Aseana in Vietnam

ABDUL GHANI ISMAIL / THE EDGE

Lai: Vietnam real estate is developing from a very low base

Another property development company making Vietnam its major investment ground is Aseana Properties (ASPL), which is listed on the London Stock Exchange (LSE) Main List. One of its major shareholders is Malaysia Main Boarder, Ireka Corp Bhd. Ireka Corp's 100% owned subsidiary, Ireka Development Management Sdn Bhd (IDM), is the sole development manager for ASPL.

ASPL's initial paid-up capital is US$250 million (about RM863 million) and is mainly focused on property development in Vietnam and Malaysia. Its Vietnam investment is targeted to eventually make up 70% of its total net asset value. Since listing, IDM has been actively seeking investments in Vietnam for APSL and has since signed a number of memorandums of understanding with local Vietnamese partners. Three of the projects have already been submitted to the relevant authorities in Vietnam for planning and investment licence approval. "We expect at least one of these projects to commence construction by end of the year," IDM president and CEO Lai Voon Hon tells *City & Country*.

These projects include Grade A offices, five-star hotels and high-end residences in Ho Chi Minh City (HCMC) and Hanoi, adds Lai, who could not offer further details of these projects ahead of announcements to the LSE.

Like many other foreign developers going into Vietnam now, IDM and ASPL are attracted by Vietnam's high GDP growth rate, which is the second highest in Asia after China. Besides, FDI has increased significantly over the last year. "It was also due to the country's pro-foreign investor government policies and the quick pace of economic liberalisation over the last two years," says Lai.

"All these positive economic factors have resulted in huge demand for offices, hotels and residential homes. ASPL is keen to replicate Ireka's success in Malaysia in developing high-end residences, Grade A commercial offices, retail spaces and five-star hotels in Vietnam." Ireka developed the awarding-winning Westin KL back home.

Besides, adds Lai, Vietnam real estate is developing from a very low base. Due to strong economic growth, there is a glaring shortage of its Grade-A offices, retail malls, high-end residences, five-star hotels and other supporting infrastructure. "In Ho Chi Minh City, for instance, there is currently a shortage of 10,000 hotel rooms."

Vietnam's young population and its growing affluence also provide tremendous growth potential for the real estate sector. Furthermore, says Lai, "The availability of mortgage for housing now has encouraged more and more home ownership, which will eventually fuel strong demand for housing and commercial properties."

The acute shortage of supply has caused land and property prices and rents to escalate sharply over the years to the extent that office rentals and hotel room rates are now higher than in Kuala Lumpur and Bangkok.

"Grade A office in Ho Chi Minh City, for instance, is now close to US$40 psm per month, that is, if you could get to rent one. The average room rate for a five-star hotel now is over US$200 per night (more than double that of Kuala Lumpur)," says Lai.

As for the new land and property laws in Vietnam, they are still relatively untested although there is more transparency now than before. "We take great comfort from the fact that the Vietnamese government is modelling a lot of its new laws and regulations after China, Singapore and Malaysia."

The key to success in venturing into Vietnam's real estate, he offers, is in securing land in strategic locations in HCMC and Hanoi and by having a good local Vietnamese partner.

"The development market in Vietnam is still relatively fragmented. There is only a handful of large local and foreign development companies in Vietnam. The major foreign developers are mainly from South Korea, Hong Kong and Singapore. Recently, we have seen more Malaysian companies trying to secure land and property in Vietnam," adds Lai.

Looking for further expansion

FROM PAGE 2

national schools. Construction of EcoLakes will most probably begin early next year and will be developed in six phases over eight years. When completed, Ecolakes will contain 10,000 homes to house a population of 50,000.

The land cost, according to Teow, has been pegged at US$51 million and the arrangement with Becamex is on a "take-and-pay" basis, that is, Setia Becamex only pays for the land — fixed at US$2 psf — according to its needs. This minimises long-term holding cost.

MPIP, one of the most prominent industrial development zones in Binh Duong Province with a 200,000 population in the vicinity, provides a ready pool of potential purchasers for the upcoming project.

There are some 200 investors from 18 countries at MPIP with total investment capital of over US$1.4 billion.

On their target market, Teow points out that foreigners cannot own properties in Vietnam; they can only lease them. Potential purchasers would therefore be Vietnamese, especially those working at the industrial parks in the district, some of whom currently stay in HCMC and commute daily to MPIP. The developer is also eyeing the three million Vietnamese overseas who may wish to return home one day and therefore are on the lookout for real estate in their homeland.

Teow says Ecolakes in MPIP is similar to S P Setia's Setia Alam development in Shah Alam in many ways. For one, there is the same concern about the distance from the city centre. Currently, MPIP is about a 95-minute drive on Highway 13 from HCMC. In three years' time, however, a new highway is expected to be completed that will shorten travelling time by half. "This means more people can live here and work in the city (HCMC), while those who work here don't have to live in the city," says Teow. Besides the new highway, a new airport is in the works. The Long Thanh International Airport, in the Dong Nai province, is about 50km northeast of HCMC and is expected to be completed in 2015.

"Just five years ago, it was a jungle here," he says. The rising FDI, rapid urbanisation and growing affluence among the people in HCMC and in the country in general could only mean that there will be rising demand for both residential and commercial spaces, he says, adding that S P Setia would be looking at further expansion in Vietnam. E

Foreign builders jump on the bandwagon

One of the major projects in Vietnam involving foreign partners is the US$2.1 billion (about RM7.3 billion) urban development project, Ciputra Hanoi International City, near the West Lakes of Hanoi. The project is undertaken by a partnership comprising an affiliate of the Indonesian property developer Ciputra Group and the Urban Development and Infrastructure Construction Company under the control of the Department of Construction of the People's Committee of Hanoi.

The Ciputra Group is one of the largest investors in the Hanoi property market currently. Ciputra Hanoi International City covers nearly 405ha, with highrise apartments, villas, offices, medical and sports centres, parks and a shopping mall.

In HCMC, Taiwan-based Central Trading and Development Corporation (CTDC), in a joint venture with the Vietnamese Tan Thuan Industrial Promotion Corp, is developing Saigon South, a mixed urban development covering 3,300ha of former wetlands. CTDC has invested in Vietnam for 17 years.

Singapore has been investing in Vietnam in a big way for over a decade. One of the earlier investments is the very successful 844ha Vietnam Singapore Industrial Park (VSIP) in Binh Duong, a jont venture between Vietnam's Becamex and a consortium of five companies from Singapore led by SembCorp Industries. VSIP has since attracted 340 companies mainly in high-tech industries, including pharmaceutical and electronics companies from 22 countries, with a total investment capital of US$1.6 billion. Among them is Singapore-based Guocoland which is building a 240,000-sq m complex on a 17.5-ha site in the VSIP, not far from where S P Setia's EcoLakes will be. The integrated hub will cost an initial US$58 million to develop and will have residential, retail, entertainment, sports and other commercial facilities.

The Edge Singapore has reported that CapitaLand's serviced apartment arm, The Ascott Group's 172-unit Somerset Chancellor Court serviced apartments in District 1 of HCMC, has been in operations since 1995. Today, the group has about 800 units in five locations in Hanoi and HCMC. CapitaLand invested in its first prime residential development site in HCMC early last year. The 23,000 sq m site can be developed into a 1,100-unit condominium project.

The other major Singapore investor in Vietnam is Keppel Land, which is developing its second residential township in Vietnam jointly with the Dong Nai General Agriculture Service United Cooperative (DONA Co-op) and Vietcombank Fund Management (VCBF). The waterfront residential township is coming up on a 509ha site in the fast-growing Dong Nai Province, located just 28km to the northeast of HCMC. The total investment for the initial stage of a 193ha parcel, to be developed in phases, is estimated to be US$357 million.

Keppel Land's first residential township is Saigon Sports City, an integrated residential, commercial and recreational sporting hub on a 64-ha site in HCMC's prime An Phu Ward district.

Besides S P Setia and Aseana Properties, other Malaysian developers which have made inroads into Vietnam include Gamuda Land Bhd, which earlier this year announced its second foray into Vietnam with its Long Ah project in HCMC. Its first foray was in Hanoi where it is planning the 320ha Yenso Park, a US$1billion mixed development of hotels, convention centres and luxury homes.

More recently, on Aug 3, Berjaya Land Bhd (BLand) revealed plans to build a US$3.5 billion university township in HCMC. The company has signed a memorandum of agreement with the management board of the Northwest Metropolitan Area of HCMC. Berjaya Land CEO Datuk Francis Ng Sooi Lin was reported as saying that the 1,000ha township would feature a business centre with offices, commercial blocks, hotels, residential precincts, a river port, a cruise centre, recreation parks, and sporting venues. BLand's earlier project in Vietnam, a US$350 million residential and commercial project in Hanoi, comprising apartments, bungalows, serviced apartments, a commercial centre and schools, is being undertaken by joint-venture company Berjaya-Handico 12 Co Ltd.

Malaysian developers are joining a host of other regional investors in Vietnam. So, are we late? Their response: The benefits far outweigh the risks and the real estate cycle in Vietnam right now is such that it is still not too late to seize the opportunities there.