

## Residential Property Sector: 2H2024 Outlook

# Developer sales will improve as new supply increases and homebuyer demand remains robust, access to financing will alleviate liquidity challenges

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The delays in legal approval and project development since late 2022 had led to weak sales and profits for the property developers in Q1/2024. However, with interest rates remaining low and project approvals increasing since late 2023, we anticipate a mild improvement in developer sales and cash flows over the next 12-18 months as new projects are launched. Nonetheless, access to new financing from banks and/or the bond market is crucial to managing the high leverage and significant debt obligations coming due.

**Housing demand will remain robust and support developer sales as new projects are launched.** In Q1/2024, we noted many newly launched projects were fully sold, secondary market activity picked up and the housing prices in Hanoi and Ho Chi Minh City (HCMC) continued to climb. More importantly, Vietnam's fast-growing middle class, rising income levels, and the use of property assets for household wealth accumulation are key drivers underpinning strong housing demand in the coming years. In contrast, China's property market is enduring persistently weak housing demand, reflected by declines in property sales and prices over the past year.

**The new real estate legal framework will help to spur project development and boost new supply for homebuyers.** The recent approval of three real estate laws to come into effect on August 1, 2024 will help to speed up project legal approvals and improve new supply from 2025 onwards. Among the listed developers, only a few, such as VHM, KDH, and NLG, were able to launch new projects and record strong contracted sales in Q1/2024. Many developers faced legal issues for their projects in Hanoi and HCMC. We expect the government to release more guidance on the new laws in the coming months, which will help developers overcome issues in land valuation and ownership, and secure financing for new project development.

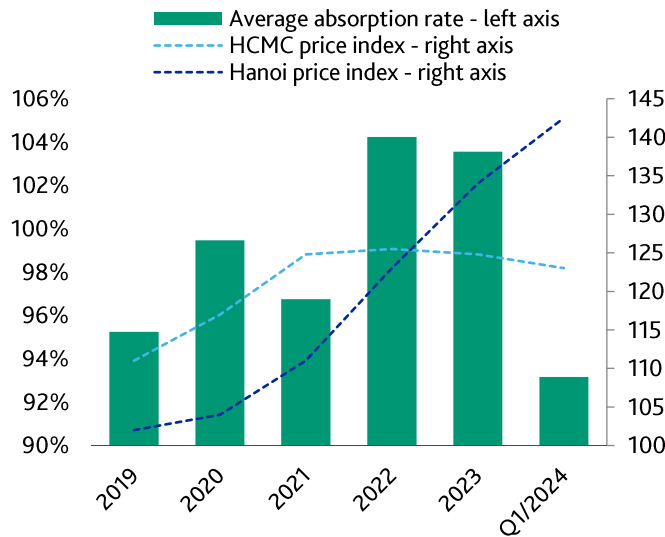
**Developer leverage will remain high as they secure new debt borrowings to develop projects for sale.** In Q1/2024, listed developer leverage indicated by Debt/EBITDA rose to 3.4x, from less than 2x before 2022. Developers rely partially on homebuyers' advance payments during project launches to fund project development. However, most developers have yet to benefit from such increases, and hence, will need new borrowings.

**Access to new financing has improved, which will help alleviate liquidity challenges caused by the significant amount of debt maturing in 2024 and 2025.** In Vietnam, we expect bank loans to real estate businesses to grow by 16-18% in 2024. Bond issuances for real estate issuers have also recovered in the first five months of 2024, and will benefit from improving market sentiment. Also, listed developers announced plans to raise new equity during their recent AGMs. If successful, we expect a total of VND26 trillion in new equity to be raised for project development or to repay maturing debt: VND75 trillion maturing in 2024 and over VND90 trillion in 2025 for our covered listed developers. In China, developers' funding and ability to refinance had been strained by weak access to bank credit and bond market funding.

### Housing demand will remain robust and support developer sales as new projects are launched

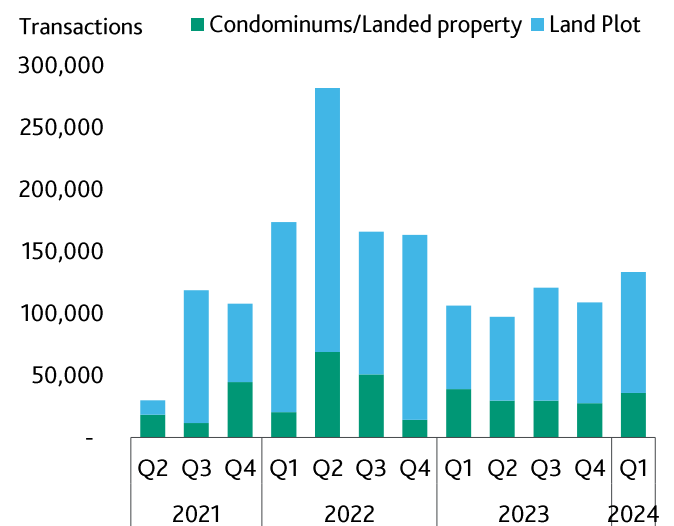
» In Q1/2024, we noted many newly launched projects were fully sold, secondary market activity picked up and the housing prices in Hanoi and Ho Chi Minh City (HCMC) continued to climb (Exhibits 1 and 2). This strong demand for new homes is partly supported by the low interest rate environment.

**Exhibit 1: Rising prices and high absorption rate of condominiums in Hanoi and HCMC reflect robust demand**



Source: Savill, CBRE, Vietnam Investors Service  
 Note: Base price index in Q1/2009 = 100

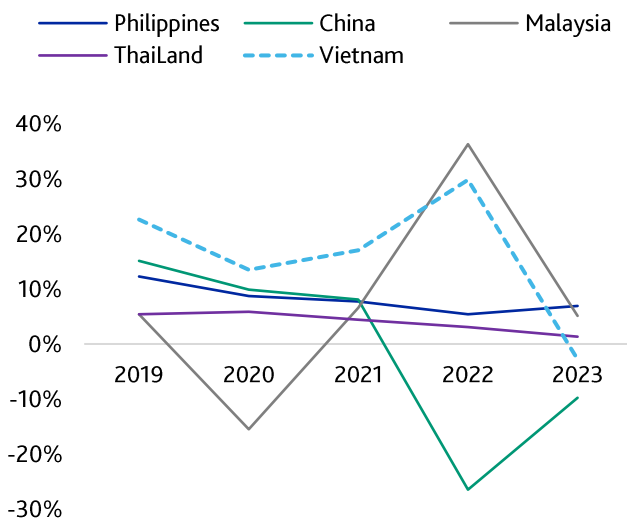
**Exhibit 2: Total property transactions nationwide show a slight improvement in Q1/2024**



Source: Ministry of Construction, Vietnam Investors Service

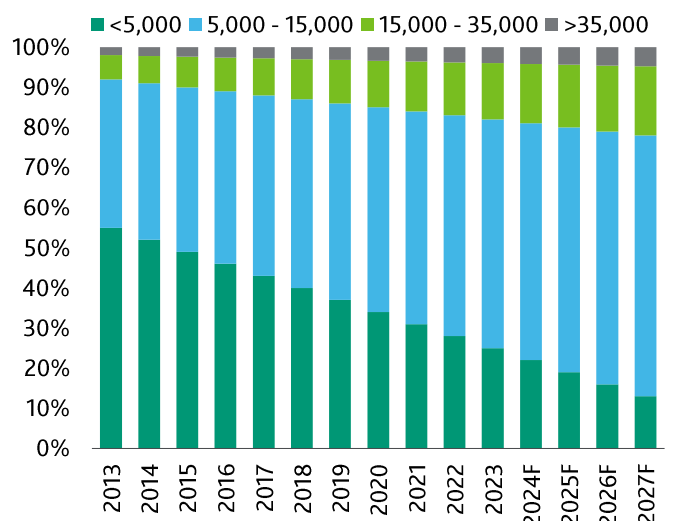
» In recent years, Vietnam has consistently shown robust real estate demand compared with other regional countries, reflected by strong mortgage growth (Exhibit 3). The fast-growing middle class, rising income levels (Exhibit 4), and increasing use of property investments to preserve and accumulate wealth among households are key demand drivers underpinning strong housing demand in the coming years.

**Exhibit 3: Mortgage growth in Vietnam had been strong except for 2023, compared to neighboring countries**



Source: National Bureau of Statistics of China, State Bank of Vietnam, The Bangko Sentral ng Pilipinas, Bank Negara Malaysia, Bank of Thailand, Vietnam Investors Service

**Exhibit 4: The middle class is fast-growing in Vietnam household income distribution (by USD)**



Source: EIU Forecast, OOSGA Analytics, Vietnam Investors Service

- » Compared with China's property market, we view Vietnam's property market fundamentals as relatively healthier, backed by stronger demand and rising asset prices. According to recent research from Moody's Ratings (see excerpt below), property demand in China remained weak in the first 5 months of 2024, reflected by weak contracted sales and declining property prices in most cities.

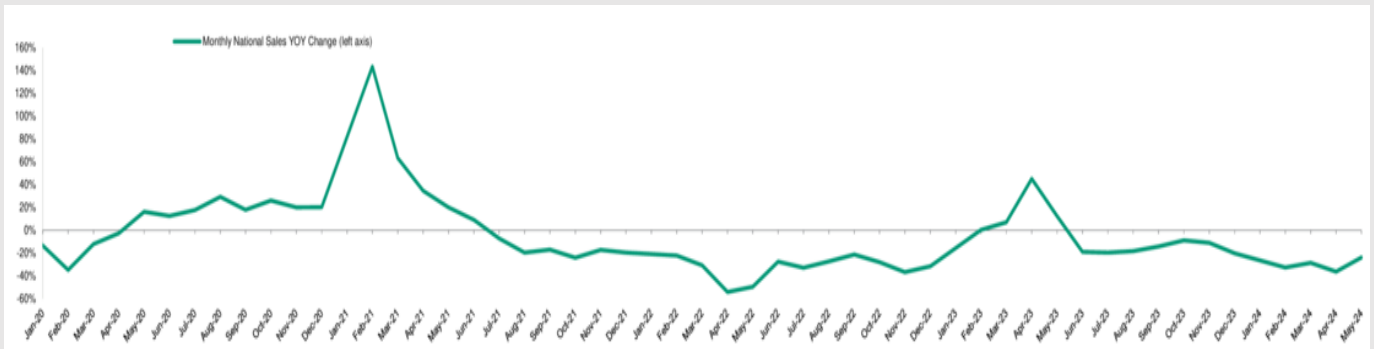
Excerpt from Moody's Ratings research

[China Property Focus: Persistent price drop will constrain future new home sales \(27 June 2024\)](#)

National contracted sales decline narrowed in May 2024

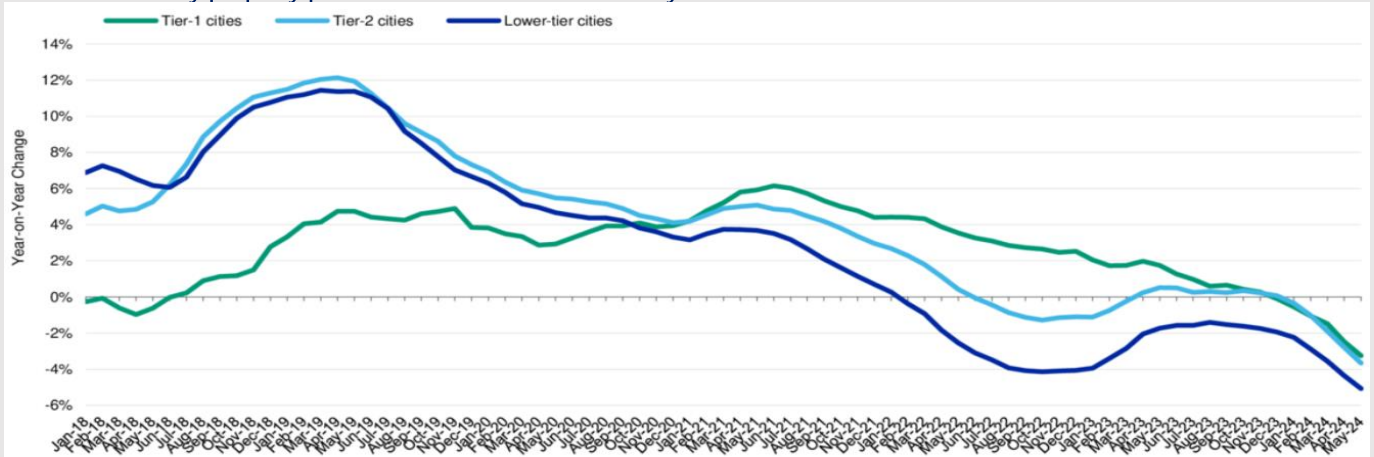
- » Monthly national contracted sales value dropped 23.9% in May 2024, year-on-year (YoY), a narrowing from the 36.2% decline in April (see Exhibit I). This was primarily driven by a smaller decrease in sales volume. The latest policy easing in mid-May likely stimulated some housing demand.
- » Despite the narrowing drop in sales volume in May 2024, the decline in property prices widened in the month. Specifically, prices of new properties in Tier-1, Tier-2 and lower-tier cities declined by 3.3%, 3.7% and 5.1% in May (YoY), respectively, from declines of 2.5%, 2.8% and 4.4% in April (see Exhibit II). This was the fifth consecutive month of YoY declines across all city tiers.

Exhibit I: The decline of national contracted sales value narrowed in May 2024



Sources: China National Bureau of Statistics (NBS) and Moody's Ratings estimates

Exhibit II: Monthly property prices continued to decline in May 2024



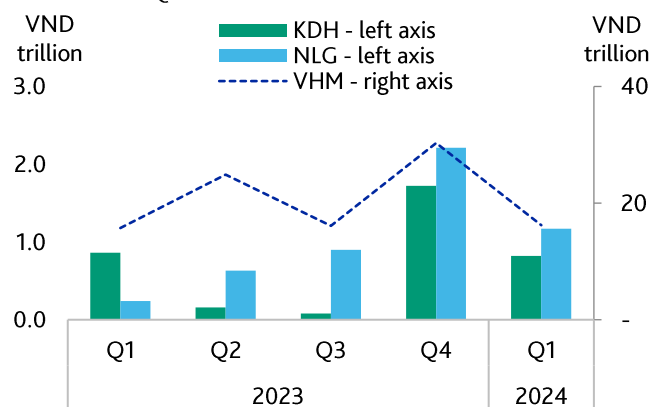
**Tier-1 cities:** Beijing, Guangzhou, Shanghai and Shenzhen. **Tier-2 cities** included in this exhibit: Tianjin, Shijiazhuang, Taiyuan, Shenyang, Dalian, Changchun, Harbin, Nanjing, Hangzhou, Ningbo, Hefei, Fuzhou, Xiamen, Nanchang, Jinan, Qingdao, Zhengzhou, Wuhan, Changsha, Nanning, Haikou, Chongqing, Chengdu, Guiyang, Kunming, Xi'an, Lanzhou, Xining, Yinchuan, Urumqi, Wuxi, Hohhot and Sanya. **Lower-tier cities** in this exhibit are the remaining 70 major cities not listed above.

Sources: National Bureau of statistics of China, Moody's Ratings

## The new real estate legal framework will help to spur project development and boost new supply for homebuyers

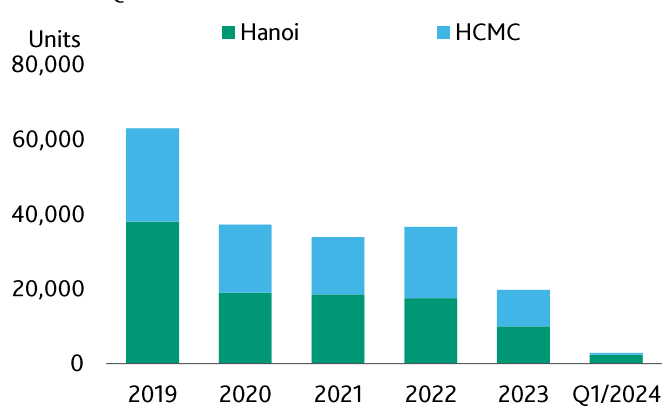
- » The recent approval of three real estate laws to come into effect on August 1, 2024 will help to speed up project legal approvals and improve new supply from 2025 onwards. In Q1/2024, among the listed developers, only a few, such as VHM, KDH, and NLG, were able to launch new projects and record strong contracted retail sales (Exhibit 5). We note that many developers are still facing legal issues for their projects in Hanoi (e.g., Me Linh Central, Lideco) and HCMC (e.g., SJC Tower, Spirit of Saigon) (Exhibit 6).

Exhibit 5: VHM, KDH and NLG can maintain strong contracted retail sales in Q1/2024



Source: Company data, Vietnam Investors Service

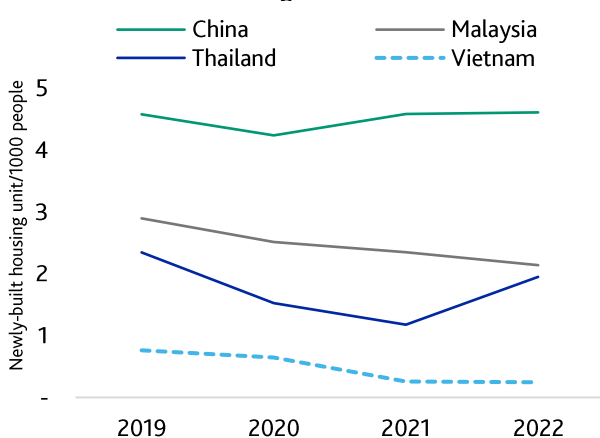
Exhibit 6: New housing supply remained muted in HN and HCMC in Q1/2024



Source: CBRE, Vietnam Investors Service

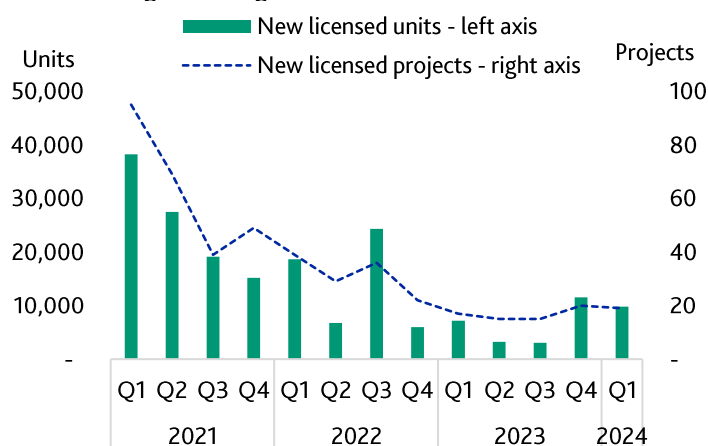
- » Housing supply in Vietnam is low compared with regional countries in recent years (Exhibit 7). This is mainly attributed to delays in the approval process for new real estate projects in Vietnam, which have quickened since Q4/2023 (Exhibit 8). We expect the government to release more guidance on the new laws in the coming months, which will help developers overcome issues in land valuation and ownership, and secure financing for new project development<sup>1</sup>. In June 2024, the government issued a Decree on Land Price<sup>2</sup> that will come into effect on August 1, 2024. We expect additional decrees on land-use levies and land leasing fees to be issued in the coming months<sup>3</sup>.

Exhibit 7: Housing supply relative to population in Vietnam is lowest in the region



Source: National Bureau of Statistics of China, National Bureau of Statistics of Vietnam, Ministry of Construction Vietnam, CBRE, Vietnam Investors Service

Exhibit 8: Construction permit licensing quickened since Q4/2023 after declining for a long time



Source: Ministry of Construction, Vietnam Investors Service

<sup>1</sup> Refer to [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 \(22 Jan 2024\)](#)

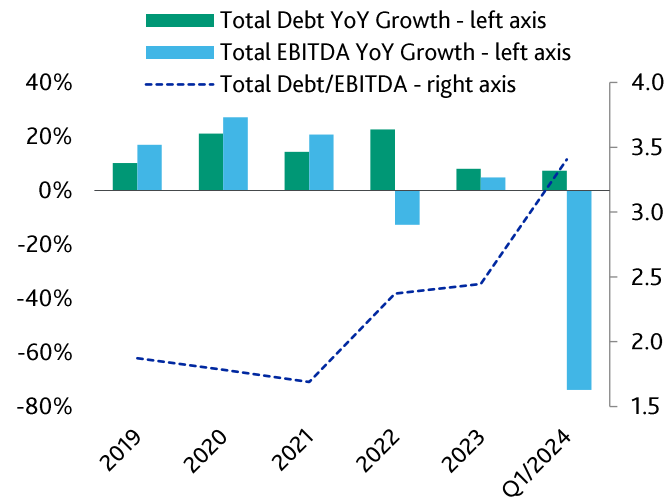
<sup>2</sup> Refer to [Decree 71/2024/ND-CP \(27 June 2024\)](#)

<sup>3</sup> Referencing media articles reporting on the [government's meeting](#).

### Developer leverage will remain high as they secure new debt borrowings to develop projects for sale

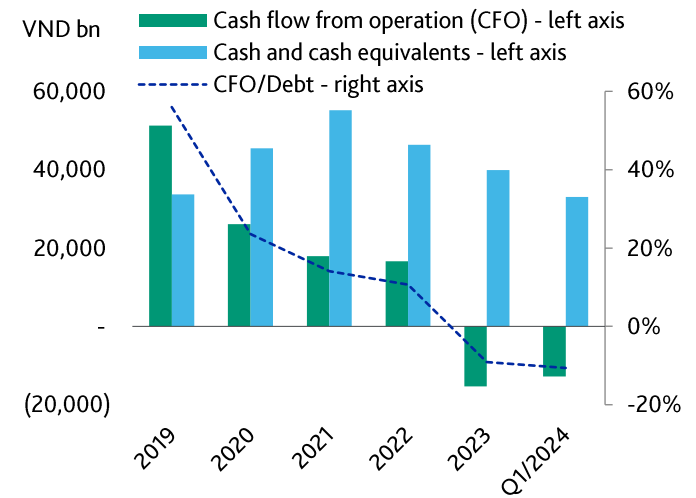
- » In Q1/2024, listed developer leverage, indicated by Debt/EBITDA, rose to 3.4x from less than 2x before 2022, due to weak profitability and rising debts (Exhibit 9). Developers' coverage also remained weak from deteriorating operating cash flow and cash resources (Exhibit 10).

Exhibit 9: Developers' leverage keeps rising due to increasing total debt and low EBITDA



Source: Top 30 residential developers in terms of revenue, Vietnam Investors Service  
 Note: Debt/EBITDA in Q1/2024 is calculated for the last 12-month

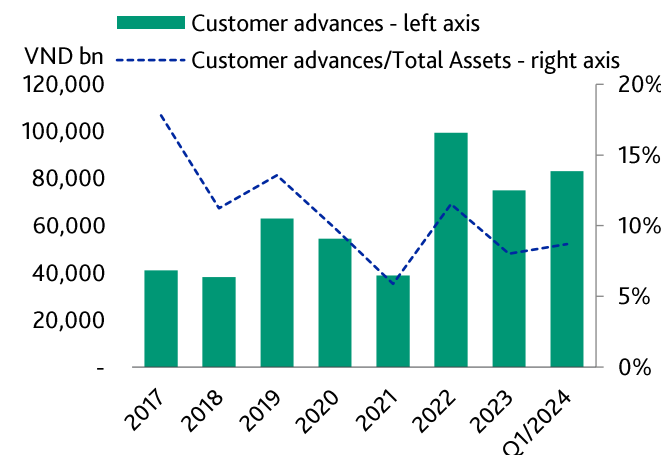
Exhibit 10: Developers' operating cash flow and cash resources remain strained in Q1/2024



Source: Top 30 residential developers in terms of revenue, Vietnam Investors Service  
 Note: CFO/Debt in Q1/2024 is calculated for the last 12-month

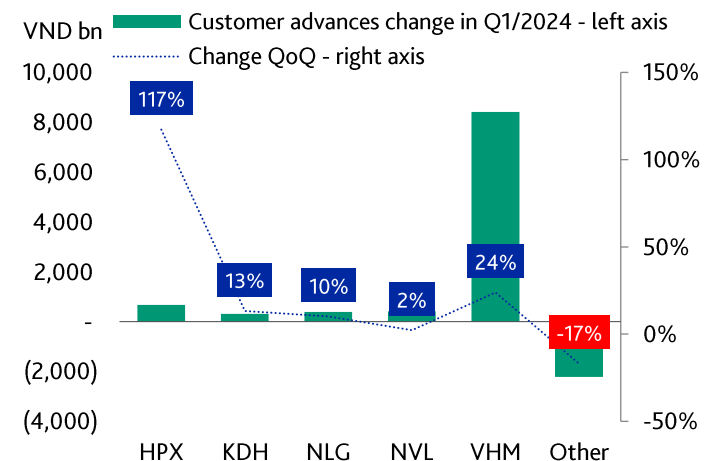
- » Developers rely partially on homebuyers' advance payments during project launches to fund project development (Exhibit 11). For example, in Q1/2024, developers like VHM, KDH, NLG and HPX recorded significant increases in customer advances from their recent project contracted sales (Exhibit 12). However, many developers have yet to benefit from such increases, and hence, will need more borrowings.

Exhibit 11: Developers' customer advances remained low in Q1/2024



Source: Top 30 residential developers in terms of revenue, Vietnam Investors Service

Exhibit 12: Only a few developers showed increases in customer advances



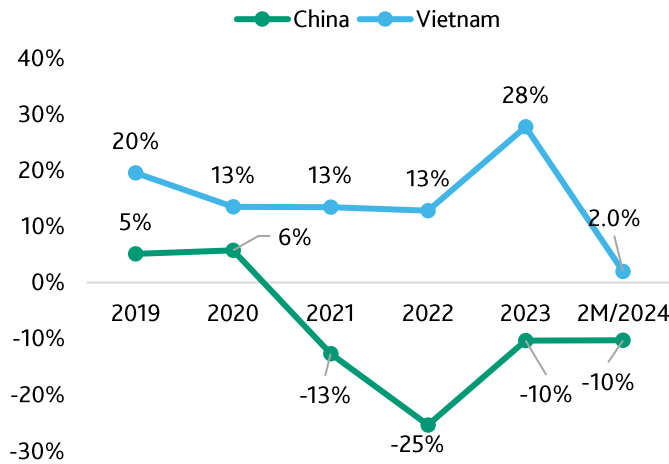
Source: Top 30 residential developers in terms of revenue, Vietnam Investors Service



**Access to new financing has improved, which will help alleviate liquidity challenges caused by the significant amount of debt maturing in 2024 and 2025**

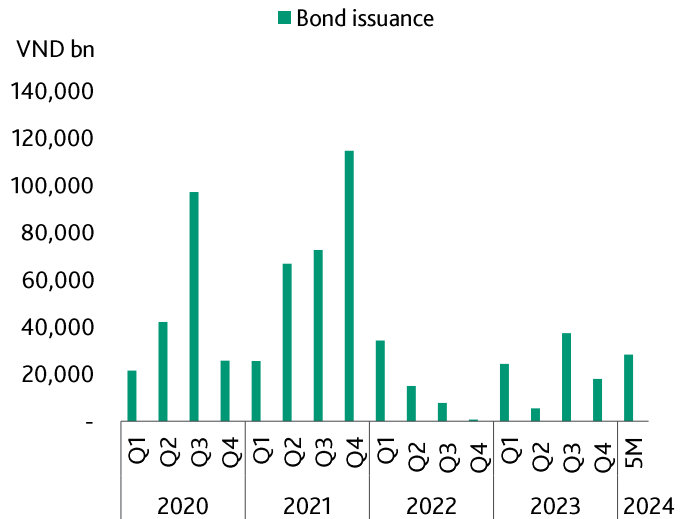
- » In Vietnam, we expect bank loans to real estate businesses to grow by 16-18% in 2024, following the momentum from last year (Exhibit 13). Bond issuances for real estate issuers have also recovered in the first five months of 2024 - reaching VND28.3 trillion (13% yoy), and will benefit from improving market sentiment (Exhibit 14).

**Exhibit 13: Growth in bank borrowings remains strong in Vietnam**



Source: National Bureau of Statistics of China, Ministry of Construction Vietnam, Vietnam Investors Service

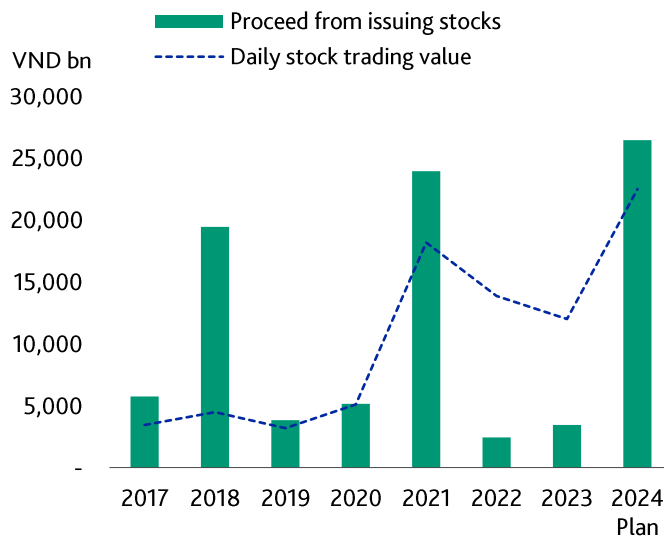
**Exhibit 14: Real estate bond issuance recovered in 5M2024**



Source: HNX, Vietnam Investors Service

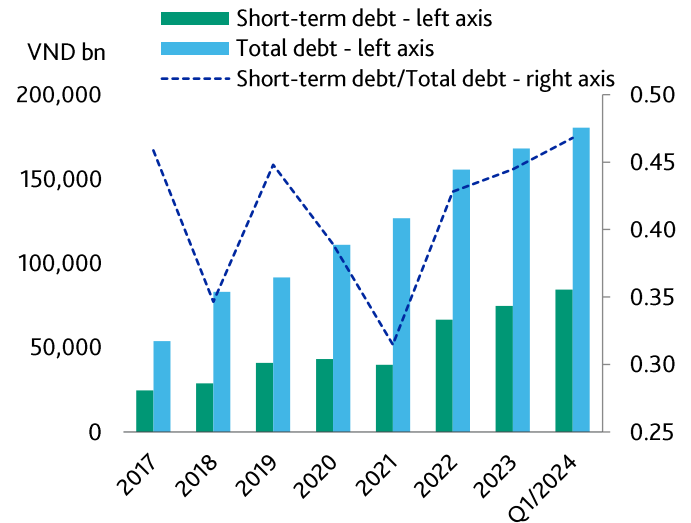
- » Also, listed developers announced plans to raise new equity during their recent AGMs amid the recovery in stock market valuation since the beginning of 2024 (Exhibit 15). If successful, we expect a total of VND26 trillion in new equity to be raised for project development or to repay maturing debts; VND75 trillion maturing in 2024 and over VND90 trillion in 2025 for our covered listed developers (Exhibit 16).

**Exhibit 15: Listed developers in Vietnam plan to raise new equity in 2024**



Source: Top 30 residential developers in terms of revenue, HNX, Vietnam Investors Service

**Exhibit 16: Increasing short-term debt balance indicates high debt maturity pressure in 2024-2025**



Source: Top 30 residential developers in terms of revenue, Vietnam Investors Service

- » Contrary to Vietnam, in China, developers' funding and ability to refinance had been strained by weak access to bank credit and bond market funding. Based on recent research from Moody's Ratings (see excerpt below), bond issuances from China developers remained weak in 1H2024 (decreased 48% compared to 2H2023), while bonds maturing or becoming puttable will reach a total of \$24 billion over the next 12 months from June 2024.

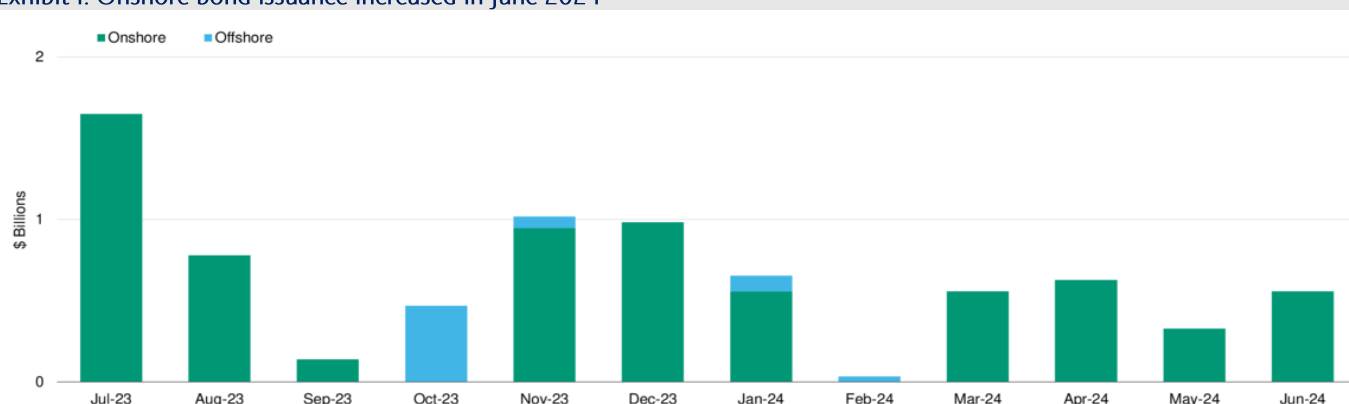
Excerpt from Moody's Ratings research

[China Property Focus: Persistent price drop will constrain future new home sales \(27 June 2024\)](#)

Onshore bond issuance stayed weak in June; offshore issuance continues to be muted

- » China Jinmao Holdings Group Limited (Ba2 negative) and Greentown China Holdings Limited (B1 negative) issued a total of RMB4.0 billion of onshore bonds in June 2024 (as of 26 June) (see Exhibits I). The total issuance amount increased from RMB2.4 billion in May 2024, but remained at a low level.
- » The offshore bond market remained largely shut for rated developers, with no new issuance since March 2024. We expect new issuance to remain slow because of high offshore interest rates and investor risk aversion.

Exhibit I: Onshore bond issuance increased in June 2024

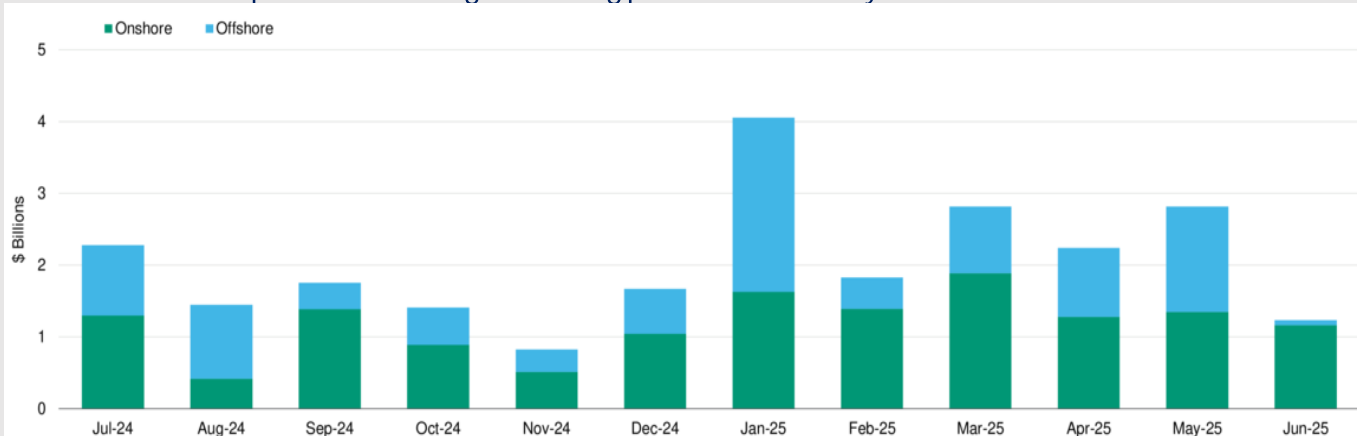


Data as of 26 June 2024.

Sources: DMI, Wind and Moody's Ratings

- » Rated developers' refinancing needs remain high over the next 12 months, which is reflected in the \$14.3 billion of onshore bonds and \$10.1 billion of offshore bonds maturing or subject to put options in the 12 months from 1 July 2024 (see Exhibit II).

Exhibit II: Rated developers' bonds maturing or becoming puttable before 31 May 2025



Data as of 26 June 2024.

Sources: DMI, Wind and Moody's Ratings

## 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	TCH	Hoang Huy Investment Financial Services Joint Stock Company
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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