

Vietnam builds a future for itself

This vibrant country is drawing attention in a challenging market, writes

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To many of us, Vietnam still brings to mind images of a stricken country living with the consequences of the Vietnam war, or "American war", as the locals call it. But in recent years it has moved away from its tragic past, forging a new reputation for itself.

Today, this one-party communist country not only boasts a fast-growing \$55bn economy – second only to China in south-east Asia – and has ambitions to become a developed nation by 2020, but it is also one of the "hottest" property markets in the world. Property prices soared by 50 per cent in 2007, according to a report by Obelisk, a UK property consultancy, as foreign investors rush to tap into the next communist country that is ready to embrace a liberal economic model.

The influx of tourists and visitors are drawn to the stunning coast, its sandy beaches, alpine scenery, rainforests, extensive green fields and a sophisticated cultural heritage. And, as they come, they create a market for luxury property resorts.

Yet, those shrewd foreign property buyers who believe this is Asia's next China, may have to rein in their keenness for now and be prepared to wait.

While foreign property companies have managed to secure profitable "leasehold" deals in premium locations of the country by forming joint ventures with local enterprises, it is a different matter for individuals.

"Unless you are Vietnamese you don't 'buy' a house in Vietnam, you buy the right to use the property for 50 years at the most," says Matthew Powell, head of the Hanoi-based Savills International office.

The first housing law to open up the market to foreign buyers was approved in early 2006. "It was only for overseas Vietnam-



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Alamy

ese though, but since many of them owned a US passport and no longer had their original birth certificate they didn't qualify as Vietnamese and therefore they couldn't buy," says Derek John, chief executive of TCK Group, a Hanoi-based hospitality and business consultancy.

This led the government to extend the right to lease properties to other categories of foreigners. Living and working in the country with a valid visa, owning your own company, being married to a Vietnamese citizen, contributing to the growth and development of Vietnam and liv-

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ing in the property are the only options at this stage that qualify foreign buyers to "own" properties under their name.

There is a way to get round such restrictions but it comes with the disadvantage of never

openly owning the title deeds of your property.

"You can buy a share in a property development company which will allow you to "own" a unit within an off-plan project for all the length of the leasehold," says Powell, who has been living and working in the country's capital for five years. This is how some foreigners have been able to buy into the Nam Mai Resort, situated in the famous China Beach, or into the luxurious Vista development in Ho Chi Minh City, which was sold out in less than a day.

Prices in Hanoi have tripled in

the past year alone, particularly in the luxury sector. "In 2006, new apartments were sold for \$80,000 but by the summer of 2007 this rose to a massive \$240,000," says James Gonzalez, market analyst at Obelisk.

In the financial and government district at the heart of the city, prices range from \$4,000 to \$5,000 per sq metre, according to figures reported by Savills International, whereas at the outskirts prices drop down to a more conservative \$2,000 to \$3,000 a sq metre.

But the fastest expansion has been recorded in an area called

My Dinh Me, which with numerous offices is tipped to be the new commercial hub and possibly the new base of the financial district.

Located to the south is Ho Chi Minh City, the largest city in the country with a population of 11m people and with the biggest expat community. "Properties can fetch \$6000 per sq metre at the centre or in the business district but opportunities to build any further are scarce since land is very much at a premium," says Powell.

Right in the heart of Ho Chi Minh City itself, there is the



Hung Vuong Plaza, a first-class, self-contained, 30-storey complex comprising luxury retail, a commercial complex as well as two towers of residential apartments. Prices start from \$200,000 for a three-bedroom apartment.

Another hotspot is Danang, a major port city on the coast of the South China Sea.

"The famous China Beach, which attracts a lot of international tourists, and the international airport makes it a sought-after destination," says sales consultant Charlie Prichard from Churchill Innovative Solutions.

Less developed but still attracting interest is the beautiful island of Phu Quoc, less than an hour's flight from Ho Chi Minh City. "It is considered to be the next Bali or Phuket," says Derek John. "There is a mix of some upmarket and more downmarket developments at this stage, but the potential, given the island's natural beauty and proximity to Ho Chi Minh City, is huge."

While the country is not short of opportunities to generate tangible profits, with housing laws changing constantly and strong restrictions tied to them, it may fail to entice a great deal of foreign buyers at this stage.

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