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## Residential Property Sector

New real estate laws will pave the way for quicker and prudent development of new housing projects, positive for developers' credit profiles and sustainable growth of the housing market

On 18 January 2024, the National Assembly passed the amendment to the Land Law. This new law coupled with the new Housing Law 2023 and Law on Real Estate Business 2023 – passed in 4Q 2023 – completes the government's revision of the legal framework for the real estate market. The new laws will help developers to secure legal approvals required to develop and commercialize new projects, guide developers to fund their project developments prudently and improve new home supply to meet market demand.

**The new Land Law introduces a new market-oriented approach to land valuation and provides detailed guidelines for developers to follow and secure legal approvals.** Difficulty in determining land prices applied for land-use levies has been one of the major obstacles resulting in delays in new real estate project approvals over the last 5 years. New market-oriented guidelines for land valuation will help authorities and developers determine acceptable land prices and advance on project approvals that are essential for developers to access new funding from banks and investors.

**The new Housing Law 2023 will encourage developers to build more social housing and improve the supply of new homes to meet the country's growing needs.** In recent years, the new housing supply in Vietnam has been skewed towards high-end and speculative segments of the market, while new projects for affordable owner-occupied homes are hard to come by. The new law introduces several mechanisms to support the development of affordable, social housing; and imposes restrictions on speculative activity. Over time, the introduction of new social housing will relieve the shortage of affordable homes faced by new families and a fast-growing population.

**Lastly, the new Law on Real Estate Business 2023 will limit over-leveraging by developers and protect homebuyers' interest in the project development phase. As new projects are funded prudently, homebuyer sentiment will strengthen to drive new purchases and steady cash flows for developers.** Developers now have to fund new project investment costs with a minimum of 15-20% equity, significantly higher than VND 20 billion in equity previously. Also, homebuyers will benefit from new legal requirements imposed on developers, for example, to fulfill all financial obligations related to land purchase prior to commercialization, to provide homebuyers with bank guarantee letters, and to limit upfront deposits to 5% of the sale price.

## The new Land Law introduces a new market-oriented approach to land valuation and provides detailed guidelines for developers to follow and secure legal approvals

Difficulty in determining land prices applied for land-use levies is one of the major obstacles causing delays in real estate project legal approvals over the last 5 years, accounting for more than 50% of legal delays in countrywide real estate projects, according to the Ministry of Construction (MoC), and accounting for 60-70% of HCMC 156 delayed real estate projects, according to Ho Chi Minh City Real Estate Association (HoREA)<sup>1</sup>.

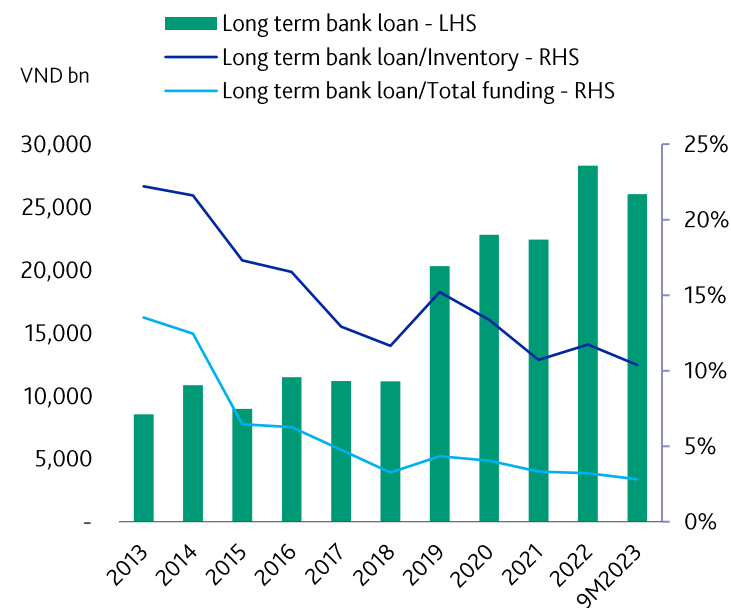
Compared to Land Law 2013, Land Law 2024 provides more detailed and market-oriented guidelines for land valuation (Exhibit 1). This will help authorities and developers to determine acceptable land prices, quicken the project legal approval process, and allow real estate projects to fully qualify to access funding, especially from banks, which has been negatively affected by legal delays over the last 5 years (Exhibit 2).

**Exhibit 1: Some highlights on more detailed and market-oriented land valuation guidelines in Land Law 2024**

Content	Prior to New Law	Key Changes in New Law	Implications of New Law
<b>Land price framework</b>	<ul style="list-style-type: none"> <li>Specify the floor price and ceiling price of each type of land in different economic zones. Based on this, provincial governments issue provincial land price tables.</li> <li>Issued by the government every 5 years.</li> </ul>	<ul style="list-style-type: none"> <li>Remove usage of land price framework in land valuation.</li> </ul>	Removing floor-ceiling land price mechanism, allowing land price applied for land-use levies to match with market price in the land valuation process.
<b>Provincial land price table</b>	<ul style="list-style-type: none"> <li>Updated by the local government every 5 years.</li> <li>Apply for 6 purposes of usage.</li> </ul>	<ul style="list-style-type: none"> <li>Updated by the local government every year</li> <li>Apply for 11 purposes of usage.</li> </ul>	Land-use levies determination will be more market-oriented. The new law provides more detailed guidelines to apply this mechanism.
<b>Land valuation method</b>	<ul style="list-style-type: none"> <li>No mention in Land Law 2013</li> <li>Land valuation methods were set in Decree 44/2014 with 5 methods: (1) Direct comparison, (2) Income, (3) Land price coefficient, (4) Deduction, (5) Surplus</li> </ul>	<ul style="list-style-type: none"> <li>Land Law 2024 has four specific land valuation methods and corresponding applications of each method (see Appendix for more details).</li> </ul>	The new law provides more details on land valuation method description and application.

Source: Land Law 2013, Land Law 2024, Vietnam Investors Service

**Exhibit 2: Project legal delays caused long-term bank loan funding decline for several listed developers**



Source: Company data, Vietnam Investors Service

Note: Data include 37 listed developers with 2022 revenue exceeding VND 100 bn (excluding Vinhomes)

<sup>1</sup> Refer to the media articles quoting the [Ministry of Construction](#) and [Ho Chi Minh City Real Estate Association](#) on legal delays  
This publication does not announce a credit rating action.

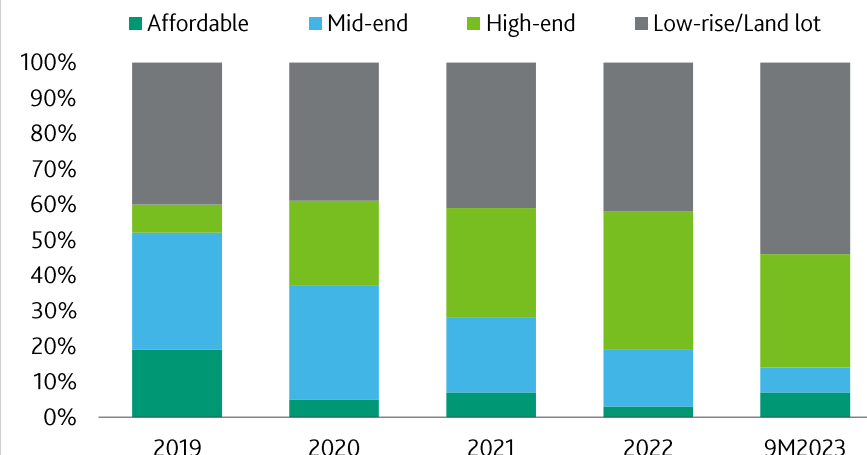
### The new Housing Law 2023 will encourage developers to build more social housing and improve the supply of new homes to meet the country's growing needs

In recent years, new housing supply in Vietnam has been skewed towards high-end and speculative segments of the market (Exhibit 3), while new projects for affordable owner-occupied homes are hard to come by and far below the market demand and government plan (Exhibit 4).

Since the beginning of 2023, the government has shown a strong commitment to developing social housing by increasing project approvals (Exhibit 5).

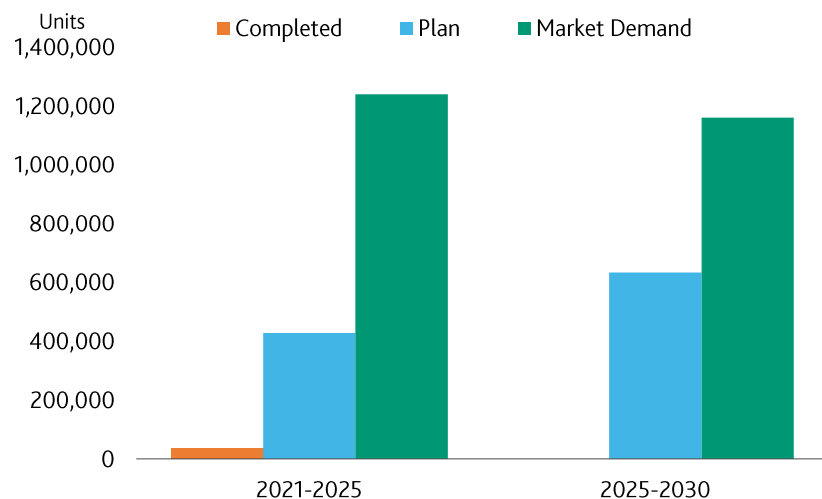
We view that the introduction of the Law on Housing 2023 will accelerate this development as the new law introduces several mechanisms to support the development of affordable, social housing; and imposes restrictions on speculative activity (Exhibit 6). As a result, we expect more social housing projects to launch in 2024 (Exhibit 7).

**Exhibit 3: Developers have been overweighted high-end and low-rise/land lot segments**



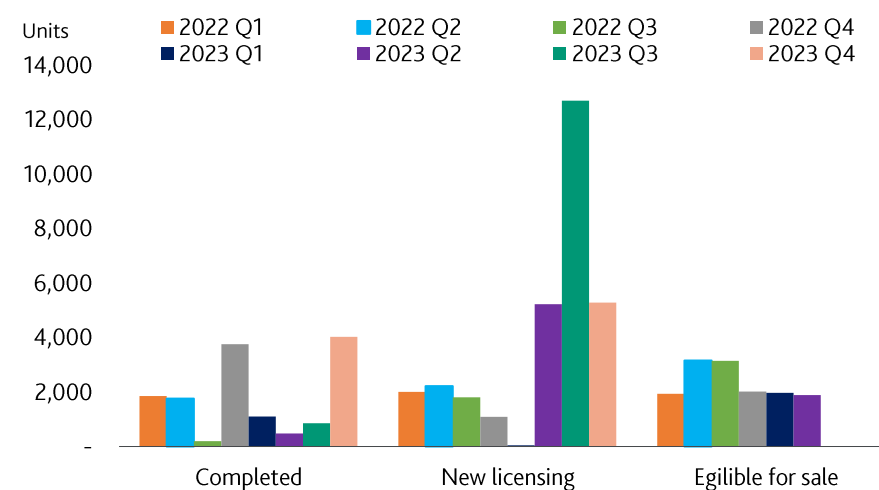
Source: Vietnam Association of Realtors, Vietnam Investors Service

**Exhibit 4: In 2021 – 2023, only 35,560 units of social housing were completed, achieving only 8.4% of the 2025 government plan**



Source: Ministry of Construction, Vietnam Investors Service

**Exhibit 5: Social housing approvals accelerated since Q2/2023**



Source: Ministry of Construction, Vietnam Investors Service

## Exhibit 6: Highlights on new provisions to reshape the housing supply

Content	Prior to New Law	Key Changes in New Law	Implications of New Law
<b>Promotion of condominium</b>	<ul style="list-style-type: none"> <li>➤ Not mention of issuing house ownership certificates for mini apartments.</li> <li>➤ No support for the reconstruction of outdated condo building</li> </ul>	<ul style="list-style-type: none"> <li>➤ Issuing house ownership certificate for mini apartments qualifying for regulatory standards.</li> <li>➤ Exemption of land use fee for outdated condo building reconstruction project</li> <li>➤ Stipulating condo development prioritization in special and tier 1 cities</li> </ul>	<ul style="list-style-type: none"> <li>➤ New laws support the development of affordable condominiums in big cities</li> </ul>
<b>Promotion of social housing</b>	<ul style="list-style-type: none"> <li>➤ Although exempted from payment of land use fees, developers must complete the procedure of land use fee determination.</li> <li>➤ No specific profit incentives for social housing developers.</li> <li>➤ Developers must set 20% of gross floor area (GFA) in social housing projects for rental purposes.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Developers are exempt from land use fee determination procedures in implementing social housing projects.</li> <li>➤ Within a social housing project, developers are granted a 10% profit margin for the construction of the social housing area, and the entire profit from the commercial area, which may take up to 20% of the total area of the project.</li> <li>➤ Removing requirements of rental 20% of GFA as in reality, it is difficult to rent this GFA.</li> </ul>	<ul style="list-style-type: none"> <li>➤ New laws provide more support to social housing developers regarding legal approval procedures and profitability.</li> <li>➤ Removal of rental requirements improves the efficiency of the project.</li> </ul>
<b>Speculative restriction</b>	<ul style="list-style-type: none"> <li>➤ Some restrictions on the transfer of social housing within 5 years.</li> <li>➤ Restriction on land subdivision (land lot project) only in special and tier 1 cities.</li> </ul>	<ul style="list-style-type: none"> <li>➤ More restrictions on the transfer prices of social housing for commercial purposes within 5 years.</li> <li>➤ Restriction on land subdivision (land lot project) in special and tier 1,2,3 cities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ensuring that social housing products serve the genuine need.</li> <li>➤ More restrictions on speculative segments in tier 2, and tier 3 cities.</li> </ul>

Source: Housing Laws 2014 and 2023, Laws on Real Estate Business 2014 and 2023, Vietnam Investors Service

## Exhibit 7: Several social housing projects will be launched in 2024

Developer	Project Name	Location	Project Size	Progress
Nam Long	EhomeS Nam Sai Gon block C	Binh Chanh, HCMC	250 units	Under construction, sales launch in 2024
Vingroup	Happy Home Cam Ranh	Cam Ranh, Khanh Hoa	3,600 units	Started construction in Jan 2024
Vingroup	Happy Home Star city Thanh Hoa	Dong Huang, Thanh Hoa	3100 units	To start construction in 2024
Vingroup	Happy Home Nam Trang Cat	Hai An, Hai Phong City	5,000 units	Started construction in Jan 2024
BIC Viet Nam	Rice City To Huu	Nam Tu Liem, Ha Noi	711 units	To start construction in 2024
BIC Viet Nam	Rice City Long Bien	Long Bien, Hanoi	600 units	To start construction in 2024
Newland	Tan Phu Hung	Hai Duong	1260 units	To start construction in 2024
HUD	Social housing Dong Van	Dong Van, Ha Nam	564 units	Under construction, sales launch in 2024

Source: Company announcements, Vietnam Investors Service

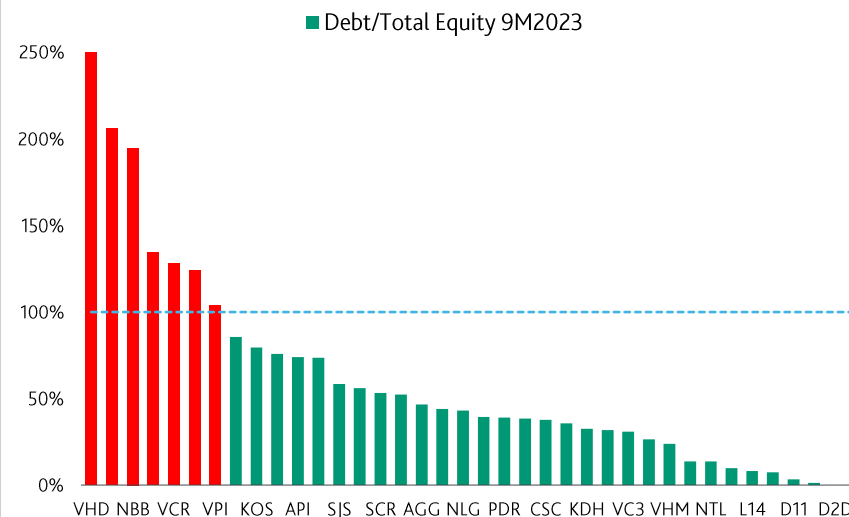
The new Law on Real Estate Business 2023 will serve to limit over-leveraging by developers and protect homebuyers' interest in the project development phase. As new projects are funded prudently, homebuyer sentiment will strengthen to drive new purchases and steady cash flows for developers.

Under the new law, developers need to be more prudent in project funding, and better managing their leverage and cash flow. These improvements will gradually support the sustainable growth of the overall property market.

The Law on Real Estate Business 2023 requests the government to set a regulatory ratio for debt (loan and bond) over total equity. Developers with high leverage will have to adjust to the upcoming new condition (Exhibit 8). Referencing China's policy, developers with a debt-to-equity ratio of more than 100% would be restricted in borrowing capacity.

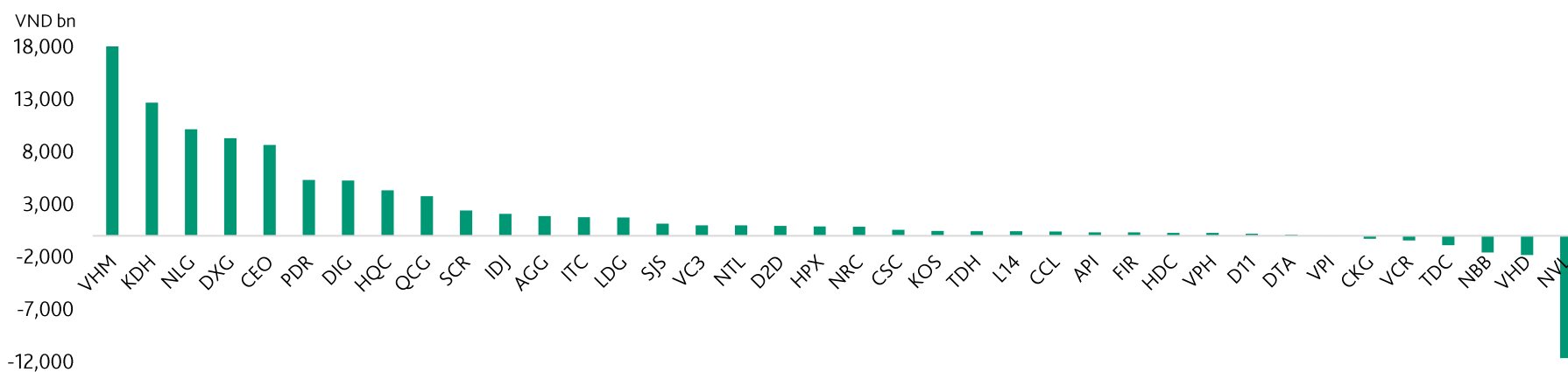
Equity capital funding requirements in project implementation are stipulated at 20% and 15% of the total investment cost for projects less than 20 ha and more than 20 ha, respectively; significantly higher than VND 20 billion in equity previously. Concurrent multiple project implementation will increase the burden on developers to access and raise sufficient equity capital to ensure the new equity funding requirements are met. As a result, developers will need a strong capital base to implement multiple projects simultaneously (Exhibit 9).

**Exhibit 8: Several developers have a debt-to-equity ratio over 100%**



Source: Company data, Vietnam Investors Service

**Exhibit 9: Developers with a strong capital base (total equity adjusted for net debt) will better adapt to the new legal framework**



Source: Company data, Vietnam Investors Service

Note: Data includes 38 listed developers with 2022 revenue of more than 100 billion VND. VHM total Equity adjusted for net debt 9M2023 is 140,684 billion VND

The new law provides several mechanisms to protect homebuyers' rights and prevent risks in transactions with developers such as deficient legal status, excessive installments collection, construction delay, or delay in receiving land use right and home certificate.

As shown in Exhibit 10, homebuyers will benefit from new legal requirements imposed on developers, for example, to fulfill all financial obligations related to land purchase prior to commercialization, to provide homebuyers with bank guarantee letters, and to limit upfront deposits to 5% of sale price. With these developments, the new laws will help to strengthen homebuyers' sentiment and restore housing demand in the coming years.

**Exhibit 10: Highlights on law changes to provide more protection to homebuyers**

Content	Prior to New Law	Key Changes in New Law	Implications of New Law
<b>Project commercialization conditions</b>	<ul style="list-style-type: none"> <li>Not stipulating about deadline for completing financial duties to the State.</li> </ul>	<ul style="list-style-type: none"> <li>Developers must complete financial obligations regarding land before putting real estate into business.</li> </ul>	Ensuring legal procedures completion before project commercialization
<b>Payment schedule</b>	<ul style="list-style-type: none"> <li>There are no regulations regarding deposit amounts.</li> </ul>	<ul style="list-style-type: none"> <li>Deposit not exceeding 5% of sale price in real estate transactions.</li> <li>The first installment, including the deposit, does not exceed 30% of the contract value.</li> </ul>	Preventing developers from collecting proceeds without ensuring committed project construction progress

<b>Project disclosure requirement</b>	<ul style="list-style-type: none"> <li>➤ Requirements of disclosure on general real estate assets currently put in business</li> <li>➤ 9 types of information required</li> </ul>	<ul style="list-style-type: none"> <li>➤ More extensive requirements for different types of real estate assets: real estate project, land use right within a project, housing/construction work formed in the future, existing housing/construction work</li> <li>➤ 18 types of information required</li> </ul>	Aiming to enhance market transparency and help homebuyers to avoid problematic projects.
<b>Bank guarantee for project implementation</b>	<ul style="list-style-type: none"> <li>➤ No requirement to provide a bank guarantee letter to homebuyers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Developers must provide bank guarantee letters to homebuyers within 10 days from the date of signing the house purchase contract.</li> <li>➤ Developers can only receive payment under the contract after the customers have received a relevant letter of bank guarantee.</li> </ul>	More protection to homebuyers against possible developers' violations.

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Source: *Housing Laws 2014 and 2023, Laws on Real Estate Business 2014 and 2023, Vietnam Investors Service*

## APPENDIX

## List of valuation methods and their application case

Valuation method	Description	Application case
<b>Comparison</b>	<ul style="list-style-type: none"> <li>➤ Adjusting the prices of plots with the same land use purpose that have been transferred in the market</li> </ul>	<ul style="list-style-type: none"> <li>➤ Applied in cases where there are at least 03 plots of land with the same land use purpose and certain similarities.</li> </ul>
<b>Surplus</b>	<ul style="list-style-type: none"> <li>➤ Taking the total estimated development revenue and subtracting the total estimated development costs of the land plot or area</li> </ul>	<ul style="list-style-type: none"> <li>➤ Applied in cases where total development revenue and total development costs can be estimated.</li> </ul>
<b>Income</b>	<ul style="list-style-type: none"> <li>➤ Taking the average annual net income per unit of land area divided by the average savings deposit interest rate for a 12-month term</li> </ul>	<ul style="list-style-type: none"> <li>➤ Applied in the case of land plots, non-agricultural land areas that are not residential land, or agricultural land that does not qualify for the comparison method but can determine Income and expenses from land use.</li> </ul>
<b>Land Price Coefficients</b>	<ul style="list-style-type: none"> <li>➤ Taking the land price from the land price table multiplied by the land price adjustment coefficient</li> </ul>	<ul style="list-style-type: none"> <li>➤ Applied when the State recovers land in cases of recovery of many adjacent land plots, with the same use purpose and is specified in the land price list.</li> </ul>

Source: Land Law 2024, Vietnam Investors Service



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