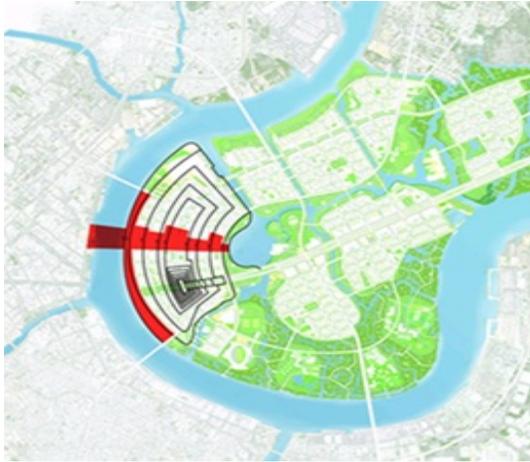


## Overview



Domestic macro-economic instability, double-digit inflation and extremely tight monetary policy have made the landscape for construction and real estate development challenging in 2011. Developers whose access to credit dried up this year have struggled, and a number of major projects have slowed down. However, in the longer term, Vietnam will continue to present opportunities as private developers and local governments address pent-up demand for infrastructure, housing and industrial facilities throughout the country.

Vietnam Ministry of Planning and Investment estimates that Vietnam needs to invest \$200 billion for infrastructure development through 2020. Private investment funds, Multilateral Development Banks such as the World Bank and Asian Development Bank, and Overseas Development Assistance by foreign countries such as Japan have spurred investment in infrastructure but financing continues to be a major challenge.

Business Monitor International (BMI) notes that infrastructure will make up an average of 48 percent of total construction industry value each year between 2009 and 2014 in Vietnam. This is above the global average of 36.4 percent, an indication that investments in infrastructure in Vietnam will continue to dominate the construction sector. The Ministry of Construction and General Statistics Office report that in 2011 construction value reached \$32.2 billion, an increase of 18.4 percent from 2010, in which the value from the FDI sector was \$1.30 billion, an increase of 73.3 percent.

In 2011, as Vietnam implemented a tight credit policy with high lending interest rates to curb high inflation, the construction sector faced liquidity difficulties with many infrastructure and property projects suspended. Construction companies and developers were unwilling or unable

to take up large-scale projects or carry out construction work that required significant capital. Also, due to the inefficiency in infrastructure investment within the state-budget, GVN cut many public investment projects. Vietnam's real estate experienced a year of hardship with property prices decreasing and property transactions coming almost to a standstill. Investment in real estate dropped significantly, and foreign direct investment in the sector was estimated at only \$852 million in 2011, or just 5.8 percent of total FDI; compared to \$6.8 billion and 37 percent last year.

However, the real estate sector is expected to recover in the third quarter of 2012, as the country's macro-economy stabilizes. The long-term outlook for the sector is still positive due to robust economic growth and an improving business environment for investment. BMI forecasts that construction sector growth to average 6.3% per annum between 2011 and 2015. According to the World Bank, Vietnam remains the most attractive place for investment in Southeast Asia, and among the world's top 10 emerging markets.

As Vietnam makes headway in tackling its massive infrastructure development needs, the country is seeking ways to raise funds from other sources for transport, energy and water infrastructure projects. In January 2010, the Government issued Decree 108 to help facilitate infrastructure construction contracts using Build-Operate-Transfer (BOT), Build-Transfer (BT) and Build-Transfer-Operate (BTO) models. The Government has also built a legal framework for the public-private partnership (PPP) model. In November 2010, the Prime Minister issued Decision 71 on "Promulgating the Regulation on Pilot Investment in Public-Private Partnership Form" that came into effect in January 2011. A pilot program was launched with 27 PPP projects in energy, water, transportation, and healthcare sectors.

The country is also positioning itself to attract foreign investors, expand industrial manufacturing, stimulate domestic consumption and foster new industries such as tourism, retail and services. As a result, foreign and domestic real estate developers have responded by making large investments in a wide range of projects throughout the country including commercial/office space, hotels, mixed-use/retail, coastal resorts and housing.

In the larger cities like Hanoi, Ho Chi Minh City and Danang, there is a greater interest among developers to utilize international architecture services, imported construction materials, high-end building technologies and construction management as developers look to differentiate themselves among a growing field of competition.

An internal credit boom followed by steep inflation in 2010/2011, following the financial crisis in 2008/09 has contributed to a start-stop tendency for a number of development projects in Vietnam. Investment dollars have been slow to return into the country; determining which projects are viable and conducting due diligence on potential projects is both challenging and time-consuming.

### **Best Prospects/Services**

The markets for architecture, construction, and engineering (ACE) services have emerged as concentrated and lucrative business opportunities in Vietnam. Competition is intense, and many international architects and construction services companies are active in the market. However, American products and services can compete, owing to expertise and reputation for quality among U.S. suppliers, and the increasing demand among developers for new, innovative technologies and services.

Architecture services, concept design, construction management, project management, and new building technologies represent the best opportunities for U.S. firms. Specific prospects

include high-end hotels and resorts, high-rise office towers, and mixed-use projects, many of which are foreign invested and require high-quality design and construction. Awareness of sustainable and “green” buildings is just beginning to emerge, and suppliers in this area will need to educate project owners on the benefits of green technologies. Other key areas include:

- Landscape architecture, water features and swimming pools
- Hotel and restaurant interiors
- Town planning/master planning
- Green design/building materials (energy efficient, HVAC, lighting and building controls)
- Airport design
- Healthcare design
- Use of High-end architectural interior products and designs
  - Decorative surfaces & finishes
  - Distortion-free glass
  - Hardwood floors and architectural features
  - Fire safety, Illumination and alarm systems

## Opportunities

Despite the global financial crisis and the ups and downs of Vietnam’s real estate market in 2010 and 2011, many new projects, big in scale and investment, were launched in major localities, especially in Ho Chi Minh City, Hanoi and Danang. A number of apartment, office, shopping centre, hospitality and resort projects invested by VinaCapital, Indochina Capital, Bitexco, Vincom JSC, BTA, C.T. Group, and other giants kept the market active and attracted foreign investors.

**New Towns:** Vietnam is developing a number of “new towns” as satellites of major metropolitan or industrial areas. These master-planned developments often call for investments in industrial parks, commercial areas, residential housing, hospitals, schools, retail, etc. Major new town developments in the South are centered around Ho Chi Minh City and provinces of Dong Nai, Binh Duong, and Ba Ria – Vung Tau. In August 2008, the Government decided to expand Hanoi to include neighboring Ha Tay province and part of Hoa Binh and Vinh Phuc provinces, which tripled Hanoi’s area and doubled its population to 6.2 million. This expansion will result in all government offices moving from downtown to the My Dinh area (west of Hanoi). This has created many major residential projects in My Dinh and Ha Dong towns (south west of Hanoi). There are also major projects being developed in the east and northeast of Hanoi alongside the Hong River on the road to Noi Bai airport and to the Hai Phong port. New towns and industrial zones have also been developing in provinces surrounding Hanoi, such as Bac Ninh, and Vinh Phuc.

**Thu Thiem:** This is the next chapter in Ho Chi Minh City expansion, encompassing 737 hectares of greenfield development and spurred by the development of five bridges and a 1.49km-long tunnel linking Thu Thiem with the downtown and other districts of the city. Plans call for massive investments in infrastructure and utilities, and a full range of new construction including: commercial/business district, conventional center, retail, hotels, residential housing, schools and parks.

**Hospitality/Resort Development:** Vietnam is attracting the vacation-going and second-home demographic with more than 3,200 kilometers of coast-line with over one hundred beaches, beautiful and diverse landscape, and a rich cultural heritage. Prominent areas that have been targeted for tourism development include Can Gio in Ho Chi Minh City, Quang Nam province,

Nha Trang, Binh Thuan province, Ba Ria-Vung Tau province, Phu Quoc Island, Da Nang City. While many projects are underway (including many of the top international hotel brands, and deluxe villa), there are many projects still in the planning stages. There are also a few hotel and resort projects being developed in Ha Long Bay, Bai Tu Long and Van Don in Quang Ninh province, and Do Son and Cat Ba Island in Hai Phong. City planners also cite the need for accompanying airports, roads, water treatment and other tourism infrastructure as priorities.

## Resources

### Ministry of Planning and Investment (MPI)

[www.mpi.gov.vn](http://www.mpi.gov.vn)

### Ministry of Construction (MoC)

[www.moc.gov.vn](http://www.moc.gov.vn)

### General Statistics Office (GSO)

[http://www.gso.gov.vn/default\\_en.aspx?tabid=491](http://www.gso.gov.vn/default_en.aspx?tabid=491)

### Vietnam Green Building Council

[www.vgbc.org.vn](http://www.vgbc.org.vn)

### HCMC Department of Urban Planning and Architecture (DUPA)

[www.qhkt.hochiminhcity.gov.vn](http://www.qhkt.hochiminhcity.gov.vn)

### HCMC Planning Information Center – DUPA

<http://planic.org.vn/map.php?language=en>

### World Bank – Vietnam Projects and Operations

[http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname\\_exact=Vietnam&src=](http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname_exact=Vietnam&src=)

### Asia Development Bank – Vietnam Projects and Operations

<http://www.adb.org/countries/viet-nam/main>

### Vietnam Association of Architects (VAA)

<http://kienviet.net>

### HCMC Association of Architects (HAA)

[www.ktsvn.net](http://www.ktsvn.net)

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