

Residential Property Sector

Outlook improving from stronger homebuyer sentiment and project sales, risks from high leverage mitigated by broader funding access

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In 2024, we expect Vietnam's residential property sector to recover after experiencing its largest downturn over the last ten years, marked by subdued primary transactions and the surge in bond defaults in 2023. The recovery will be mainly driven by stronger homebuyer sentiment following multiple developments to support new project development and improve developers' access to new funding. Debt servicing capacity will stabilize as cash flow improves but will remain weak due to high leverage.





New real estate laws will pave the way for quicker and prudent development of new housing projects, and low-interest rates and transportation infrastructure upgrades will boost homebuyer sentiment. 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. Since 2H 2023, approvals for new social housing projects and construction permits have increased. Moreover, the ongoing efforts to improve connectivity across major cities in Vietnam and low financing costs will strengthen homebuyer interest and drive new purchases.

Developer sales and cash flow will improve, especially for developers of affordable home projects in major cities. We expect the growth in housing transactions in major cities since Q4/2023 to continue in 2024 while demand for speculative segments such as luxury or investment properties will remain subdued. Among the large developers, we expect Vinhomes, Nam Long, and Khang Dien to record strong sales in 2024 given their pipeline of home projects in major cities catered for owner-occupation and new families.

Debt servicing capacity will remain weak even as cash flow improves due to high leverage and substantial debt maturities in 2024. The sector debt/EBITDA ratio rose to 8.7x in 2023 from 7.0x a year ago, as debt growth surpassed profit growth. Around VND 130 trillion worth of developer-issued bonds are maturing in 2024, the highest level in the last 5 years. Developers who are embroiled in legal issues and/or speculative projects are most at risk of poor sales and cash proceeds, weak debt coverage, and defaults, and hence, are most in need of refinancing.

Improved access to funding from banks and capital markets will help to alleviate refinancing risks. The liquidity stress faced by developers beginning Q4/2022 has eased. Bank credit to real estate businesses grew substantially by 28% in 2023 to support developer funding and liquidity needs. Similarly, bond issuances by property-related companies grew in 2H 2023, boosted by low interest rates and improving market sentiment. The recovery in equity market valuation will also support developer fund-raising for business expansion.

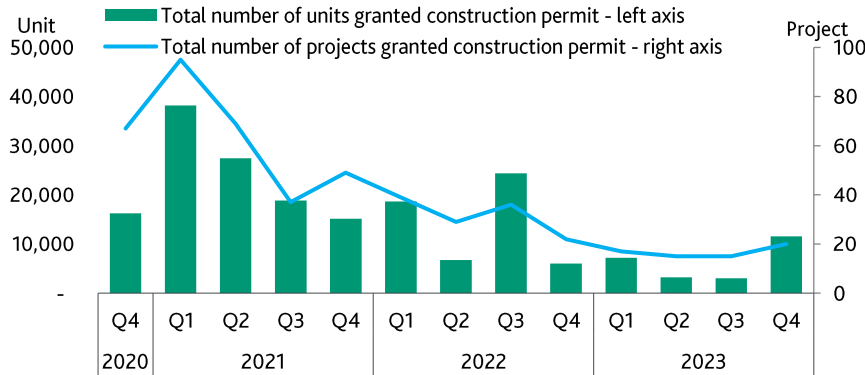
Exhibit 1: Residential Property Sector – Credit Outlook Improving in 2024 and Relevant Key Drivers

Factors	Outlook	Key drivers
 Market conditions	Improving	<ul style="list-style-type: none"> • New real estate laws and upcoming guidance circulars will prudently quicken new housing project developments, improving new home supply, as signaled by increasing approvals for new social housing projects and construction permits since 2H2023 • Several key transportation infrastructure projects such as Hanoi ring road 4, HCMC ring road 3, North-South expressway component projects, to be completed in 2023-2025, will significantly improve connectivity and accessibility across major cities and outskirt areas, boosting homebuyers' sentiment • Low lending rates will strengthen homebuyers' interest and drive new purchases
 Sales and cash flow	Improving	<ul style="list-style-type: none"> • Improving market conditions will drive housing transactions to rebound in 2024, mostly in major cities • Growing housing transactions in major cities will help developers of affordable home projects obtain stronger sales and cash flow in 2024 • Both customer advance funding and operating cash flow of listed developers started showing recovery signals in Q4/2023
 Debt servicing capacity	Stable	<ul style="list-style-type: none"> • Debt servicing capacity indicated by cash resources and coverage ratio is still at a weak level • Leverage remains elevated as Debt/EBITDA reached 8.7x in 2023 from 7.0x a year ago as debt growth surpassed profit growth and short-term debt/total debt in 2023 reached 45%, highest over the last 5 years • Real-estate related bond maturities in 2024 will reach highest ever at around VND 130 trillion, posing refinancing risks for developers. • Developers who are embroiled in legal issues and/or speculative projects are most at risk of poor sales and cash proceeds, weak debt coverage, and defaults, and hence, are most in need of refinancing
 Funding access	Improving	<ul style="list-style-type: none"> • Bank credit to real estate businesses grew 28% in 2023 and will continue growing in 2024 to support developers' funding and liquidity needs • Bond issuances by property-related companies grew in 2H 2023, supported by low interest rates and improving market sentiment • The recovery in equity market valuation will support developers' equity issuances • Opportunistic asset acquisitions by foreign investors will also help developers shore up liquidity

Source: Vietnam Investors Service

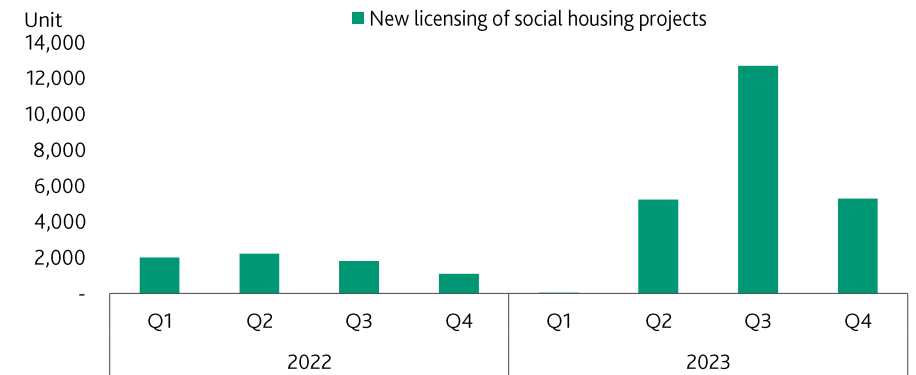
New real estate laws will pave the way for quicker and prudent development of new housing projects, and low-interest rates and transportation infrastructure upgrades will boost homebuyer sentiment

Exhibit 2: Construction permit approvals will quicken in 2024, supported by new real estate laws¹ and upcoming guidance circulars



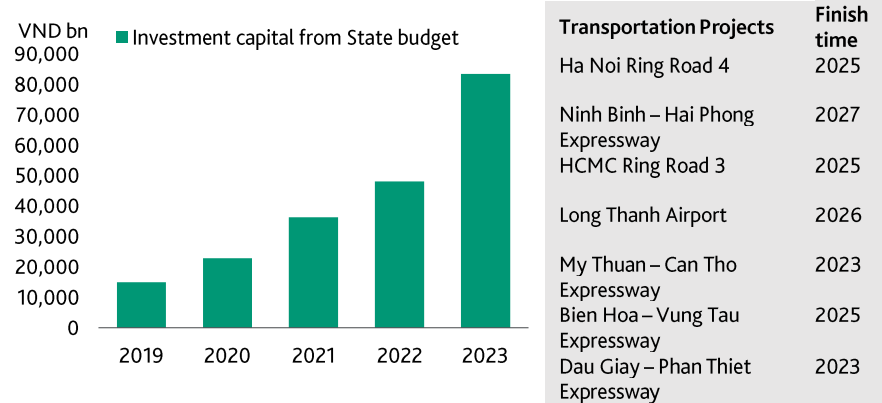
Source: Ministry of Construction, Vietnam Investors Service

Exhibit 3: The government's push to license new social housing projects will lead to new home supply in 2024-25



Source: Ministry of Construction, Vietnam Investors Service

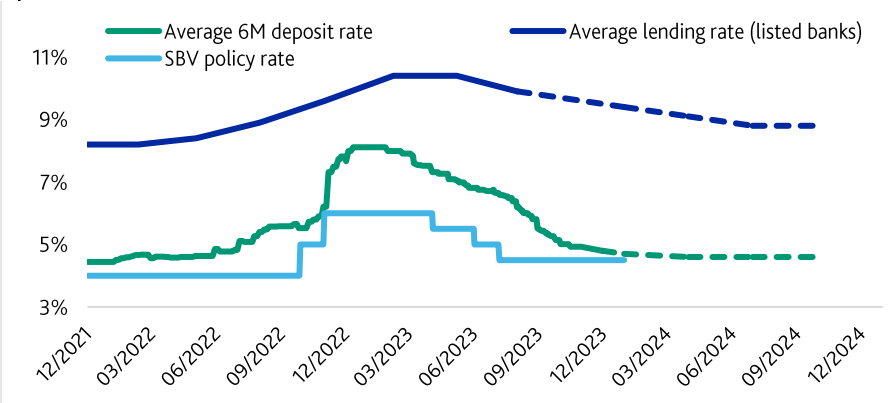
Exhibit 4: Ongoing government efforts to improve transportation network will boost homebuyers' sentiment



Transportation Projects	Finish time
Ha Noi Ring Road 4	2025
Ninh Binh – Hai Phong Expressway	2027
HCMC Ring Road 3	2025
Long Thanh Airport	2026
My Thuan – Can Tho Expressway	2023
Bien Hoa – Vung Tau Expressway	2025
Dau Giay – Phan Thiet Expressway	2023

Source: Ministry of Transport, CBRE, Vietnam Investors Service

Exhibit 5: Lower lending rates will strengthen homebuyers' interest and drive new purchases



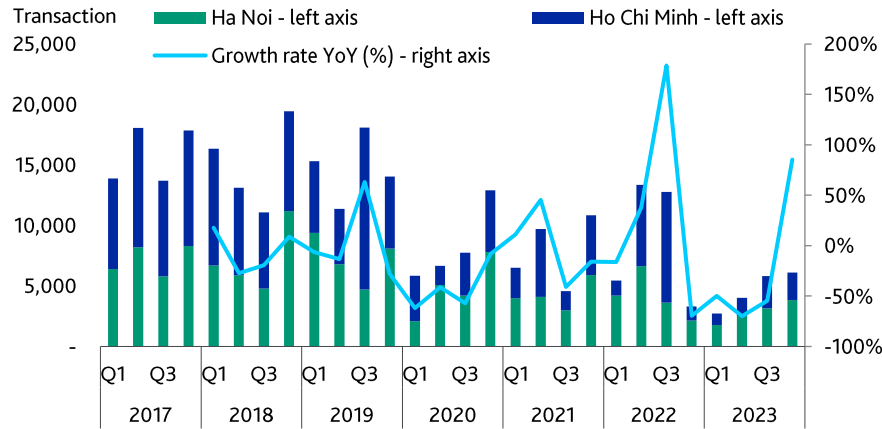
Note: The average lending rate is annualized, calculated by dividing total interest income from loans by total loans across listed banks.

Source: Bank data, Vietnam Investors Service

¹ Refer to our [Sector Comment: 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 \(22 Jan 2024\)](#)

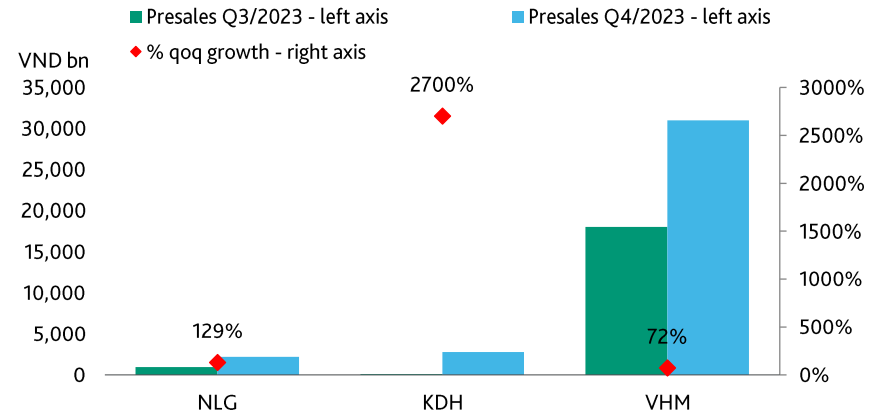
Developer sales and cash flow will improve, especially for developers of affordable home projects in major cities

Exhibit 6: Condominium transactions in major cities will increase in 2024 following the recovery in housing supply and demand



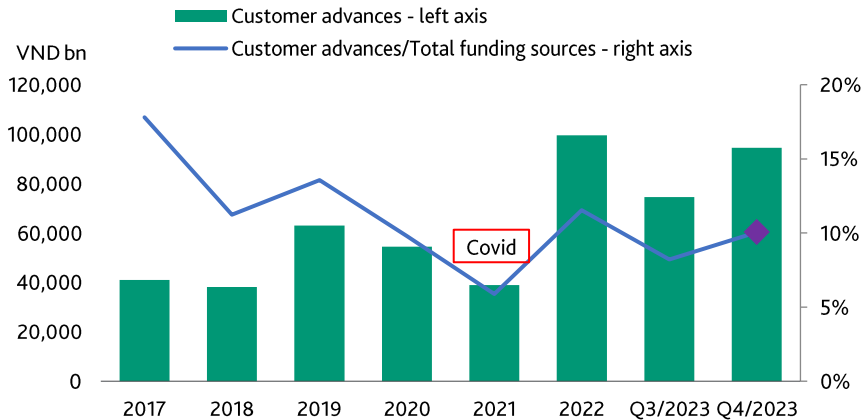
Source: CBRE, Vietnam Investors Service

Exhibit 7: Some big developers focusing on projects in major cities showed a recovery in presales in Q4/2023



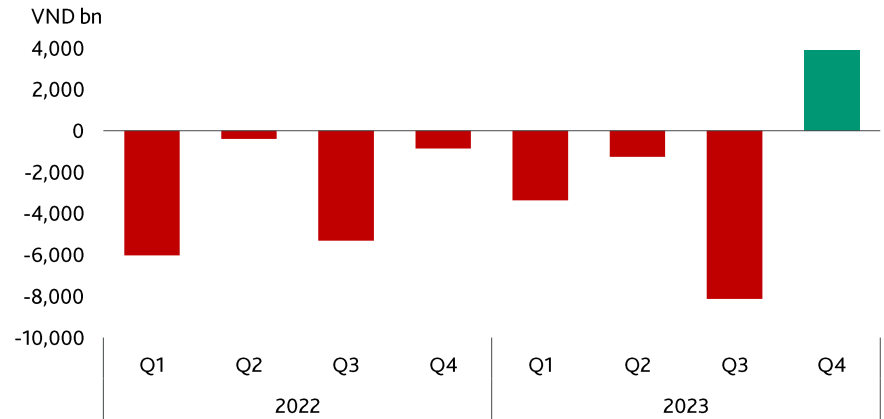
Source: Company data, Vietnam Investors Service

Exhibit 8: Funding by customer advances of listed developers recovered in Q4/2023 and will continue improving alongside homebuyers' sentiment recovery in 2024



Source: Company data, Vietnam Investors Service

Exhibit 9: Operating cash flow of listed developers will improve in 2024, supported by increasing customer advances from stronger sales

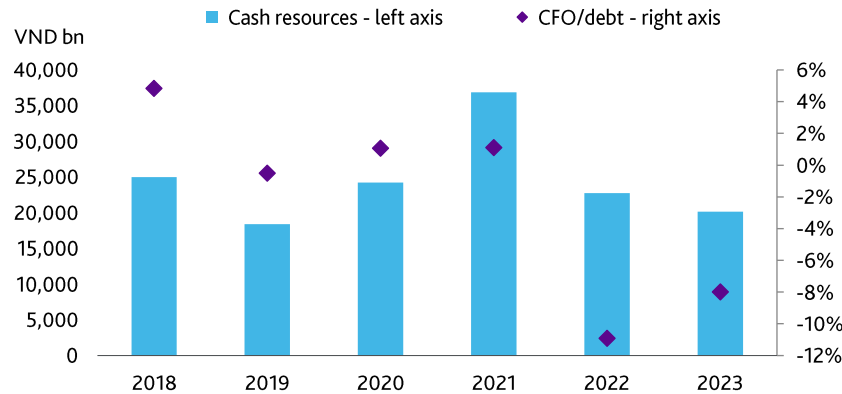


Source: Company data, Vietnam Investors Service

Note: VHM is excluded from calculation as it is not representative of sector performance

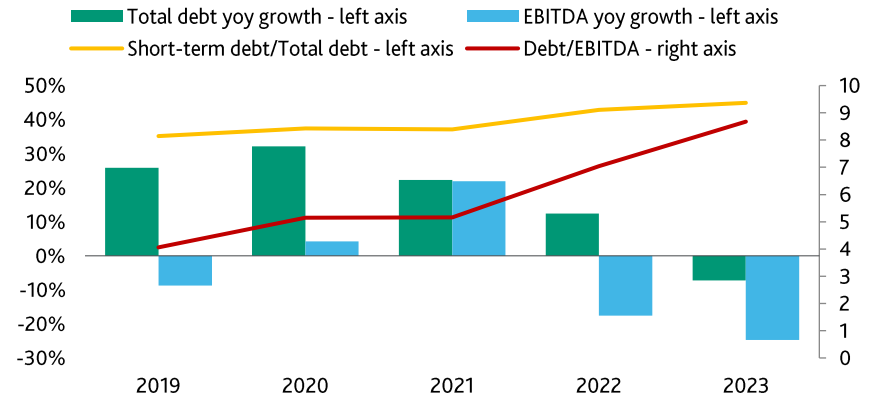
Debt servicing capacity will remain weak even as cash flow improves due to high leverage and substantial debt maturities in 2024

Exhibit 10: Cash resources and debt coverage ratio remain weak



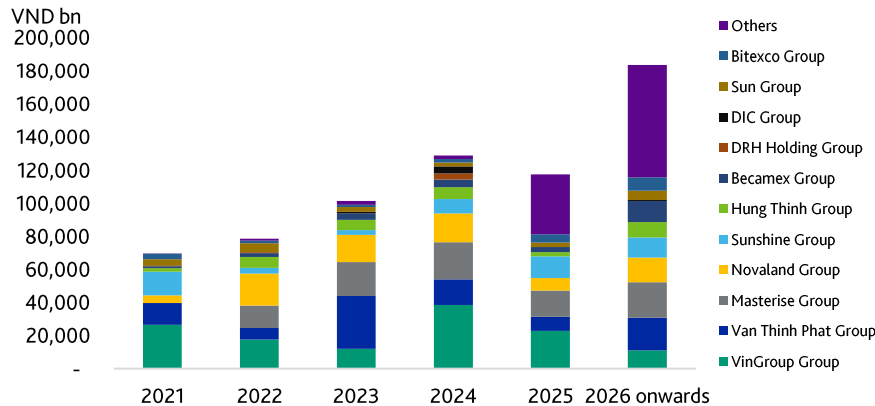
Source: Company data, Vietnam Investors Service
 Note: VHM is excluded from calculation as it is not representative of sector performance

Exhibit 11: Leverage remains elevated as debt growth surpassed profitability growth and short-term debt remained high



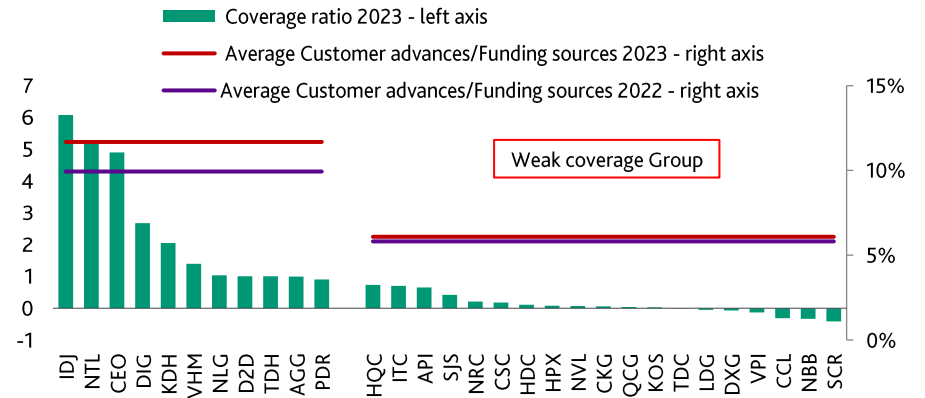
Source: Company data, Vietnam Investors Service
 Note: VHM is excluded from calculation as it is not representative of sector performance

Exhibit 12: Real estate bond maturity will peak in 2024, posing refinancing risks to developers



Source: Hanoi Stock Exchange (HNX), Vietnam Investors Service
 Note: Bond maturities related to groups are based on our estimation of bond maturities of companies have linkages to corresponding Groups

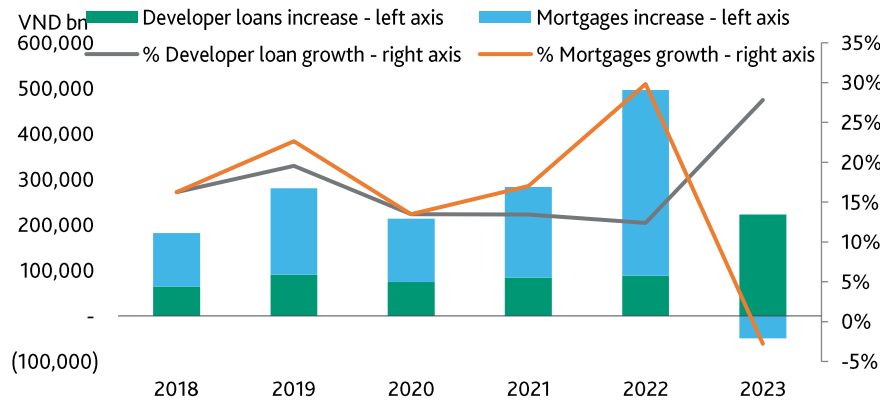
Exhibit 13: Developers embroiled in legal issues and/or speculative projects are most at risk of poor sales and cash proceeds and weak debt coverage



Source: Company data, Vietnam Investors Service
 Note: Top 30 residential developers in terms of revenue
 Short-term debt coverage = (Cash + short-term investment + expected CFO)/Short-term debt

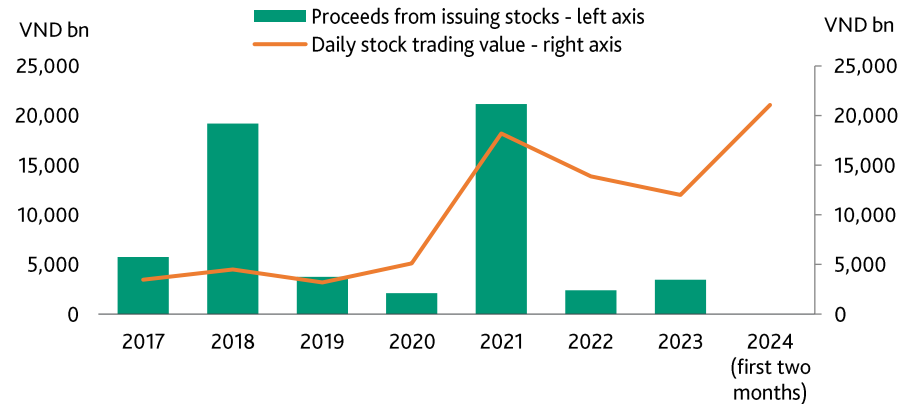
Improved access to funding from banks and capital markets will help to alleviate refinancing risks

Exhibit 14: Real estate business loans grew substantially in 2023



Source: State Bank of Vietnam (SBV), Ministry of Construction, Vietnam Investors Service

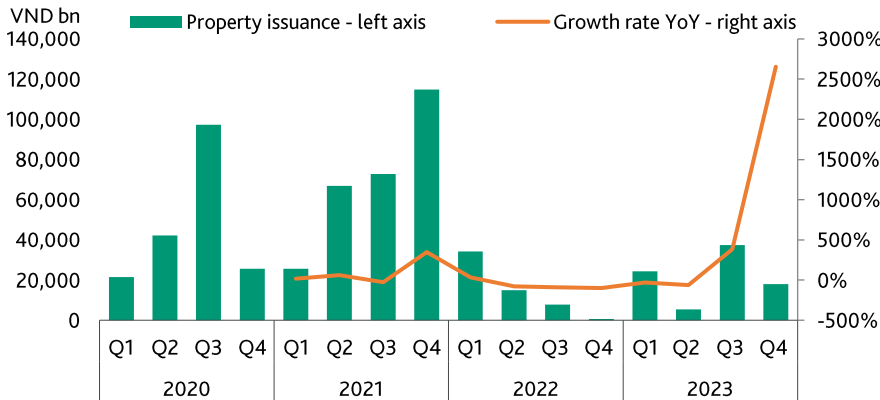
Exhibit 15: The thriving stock market will support developers' equity issuance, as in 2018 and 2021



Source: Company data, Vietnam Investors Service

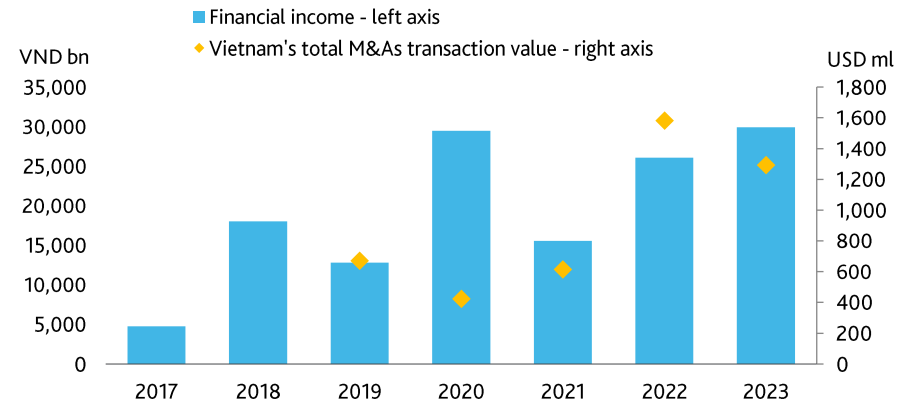
Note: Data of proceeds from issuing stocks includes the Top 30 residential developers by revenue

Exhibit 16: Real estate bond issuances will continue to grow in 2024²



Source: HNX, Vietnam Investors Service

Exhibit 17: Opportunistic asset acquisitions by foreign investors will also help developers shore up liquidity



Source: MSCI Analytics, CBRE, Company data, Vietnam Investors Service

² Refer to our [Corporate Bond Market Perspective: Building market discipline is critical to the sustainable growth of corporate bond issuance and slower defaults in the new development phase \(27 Feb 2024\)](#)

APPENDIX

List of top 30 residential property companies by revenue

The firms included in our analysis are as follows:

	<i>Short Name</i>	<i>Full Name</i>
1	VHM	Vinhomes Joint Stock Company
2	NVL	No Va Land Investment Group Corporation
3	DXG	Dat Xanh Group Joint Stock Company
4	NLG	Nam Long Investment Corporation
5	KDH	Khang Dien House Trading and Investment Joint Stock Company
6	AGG	An Gia Real Estate Investment and Development Corporation
7	PDR	Phat Dat Real Estate Development Joint Stock Company
8	DIG	Development Investment Construction Joint Stock Company
9	VPI	Van Phu - Invest Investment Joint Stock Company
10	TDC	Binh Duong Trade and Development Joint Stock Company
11	CEO	C.E.O Group Joint Stock Company
12	NBB	NBB Investment Corporation
13	HPX	Hai Phat Investment JSC
14	QCG	Quoc Cuong Gia Lai Joint Stock Company
15	KOS	KOSY Joint Stock Company
16	CKG	Kien Giang Construction Investment Consultancy Group
17	SCR	Sai Gon Thuong Tin Real Estate Joint Stock Company
18	HDC	Ba Ria - Vung Tau House Development Joint Stock Company
19	CSC	COTANA Group Joint Stock Company
20	TDH	Thu Duc Housing Development Corporation
21	ITC	Investment and Trading of Real Estate Joint Stock Company
22	API	Asia - Pacific Investment Joint Stock Company
23	CCL	Cuu Long Petro Urban Development & Investment Corporation
24	SJS	Song Da Urban & Industrial Zone Investment & Development Joint Stock Company
25	IDJ	IDJ Vietnam Investment Joint Stock Company
26	LDG	LDG Investment Joint Stock Company
27	NTL	Tu Liem Urban Development Joint-Stock Company
28	HQC	Hoang Quan Consulting-Trading-Service Real Estate Corporation
29	D2D	Industrial Urban Development Joint Stock Company No. 2
30	NRC	Danh Khoi Group JSC

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