

Residential Real Estate Sector: 9M2024 Update

New policies will boost project development in 2025 and beyond; most developers will fall short of 2024 profit targets

In Q3/2024, property sales in Hanoi and Ho Chi Minh City (HCMC) increased by 48% QoQ, the highest over the last four quarters. Many new real estate regulations issued recently will enhance project development and sales in 2025 and beyond. As cash flows improve, we expect developers' debt serviceability will finally begin to improve from 2023-2024 weak levels.

Despite project sales recovery since Q1/2024, most developers will likely fall short of their 2024 profit targets. Housing demand remained robust, reflected by high absorption rate and strong mortgage growth of 7% yoy (2023: 1%). The expectation of higher home prices, coupled with the lower down payments required for home purchases, will continue to fuel strong demand among homebuyers. Many developers (VHM, NLG, KDH, AGG, and HDC) reported increasing contracted sales, mainly in high-end segments. However, our covered developers' 9M2024 revenue and profit still plunged by 20% and 43% YoY, respectively, due to declining handover volumes from weak 2023 sales. As such, we expect more than 60% of them to fall short of their full-year 2024 profit targets.

Multiple guiding circulars and decrees issued or taking effect in Q3/2024, will accelerate project development and sales in 2025. Over 20 decrees/circulars were issued in Q3/2024 to support the implementation of the new Land Law, Housing Law and Real Estate Business Law. Developers will now have clearer guidance to progress on various technicalities and advance the development of new projects. These aspects include land valuation, land expropriation, and levies, amongst others. In addition, the Government's efforts to quicken legal approvals in outstanding real estate projects since the start of 2024 have led to a surge in newly licensed and commercial-ready projects in Q3/2024. For 2025, we expect developers will be able to launch a substantial increase in new housing projects from a year ago, which will bode well for developer sales and cash flow.

The sector debt serviceability remained weak in Q3/2024, but we expect leverage to stabilize under new regulations, and cash flow to improve from increasing sales. As of Q3/2024, more than half of our covered developers have weak leverage and coverage profiles. This is mainly driven by the excessive use of leverage for project development in 2021-2023 and the overhang of uncompleted projects and unsold inventory as the market sentiment deteriorated since 2023. New regulations introduced in July 2024 will now limit debt levels for new projects¹. Hence, we expect debt growth will continue to slow from high levels of 15% per annum in 2022-2023. Given the positive outlook on new project sales and cash flows, we expect developer debt servicing metrics will improve gradually.

Around VND22 trillion of bonds issued by developers will mature in Q4/2024, with the majority already defaulted in prior periods. Approximately VND13 trillion of bonds maturing in Q4/2024 had either defaulted on coupon payments, or failed to repay bond principal in 2023 and obtained approval from bondholders to postpone repayment date to the following year. These bonds were issued by entities related to real estate groups such as Van Thinh Phat, Novaland, Hung Thinh and Sunshine.

The remaining VND9 trillion of bonds were issued by 11 companies. Of which, we view 7 to have weak credit profiles and are at risk of default; they are mainly non-operating entities of real estate groups with no track record of operating revenues and have minimal cash resources. On a positive note, access to new funding has improved among real estate companies. These at-risk issuers will need to rely on either liquidity support from their related real estate groups or seek bondholder approval to delay principal repayments to avoid defaults.

¹ Refer to our [Sector Comment - Residential Real Estate Sector: New housing supply will boost developer cash flows but also increase leverage \(23 September 2024\)](#)

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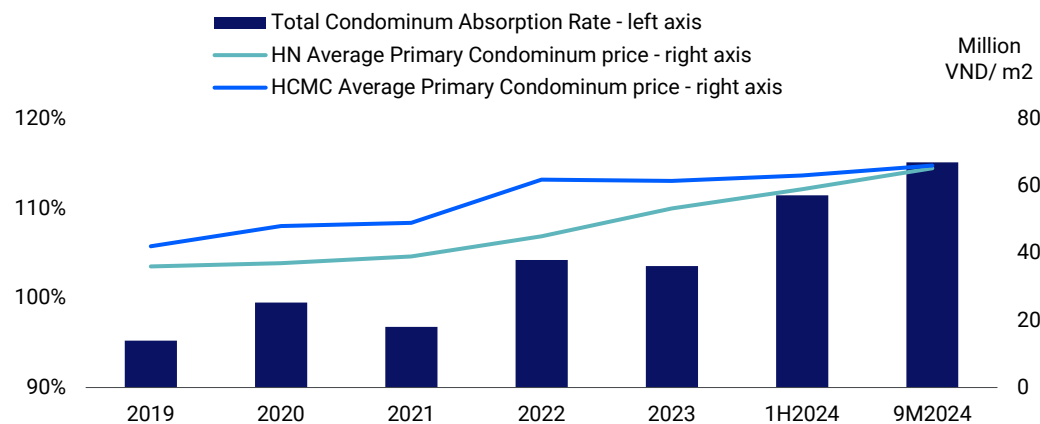
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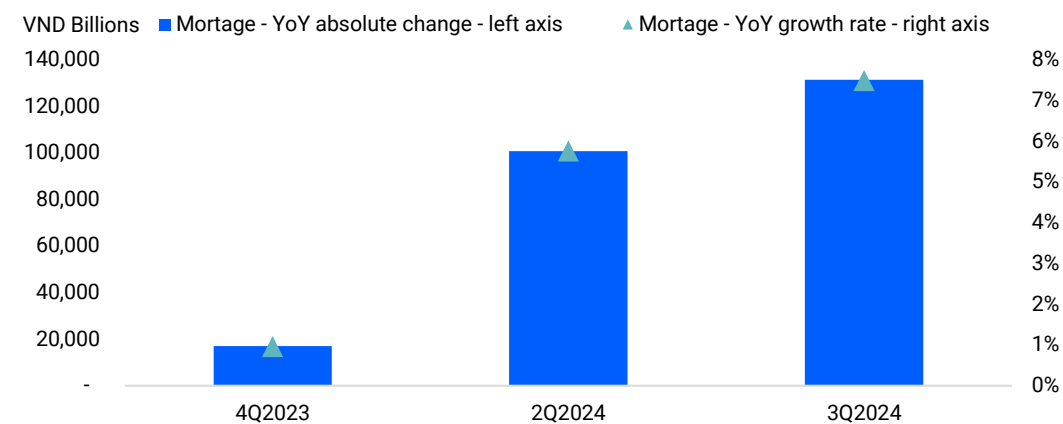
Despite project sales recovery since Q1/2024, most developers will likely fall short of their 2024 profit targets

Exhibit 1: Housing demand remained robust in 9M2024, indicated by high absorption rates and elevated primary prices in Hanoi and Ho Chi Minh City



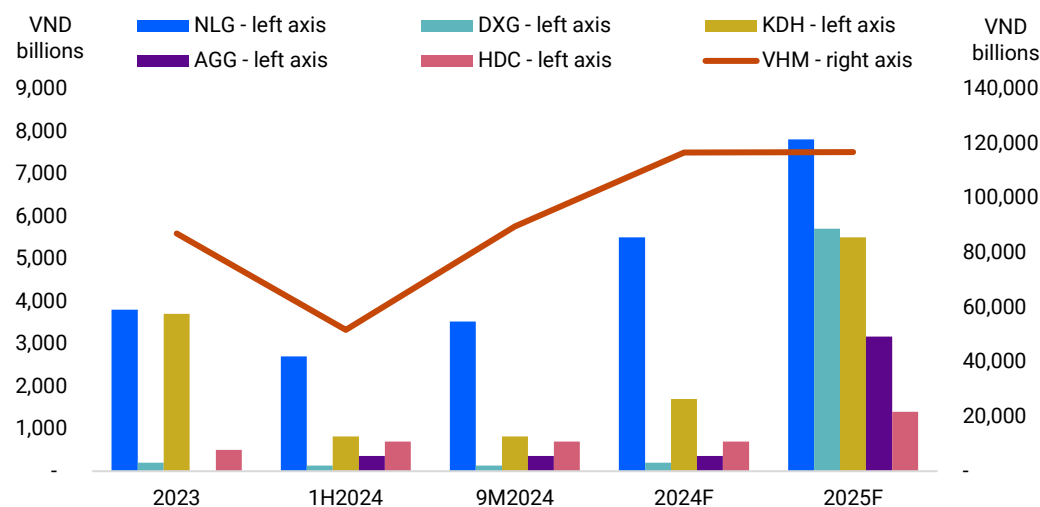
Source: CBRE, VIS Rating

Exhibit 2: Mortgage growth accelerated in Q3/2024, reflecting a strong rebound in market sentiment and property demand



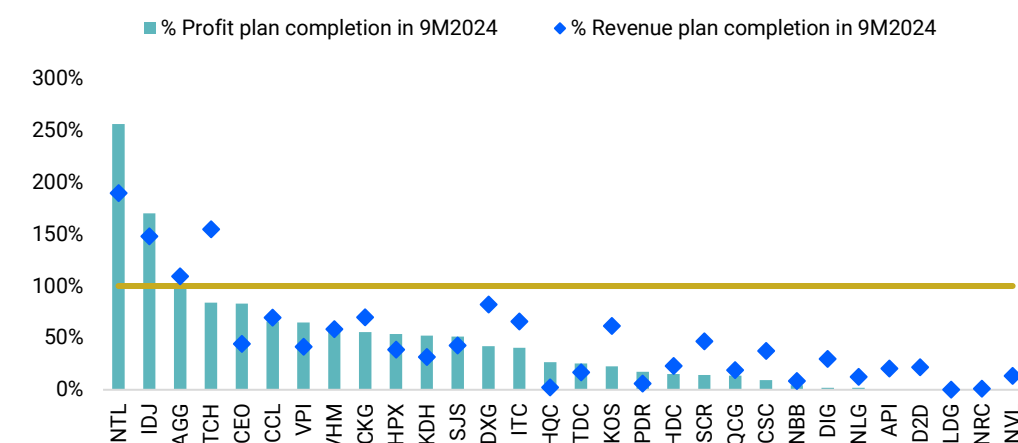
Source: The State Bank of Vietnam (SBV), The Ministry of Construction (MOC), VIS Rating

Exhibit 3: Large developers' contracted sales continue growing



Source: Company data, VIS Rating

Exhibit 4: More than 60% of our covered developers will likely fall short of their full-year 2024 profit targets



Source: Company data, VIS Rating

Note: Top 30 listed residential developers in terms of revenue

Multiple guiding circulars and decrees issued or taking effect in Q3/2024, will accelerate project development and sales in 2025

Exhibit 5: Multiple guiding circulars and decrees to facilitate the implementation of three new real estate laws² were issued over the last few months

Major new policies	Highlights	Credit Impact
Law 43/2024/QH15 on amendments to three real estate-related laws, dated June 29, 2024	Enforce Land Law, Housing Law and Real estate Business Law from August 1, 2024 instead of 2025	➤ Quicken the issuance of relevant guiding policies.
Decree 71/2024/ND-CP on land price, dated June 27, 2024	Regulate land price determination by providing guidelines to apply 4 land valuation methods: comparison, income, surplus, and adjustment coefficient.	➤ Facilitate project development by removing outstanding legal obstacles and quickening procedures approval progress. ➤ Increase new housing supply and promote social housing development. ➤ Credit positive for developers.
Decree 88/2024/ND-CP on compensation, support, and resettlement upon land expropriation by State, dated July 13, 2024	Specify compensation, support, and resettlement policies upon land expropriation by the State.	
Decree 103/2024/ND-CP on land levies and land rents, dated July 30, 2024	Regulate the calculation, collection and payment of land levies and land rents.	
Decision 79/2024/QĐ-UBND Amending Decision 02/2020/QĐ-UBND regarding the land price list in Ho Chi Minh City, dated October 21, 2024	Update and revise the land price list in Ho Chi Minh City to better reflect market price.	
Decree 100/2024/NĐ-CP detailing certain provisions of the Housing Law regarding the development and management of social housing, dated July 26, 2024	Enhance the development and management of social housing. Incentivize investors to engage in social housing by offering benefits such as land use fee exemptions for areas designated for social housing within commercial housing projects.	
Decree 94/2024/NĐ-CP on the elaboration of certain articles of the law on real estate business on development and management of housing and real estate market information system and database, dated July 24, 2024	Develop and manage information databases of the real estate market.	➤ Enhance market transparency. ➤ Professionalize brokerage activities. ➤ Protect homebuyers from project legal risks
Circular 04/2024/TT-BXD on guidelines for the framework program for training knowledge of real estate brokerage practice and operation of real estate trading floor, dated July 30, 2024	Guidelines on training framework for real estate brokerage practices	

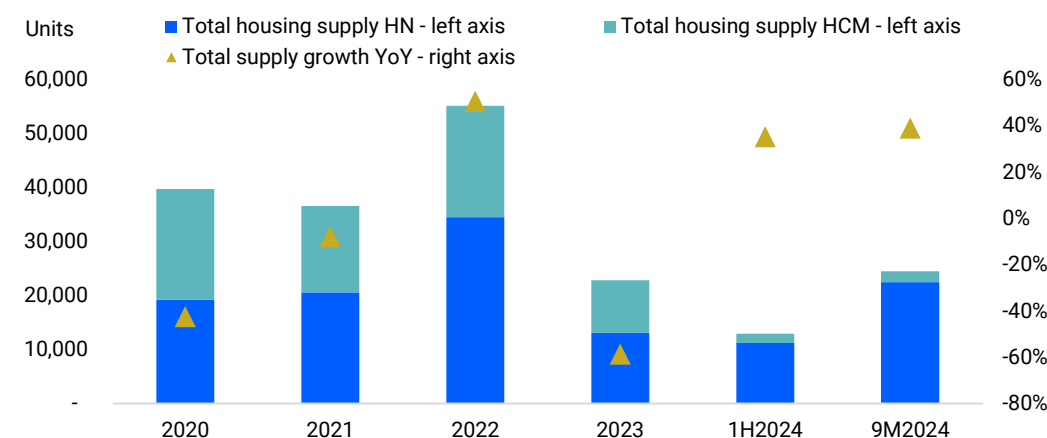
Source: VIS Rating

Exhibit 6: The Government's efforts to quicken legal approvals in outstanding real estate projects have led to a surge in newly licensed and commercial-ready projects in Q3/2024



Source: MOC, VIS Rating

Exhibit 7: Detailed guiding policies combined with authorities' commitment will continue improving housing supply in 2025

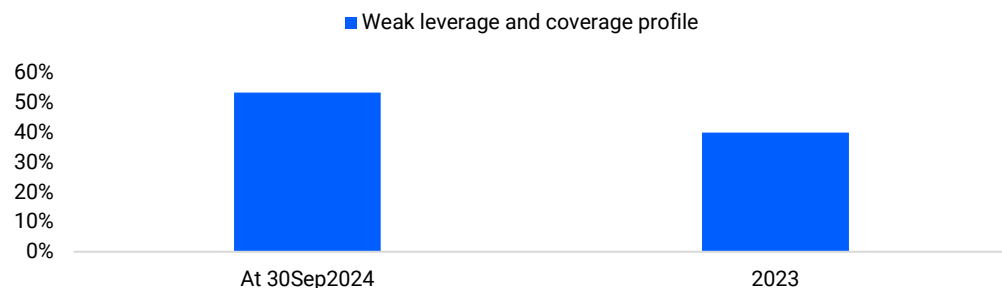


Source: CBRE, VIS Rating

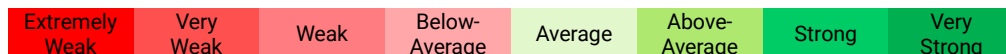
² Including Land Law, Housing Law and Real estate Business Law, refer to our [Sector Comment - Residential Real Estate Sector: New real estate laws amendment 2024 \(22 January 2024\)](#).

The sector debt serviceability remained weak in Q3/2024, but we expect leverage to stabilize under new regulations, and cash flow to improve from increasing sales

Exhibit 8: The number of developers with weak profiles of leverage and coverage increased in 9M2024



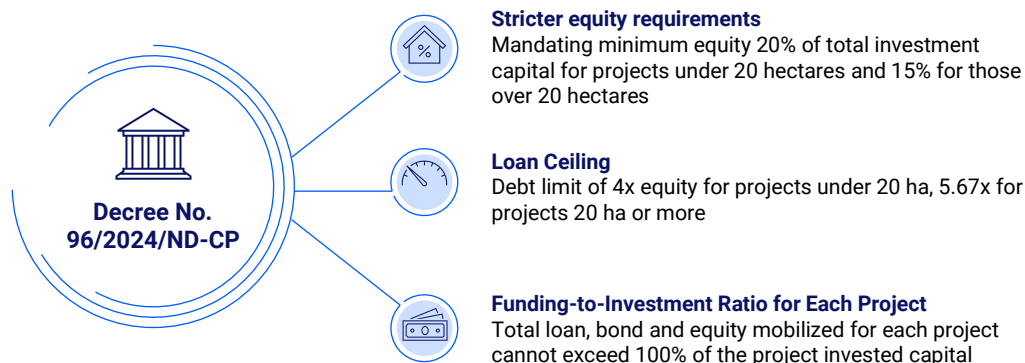
Note: Weak leverage and coverage profile is denoted by Below-Average, Weak, Very Weak, and Extremely Weak categories based on our eight-category assessment scale, as illustrated below



Source: Company data, VIS Rating

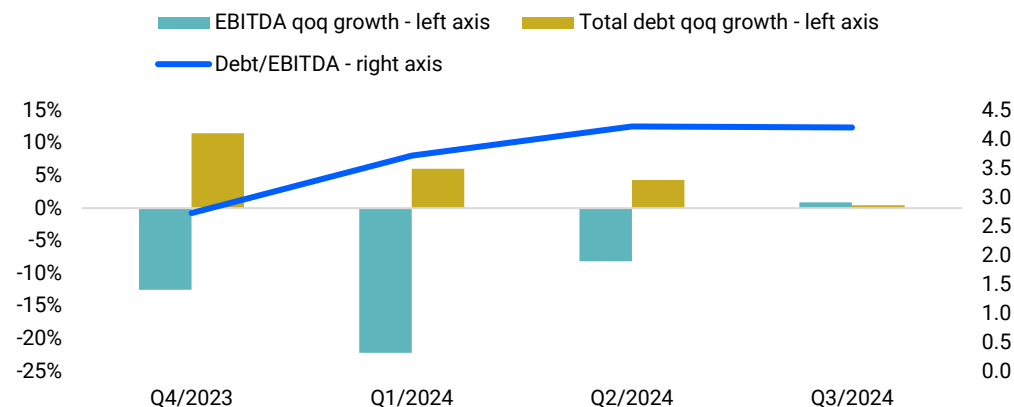
Note: Top 30 listed residential developers in terms of revenue

Exhibit 10: Decree 96/2024/ND-CP is anticipated to stabilize debt growth and improve developers' leverage profiles



Source: VIS Rating

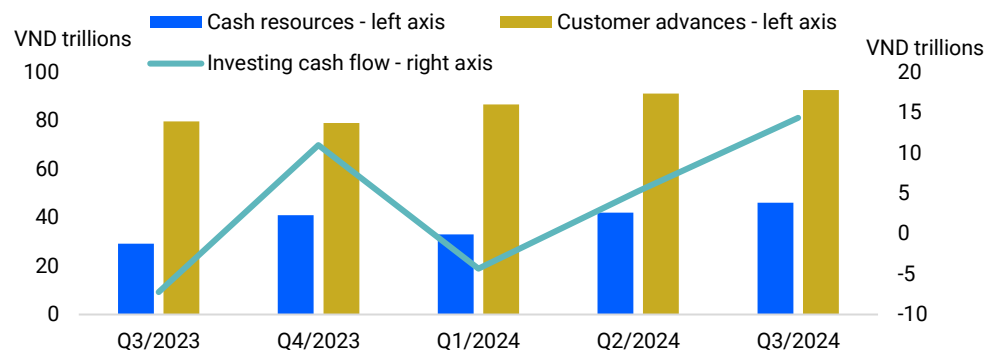
Exhibit 9: Listed developers' debt growth decelerated in Q3/2024



Source: Company data, VIS Rating

Note: Top 30 listed residential developers in terms of revenue

Exhibit 11: Improvements in customer advances and investing cash flow will drive higher cash resources for listed developers

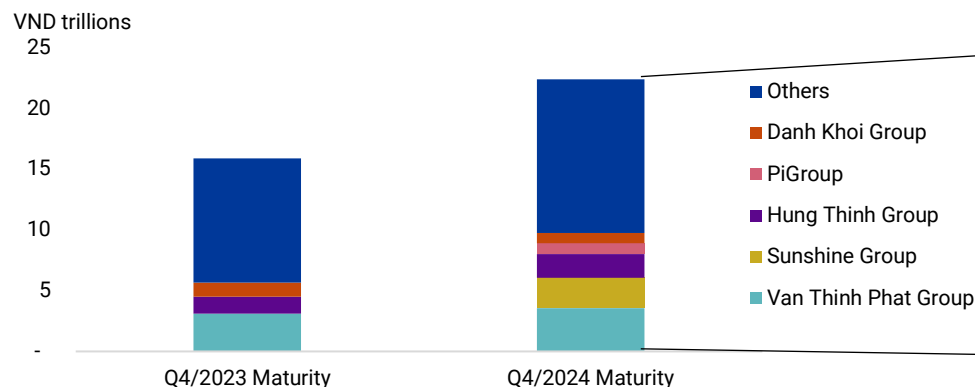


Company data, VIS Rating

Note: Top 30 listed residential developers in terms of revenue

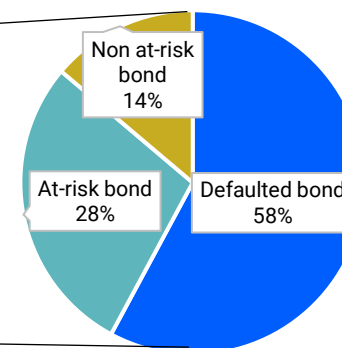
Around VND22 trillion of bonds issued by developers will mature in Q4/2024, with the majority already defaulted in prior periods

Exhibit 12: Approximately VND 22 trillion real estate bonds will mature in Q4/2024 (+ 41% yoy)



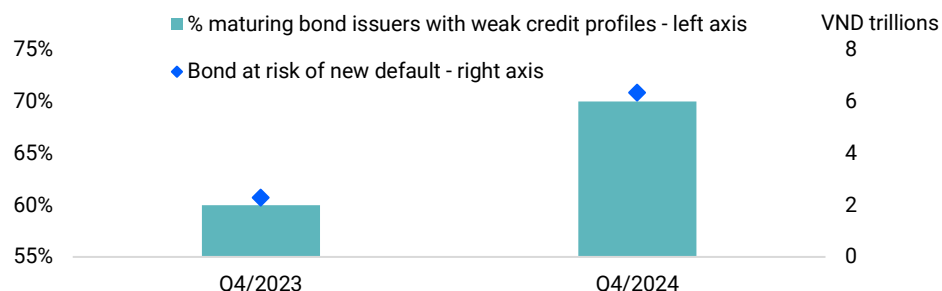
Source: HNX, VIS Rating

Exhibit 13: ...In which, around VND 13 trillion bonds related to groups such as Van Thinh Phat, Novaland, Sunshine and Hung Thinh have already defaulted mainly in 2023



Source: VIS Rating

Exhibit 14: Total maturing bonds issued by at-risk issuers with weak credit profiles increased significantly in Q4/2024

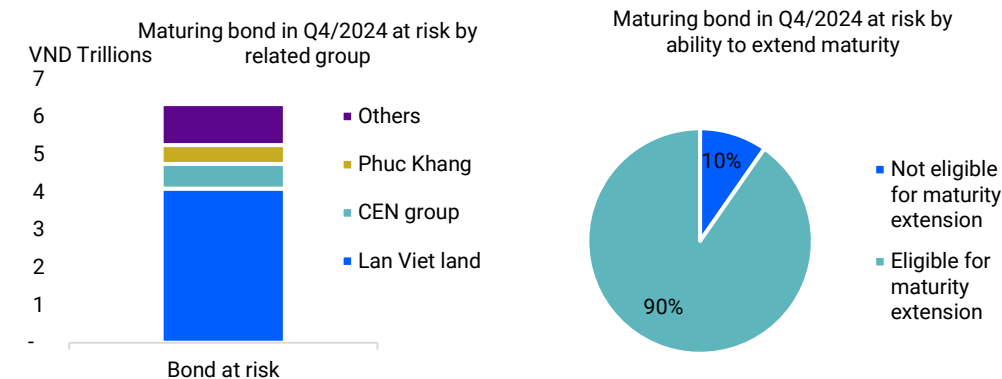


Note: Weak credit profiles are denoted by Weak, Very Weak, and Extremely Weak categories based on our eight-category assessment scale, as illustrated below.



Source: VIS Rating

Exhibit 15: New defaults will be mitigated by liquidity supports from related groups amid sectors' broadening funding conditions³ and capabilities to extend maturity⁴



Source: VIS Rating

³Refer to our [Sector Comment - Residential Real Estate Sector: New housing supply will boost developer cash flows but also increase leverage \(23 September 2024\)](#)

⁴Bonds that are not eligible for maturity extension are those that previously extended their maturity dates by 2 years under Decree 08/2023/ND-CP, from their original maturity dates.

This publication does not announce a credit rating action

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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