Asian property

Vietnam's rapid growth fuels Ho Chi Minh property boom

High-end developments spring up in City's downtown with many aimed at international buyers

The Saigon river in Ho Chi Minh City © Getty

Dan F Stapleton YESTERDAY

On the banks of the Saigon River an enormous development is taking shape. In addition to more than 60 villas and about 3,000 apartments across 13 towers, the new project from developer Vin Homes will include an international school, exclusive shops and restaurants, and a gleaming marina. In the promotional video, a gang of friends — mostly westerners — drink a champagne toast, drive a golf ball into the sunset and sail a yacht over calm blue water.

Golden River is one of a number of high-end new developments that have sprung up in downtown Ho Chi Minh City in recent years, many of which are appealing to international buyers — who, since 2015, can now buy up to 30 per cent of apartments in new condo buildings. Added to that, the country's booming economy is fuelling rapid real estate growth and, agents say, developers have been working overtime to keep up with demand.

According to CBRE about 35,000 new high-end apartments — those commanding more than $1,500 per sq metre — have come to market in HCMC in the past three years. It's a dramatic increase on 2012-14, during which time fewer than 10,000 units were listed for sale. At Golden River, five of the 13 towers have so far come to market, and 80 per cent of those units have sold.

This isn't the first time developers have courted foreign investment. When Vietnam joined the WTO at the beginning of 2007 direct and indirect investment flooded into the country. House prices rocketed. Then the financial crisis hit in 2008 and investors took flight, contributing to a five-year slump that saw the price of new apartments in HCMC fall 30 per cent and older stock in some regions lose even more value.

Beachfront villas at Melia Ho Tram at the Hamptons resort start at $790,000

Today the demand is back, agents say, mostly from South Korea, Hong Kong and mainland China. Last year, the proportion of CBRE's condo buyers in HCMC who were from overseas increased more than 10 percentage points on 2016, to 64 per cent. Savills reports an increase in overseas buyers too. "In some of the higher-end product, the foreigner allocation of 30 per cent has quickly filled," says Troy Griffiths, deputy managing director at Savills Vietnam. Most agents estimate the number of foreigners buying in Vietnam has doubled since 2014.

Two factors are behind the increase. In 2015, the Vietnamese government introduced laws that made it easier for foreigners — and wealthy Vietnamese expats — to buy property. Meanwhile, ever-rising real estate prices in places such as Hong Kong, Thailand and Sydney are encouraging middle-class Asian buyers to look further afield for holiday homes or investment properties. Vietnam, with its historic cities and relatively undeveloped tracts of coast, has come into focus as a leisure destination.

A street in the Old Quarter of Hanoi © Quynh Anh Nguyen / Getty Images

One buyer is Chinese energy executive Alex Cus, who first visited HCMC in 2011 on business and was struck by the city's sense of potential. "I stayed for about three months and left with a very positive impression," he says. In 2015, Cus returned and found cheap real estate and an economy that he thought resembled Shanghai's in the late 1990s. Since then, he has bought two apartments in Vietnam.

According to David Blackhall, managing director of VinaCapital, a Vietnamese-property fund listed on the London Stock Exchange, demand for urban residential property between $80,000 and $200,000 — built for the country's burgeoning middle class — is particularly strong. "Vietnamese developers could build stock for the next 20 years and still sell it out at that range," he says.

Three-bedroom villa, Banyan Tree Lang Co $1.28m

Most new developments are being built in HCMC, Vietnam's largest city. Developers and corporate buyers bought about $1.2bn worth of residential-zoned land and newly built residential property there in 2016 and 2017, according to CBRE; in Hanoi, the figure was $500m. Today, condominium development in HCMC is clustered in a few districts, known locally as zones. High-end developments account for a mere 2 per cent of the market and are mainly found in the central business district, or Zone 1, which is also the centre of international tourism and upscale retail. In Golden River, the largest high-end development in HCMC to date, two-bedroom apartments begin at $370,000 and three-bedrooms begin at $490,000 or about $4,500 per sq metre. Mid-range condo development is taking place in Zones 2, 7 and 9. In Vietnam, property prices are often quoted in both US dollars and Vietnamese dong.

Although Hanoi is not generating the same buzz as HCMC, growth in the capital is being aided by South Korean electronics group Samsung, which employs 45,000 workers in facilities near the city. “A lot of other businesses are springing up in Hanoi to support Samsung,” says Hang Dang, managing director at CBRE Vietnam. “We are fielding many more inquiries from Koreans keen to buy residential property there.”

The Hoai river, in Hoi An on Vietnam's central coast © Getty

Development is not confined to the main cities: along the Vietnamese coast, centres such as Da Nang and Phu Quoc island are experiencing growth spurts of their own. The residential-property drivers here are newly wealthy Vietnamese, who are buying holiday homes, and international tourists, who are buying or renting villas. According to the government’s tourism agency, international arrivals to Da Nang rose 38 per cent in 2017; in Phu Quoc, they rose 72 per cent in 2017.

Super-prime coastal villas — those featuring private swimming pools and access to communal facilities such as restaurants and golf courses — typically range from $700,000 to $2m. At the Nam Hai, a Four Seasons-branded villa resort in Hoi An on the outskirts of Da Nang, IndoChina Properties is selling a one-bedroom villa with a pool and access to resort facilities for $850,000.

One-bedroom villa at a Four Seasons-branded resort in Hoi An, $850,000

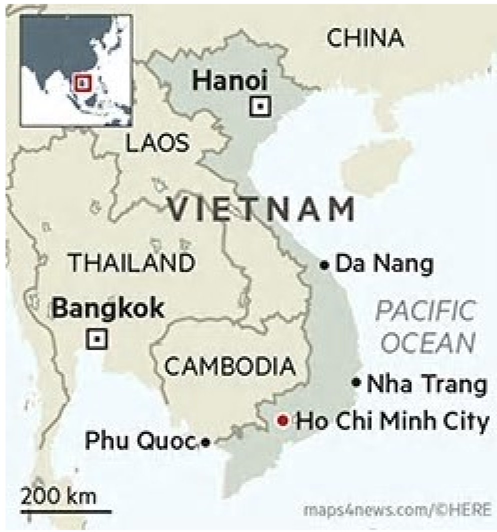
Beachfront villas at Melia Ho Tram at the Hamptons, a resort about two hours' drive from HCMC, start at $790,000, available through Savills. At the Banyan Tree resort in Lang Co, Indochina Properties is selling a three-bedroom villa for $1.28m. Since high-end coastal properties began springing up in 2006, most buyers have been Vietnamese, says Blackhall. He notes that 85 per cent of those who bought within a recent development funded by VinaCapital near Da Nang were locals. "Vietnamese have an affinity with owning real estate and now have access to modern, well-designed products," he says.

Property prices have been rising fastest in coastal areas. The average price of a vacation villa in Da Nang increased from $2,300 per sq metre in 2016 to $2,500 per sq metre in 2017, according to CBRE. In Phu Quoc, the average price rose from $2,100 per sq metre to $2,400 per sq metre over the same period. And demand seems to be keeping pace with supply: almost 100 per cent of the approximately 1,800 vacation villas in Phu Quoc had been bought by the end of 2017, compared with about 90 per cent of the 1,100 available at the end of 2016.

Po Nagar temple and Cai river, Nha Trang in Khanh Hoa Province © Jason Langley

In HCMC prime condo prices grew a modest 2 per cent in 2017, according to CBRE. And returns for anyone looking to rent out their prime city pad when they're not using it are likely to be unspectacular — gross rental yields in Zone 1 have remained flat at 4 per cent since 2015, while yields in Zone 2 have fallen from 8 per cent to 7 per cent over the same period.

Despite the changing rules over foreign ownership, there remains an air of uncertainty for overseas buyers. "It's important to understand that, while it is getting easier to buy, the Vietnamese government remains very guarded about foreign ownership of residential property," Blackhall says.



Cus, the Chinese energy executive, has two main concerns. “The first one is that the financial market in Vietnam is not totally open like it is in New York or London.

“The second one is that Vietnam is not a big financial market in global terms — I don’t think it is strong enough to shrug off a major financial strike on Wall Street, for example,” he says.

Buying guide

- Since the rules changed in 2015, overseas buyers can buy up to 30 per cent of apartments in new condo buildings
- Expect to pay 10 per cent VAT when buying a property off the plan
- The monsoon season in south Vietnam, where HCMC is located, runs from about May to October

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$700,000 A new four-bedroom apartment in a high-end development in Hanoi

$3m A three-bedroom villa with swimming pool near a well-established coastal area such as Da Nang

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