank identified as the most critical element to improved economic growth. Vietnam's policymakers should address financial restraints if they want the nation to continue "rapid and inclusive growth."

Access to credit for developers and asset owners is key to broadening Vietnam's investor base. At present, the key risk for lenders wishing to work with Vietnamese borrowers is quite simple: in the case of default, seizing pledged assets is arduous without mediation by courts.

To reduce risk, lenders use negative controls like board seats, call options for shares of the borrowing company, control of cash accounts, veto rights on decisions at BOD level or, in some

cases, control of the company chop. This creates a barrier for most capital sources wanting to enter Vietnam since they are forced to step out of their risk curve, increasing the cost of the capital they deploy. Therefore, addressing debt recovery will improve liquidity. Developers and owners could access other sources of capital with cheaper costs and remove the risk to state and local banks.

Bouncing Back

With the current COVID-19 situation evolving on a daily basis, there's a chance we could be moving toward a systematic slowdown of global economies, and all of the challenges that would come with that. For an emerging market like Vietnam, real estate can be a bonafide driver of financial growth and aid recovery in the event of an economic downturn.

This growth depends on FDI in industrial, retail, office and infrastructure sectors. Enabling asset owners to use their buildings as security for lines of private credit, stimulating the domestic market for companies and manufacturers, and expanding operations will put money back into people's pockets in the form of wages.

In our opinion, Vietnam can swiftly address these bottlenecks, which would heighten investor confidence and help maintain the economy's rapid growth. The government can resolve a few of these issues to cement its global reputation as a state capable of adapting to an ever-changing world.

4. Tài liệu tham khảo