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Why now could be a good time to buy a property in Vietnam

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The country wants to catch up with its richer Asian rivals but for now it still offers good value for international homebuyers

Ho Chi Minh City at night

Vietnamҫs last emperor, Bao Dai, discovered golf while visiting France at the beginning of the 20th century. When he returned he built the countryҫs first golf course in the cool climes of Dalat, in Vietnamҫs southern Central Highlands. With his demise, however, the sport, considered elitist, fell out of favour under communism.

Today, golf is back. There are 38 golf courses in Vietnam with another 65 planned or under construction. Growing domestic interest in the sport, rising numbers of international tourists and an increase in foreign homebuyers are all helping to spur the growth.

In July 2015, new laws opened up the Vietnamese property market to expats. Any foreigner with a valid visa, whether resident or tourist, can now buy property on a 50-year leasehold, with options for extension. There are restrictions: foreigners can only purchase 30 per cent of any single condominium building or a maximum of 250 houses in any one administrative ward (overseas Vietnamese, or Viet Kieu, are exempted from these limits).

Still, some investors are spying an opportunity. In 2008, when high-end property prices were at their peak, house prices recorded 110 per cent year-on-year growth. But with the global financial crisis, the bubble burst.

The ensuing years were ñtoxicò, says Marc Townsend, managing director of CBRE Vietnam. ñAll the developers sat there with their cranes not turning and the contractors walking off and the banks scratching their heads.ò As such, half-finished ghostly resorts, left to rot by bankrupted developers, still dot Vietnamôs coast.

Recovery came in late 2014, helped by a growing middle class, rising wages, and rapid urbanisation (by 2025, half of Vietnamôs population will live in cities). Cranes are once again rising across Ho Chi Minh Cityôs skyline, while construction workers camp in makeshift homes under highways and chimneys belch out factory smoke overhead.

Phu Quoc Island

No building is more symbolic of Vietnamôs hopes for the future than Landmark 81 in Ho Chi Minh City. The mixed-use high-rise will top 1,500ft when it is completed in 2017/2018, making it the tallest building in Vietnam. One-bedroom apartments in the tower are priced from $200,000 through CBRE.

Demand is stronger than at any time since 2007, according to Fraser Wilson, head of Dragon Capitalôs property team.

Artistôs image of the Landmark 81 tower in Ho Chi Minh City, where one-bedroom apartments are priced from $200,000

For years, Vietnam, scarred by the legacy of war, stifled by a one-party communist regime and suffering a depressed economy, has lagged behind the four Asian tigers: Hong Kong, Singapore, South Korea and Taiwan.

Today, the countryôs economy is still small compared with many in the region. Its nominal GDP is 30 per cent smaller than that of Singapore and less than a quarter the size of Indonesia, the largest economy in the Association of Southeast Asian Nations, according to the IMF. Nevertheless, in the fourth quarter of 2015, GDP in Vietnam rose 7 per cent year on year, higher than most of the major economies in the region.

A street market in Ho Chi Minh City

Added to that, a record 41,907 units were launched in Ho Chi Minh City last year, according to CBRE. Sales there also reached a new high, with 36,160 units exchanged, double the previous year.

This year, the property consulting company VinaCapital is launching Nine South Estates, a 381-unit project on a riverfront site in south Ho Chi Minh City, valued at $130m. Four-bedroom riverfront homes start from $800,000.

Vietnam still looks like a bargain compared with the rest of Asia. Even in central Ho Chi Minh City, prime properties are priced at $3,000 to $5,000 per sq metre, well below Bangkok where equivalent properties cost up to $9,375 per sq metre. Rental yields in the country are 1.5 to 2.5 per cent higher than those in Hong Kong, Bangkok and Singapore, according to VinaCapital.

As such, Vietnam is shifting from a ñfrontier market [to] a place to invest in,ò says Townsend. Coveted regions include the leafy expat enclave District 2 in Ho Chi Minh City. There, gourmet supermarkets and international schools sit next to riverfront restaurants such as The Deck Saigon, which serves foie gras dumplings and lychee cocktails.

Ha Long Bay, a Unesco world heritage site with a dramatic seascape of limestone pillars, is up and coming for second homes. Other coastal regions on the rise include Nha Trang in the south, Da Nang, which is Vietnamôs third largest city, and Phu Quoc island. Although rapidly developing, the latter is still significantly cheaper than Phuket or Bali.

Ha Long Bay is a popular place to buy a second home

Yet foreign uptake in these areas has been moderate at best. Local agents put this down to the fact that much of the legislation is still new. One issue is ñgetting money in and out of Vietnam once the home has eventually soldò, says Matthew Koziora, who leads the sales and marketing department at VinaCapital. Another is whether the home comes with a residential visa. ñThe new law does allow the foreign investor to generate rental income, but, once it is audited and local tax is paid, can that dividend be sent offshore? That has yet to be tested,ò he says.

Vietnam has the potential to become a global tourism destination, says Jose Luis Calle, managing director of Lifestyle Retreats, who is developing a resort of 60 suites and villas in Mui Ne, on the countryôs south-east coast. The numbers back him up. In 2015, 7.94m holidaymakers visited Vietnam, which together with 2014 were the highest numbers ever recorded. Direct international flights from across Asia to Da Nang more than doubled from 1,045 in 2012 to 2,521 last year.

InterContinental Sun Peninsula Resort in Da Nang, where a four-bedroom villa is on sale for $3.28m

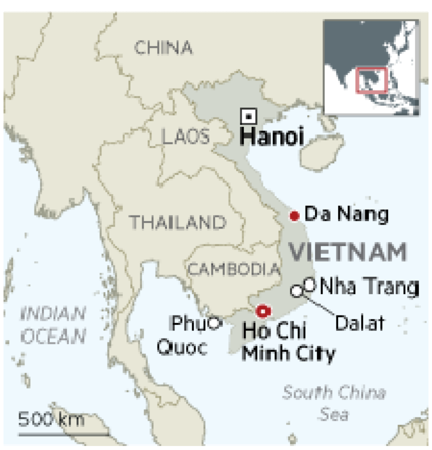
The international buyers that have bought in Vietnam tend to gravitate towards well-established branded projects. At the InterContinental Sun Peninsula Resort in Da Nang, a beachfront four-bedroom villa with two pools is on sale for £3.28m, through Luxury Property Da Nang. In southern Vietnam, CBRE is selling a three-bedroom villa with a pool at the Sanctuary Residences in Ho Tram for $385,000 with a 5 per cent two-year rental guarantee.

While this may sound promising, there is still caution as to whether the combination of new projects and amount of unsold inventory might lead to oversupply.

Three-bedroom villa at Sanctuary Residences in Ho Tram, $385,000

For now, business is doing very well though, not least in golf. VinaCapital says it has sold about 90 per cent of units at The Point, a community of homes arranged around an 18-hole golf course in Da Nang, with the latest crop of homes going to buyers from Singapore, Hong Kong and the US in particular. The last emperor would be pleased.

Buying guide



ŏ From July last year any foreigner with a valid visa can buy a property in Vietnam

ŏ Expect to pay 10 per cent VAT when buying a property from a developer

ŏ The monsoon season in south Vietnam runs from about May to October

What you can buy for . . .

$500,000 A three-bedroom condo in Ho Chi Minh Cityôs central business district

$1m A penthouse apartment in central Ho Chi Minh City

$2m A seven-bedroom beachfront villa in Da Nang, Vietnamôs third largest city