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## INDUSTRY NEWS UPDATE

### Industry insiders call VN real estate market a sleeping giant

*The real estate downturn is emerging as a lucrative opportunity for savvy new investors, especially from foreign countries. Now is the time, say industry insiders, to pump money into the falling market - just before it recovers.*

The Vietnamese real estate market went through a tough past decade. But gradual urbanization and infrastructure development has kept investors interested.

According to David Blackhall, deputy managing director of the country's leading asset management and consulting firm, VinaCapital Group, many foreign investors are showing interest in Vietnam's real estate market.

He said that construction of many real estate projects had become stagnant as banks tighten their lending standards. This had left a vacuum, which foreign investors could use due to their advantage.

"However, they should have long-term investment strategies in mind" he said.

Director of AIC, Gary McKinnon, said construction costs would continue to fall in the first quarter of next year. This was also when banks were predicted to loosen lending standards. This "will be the time for investors to finish existing projects and begin new ones," he said.

According to the secretary general of HCM City Real Estate Association, Do Thi Loan, foreign investors are expressing interest in trade centers, as they can see potential for its development in Vietnam.

"Even in HCM City, the country's biggest metropolitan area, there is no adequate retail centre," she added.

Meanwhile, Vinaconex ITC has just signed a Memorandum of Understanding (MoU) with VS Consultant. Under the agreement, VS Consultant will buy 6 million shares, 20 per cent of Vinaconex ITC's total share.

The buyout will help Vinaconex ITC to accelerate its existing projects nationwide, according to Vinaconex ITC's general director Tran Ngoc Quang.

Vinaconex ITC, a subsidiary of Vietnam Construction Import and Export Group (Vinaconex), earlier allowed the Oman National Fund to contribute US\$20 million to develop the Cai Gia- Cat Ba tourism complex on Hai Phong's Cat Ba Island.

"The real estate downturn mostly impacts upon land and housing. The demand for office blocks, better tourism infrastructure and land for industrial zones is still very high," Quang said.

The Vietnamese property market is only at a primary stage of development, and is not yet properly integrated into the global market. But it has still been affected by the world crisis, because its major investors have been foreign, insiders say.

In recent years, high foreign investor participation in the domestic property market has fired-up competition among domestic investors. This has heated up the local market, raising land prices by 200 and 300 per cent within three years.

Domestic investors began to feel the pinch early this year, when the Government started to tighten its credit policies.

*(Source: SGGP - VietNamNet Bridge - Hanoi, Vietnam, Dated 1<sup>st</sup> January 2009)*