Residential Real Estate Sector

Outlook improving from stronger housing supply and sales; leverage and refinancing difficulties to ease as cash flows return

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In 2025, we expect the credit fundamentals for Vietnam real estate developers will continue on the recovery path from the downturn in recent years as market conditions turn more favorable to facilitate new project development and sales. New policies resolving legal roadblocks will spur project development in 2025, but will also impose higher land levies costs, burdening financially weak developers and leading to uneven recovery in cash flows across the sector.

Housing supply will improve in 2025 and be skewed towards high-end segments.

New policies resolving legal roadblocks and advances in master planning execution will spur project development in 2025. Even as the Government pushes for more social housing in 2025, we view the majority of new housing supply based on projects currently under development will be in the high-end segments. Compared to Hanoi (HN), Ho Chi Minh City (HCMC) and its satellite cities will see significantly higher new supply after a prolonged period of stagnation, mostly coming from large domestic and foreign developers such as VHM, Masterise, and Lotte.

Developers will incur higher land acquisition costs under the new regulations. Specifically, new land prices in multiple prime locations with significant project developments have increased by up to 10x compared with old prices. High margins for high-end housing projects will support part of the cost increase. Typically, high-end projects have gross margins of 45-50%, higher than 25-35% for mid-range and 10% for social housing projects.

Buoyed by robust homebuyer sentiment, developers sales and cash flow will improve in 2025.

Property sales will be boosted by strong demand for investment and wealth accumulation among individuals. Significant advances in transport infrastructure and connectivity will support strong demand for housing projects in both HN and HCMC, benefiting developers with upcoming project launches in these cities such as VHM, Masterise, DXG, KDH, and NLG.

Housing prices have reached new peaks in recent months; condominium primary prices increased by around 30% year-on-year in 2024, compared with an average of 12% in 2021-2023. But homebuyer caution and improving supply will help contain further price exuberance. Unlike the residential segment, backed by robust demand, we expect the hospitality segment to lag the sector recovery due to existing oversupply and lingering homebuyer caution.

Sector credit profile will improve in 2025, but credit differentiation will widen.

Weak cash flow is the key credit weakness of Vietnam developers, as around 70% of our covered developers have weak operating cash flow to cover debt repayments. We expect this metric will improve in 2025 as sales proceeds increase, led by large developers such as VHM, KDH, DXG, and NLG, with robust sales pipelines in major cities. We expect their total contracted sales to increase by 25-50% in 2025, mostly from high-margin premium projects.

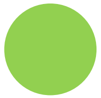
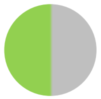
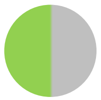
Credit differentiation in the sector is likely to widen in 2025. Developers will face higher project development costs and uneven recovery in homebuyer demand. Even as cash flows improve, balance sheets and debt serviceability will take a long time to strengthen, particularly for developers that continue to grapple with legal issues or weak demand for their hospitality projects.

We expect developers will maintain good access to new financing.

A total of VND110 trillion of outstanding bonds issued by developers will mature in 2025 – the highest level over the past three years. Nonetheless, we expect refinancing risks will be more manageable than in the prior years, as developers regain access to new financing from the domestic corporate bond market following the recent regulatory and legal reforms.

Banks' credit appetite has improved, and their liquidity remains sufficiently healthy to accelerate lending. Moreover, improving market sentiment will prompt more opportunities for M&A activity and foreign investors, alongside new equity issuances. That said, developers that had defaulted on their debt obligations will face more difficulties in refinancing to avoid future defaults.

Outlook improving from stronger housing supply and sales; leverage and refinancing difficulties to ease as cash flows return

Factors	2025 Outlook	Key drivers
Market conditions		• New policies[1] resolving legal roadblocks and advances in master planning execution will spur project development in 2025. In December 2024, the Government approved Hanoi (HN) and Ho Chi Minh City (HCMC) master planning, completing master planning for all provinces. 21 provinces also issued their master planning implementation plan in 2024 (2023: 1 province), facilitating essential project procedures approvals. • Even as the Government pushes for more social housing in 2025, we view the majority of new housing supply based on projects currently under development will be in the high-end segments. • Developers will incur higher land acquisition costs under the new regulations. Specifically, new land prices in multiple prime locations with significant project developments have increased by up to 10x compared with old prices. • High margins for high-end housing projects will support part of the cost increase. Typically, high-end projects have gross margins of 45-50%, higher than 25-35% for mid-range and 10% for social housing projects.
Sales and cash flow		• Property sales will be boosted by strong demand for investment and wealth accumulation among individuals, reflected by higher transaction volume growth compared to other investment channels. • Significant advances in transport infrastructure and connectivity will support strong demand for housing projects in both HN and HCMC, benefiting developers with upcoming project launches in these cities such as VHM, Masterise, DXG, KDH, and NLG. • Housing prices have reached new peaks in recent months as condo primary prices increased by around 30% year-on-year (YoY) in 2024 compared with an average of 12% in 2021-2023. But homebuyer caution and improving supply will help contain further price exuberance. • Unlike the residential segment, backed by robust demand, we expect the hospitality segment to lag the sector recovery due to existing oversupply and lingering homebuyer caution.
Debt servicing capacity		• Weak cash flow is the key credit weakness of Vietnam developers, as around 70% of our covered developers have weak operating cash flow to cover debt repayments. • We expect the sector's operating cash flow will improve in 2025 as sales proceeds increase, led by large developers such as VHM, KDH, DXG, and NLG, with robust sales pipelines in major cities. • Even as cash flows improve, balance sheets and debt serviceability will take a long time to strengthen, particularly for developers that continue to grapple with legal issues or weak demand for their hospitality projects, and most of them are struggling with bond defaults. • Developers' leverage will continue to increase in 2025, but at a higher pace for defaulted developers.
Funding access		• A total of VND110 trillion of outstanding bonds issued by developers will mature in 2025 – the highest level over the past three years. • Refinancing risks will be more manageable than in the prior years, as developers regain access to new financing from the domestic corporate bond market following the recent regulatory and legal reforms[2]. We expect total real estate bond issuance to reach VND 130 trillion in 2025, +65% YoY. • Banks' credit appetite has improved, and their liquidity remains sufficiently healthy to accelerate lending. • Improving market sentiment will prompt more opportunities for M&A activity and foreign investors, alongside new equity issuances. That said, developers that had defaulted on their debt obligations will face more difficulties in refinancing to avoid future defaults.

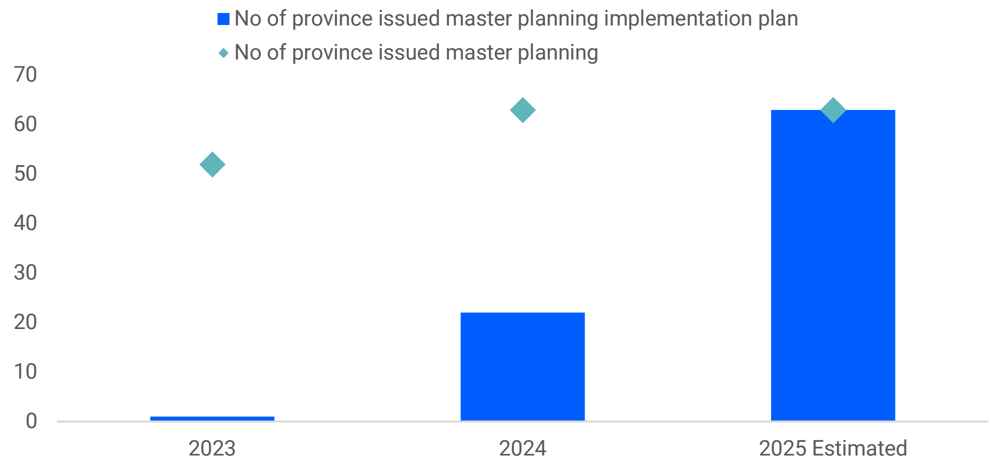
Note: *Improve* *Stable* *Deteriorate*

Source: VIS Rating

[1] Refer to our Sector Comment - Residential Real Estate Sector: New policies will boost project development in 2025 and beyond; most developers will fall short of 2024 profit targets (28 November 2024)
[2] Refer to our Credit Insights - Latest amendments to the Securities Law will limit excessive risk-taking and improve market behavior, credit-positive for bondholders (10 December 2024)

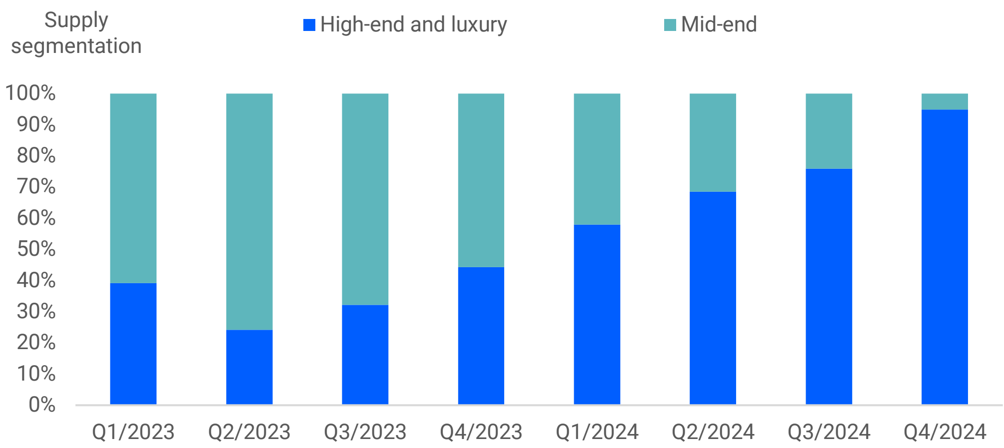
Housing supply will improve in 2025 and be skewed towards high-end segments

Exhibit 1: Advances in master planning execution will spur project development in 2025



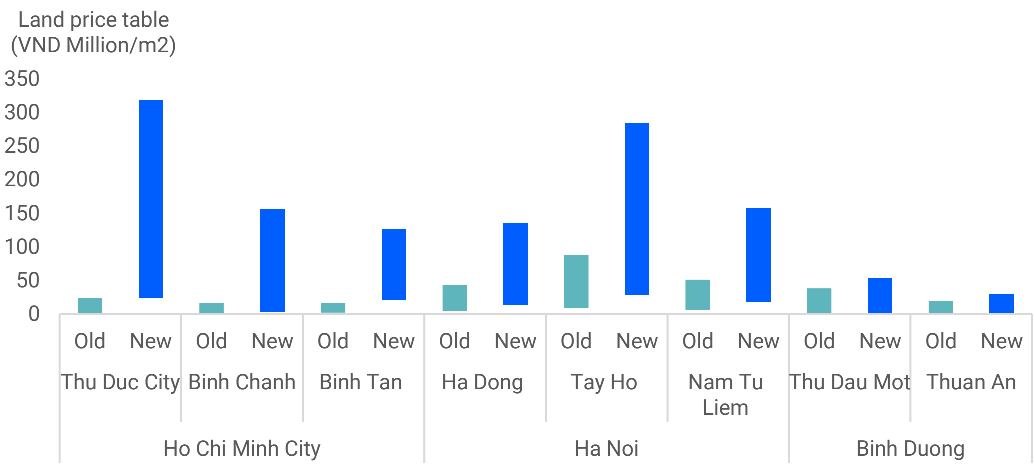
Source: VIS Rating

Exhibit 2: The majority of new housing supply will be in the high-end segments



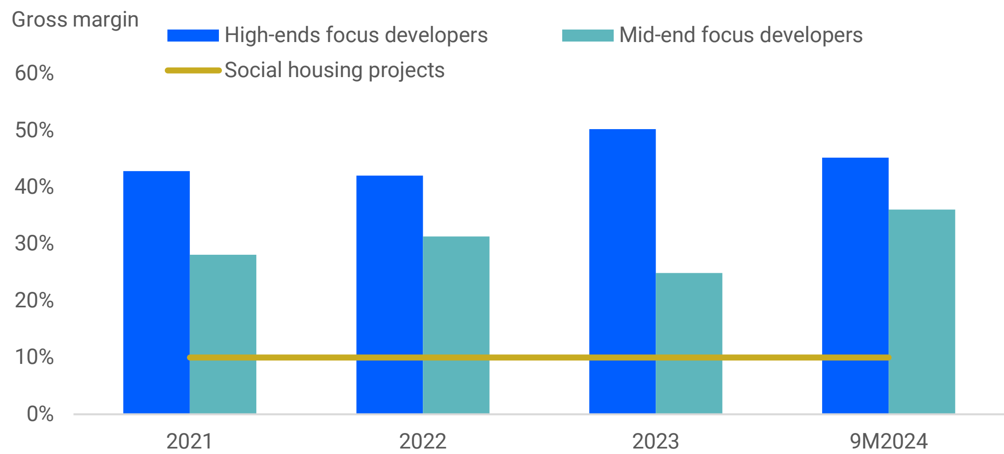
Source: CBRE, VIS Rating
Note: Supply segmentation refers to new condominium supply in HN and HCMC

Exhibit 3: New land prices in multiple prime locations with significant project developments have increased by up to 10x compared with old prices



Source: Provincial authorities, VIS Rating

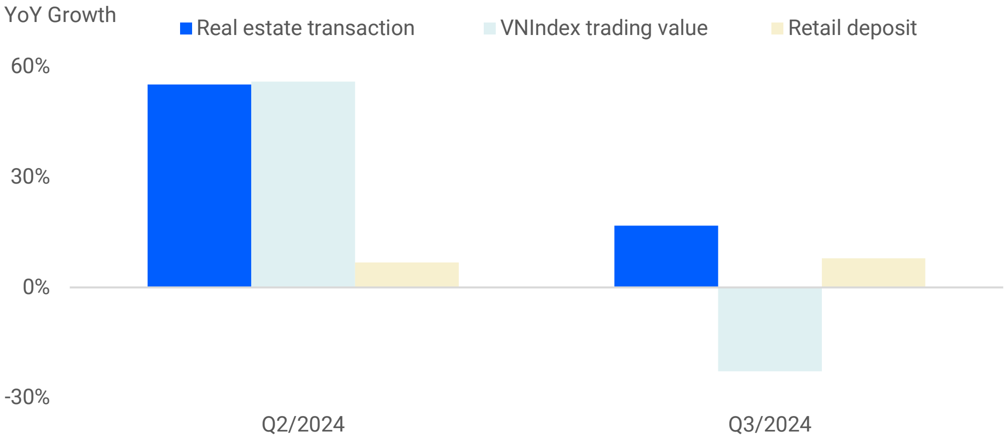
Exhibit 4: High margins for high-end housing projects will support part of the cost increase



Source: Company data, VIS Rating

Buoyed by robust homebuyer sentiment, developers' sales and cash flow will improve in 2025

Exhibit 5: 2025 property sales will be boosted by strong demand for investment and wealth accumulation among individuals



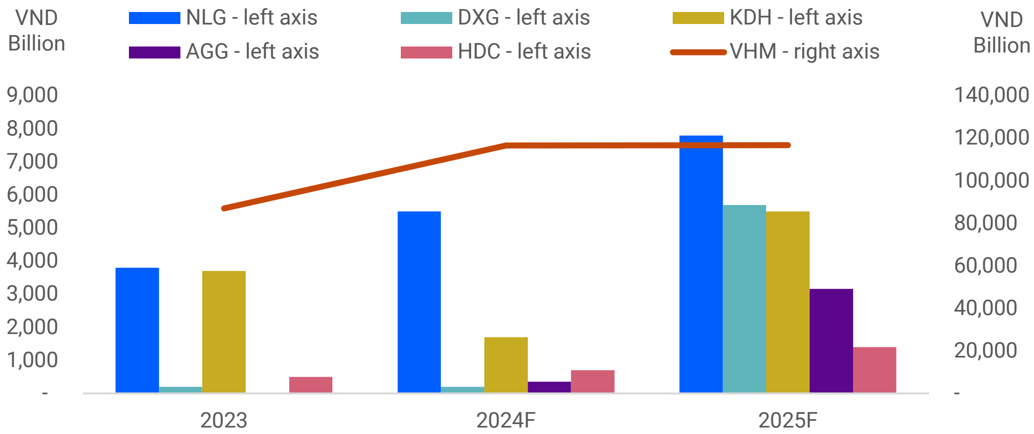
Source: Ministry of Construction (MOC), HNX, HOSE, UPCOM, State Bank of Vietnam (SBV), VIS Rating

Exhibit 6: Significant advances in transport infrastructure and connectivity will support strong demand for housing projects in both HN and HCMC

Key infrastructure projects	Complete time
Metro Number 1 (HCMC)	Dec 2024
Le Quang Dao road extension (HN)	2025
Ring Road 4 – parallel road (HN)	2025
An Phu Intersection (HCMC)	2025
Parts of HCM Ring Road 3 (HCMC)	2025
National Road 50 expansion (HCMC)	2025
HN Southern Trunk Road (HN)	2025

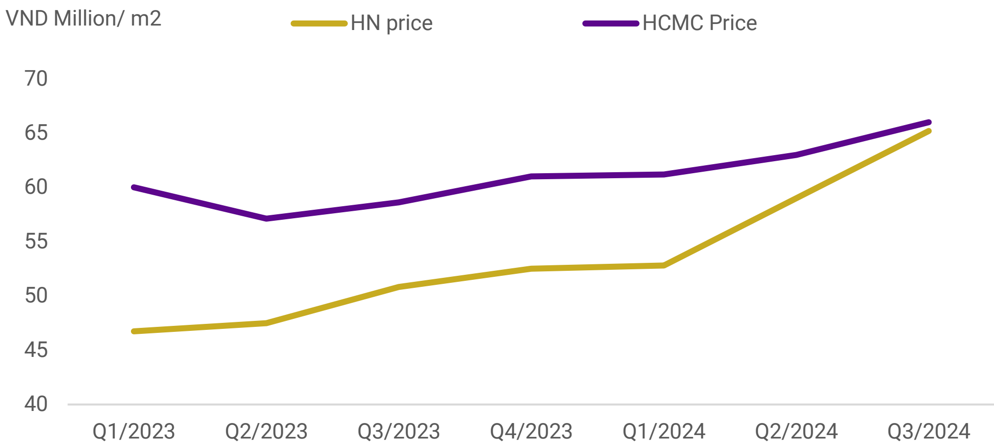
Source: VIS Rating

Exhibit 7: Developers with upcoming project launches in major cities will see strong contracted sales in 2025



Source: Company data, VIS Rating

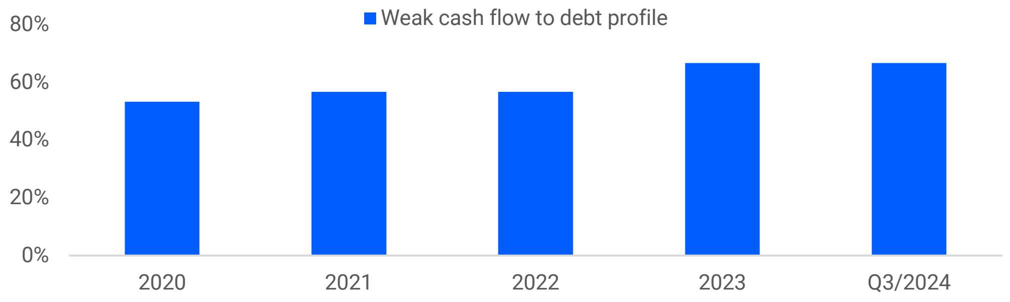
Exhibit 8: Housing prices have reached new peaks in recent months but homebuyer caution and improving supply will help contain further price exuberance



Source: CBRE, VIS Rating
Note: Price is primary condominium price

Sector credit profile will improve in 2025, but credit differentiation will widen

Exhibit 9: Weak cash flow is the key credit weakness of Vietnam developers, as around 70% of our covered developers have weak operating cash flow to cover debt repayments

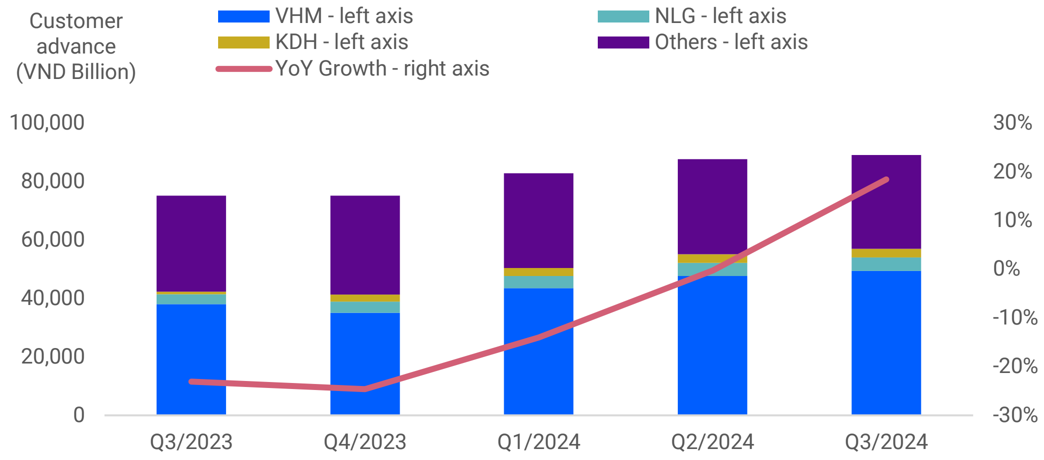


Note: Weak cash flow-to-debt profile is denoted by Weak, Very Weak, and Extremely Weak categories, based on our eight-category assessment scale, as illustrated below.

Extremely Weak	Very Weak	Weak	Below-Average	Average	Above-Average	Strong	Very Strong

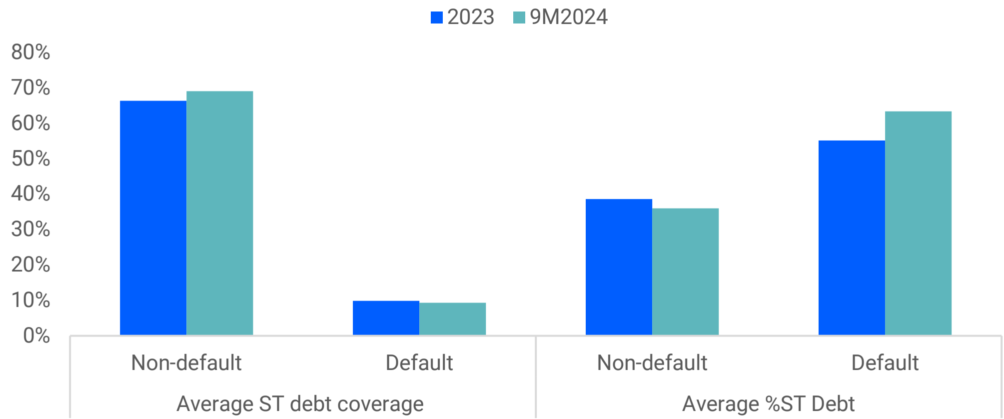
Source: Company data, VIS Rating
Note: Top 30 listed residential developers in terms of revenue

Exhibit 10: Sales proceeds increase will improve developers' operating cash flow in 2025



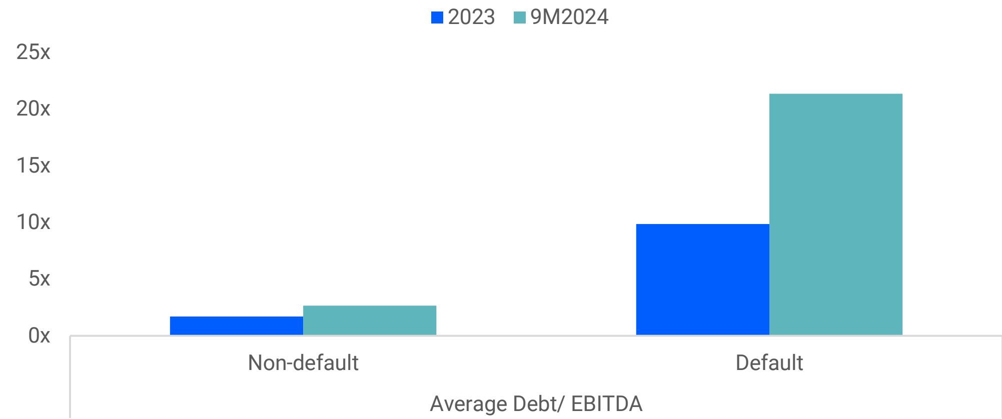
Source: Company data, VIS Rating

Exhibit 11: Even as cash flows improve, balance sheets and debt serviceability will take a long time to strengthen, particularly for defaulted developers that continue to grapple with legal issues or weak demand for their hospitality projects



Source: Company data, VIS Rating
Note: Short-term (ST) debt coverage = Cash/ST debt, %ST debt = ST debt/Total debt

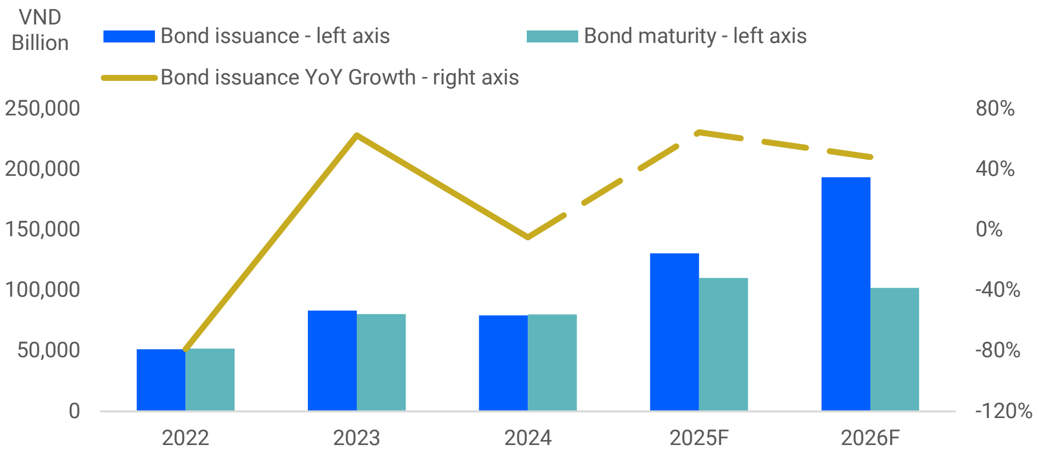
Exhibit 12: Developers' leverage will continue to increase in 2025, but at a higher pace for defaulted groups



Source: Company data, VIS Rating

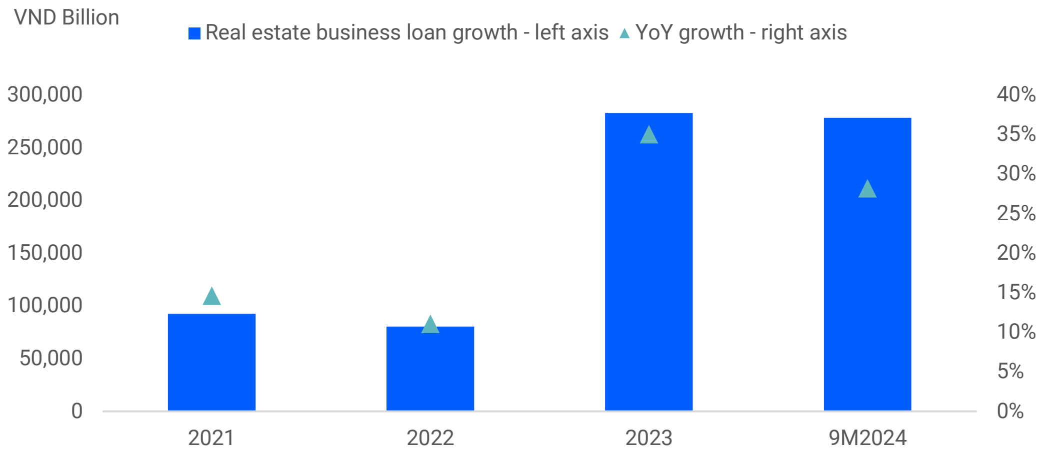
We expect developers will maintain good access to new financing

Exhibit 13: Developers regain access to new financing from the domestic corporate bond market, mitigating the sector's peaking bond maturity of around VND 110 trillion in 2025



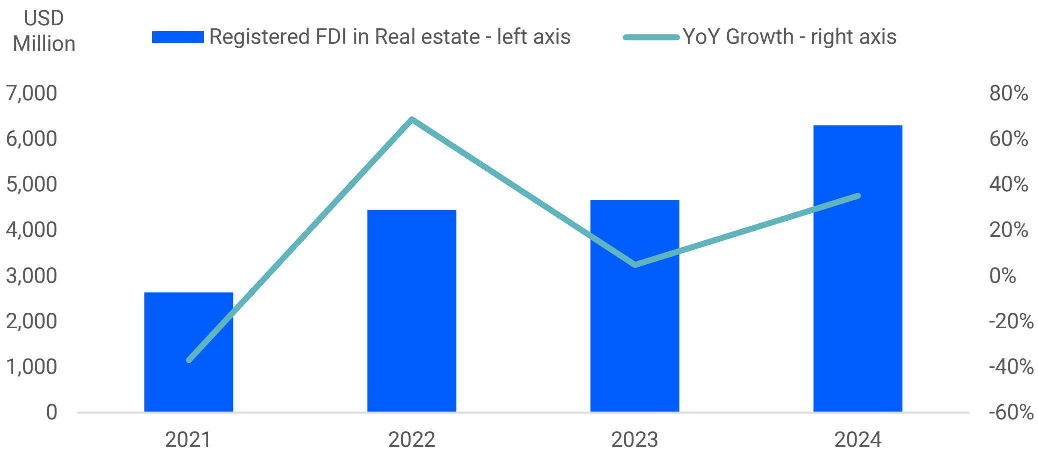
Source: HNX, VIS Rating

Exhibit 14: Banks' credit appetite has improved, and their liquidity remains sufficiently healthy to accelerate lending



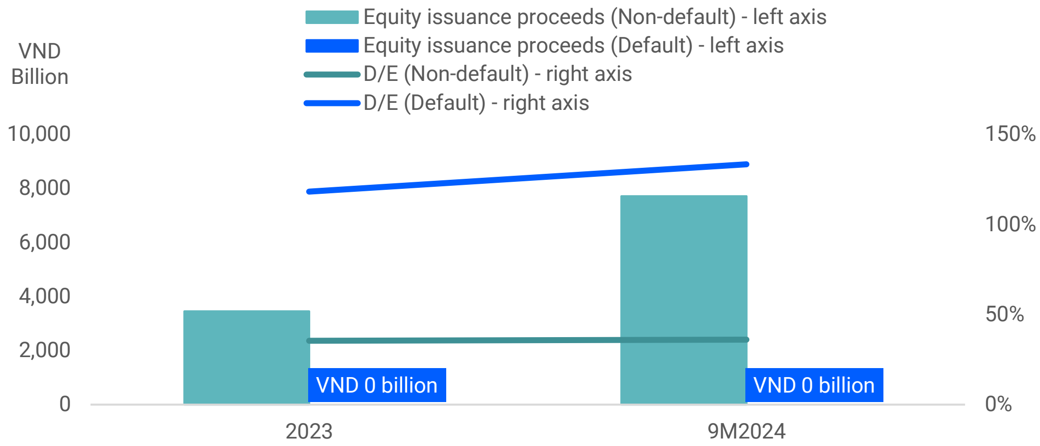
Source: SBV, VIS Rating

Exhibit 15: Improving market sentiment will prompt more opportunities for M&A activity and foreign investors



Source: General Statistics Office (GSO), VIS Rating

Exhibit 16: However, defaulted developers will face more difficulties in refinancing to avoid future defaults



Source: Company data, VIS Rating
Note: D/E: Debt/Equity

APPENDIX

The companies included in our analysis are as follows:

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

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