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Credit Insights:

Resolution No.33/NQ-CP on Solutions for Property Sector




Paving the way forward to overcome legal obstacles, improve housing supply and seek new project financing

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Resolution No 33 will support future growth of property sector

- » On 11 March 2023, the Government of Vietnam issued Resolution No. 33/NQ-CP on solutions to resolve difficulties and promote sustainable growth of the property sector. The solutions include strengthening the legal framework around property construction and development, increasing supply of social housing, and mobilizing capital for housing projects.
- » We view this development to be positive for the property sector which has faced multiple challenges since 2022, including tight liquidity, refinancing difficulties and loss in market confidence. The solutions will serve to pave the way forward for the sector to overcome legal obstacles in project development, improve the supply of housing to meet market demand and seek new financing for projects.

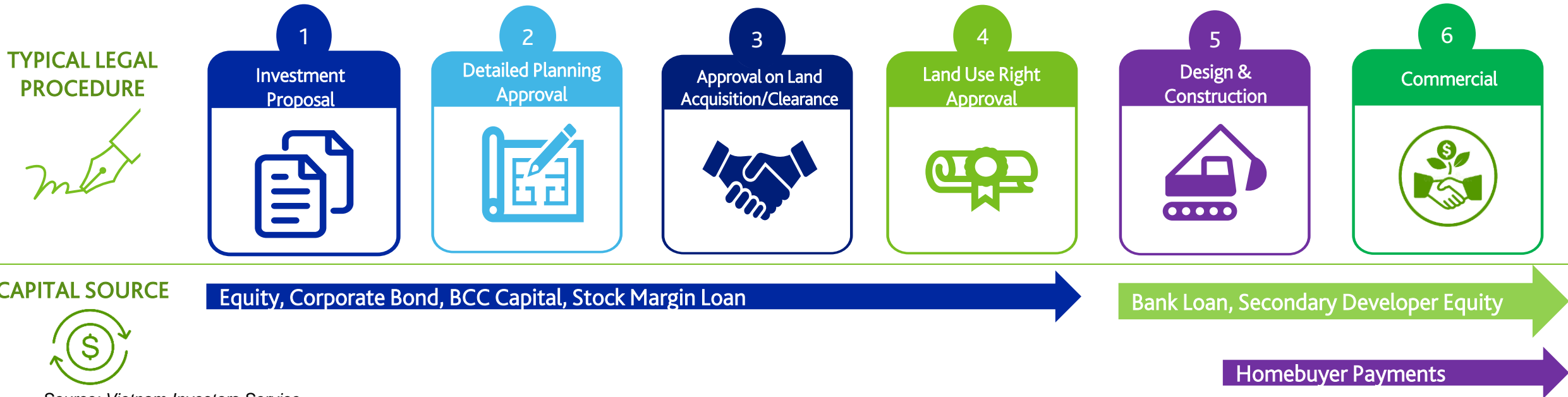
	Key highlights of solutions under Resolution No. 33/ NQ-CP	Credit Implications
 Legal framework	<ul style="list-style-type: none"> » The government to seek approval from the National Assembly on revisions to various laws, including Land Law, Housing Law, Real Estate Business Law, Bidding Law, Law on Auction, Price Law and Law on Credit Institutions, and relevant Decrees. » Formulate and put in effect a new decree on the process, order and procedures for implementing projects to construct commercial houses and urban areas 	<p>These law revisions, expected to complete in October 2023, will serve to resolve obstacles that developers face in obtaining the required regulatory approvals before they can seek new financing from banks and investors. We expect this development to help ease liquidity pressure on developers.</p>
 Product orientation	<ul style="list-style-type: none"> » Promote social housing development: building of 1 million units in 2021-2030, offering credit program of 120.000 bil VND. 	<p>With the government push, we expect majority of developers will move toward affordable segment. This will shape the supply to match with real demand of settlement rather than speculation, then ensure the sustainable growth of the property market.</p>
 Capital mobilization	<ul style="list-style-type: none"> » Direct, guide and implement capital mobilization activities (including bond issuance) of real-estate businesses on the securities market in accordance with regulations and laws. » Facilitate the access to financing for businesses, homebuyers and investors 	<p>We believe the government, from 2023 ,will assertively control, facilitate and align developers' capital flow into oriented property segments, focusing on affordability and liquidity. This will gradually improve the credit strength of market participants.</p>

Source: Vietnam Investors Service

Developers will benefit from clear legal framework to advance on projects and seek financing

- » The new resolution signals the government's commitment to put into effect comprehensive revisions to various laws that govern the legal process around project development. These law revisions - expected to complete in October 2023 - will serve to resolve obstacles that developers face in obtaining the required regulatory approvals before they can seek new financing from banks and investors. We expect this development to help ease liquidity pressure on developers.
- » As a result of various conflicts and overlaps in current real estate regulations, the approvals for land acquisitions, clearances, and right for land use are often delayed. Projects without approvals are unable to seek financing from banks, investors and/or homebuyers to accelerate on their development plans. Developers that had relied on bond financing for project development face refinancing difficulties partly due to the approval delays.

Developers typically face delays in required project approvals before they can seek new financing



Source: Vietnam Investors Service

Developers will follow the government's push for more affordable housing

- Under Resolution No. 33, the government intends to increase the new supply of social housing by 1 million units over 2021-2023 period. To facilitate the push, the government also intends to establish a credit program for social housing totalling VND 120.000 billion, offering interest rates that are 1.5-2% lower than the average lending rate of 4 SOE banks or qualified non-SOE banks.
- Some major developers such as Vingroup, Him Lam, Hung Thinh have been active in developing new social housing. With the new government push, we expect more developers will move towards the affordable housing segment. This will increase the housing supply to match with the real demand for own-stay housing and ensure the sustainability growth of the property market.

Examples of social housing projects under development

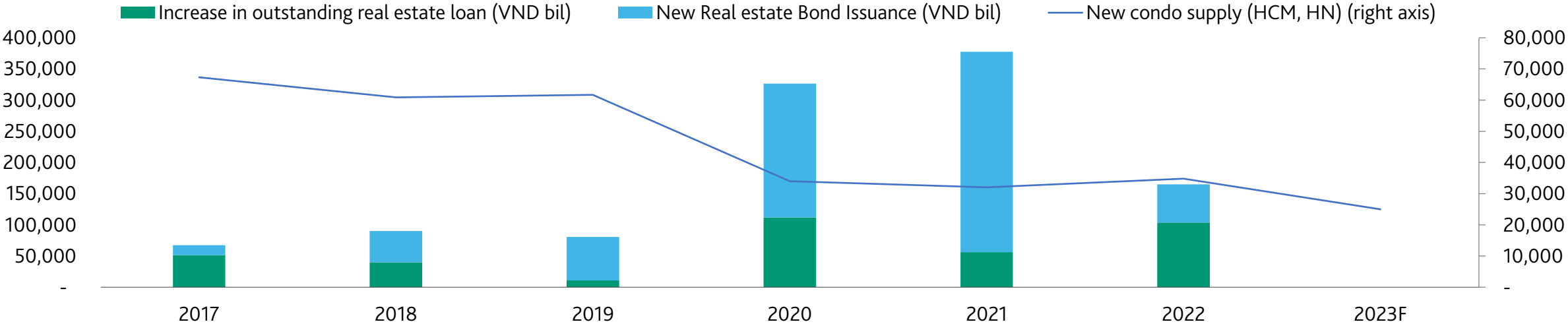
Developer	Project	Location	Project scale	Progress
Hưng Thịnh Group	Apartment 9x An Suong	Hoc Mon, HCMC	800 units	Expected start in 2023
Thủ Thiêm Group	Thu Thiem Green House	Thu Duc city, HCMC	2ha, 4 blocks	Started in 2021, handover from 4Q2023
Toàn Thịnh Phát	New Lavida Binh Duong	Di An , Binh Duong	1ha, 1000 units	Started August 2022, hand over in Q42024.
Him Lam	Him Lam Thuong Thanh	Long Bien, Hanoi	2000 units	Started in 2022
Điền Phúc Thành	Social housing in KDC	Thu Duc city, HCMC	600 units	Started in 2022
Xuân Mai Sài Gòn	MRI social housing in Tan Thuan Tay residential area	District 7, HCMC	712 units	Started in 2022
Phu Long	Dragon E – Home Social Housing	Thu Duc city, HCMC	764 units	Started in 2022
Vingroup	Happy Home (Vinhomes Star city Thanh Hoa)	Dong Huong, Thanh Hoa	9ha, 3100 units	Expected start in 2Q2023
Bảo Ngọc TTC	Bao Ngoc City	Long Bien, Hanoi	660 units	Started June 2022, handover in Q12024
Vingroup	Nam Tràng Cát	Hai An, Hai Phong City	26ha, 5,000 units	Expected start in 2H2023

Source: Vietnam Investors Service

Better control of capital flows will improve developers' credit strength

- Resolution No. 33 introduces new financial measures to support the property market, such as facilitating credit for real demand, high liquid segments, restructuring problematic debts, lowering interest rate, enabling and guiding legitimate capital mobilization activities, developing corporate bond market. On the other hand, we expect more control and supervision on capital mobilization particularly in the corporate bond market to avoid speculation, manipulation etc.
- We believe the new measures will help to control and align developers' capital flows to property segments that are supported by genuine demand and less prone to speculative investor behavior, for example residential housing. Over time, this development will gradually reduce developers' asset risks, and improve their cash flows and overall credit worthiness.
- As shown in below exhibit, significant new capital mobilized in 2020-2021 were not channeled to condominium projects in HCM and Hanoi, which we view to be liquid and supported by real demand. Instead, the capital went to other segments such as speculative property projects in Tier 2 and 3 cities and rural areas. As market sentiment weakened in 2H 2022, many of the new projects experienced weak sales, which eventually led to many developers facing liquidity challenges.

Significant capital raised in 2020-2021 did not lead to an increase in condo supply in HN-HCM



Source: Vietnam Investors Service, CBRE



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