



DECEMBER 2019

VIETNAM REPORT

CONSTRUCTION MARKET
UPDATE



PALM HEIGHTS



HO CHI MINH CITY, VIETNAM

- CLIENT:** SOUTH RACH CHIEC CITY LIMITED LIABILITY COMPANY
- ARCHITECT:** INTERNATIONAL CONSTRUCTION & INVESTMENT CONSULTANCY
- SERVICE:** QUANTITY SURVEYING (FULL SERVICE)
- COMPLETION:** 2019

Located within Palm City District 2, HCMC, Palm Heights comprises 816 premium apartment units spread across three 35-storey towers. Palm Heights is a second phase of Palm City with comprehensive amenities including shopping centre, kindergarten, international and bilingual schools, hospital and greenery parks together with 2.7- km riverside walkway..

VIETNAM ECONOMY

Vietnam's economy grew by 7.02 per cent in 2019, representing an increase from the National Assembly's target of 6.6 per cent to 6.8 per cent, according to its General Statistics Office. The main pillar of overall economic growth was the robust expansion of the processing and manufacturing sector at 11.29 per cent, the highest in seven years. This marks the second consecutive year the country's gross domestic product (GDP) has exceeded 7 per cent.

Economists predict the GDP growth to cool to 6.7 per cent in the coming year on the back of weaker growth forecast for the United States and China, two of Vietnam's biggest export markets. However, citing companies' commitment to expanding factory capacity, the expected pick-up in global semiconductor trade and policy rate cuts made in recent months, economists noted that the slowdown would not be too sharp.

Despite the slowdown, Vietnam exports are expected to outperform the rest of South-east Asia in 2020.

Inflation for 2019 came in at 2.79 per cent. However, Ho Chi Minh City's consumer price index (CPI) for housing and construction material increased by approximately 4 per cent. For the year 2020, the Asian Development Bank forecast an inflation rate of 3.5 per cent for the country.

Separately, in the fintech industry, Vietnam is the fastest-growing digital economy in the region, largely due to investment inflow, with an annual average growth of 35 per cent. From 2016 to 2019, approximately US\$1 billion in funding was funnelled into Vietnam's e-commerce sector. With nearly 50 million smartphone subscribers, the sector is expected to beat the previous revenue forecast of US\$10 billion in 2020.

In the medium term, Vietnam's economic growth is expected to achieve a rate of 6.5 per cent with banking, tourism and retail sales driving the growth. While its open trade network makes Vietnam an attractive destination for foreign direct investment (FDI), this also makes the country vulnerable to the slowing global demand.



VIETNAM CONSTRUCTION MARKET

The construction industry registered a growth of 8.9% in 2019, an increase from the 8.5 per cent growth in 2018.

In 2019, the central bank issued a road map to tighten control over property loans for fear of defaults. The risk ratio of loans for the real estate sector was adjusted upward, causing banks to be increasingly cautious when offering loans to real estate firms. In Ho Chi Minh City, legal bottlenecks, the tightening of administrative procedures and the slow issuance of construction licenses have contributed to the reduced number of new construction project permits. In Hanoi, the sharp increase in land prices would be passed on to the buyers, potentially affecting sales.

Vietnam Real Estate Association warned that the market could face challenges in 2020 as a result of these restrictions. They noted that the issue has shifted from an oversupply with low demand in the last decade to a short supply with high demand at the start of the new decade.

Real estate drew in US\$3.88 billion (or 10.2 per cent) of registered FDI capital in 2019, second only to processing and manufacturing. The Ministry of Construction reported the real estate market developed “rather stably in terms of supply, transaction numbers, prices, outstanding credit and foreign investment” in 2019.

Market trends also point to a shift in foreign investments to industrial projects in the North of Vietnam (Phu Tho, Bac Ninh and Hai Phong Provinces) and South of Vietnam (Binh Duong and Long An Provinces). In particular, the northern port city of Hai Phong has attracted more than 300 foreign-invested projects with the capital totalling US\$14.8 billion as of 2019. The high level of foreign investment was attributed to the country’s effective economic development strategy and the city’s efforts to accelerate administrative reforms.

Major ongoing projects in Vietnam include Vinhomes Golden River and Empire City in Ho Chi Minh City, the construction of the mass rapid transport (MRT) lines in Hanoi and Ho Chi Minh City, and two of Vietnam’s largest road projects – the Nha Trang-Phan Thiet Expressway and Dau Giay-Lien Khuong Expressway. Projects in the pipeline include Thu Thiem Eco Smart City in Ho Chi Minh City and the North-South expressway.

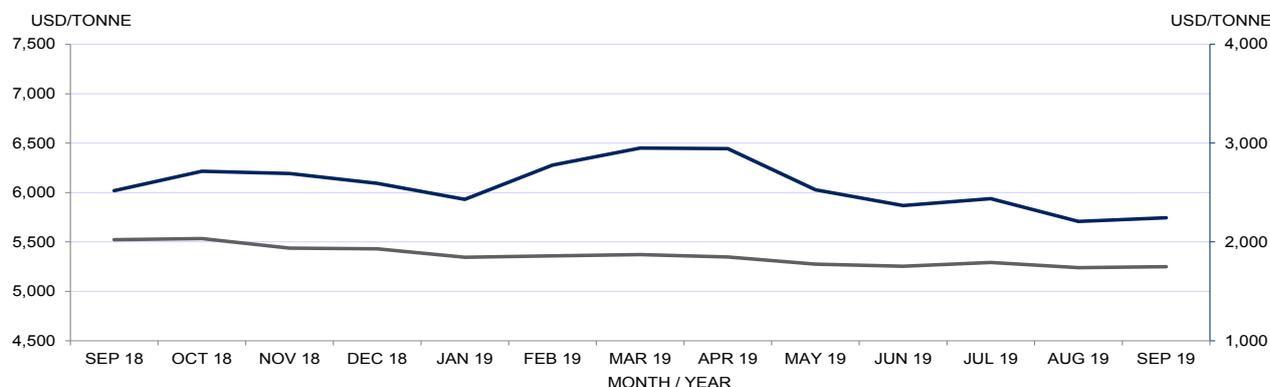
While the coronavirus (COVID-19) is expected to have a material impact on the imports and exports in the first quarter of 2020, experts believe that the COVID-19 also have the potential to create economic opportunities in part due to Vietnam’s cheaper labour market.

Based on present cost and price trends, RLB estimates that construction costs in Ho Chi Minh City are projected to increase in the order of 4 per cent to 6 per cent escalation for 2020.



MARKET PRICES AND CURRENCY EXCHANGE

METAL PRICES



	AVG 2Q'19/ 3Q'19 CHANGE	SEP 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019
Copper	-5.2% ↓	6019	6215	6192	6093	5931	6277	6450	6444	6027	5868	5939	5707	5745
Aluminium	-1.8% ↓	2022	2034	1937	1931	1845	1859	1872	1848	1775	1753	1792	1740	1749

Data Sources: London Metal Exchange (LME)

CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE (VND)			
		4Q2018	1Q2019	2Q2019	3Q2019
Concreting Sand	m ³	290,000	312,000	350,000	350,000
Stone Aggregate (20mm)	m ³	270,000	285,420	300,000	300,000
Ordinary Portland Cement (PCB40)	kg	1,580	1,580	1,600	1,600
Reinforced Concrete (Grade 30 MPA)	m ³	1,340,000	1,340,000	1,350,000	1,350,000
Reinforced Concrete (Grade 40 MPA)	m ³	1,460,000	1,460,000	1,480,000	1,480,000
High Tensile Steel Bars (10 - 40mm)	kg	14,675	14,425	14,000	14,000
Mild Steel round bars (6 - 20mm)	kg	14,570	14,270	13,860	13,860
Structural Steelwork (U-beam, stanchions)	tonne	15,390,000	15,670,000	15,272,000	15,272,000
Timber Sawn Form-work	m ²	150,000	153,000	155,000	155,000
Clay Bricks (100mm thick brick-wall)	m ²	103,000	105,000	110,000	110,000

Data Sources: Ho Chi Minh City Construction Department

Exclusions: • Plant and Equipment • Transport • Wastage • Overheads and Profit • Tax Expenses (VAT)

Notes: All supply prices stated above are only applicable for building construction projects in Ho Chi Minh City. Specific cost consultancy should be sought for your particular factual situation prior to utilising this information.

CURRENCY EXCHANGE

CURRENCY	UNITS PER USD			
	4Q2018	1Q2019	2Q2019	3Q2019
Vietnamese Dong (VND)	23,379	23,243	23,202	23,125

Data Source: Oanda

HO CHI MINH CITY CONSTRUCTION PRICES

HO CHI MINH CITY CONSTRUCTION PRICES

DEVELOPMENT TYPE	COST PER CFA VND ('000) / m ²	COST PER CFA USD / m ²
OFFICE		
Good Quality, 10 to 25 storeys	23,430 - 26,420	1,010 - 1,140
Good Quality, 26 to 40 storeys	24,580 - 26,490	1,060 - 1,140
Prestige, 10 to 25 storeys	25,480 - 31,560	1,100 - 1,360
Prestige, 26 to 40 storeys	26,730 - 32,930	1,150 - 1,380
HOTEL (Excluding FF&E)		
Three Star	25,170 - 32,550	1,080 - 1,400
Four Star	32,240 - 38,220	1,390 - 1,640
Five Star	35,830 - 42,980	1,540 - 1,850
COMMERCIAL		
Retail / Shopping Mall	20,770 - 27,650	890 - 1,190
RESIDENTIAL		
Good Quality Condominium	16,050 - 19,220	690 - 830
Luxury Condominium	17,400 - 24,340	750 - 1,050
INDUSTRIAL		
Warehouse	6,200 - 9,400	270 - 400
Factory	6,500 - 9,800	280 - 420
CARPARK		
Multi Storey	9,210 - 13,750	400 - 590
Basement outside CBD	17,060 - 23,720	730 - 1,020
Basement, CBD	18,920 - 25,850	810 - 1,110

Notes: Construction Floor Area (CFA) - The area of all building enclosed covered spaces measured to the outside face of external walls including covered basement and above ground car park areas.

All Ho Chi Minh City construction prices stated herein are as at 3rd Quarter 2019, and include a general allowance for foundation and external works. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

Exchange Rate Used: USD 1.00 = VND 23,125

Exclusions: • Land cost • Legal and professional fees • Development charges • Authority fees • Finance costs • Loose furniture, fittings and works of art • Tenancy work • Site infrastructure work • Diversion of existing services • Resident site staff cost • Models and prototypes • Future cost escalation • Value-added tax

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