Yuanta Research

Sector Report

Vietnam Property Developers: CIGARR Framework Update **15 March 2024**

Yuanta Vietnam Residential Property Universe

Stock code	Price (VND k)	Target (VND k)	Rating	% ge up/ downside
KDH VN	37.50	47.30	BUY	26%
VHM VN	42.90	58.40	BUY	36%
NLG VN	44.60	37.80	Hold-Underperform	-15%
DXG VN	18.10	20.70	Hold-Outperform	14%

What's new?

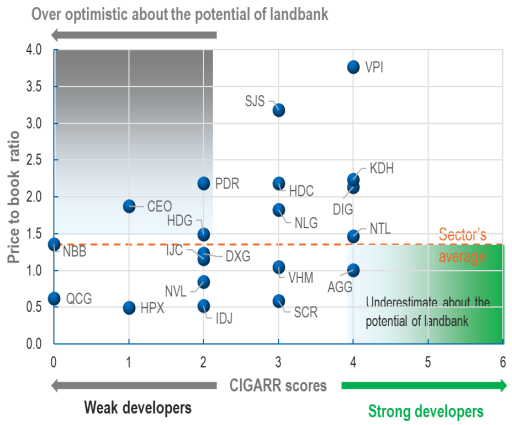
- **Marginal improvements in presales & liquidity** for the listed developers.
- **The 3 amended laws** might benefit the sector but only take effect in Jan 2025.
- **The industry's recessionary phase is likely to be shorter** than that of the previous cycle, but the property market remains in the doldrums in 2024.

Our view

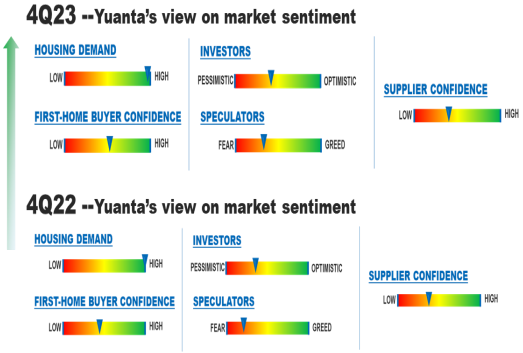
- **The real estate market should enter a recovery phase from mid-2025** and onwards.
- **Effective land resource distribution policies** will foster economic and property market growth.
- **We continue to favor high-quality developers** with strong balance sheets and visible project launch pipelines.
- **Top picks:** KDH (BUY) and VHM (BUY).

We update our proprietary CIGARR analytical framework of the top-20 listed residential developers, which screens for six measures of financial strength and operational excellence. Although intended as a quarterly snapshot of the largest property developers, we believe the value of this approach lies in its ability to identify developers that are demonstrating improvements in fundamental quality that may have been overlooked by the market—and that may be poised for share price outperformance.

Current P/B vs. 4Q23 CIGARR scores



Source: Bloomberg, Yuanta Vietnam



Source: Yuanta Vietnam

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Worst is past, but upcycle is a 2H25 story

Real estate developers staged a modest recovery in 4Q23, as illustrated by improvements in various metrics within the CIGARR framework. Most notably, the improvement is evident in the +11% QoQ increase in 4Q23 presales value (ex. VHM). In addition, developer balance sheets have been supported by reduced borrowing costs and equity capital issuance by individual companies.

Administrative bottlenecks are gradually easing. Although most of the relevant legal amendments are only effective on Jan 1, 2025, the changes provide a clear message that the central government is focused on the administrative frictions confronting the industry, which typically emerge at local government levels. We expect a continued gradual easing of the administrative constraints in 2024, which should begin to alleviate the supply shortage this year. Following the promulgation of the amended laws next year, we anticipate that this trend will accelerate more significantly in 2H25.

We expect the real estate market to transition into a recovery phase from mid-2025 onwards with increased market liquidity as a key indicator but pricing to lag the increase in transactions during the initial phase of this upcycle. We think that Vietnam's macroeconomic strengths over the next decade should lead to a shorter recession phase for the property market (i.e., three years, or 2022-2025) vs that of the previous cycle (five years, 2008-2013).

Stick with the quality developers with strong balance sheets & visible project launch pipelines. Our top picks: KDH (BUY) & VHM (BUY), whereas we are cautious on DXG (Hold OPF) and **downgrade NLG to HOLD-Underperform** (previous: HOLD-Outperform) with publication of this note as a valuation call.

Two high-risk themes for investors with strong stomachs -- and (mostly) non-rated stocks: **(1) Timing -- AGG, DIG, & VPI**: Keep track of these developers' actual presales performance as a share price catalyst. **(2) High risk, high return -- DXG, SCR, & PDR:** Upside for these stocks likely depends on their ability to obtain necessary approvals to launch prime projects.

2024 Market Sentiment: Seeking Improved Financial Stability

The property market is deep in a recessionary phase. The real estate market remains bogged in the recession phase that started in the second half of 2022, in our view. This followed the fourth outbreak of property fever that peaked in 2021, which marked the end of Vietnam's longest-yet expansion and peak phases of the real estate cycle from 2014 to 2021 (see Page 11 of our previous report for more details).

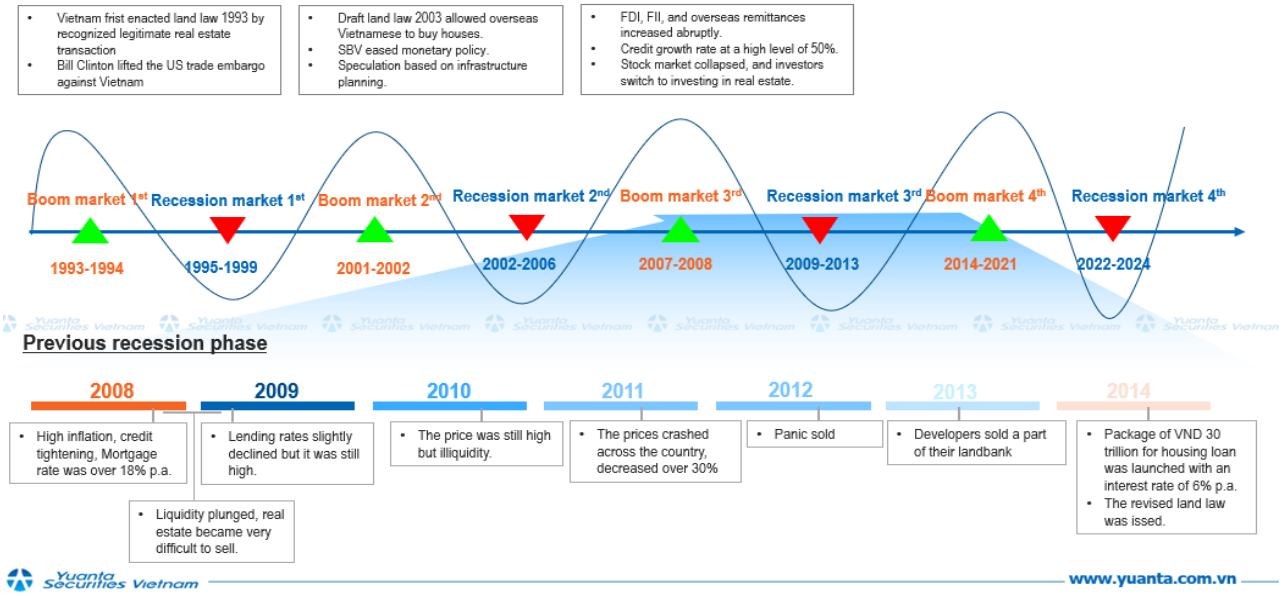
However, we remain optimistic about Vietnam's strong macroeconomic foundation for the next decade. Real estate makes up a substantial part of household assets and wealth in developing countries such as Vietnam. As a result, the real estate market cycle is closely tied to economic trends.

Vietnam's strong macroeconomic foundations leads to a shorter recession phase.

During real estate downturns, illiquid markets can restrict overall economic cash flow. But Vietnam's strong economic foundation should help to drive a robust recovery for the property market eventually, and we expect the upcycle to start in the second half of 2025. As such, we anticipate a shorter recessionary phase compared to the previous one in 2009-2013.

We expect the real estate market to transition into a recovery phase from mid-2025 onwards with property market liquidity off the floor of 2022-23 and exhibiting a marginal uptick in 2024 followed by stronger momentum in 2025. However, we also anticipate a lag in the price adjustment to this uplift in market transactions with pricing likely to take longer to improve substantially.

Fig 1: Looking back on the previous recession phase



Source: Yuanta Vietnam

2024 outlook: Beyond the trough, but a strong upturn this year is unlikely.

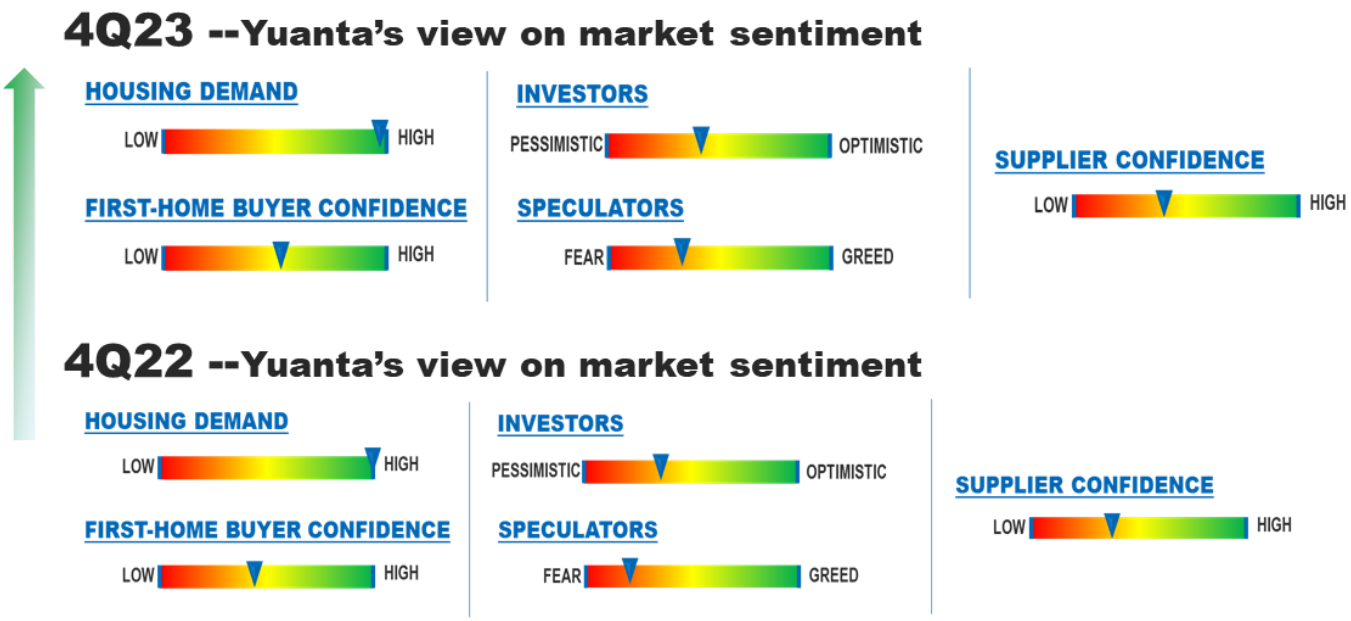
We expect property market liquidity to gradually increase as demand, especially buy-to-live demand, is supported by low mortgage rates. Meanwhile, property

investors and speculators are likely to continue to undertake a defensive portfolio strategy and find alternative income sources.

We also anticipate increased supply in 2024. Supply has been a key constraint on the Vietnam property market in recent years. The three amended laws will not be effective until 1 January 2025, but their approval by the special session of the National Assembly in January provides a clear message that the central government is keen to ease the administrative frictions that have been a primary driver of the property market's downturn.

We thus expect more administrative issues to be handled in 2024 than would have otherwise been the case, as parochial government officials are likely to have heard this message, loud and clear. This should contribute to improved supply in 2024. We anticipate that the administrative processes will accelerate more rapidly after the laws become effective, with momentum building up to a cyclical industry recovery, but only starting in 2H25.

Fig 2: Yuanta's view on market sentiment



Source: Yuanta Vietnam

On the demand side,

- **Structural housing demand is still extremely high** as demographics and urbanization lead to increased new household formation amid the property supply shortage.
- **Primary buyers are slowly regaining confidence** as mortgage rates are now 50-100 basis points lower than the pre-COVID levels, with rates ranging from 6.5-8.5% per annum on 12-month promotional offers.
- **However, the outlook for household incomes is still uncertain in 2024**, which admittedly is a key factor that has negatively influenced residential buyer sentiment.
- **Property investors** (as opposed to residential buyers) **are also attracted by the current low mortgage rates**. But low liquidity in the property market has constrained investor cash flows. We think that investors are broadly undertaking a defensive strategy of focusing on balancing their property portfolios while waiting for the market to recover.

- **Property speculators face similar troubles as investors do**, but they tend to utilize higher financial leverage. Some speculators looking to quickly flip properties have indicated a willingness to sell units at around 20–30% below peak prices seen in early 2022. However, our sense is that speculator sentiment has modestly rebounded in line with the overall bottoming of market sentiment toward the end of 2023.

On the supply side,

- **We believe that most developers now are more confident** as their balance sheet liquidity positions have improved compared to 2H22–1H23. This improvement is due to (1) reduced borrowing costs and (2) improved capital market, with some developers having successfully raised capital in the stock market.
- **Developers continue to exercise caution** in launching new projects, which is understandable given the confluence of administrative frictions, balance sheet concerns, and uncertainty among buyers. However, we believe this situation may ease starting from 2H24.
- The various recent legal changes will mostly not be effective until 2025, but we believe the passage of the amended legislation constitutes a strong message from the central government that should result in eased frictions at the administrative (local) government levels even before the amendments come into force.
- **Developers continue to focus on completing administrative processes** for their existing projects. Ironically, the market's recession may result in shorter waiting times for license approvals as parochial officials feel the incentive to act more quickly than might have been the case during the market boom that ended in 2021. For example, we believe the land compensation process may be accelerated while the property market remains in the recession phase.

CIGARR Framework: Overview

CIGARR is our proprietary framework for analyzing the top-20 listed residential property developers. This report presents the results of our updated CIGARR framework based on the companies' most recent (4Q23) published quarterly results.

The real estate market has demonstrated a modest recovery, or at least a bottoming-out, with some improvements in the six CIGARR metrics. As a very broad-brush approach, the sector's total CIGARR score was 49 in 4Q23, up by 4 points QoQ and 8 points YoY. Four of the six CIGARR categories improved sequentially from 3Q23 to 4Q23: 1) capital efficiency, 2) ASPs and profit margins, 3) PATMI growth, and 4) financial leverage.

Fig 3: CIGARR scores -- 4Q22 vs. 3Q22

CIGARR_4Q23	AGG	CEO	DIG	DXG	HDC	HDG	HPX	IDJ	IJC	KDH	NBB	NLG	NTL	NVL	PDR	QCG	SCR	SJS	VHM	VPI	Total
Capital efficiency	☆	☆	☆	☆	★	☆	☆	☆	★	☆	☆	☆	★	☆	☆	☆	☆	☆	☆	☆	3
Increasing ASPs / Expanding gross mar	★	☆	☆	★	★	★	★	★	★	★	☆	☆	★	☆	★	☆	★	★	☆	★	13
Growth in PATMI	★	☆	★	★	☆	☆	☆	☆	☆	☆	☆	☆	★	☆	☆	☆	☆	★	★	★	7
Accelerating project development	☆	☆	★	☆	☆	☆	☆	☆	☆	★	☆	★	☆	★	★	☆	★	★	☆	★	8
Ramping up presales	★	☆	★	☆	★	☆	☆	☆	☆	★	☆	★	☆	★	☆	☆	★	☆	★	★	9
Reasonable finanacial leverage	★	★	★	☆	☆	★	☆	★	☆	★	☆	★	★	☆	☆	☆	☆	☆	★	☆	9
Scores	4	1	4	2	3	2	1	2	2	4	0	3	4	2	2	0	3	3	3	4	**49**

CIGARR_3Q23	AGG	CEO	DIG	DXG	HDC	HDG	HPX	IDJ	IJC	KDH	NBB	NLG	NTL	NVL	PDR	QCG	SCR	SJS	VHM	VPI	Total
Capital efficiency	★	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	★	☆	2
Increasing ASPs / Expanding gross mar	★	☆	★	☆	★	☆	★	☆	★	★	☆	★	☆	☆	★	★	☆	★	★	☆	11
Growth in PATMI	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	★	★	☆	☆	☆	☆	☆	★	★	★	5
Accelerating project development	☆	★	☆	☆	☆	★	★	★	★	★	★	★	★	☆	★	★	☆	★	☆	★	11
Ramping up presales	☆	★	★	★	☆	★	★	★	★	☆	★	☆	☆	★	☆	★	☆	☆	☆	☆	10
Reasonable finanacial leverage	☆	★	☆	☆	☆	★	☆	★	☆	★	☆	★	★	☆	☆	☆	☆	☆	☆	☆	6
Scores	2	3	2	1	1	3	3	3	2	3	3	4	2	1	1	3	0	2	4	2	**45**

CIGARR_4Q22	AGG	CEO	DIG	DXG	HDC	HDG	HPX	IDJ	IJC	KDH	NBB	NLG	NTL	NVL	PDR	QCG	SCR	SJS	VHM	VPI	Total
Capital efficiency	☆	★	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	★	☆	2
Increasing ASPs / Expanding gross mar	☆	★	☆	☆	☆	☆	☆	☆	☆	☆	☆	★	☆	☆	☆	☆	☆	☆	☆	★	3
Growth in PATMI	☆	★	☆	☆	★	★	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	☆	★	☆	★	5
Accelerating project development	★	★	★	★	☆	☆	☆	★	★	☆	★	☆	☆	★	☆	★	☆	★	★	☆	11
Ramping up presales	★	☆	☆	★	☆	☆	★	★	★	★	☆	☆	☆	★	☆	★	☆	★	★	★	11
Reasonable finanacial leverage	★	★	☆	☆	☆	★	☆	★	☆	★	☆	★	★	☆	☆	★	☆	☆	★	☆	9
Scores	3	5	1	2	1	2	1	3	2	2	1	2	1	2	0	3	0	3	4	3	**41**

Source: Yuanta Vietnam

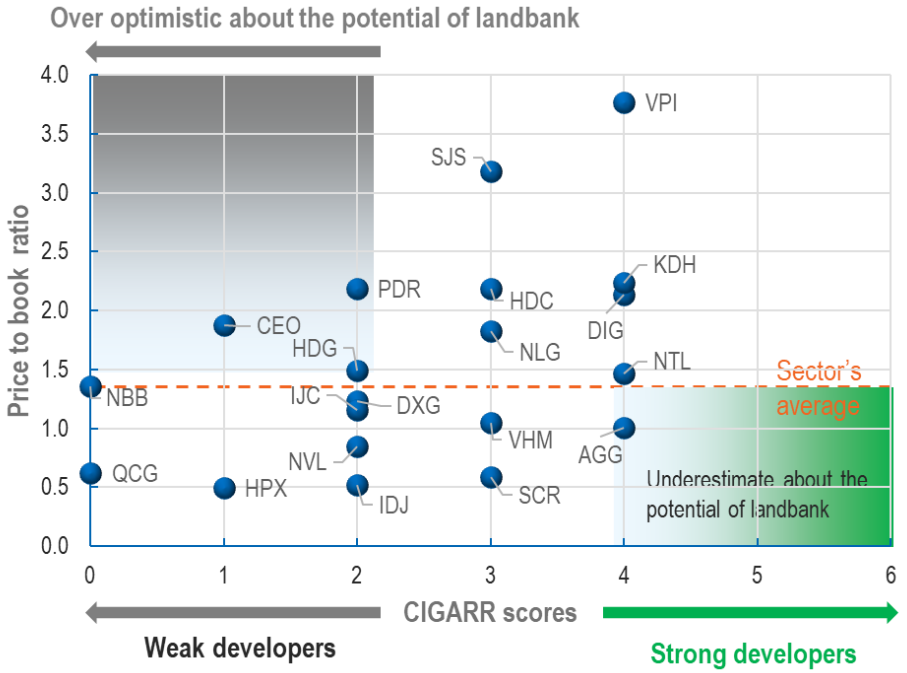
Below are our key observations from our 4Q23 framework update:

- **Historical execution ability metrics (i.e., capital efficiency, increasing ASPs/expanding gross margin, and growth in PATMI):** Most developers demonstrated improvements overall, but only NTL passed our minimum standards for all three scores.
- **Future earnings potential metrics (i.e., accelerating project development and ramping up presales): Six of the top-20 developers achieved passing grades on both scores**: KDH (BUY), NLG (Hold-Underperform), and DIG (non-rated), SCR (non-rated), VPI (non-rated), & NVL (Coverage suspended).

  Of these six firms, only KDH ramped its pre-sales by launching new projects. By contrast, the other five developers appear to have focused on selling their current projects, and they demonstrated improved presales activities as a result.

- **Liquidity measures (i.e., reasonable financial leverage): nine out of the 20 developers passed all three "red line" liquidity metrics in 4Q22**. These are based on the PRC's erstwhile polices, which do not now and never did apply to Vietnamese developers but which we apply to our developers anyway as a useful yardstick of financial viability.
- As a reminder, the liquidity measures comprise a liability-to-assets ratio of less than or equal to 0.7, net debt-to-equity ratio of less than or equal to 1.0, and cash coverage of short-term debt of at least 0.7.
- Overall, we believe that the liquidity situation of the property sector has improved compared to 2H22 and 1H23 thank to (1) lower borrowing costs and (2) an improved capital market, which has allowed some developers to issue stock and thereby reduce leverage.

Fig 4: Current P/B vs. 4Q23 CIGARR scores



Source: Yuanta Vietnam

A company's CIGARR score does not by itself imply that the stock is a "Buy" or "Sell". Valuations and future expectations of business performance are critical to making that decision. However, the CIGARR framework provides us with a useful platform to search for a solid reference on the overall sector trends as well as disaggregate the (rare) diamonds from the (plentiful) lumps of coal.

Based on the 4Q23 CIGARR scores, the framework suggests that 5 stocks (i.e., KDH, NTL, VPI, DIG, and AGG) have a strong foundation and potential to maintain consistently high scores, particularly in terms of earnings improvement. However, when considering P/B ratios, only AGG appears to be undervalued relative to their landbank's potential.

Additionally, amid the current market climate, we prefer stocks that pass the liquidity measure (i.e., reasonable financial leverage) and future earnings potential metrics (i.e., accelerating project development and ramping up presales).

Investment opportunities: Three Groups. After scrutinizing the administrative processes for the top-20 developers' pipeline projects, we have categorized the investment opportunities into three groups, with what we see as the key stocks in each group identified as follows.

Group 1 -- Value investing -- KDH, VHM and NTL. KDH (BUY) and VHM (BUY) maintain strong balance sheets, are very well positioned for future income streams, and -- as major developers – would appear to be key beneficiaries of the upcoming implementation of industry-related regulatory changes.

Group 1-- Value investing -- KDH, VHM and NTL

We don't cover NTL (Not Rated) and have no investment view on the stock. However, NTL operates without any debt. Should there be positive signals from NTL concerning the expansion of its landbank and the upcoming approvals of the Dich Vong project, the market might accord a premium valuation to NTL.

Group 2 -- Investment timing -- AGG, DIG and VPI. These companies have pipeline projects in second-tier cities and/or areas that are far from first-tier cities. Therefore, investors should keep a close watch on their actual presales activities to determine the right time to invest.

Group 2 –- Investment timing -- AGG, DIG and VPI.

Group 3 -- High risk, high return -- DXG, SCR, PDR. These firms' projects have faced prolonged administrative approval processes, and their share prices reflect this with steep discounts to fair value. As such, a meaningful streamlining of the administrative processes could catalyze a re-rating of these stocks.

Group 3 –- High risk, high return –- DXG, SCR, PDR

For example, DXG has already paid off the LUR fees for the DXH Riverside project and is now undergoing the construction permitting process. Two SCR projects in the core HCMC area is on the list of projects in the city's project development program for the period 2021-2025.

Market Indicators: Mixed Signals

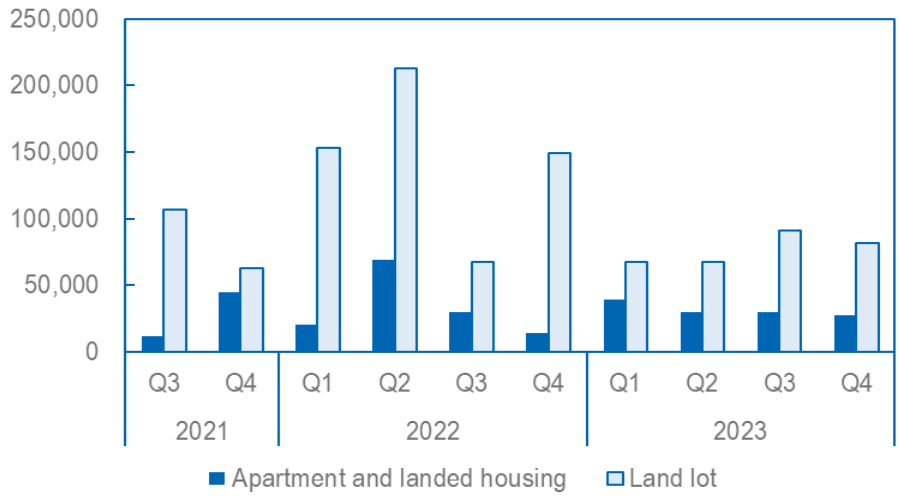
Although we are confident in our view that the property market has troughed cyclically, the aggregate evidence suggests that the property market has not convincingly entered an upcycle. We do not anticipate this occurring until the second half of 2025.

In 4Q23, total property transactions in Vietnam indicated a deceleration in the recovery trend. As per the Ministry of Construction (MoC), total transactions during this period amounted to 110,000, reflecting a decline of -10% QoQ and interrupting the recovery trajectory observed in 3Q23.

Demand for apartments and landed housing remained strong in 2023 – Supply is the constraint.

It is noteworthy that the demand for apartments and landed housing, which we perceive as indicative of real demand, maintained a consistent and stable trend throughout the entirety of 2023. This steadfast demand should serve as a robust foundation for an eventual recovery, albeit not until 2025.

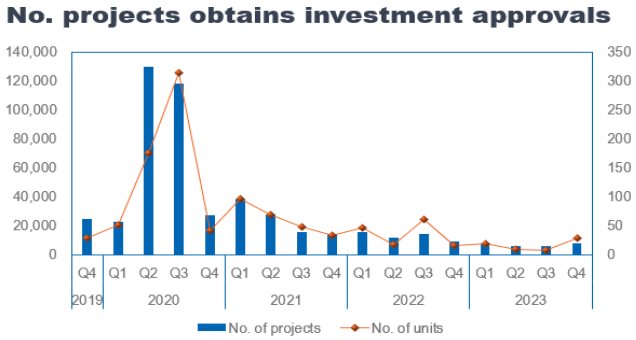
Fig 5: Total transactions in Vietnam

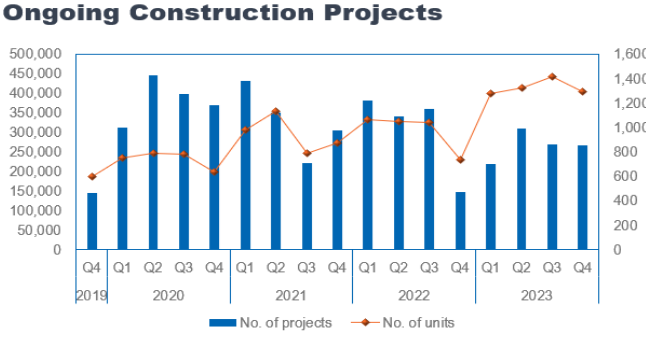


Source: MoC, Yuanta Vietnam

A modest rebound in potential supply. According to the MoC, some 20 projects (+33% QoQ, -9% YoY) obtained investment approvals in 4Q23. Overall, the market has been experiencing a downward trend in the number of projects obtaining investment approvals since 2021.

Fig 6: A slight recovery in potential supply in 4Q23, with the emphasis on "slight"





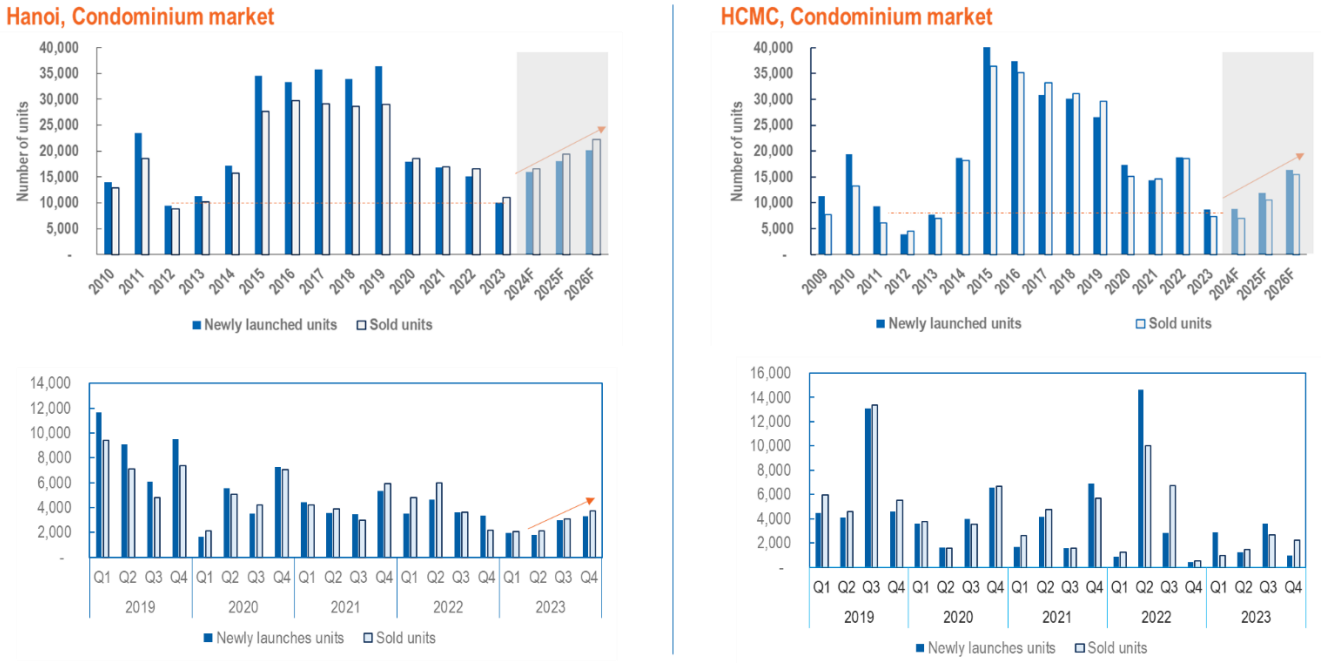
Source: MoC, Yuanta Vietnam

CBRE forecasts a robust recovery in the Hanoi condominium market in 2024, while predicting a recovery for HCMC only in 2025.

The condominium markets in Hanoi and HCMC exhibited signs of weakness in the 2023 data. The supply of newly launched units in the two cities combined dropped to the level of the previous cyclical bottom. However, Hanoi's condominium market has exhibited a marginal recovery for the past three quarters.

According to CBRE, the recovery in the Hanoi market is already underway. It expects newly launched units and sold units to see substantial increases of 50% YoY in 2024. By contrast, CBRE expects continued sluggishness in the HCMC condo market, with the recovery anticipated to take place only in 2025.

Fig 7: Soft condominium markets persist in the major urban centers, but Hanoi is at least starting to pick up



Source: CBRE, Yuanta Vietnam

Three Amended Laws: Mind the Gap

Top tier developers' competitive advantages over everyone else will increase as a result of the amended laws.

The amendment to the housing law aims to balance the housing supply segments.

I) The amended Housing Law was passed on 27 November 2023 during the 6th session of the 15th-tenure National Assembly. This law, governing ownership, development, management, and use of housing, as well as housing transactions and State management in Vietnam, will take effect from 1 January 2025.

The amended housing law is likely to result in several key impacts:

(1) Favorable regulations on the development of social housing projects,

(2) Tightening regulations on the land lot market, and

(3) Determination of land sources for housing development.

As such, the amended law primarily affects stages 1 and 2 in the residential real estate development process for property developers. The four procedural stages of property development are illustrated in the figure below.

Fig 8: Residential real estate development process

Source: Yuanta Vietnam

The table below summarizes the most crucial regulations that we believe will impact the residential real estate developers as well as the property market as a whole.

Fig 9: Crucial regulations on the Housing Law amendment

No.	Crucial regulations	Impacts on the development process	Details	YSVN's comments
1	Regulations on developing mixed-use housing projects.	Stage 1+2+4	• Guidance on administrative processes, design standards, management, and usage.	• Adapting the current market trends, creating favorable conditions for the development of mixed-use projects.
2	Additional general requirements on housing development	Stage 4	• Complying with fire prevention standards.	• Presently, this regulation poses a considerable challenge, as it (1) imposes a substantial hurdle for developers in completing administrative procedures necessary for acquiring the Pink Book for homebuyers and (2) substantially elevates the compliance costs associated with development projects.
		Stage 1	• Prioritizing condominium project development in the first-tier urban areas.	• Condominiums are the main segment of supply in Tier 1 cities. Also, this regulation illustrates the relative scarcity of supply in first-tier urban areas.
		Stage 1	• In the first-tier, second-tier, third-tier urban areas, developers must only	• This regulation imposes a heightened capital requirement for the development of residential projects, serving to

			build houses to sell and are not allowed to sell land to homebuyers.	mitigate speculative activities in the market – with a consequent reduction in speculative demand the likely result.
		Stage 1+4	• Removing two sublicences: • (1) Notifying sufficient documents for house handover, and • (2) Developer recognition	• Reducing compliance costs. • Streamlining the administrative process.
3	Determining land source for housing development (i.e., how to acquire new landbank).	Stage 1	• A company is recognized as a developer by (1) winning the auction, (2) winning the bidding, or (3) owning the approved land for developing a housing project.	• Clarity on the regulations for how developers should acquire new residential projects. • Clear regulations are both easier for authorities to implement and provide for less leeway in how they are applied.
4	Regulations on developing social housing projects (Article 76, 85,88,89)	Stage 1+2+4	• Preferential policies to promote social housing development: (1) Exemption from LUR fees and simplification of related procedures. (2) Net profit is still limited at 10% but developers can spend max 20% of project area to develop commercial housing. • Sales of social housing formed in the future do not require a bank warranty. • Expanding the eligibility criteria for entities interested in purchasing social housing.	• Overall, the amended law provides more detailed instructions on how to implement social housing projects, both for developers and relevant officials. • The regulations should increase the economic incentive for residential property developers to implement social housing projects going forward. • Total net profit of social housing projects increases to a range of 15%-20% vs. the previous c.10% due to the addition of commercial housing attached to the social housing projects.
			• During the first 5 years after full payment, social housing buyers can only resell to the project's developer or sell to entities entitled to buy social housing, and such transactions entail a maximum selling price equal to the contract price.	• This should curtail price increases and reduce speculative activities in social housing development. • The increased supply and stable pricing of social housing should also support price stability in the overall market.
			• Provincial People's Committees are authorized to require the developers of designated social housing projects to -- • (1) Develop 20% of the project's land area for social housing, or • 2) Pay a fee to the authorities equivalent to the land value of the project that is allocated to social housing, or • (2) Allocate land for social housing in an alternative area outside the project.	• This regulation creates flexible options for developers. • However, the first option is applicable primarily to small projects only. • This is because if this option is selected, provincial authorities are mandated to designate a corresponding area for the purpose of developing social housing.

Source: Yuanta Vietnam

The amendment to real estate business law enhances the capability to protect the rights of buyers.

II) The Real Estate Business Law amendment was passed on 28 November 2023 during the 6th session of the 15th-tenure National Assembly. This Law regulates the rights, obligations, and responsibilities of organizations and individuals engaged in the real estate business and state management of the real estate business. The law will likewise take effect from 1 January 2025.

Overall, the amended real estate business law should enhance the protection of buyers' rights by applying:

(1) Requirements for more transparent information about development projects,

(2) Additional regulations on the conditions for product sales, and

(3) Other regulations to develop the market in a more professional manner.

Therefore, the amendment primarily affects stages 1 and 4 in the residential real estate development process for property developers.

The table below summarizes the most crucial regulations that we believe will have the greatest impact on residential real estate developers and the overall market.

Fig 10: Crucial regulations on the amended Real Estate Business Law

No.	Crucial regulations	Impacts on the development process	Details	YSVN's comments
1	Additional regulations on information transparency about development projects (e.g., a project's legal status) to homebuyers.	Stage 4	• Provides detailed guidance on furnishing administrative documentation to homebuyers, such as investment approvals, 1/500 master plan, and pink books.	• All developers should follow the standards, leading to an improved and fairer market. • Enhanced information transparency about projects can help to restore confidence among homebuyers.
2	Additional regulations on the conditions for transferring projects, houses formed in the future, and land lots.	Stage 1+4	• Details the conditions (e.g., obtaining administrative approvals) required before developers may sell units to homebuyers or transfer projects to other parties. • A developer must complete all financial obligations regarding the land levy before selling to homebuyers or transferring to other parties. • Adherence to the approved project development duration set by the authorities is required.	• All developers must follow these standards, leading to a fairer market. • Developers need to enhance both their execution and financial capabilities. • Preventing the launch of high-risk projects in the market. • Mitigating risks to homebuyers.
			• Developers are not allowed to sell land lots to homebuyers in first-tier, second-tier, or third-tier urban areas. • Synchronized with the Housing Law.	• Tightening the supply of land lots in the market. As these are highly speculative assets, the rule should reduce short term flipping opportunities. • The market should thus develop in a healthier manner in the long term. ⇨ We believe that the major developers are the primary beneficiaries.
			• Legalizing the transfer of subdivisions within a project with infrastructure.	• Detailed guidance supports both the developers and authorities in processing administrative procedures when transferring subdivisions to other parties. • A faster process will serve as an incentive for project M&A. ⇨ Developers with large landbanks, such as VHM and KDH, should benefit from this regulation.
3	Regulations on real estate agencies	Stage 4	• Broker services can only be provided by institutions (i.e., companies operating brokerage services).	• Improving the quality of broker services.
4	Commercial banks are participants in real estate transactions.	Stage 4	• Developers are required to receive payments from customers for real estate business contracts and real estate service business contracts through accounts opened at commercial banks.	• Transparency of transactions for efficient management by the authorities, including tax application. • Increasing CASA ratios and fees for commercial banks.
		Stage 1	• Detailed guidance on providing guarantees for developers' financial obligations to homebuyers.	• Authorities aim to ensure the effectiveness of the bank's guarantee product in protecting homebuyers. • Increasing fees for commercial banks. • Developers may add these fees in selling price.

Source: Yuanta Vietnam

III) The amended Credit Institutions Law was approved at extraordinary meeting of the National Assembly on 18 January 2024. The changes will mostly come into effect slightly earlier than the amendments discussed above, with implementation mostly set for July 1, 2024. The exceptions to this adoption schedule are the regulations pertaining to the transfer of collateral assets (specifically, real estate projects), which will be effective from January 1, 2025. The latter timing aligns with that of the amended Real Estate Business Law, discussed above.

Overall, credit institutions will have to adhere to the requirements outlined in the amended Real Estate Business Law when selling collateral assets (i.e., *assets related to real estate projects and covered by contracts signed after 1 July 2024*). This entails **obtaining detailed planning approval, completing land clearance, securing land allocation approval, and fulfilling all financial obligations including LUR fees.**

Commercial banks will raise standards for real estate project collateral.

Consequently, commercial banks are very likely to heighten the minimum standards that they apply for relevant real estate collateral assets, which will necessitate that developers bolster their financial capacity independently. We expect developers' ability to obtain funding from banks will persist, but such access will be constrained and less easily available than it was before this change (and especially in the boom years).

Positive expectations for the three amended laws are reasonable, although most developers are taking a wait-and-see approach given that the devil is always in the details of implementation. Our view is that if the changes result in streamlined administrative processes, it would mitigate the negative impacts of heightened collateral asset standards on the developers.

The quality of bank assets may improve …

In the medium to long term, developer quality should improve as banks' credit allocation decisions will hinge more on the effectiveness of the developer's business plan rather than solely relying on the quality of collateral assets. This is despite the fact that real estate project collateral typically forms an integral part of every developer's business plan.

… and the real estate sector will gradually diminish in terms of its share of system credit expansion, in our view.

And real estate should decline as a percentage of total credit going forward. This is because once a developer's real estate project meets the collateral asset standards of the banks, there is a strong likelihood that the developer may not require additional bank funding. Consequently, the real estate sector should gradually diminish in terms of its share of overall credit expansion.

IV) The amended Land Law was approved at the extraordinary meeting of the National Assembly on 18 January 2024. This law regulates land ownership, outlining the State's role in representing collective ownership, unifying land management, and establishing rights and obligations for land users in Vietnam. The updated law will take effect from 1 January 2025, excluding the regulations on land reclamation and determining land finance obligations.

The land law amendment aims to efficiently allocate the country's land resources.

In general, the amendment to Land Law is aimed at the efficient allocation of the country's land resources. The law should achieve this by

(1) Enhancing the efficiency of State management;

(2) Implementing reform, reducing the frictions of administrative procedures, and enhancing convenience for individuals and companies; and

(3) Clarifying procedures for acquiring land for economic and social development projects.

Therefore, the amendment primarily affects stage 1 of the residential real estate development process for property developers.

The table below summarizes the most crucial regulations that we believe will impact the residential real estate developers and the wider property market.

Fig 11: Crucial changes in the amended Land Law

No.	Crucial regulations	Impacts on the development process	Details	YSVN's comments
1	Additional guidance on the synchronized masterplan and land use plan. Guiding principles for developing, managing, and utilizing land resources.	Stage 1	• Local masterplans must align with the national masterplan and must be established simultaneously to expedite the development process. • The government is responsible for establishing landbank (e.g., residential, industrial park land).	• We believe that the administrative processes will be easier both for developers and the relevant authorities as a result of the changes. • Developers should be able to formulate their business strategies more effectively based on the masterplan and land use plan.
2	Digitalization of land data and the adoption of market-based land pricing.	Stages 1+2	• Additional guidance on digitalization of land data.	• Improved State management efficiency, information transparency, creating a foundation for taxation.
			• Regulations on land price valuation methodology.	• Optimizing the State's revenue from land and ensuring fairness for original landholders who have been cleared from land parcels that are designated for redevelopment.
			• The article related to land finance will take effect from 1 April 2024.	• The decree providing guidance on valuation methods will take effect almost immediately, without waiting until January 1, 2025. ⇨ Leading to higher land costs.
3	Utilization of land for multiple purposes.	Stage 1	• Additional regulations on the combined utilization of land for multiple purposes.	• This should allow for detailed guidance for developing multi-purpose projects such as tourism developments combined with residential areas.
4	Enhanced conditions for landholders in the resettlement process.	Stage 1	• Prioritizing convenient residential land locations for resettled landholders, especially those suitable for conducting service businesses.	• General compensation guidance for landholders could result in improved conditions, but the lack of detail likely leaves plenty of room for interpretation by parochial authorities. • Also, project land costs may increase as a result of these regulations.
5	Land allocation.	Stage 1	• Prioritizing land allocation via bidding and auction. • Detailed requirements regarding to bidding and auction.	• If developers can only acquire landbank through market mechanisms, we would anticipate a decline in the developers' substantial profit margins observed previously. • Nevertheless, we believe that projects that have secured LUR determination should still sustain elevated profit margins, especially once the property upcycle is underway. • Additionally, the developers of large-scale urban residential projects possess a competitive edge and should

				be able to maintain gross profit margins at high levels (e.g., 40% -70%). ⇨ Major developers, such as VHM, will leverage their scale to capitalize on the associated benefits
6	Land reclamation rules clarified.		• Guidance on land reclamation, including incentive polices and clarification of administrative processes. • The regulation will take effect on 1 April 2024.	• Details will be guided by the government's decree. ⇨ Projects involving land reclamation, such as Vinhomes Can Gio, will enjoy associated benefits.
7	Reducing the administrative processes when transferring land use rights to foreign developers.	Stage 1+4	• Eliminating the heretofore required middleman process in which the State collects land from the seller and then transfers it to a foreign buyer. • Foreign buyers inherit all rights and obligations.	• Simplified administrative processes and procedures should support project M&A activity. ⇨ A favorable regulation for developers whose presales strategies include bulk sales -- such as VHM.
8	Land revocation for national, social, and economic development benefits.	Stage 1	• For residential projects, the authorities will only reclaim land to develop urban area projects (e.g., those of greater than 20 hectares, with full on-site amenities). • Land confiscation is also allowed for transit-oriented development (TOD).	• This is another favorable regulation for major developers with the capability to undertake large-scale projects. • For tier-4 urban areas, above 20ha scale projects could result in oversupply. ⇨ Major developers such as VHM will leverage their scale to capitalize on the associated benefits.
9	Land types to develop residential projects.	Stage 1	• Landholders owning fully residential land or a combination of residential and other land types can establish a project.	• Companies owning factory land cannot rezone their land for residential project development. • Factory land parcels of less than 20 hectares are not eligible for land reclamation through auction or bidding. ⇨ The rules muddy the administrative waters for companies that own factory land in Tier 1 cities where they have plans to develop residential projects (e.g., PC1, DGC, HDG, BBT, & TCM).
10	Acquisition of land for the implementation of projects aimed at economic and social development.	Stage 1	• The law permits entities to acquire land for projects aimed at economic and social development. • Examples: industrial parks, agricultural projects, hospitality, medical, and education facilities. • But this list excludes residential projects.	• This regulation creates a favorable mechanism to develop the named real estate project segments. • But again, this does not include residential projects. ⇨ Industrial park developers such as KBC and IDC are best positioned to enjoy the associated benefits.
11	Expanding real estate rights for Vietnamese citizens residing abroad.	Stage 4	• Vietnamese citizens residing abroad will have the same rights as those living in the country.	• This change sets the stage for a potential surge in remittance inflows into the property market.

Source: Yuanta Vietnam

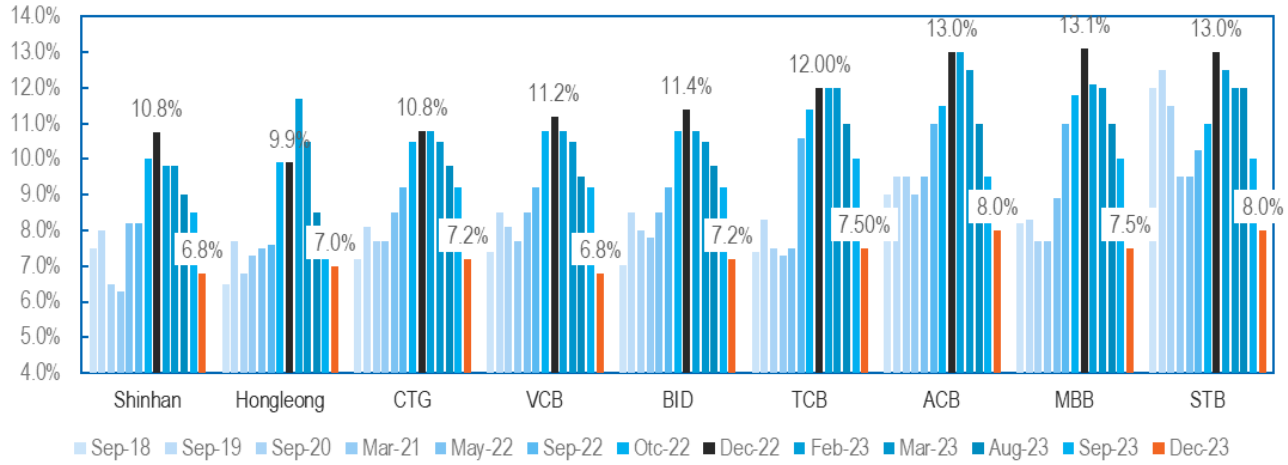
Market Dynamics: Some incremental positives, but not an upcycle in 2024

Low mortgage rates set the stage for an eventual upcycle for the property market.

Mortgage rates have fallen below pre-pandemic levels, with banks now offering 12-month promotional mortgage rates ranging from 6.8% to 8.0% p.a. This shift is a direct response to governmental efforts to reduce mortgage rates, a policy intended to boost economic activity.

Banks are well positioned to follow this policy given the ample liquidity in the financial system and weak credit demand observed in 2023.

Fig 12: 12-month promotional mortgage rates



Source: Yuanta Vietnam

The SBV reported a 6.6% surge in credit growth during 4Q23, equivalent to 95% of the total credit growth observed in the preceding three quarters. Notably, the bulk of this increase transpired in December, with a notable 5.3ppt uptick in the final month alone. In 4Q23, total credit expanded by VND 787 trillion.

However, reported credit declined by -0.6% MoM in January, indicating that borrowing demand remains soft. Overall, it's not a positive signal, but we aren't overly concerned at this point. The decline may be partially attributable to seasonal patterns. Credit growth tends to be low in Jan-Feb before picking up thereafter (see pg. 5 of our Feb 5 strategy note for details).

In addition, the final days of December may have seen some aggressive booking of credit for subsequent disbursal, as 1) credit officers scrambled to hit their annual KPIs and 2) senior bank managers made sure to achieve their SBV credit quotas.

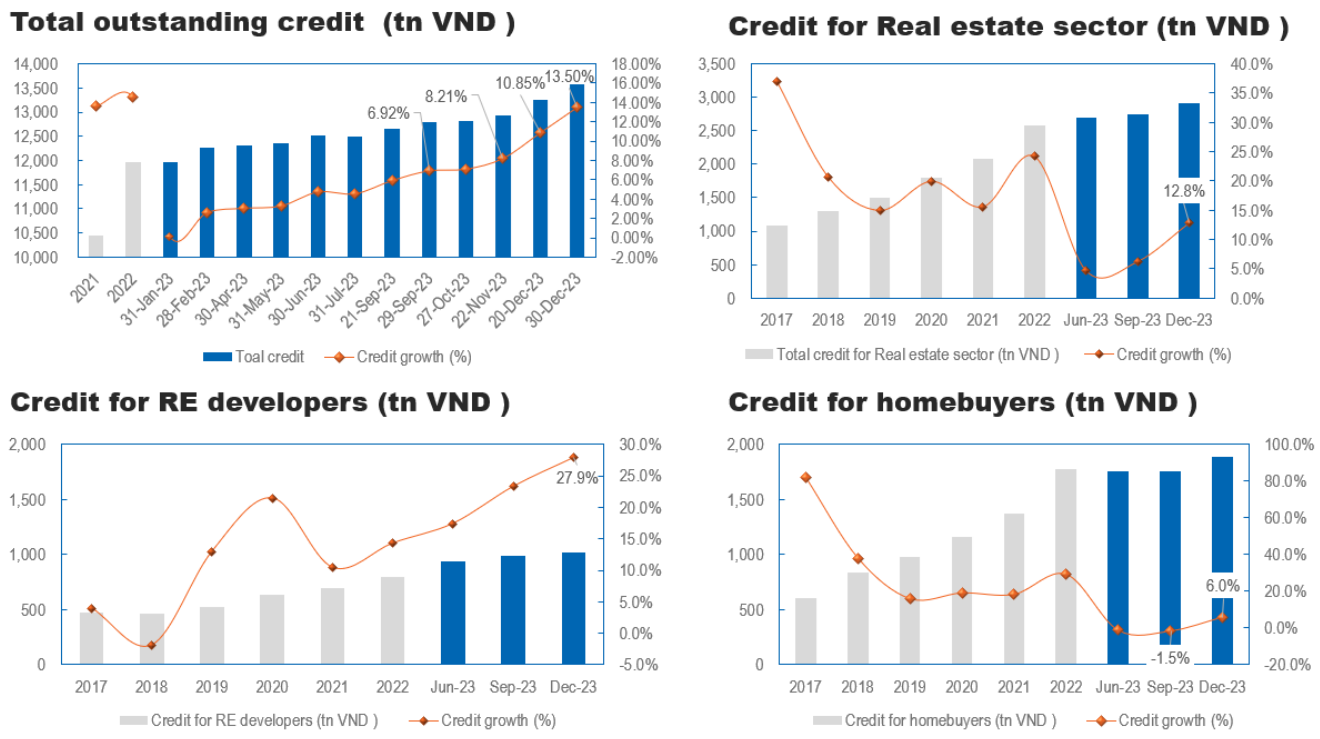
Some 22% of total 4Q23 credit expansion (VND 170 trillion) was allocated to the real estate sector. This expansion at yearend was greater than that of the total in the first three quarters of 2023, when credit allocated to the real estate sector increased by an aggregate VND160 trillion.

Credit for homebuyers surged in 4Q23 to reach VND 133 trillion. This marks a notable shift from a YTD decline of -1.5% in the first 9 months of 2023 -- to a positive increase of 6% YTD by the end of the year.

If the substantial credit growth is indicative of genuine expansion rather than a result of manipulative reporting tactics, it would serve as a positive signal. This would suggest a bottoming out of homebuyer confidence as well as substantial State support for the beleaguered developers.

However, the jury is still out, in our opinion. We think more evidence is needed before coming to any such positive conclusions.

Fig 13: A real indicator, or not? Substantial growth in loans for real estate in 4Q23, especially in December.



Source: Yuanta Vietnam

FDI flows: A good start for a recovery year. It is very early days indeed, but as of 20 January, foreign investors have invested in 15 out of 21 national economic sectors. The real estate sector has taken the lead in FDI registration YTD, exceeding USD 1.27 billion (a 21-fold increase YoY) and representing 53.9% of the total registered capital.

Fig 14: FDI Flows (USD billion)

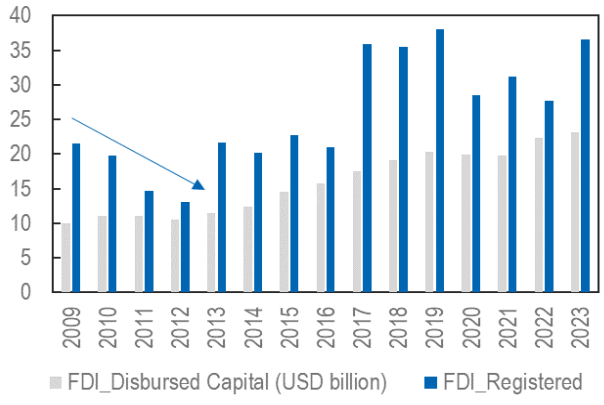
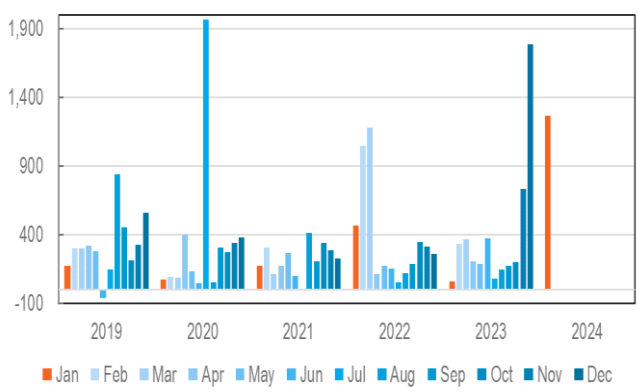


Fig 15: FDI registered in real estate sector (USD million)



Source: Our World In Data, World Bank, Yuanta Vietnam

Foreign investor confidence appears to be relatively strong. Several key differences versus the previous cycle point to positive outcomes, in our view.

Strong FDI inflows should accelerate economic growth and the real estate market.

Historically, foreign investors lost faith (temporarily) in Vietnam after the 2008 financial crisis. As a major driver of growth in developing countries like Vietnam, FDI in the real estate market took around 5 years to recover.

However, this time seems to be different. Strong FDI inflows in 2023 and the early days of 2024 demonstrate renewed foreign investor confidence in Vietnam's economic prospects. We expect that strong FDI inflows will help to shorten the trough-to-recovery phase of the real estate sector from the last cycle's 5 years (2008-13) to just 3 years (2022-25E).

We believe foreign direct investment (FDI) inflows into the property market will continue rising in 2024 for three main reasons.

Foreign capital may become an increasingly important funding source for the property sector.

First, local developers are partnering with foreign developers to strengthen their balance sheets during the ongoing recessionary phase of the property market.

Second, we believe that numerous deals are poised to be finalized after long due diligence periods.

Third, new regulations compel commercial banks to heighten their loan requirements, while the bond market has struggled to restore investor confidence post-recession. With bank lending and debt capital markets constrained, foreign capital has become an increasingly important funding source for the property sector.

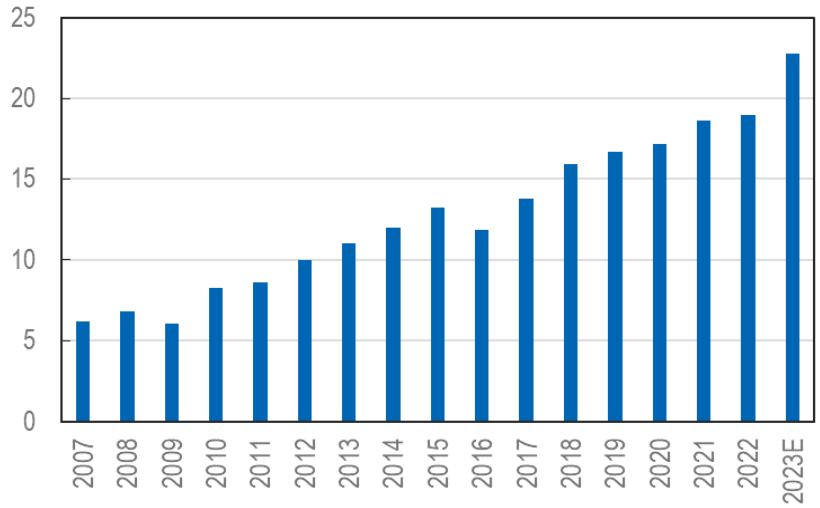
Foreign remittances to Vietnam serve as a crucial economic catalyst, with their estimated value in 2023 reaching an impressive USD 22.8 billion (+20% YoY). This figure significantly rivals the total FDI disbursement of USD 23.2 billion in the same year and notably surpasses the net export value (trade surplus) of USD11.2bn by c. 2 times.

In addition to their positive impact on investment and consumption, foreign remittances are instrumental in maintaining a balance between foreign currency supply and demand. They actively support various aspects of the economy, including monetary policy, exchange rates, and the foreign exchange market.

The amended land law of 2024 may set the stage for a potential surge in remittance inflows into the property market.

The amended land law of 2024 further enhances this dynamic by expanding real estate rights for Vietnamese citizens residing abroad, granting them the same land rights as those within the country. This sets the stage for a potential surge in remittance inflows into the property market.

Fig 16: Foreign remittances to Vietnam (USD bn)

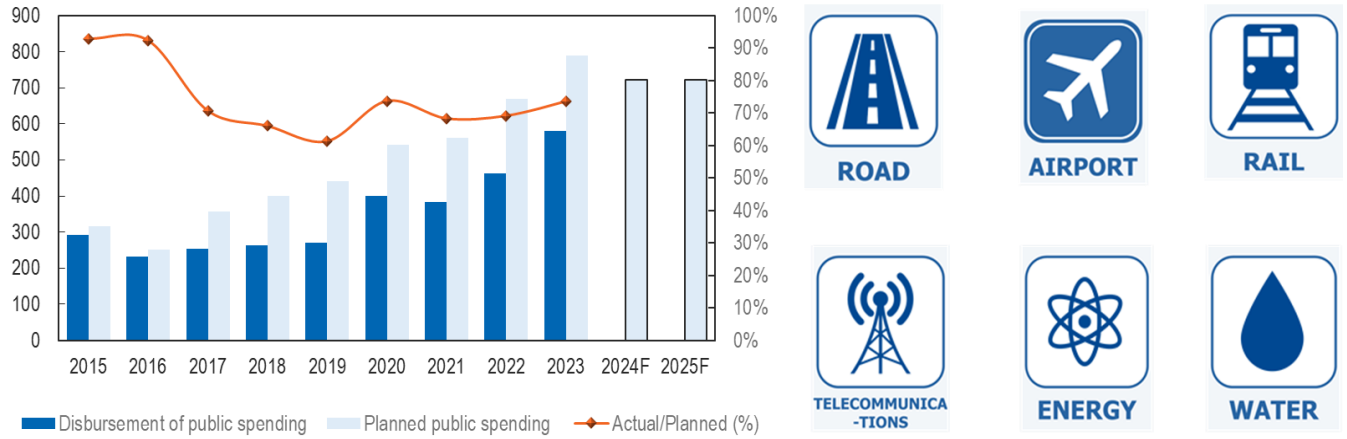


Source: SBV, Yuanta Vietnam

Vietnam should continue to focus on much-needed infrastructure investment.

Public investment as a major driver for the economy. Vietnam has maintained infrastructure spending at around 6% of GDP for over a decade, while other ASEAN countries spend an average of just 2.3%. This makes Vietnam a leader in infrastructure investment in the region. The total state budget allocated for infrastructure in 2024-25E is VND1,460 trillion (US$58bn). Although actual disbursals typically lag the budgeted allocations for State investment, infrastructure development is set to remain a key focus of the government and a critical economic growth driver in the years ahead.

Fig 17: State budget allocations for infrastructure in 2024-2025

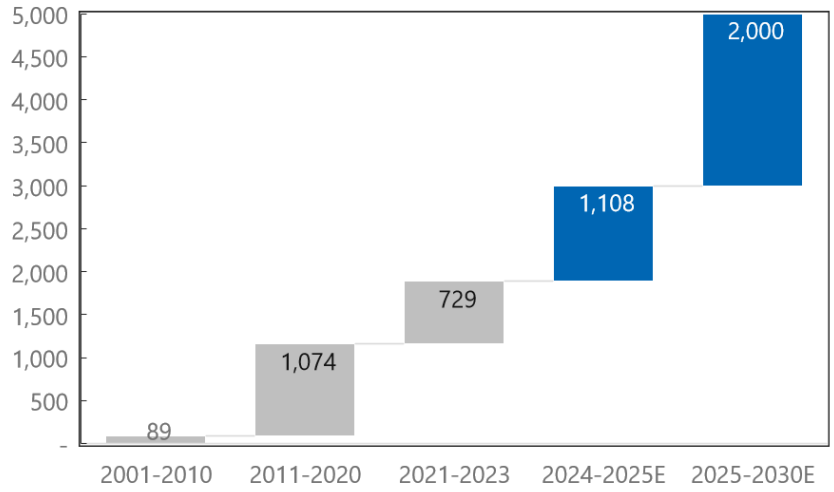


Source: MoF, Yuanta Vietnam

The government is pursuing the target of having 3,000 km of highways in operation by 2025.

The government aims to complete 1,108 km of highways in 2024-2025, based on special policies enacted by the National Assembly and government to accelerate administrative processes for c. 1,300 km of highway projects. These projects include the North-South highway (with 22 sub-projects), Bien Hoa – Vung Tau, Khanh Hoa – Buon Ma Thuot, Chau Doc – Can Tho – Soc Trang, Ring Road 3 of Ho Chi Minh City, and Ring Road 4 of Hanoi. The total investment capital required is estimated at around VND400 trillion.

Fig 18: Vietnam's highway system (kilometers)



Source: MoC, Yuanta Vietnam

If successful, the total highway length completed in the next two years (2024-2025) will be even greater than that of the decade of 2011-2020. Therefore, 2021-2025 represents a 5-year acceleration of infrastructure construction, creating strong connections among economic regions that will power economic growth.

For instance, the North-South highway plays a critical role as it passes through 32 provinces and cities, impacting over 62% of the population and contributing nearly 66% of total domestic product. It connects the four key economic regions of Vietnam – the North, the Central region, the South, and the Mekong Delta.

The amended Land Law puts in place mechanisms to facilitate TOD strategy…

Transit-oriented development (TOD): A powerful tool for sustainable development in developing countries. The amended Land Law will enable the authorities to compensate for areas around public transport stations, which should ease the development of economically effective projects such as mixed-use housing, hotels, and commercial communities. This TOD strategy will reduce the burden on public budgets and help address social problems like traffic congestion, air pollution, limited access to services, and social inequalities.

… creating new potential opportunities for real estate developers.

We expect the Vietnamese government to provide more detailed TOD regulations soon so that Hanoi and Ho Chi Minh City can implement this sustainable development approach in the near future. As a result, more high-quality landbank is likely to become available in the two hotspots of Vietnam's residential real estate market – Hanoi and Ho Chi Minh City. If so, this will create new potential opportunities for leading and mid-sized real estate players to develop projects in these prime locations.

The big picture: Vietnam's economy is still on an upward trajectory.

Vietnam's economy is still on an upward trajectory, as many macro indicators remain favorable and continue to fuel momentum.

First, land reform should promote income equality, improving the foundation for a growing middle class. The economic growth is predicated on the strength and prosperity of the middle class, which is a sustainable economic model.

Land reforms promote income equality, laying the foundation for a growing middle class and economy.

Land reform is not a novel concept, historical records illustrate its implementation and benefits for thousands of years. The manner in which land reform is executed varies depending on the type of government and changes across different periods.

Since April 1988, the Vietnamese government has been redistributing agricultural land to family farmers, granting them ownership rights for a period of 10–15 years. The Land law amened in 1993 further regulated the use of agricultural land, extending the usage right to 50 years and additional rights such as changing land use purpose, transferring, leasing, inheriting, and pledging. The Land Law has undergone seven amendments, including the latest in 2024 with the aim of effectively distributing land resources.

The middle class is a central force in propelling Vietnam's economic growth and shaping the nation's future trajectory.

In general, the Vietnamese government has actively pursued effective land allocation policies to foster income equality. We anticipate that that the amended Land Law of 2024 will enhance the efficiency of land resource distribution, thereby fostering the expansion of the middle class and contributing to the growth of the middle class.

Fig 19: Income inequality: Gini coefficient

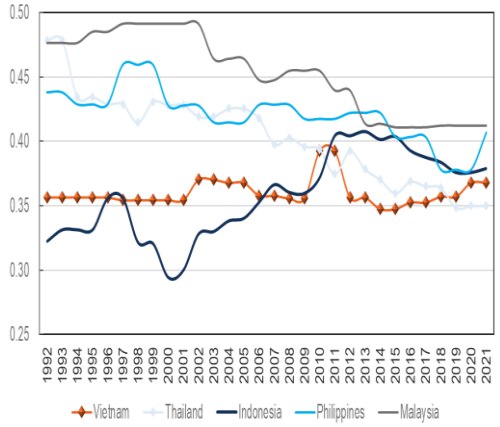
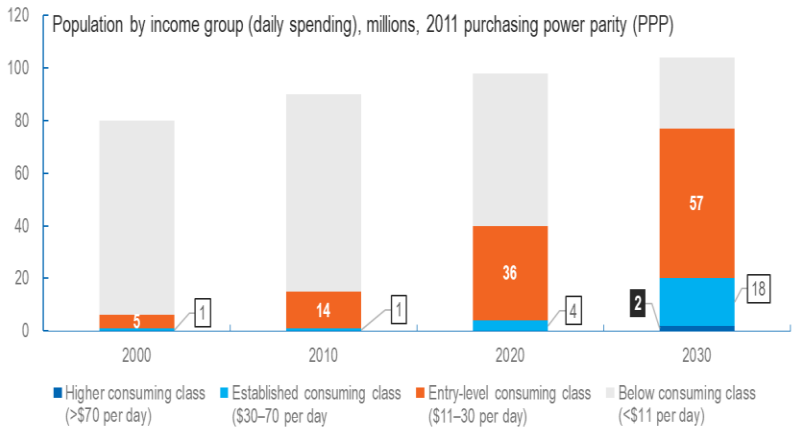


Fig 20: Rapid growth of the middle class in the next decade.

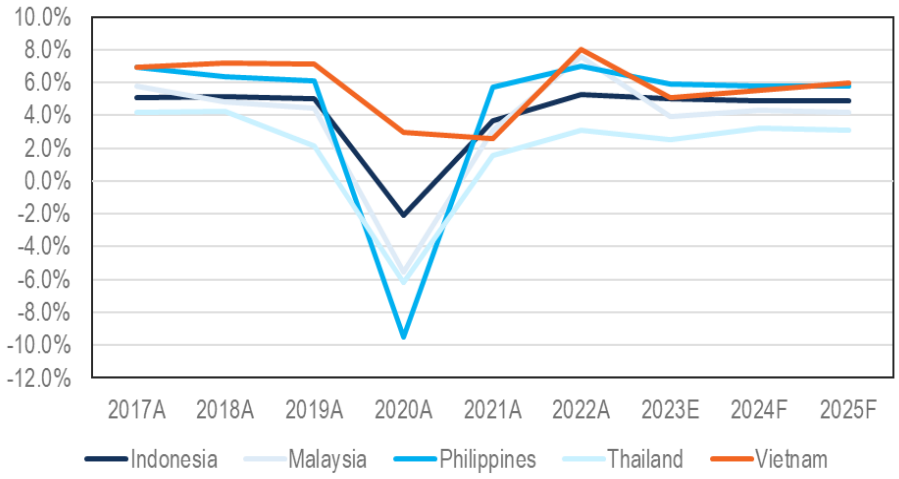


Note: The Gini coefficient measures inequality on a scale from 0 to 1. Higher values indicate higher inequality. Depending on the country and year, the data relates to income measured after taxes and benefits, or to consumption, per capita.

Source: Our World In Data, World Bank, Yuanta Vietnam

Vietnam's economy continues to exhibit strong macroeconomic fundamentals, with a GDP growth rate of 5.05 % YoY in 2023. The country stands out as a beacon of growth within the ASEAN region. The World Bank predicts that Vietnam will maintain its position as a growth leader in the region, with a projected GDP growth of 5.5% in 2024 and 6.0% in 2025.

Fig 21: Vietnam's GDP growth leads ASEAN-5



Source: MoC, Yuanta Vietnam

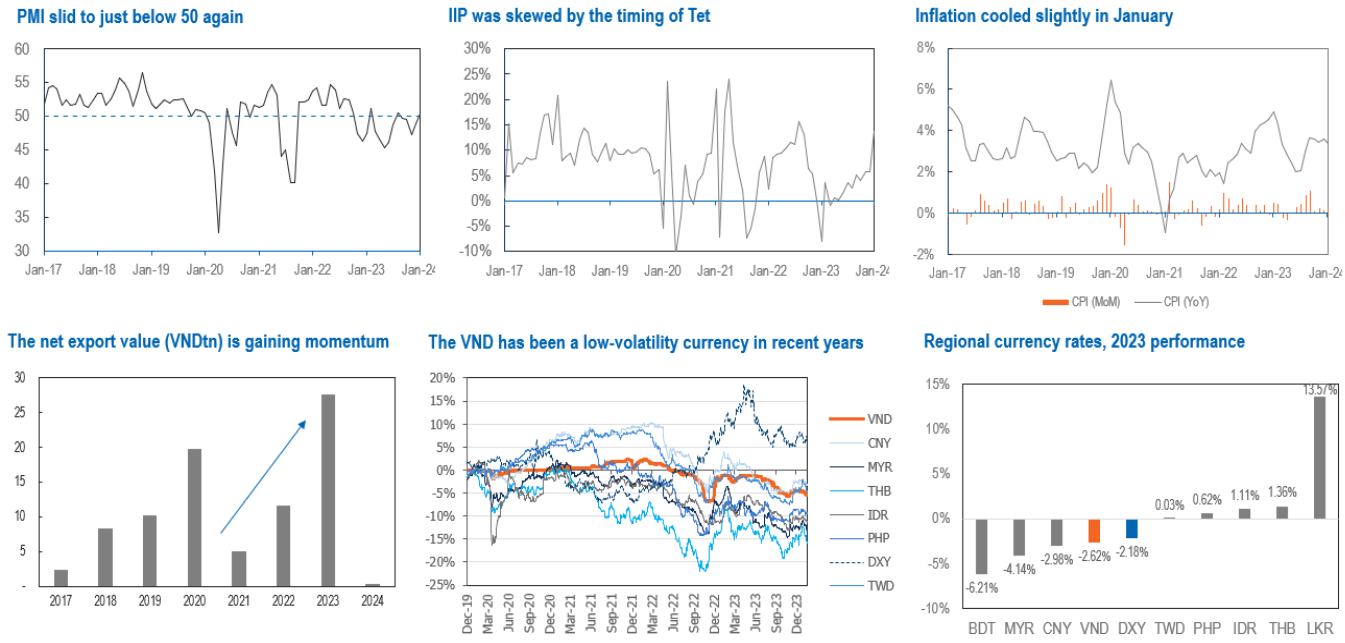
Vietnam's economy shows a positive momentum picked up impressively at yearend 2023 and Jan 2024. Vietnam's macroeconomic fundamentals appear solid, with resilient growth and stability. Continued structural reforms, improving productivity, and sound monetary and fiscal policies will be important to maintain this trajectory going forward.

The S&P Global Manufacturing PMI for January 2024 came in at 50.3, above the 50.0 mark and thus signaling a modest expansion in manufacturing sector for the first time in five months. Survey respondents indicate that demand picked up from both the domestic and export markets, which in turn led to renewed increases in new orders and output in the first month of 2024.

Consumers were busy in January. Retail sales of goods and services in January reached VND 524.1tn, up by +1.6% MoM and by +8.1% YoY. This illustrates the buildup in retail sales momentum in recent months, following November (+10.1% YoY) and December (+9.3%).

Inflation cooled in January with CPI up only slightly by +0.31% MoM and by +3.37% YoY. Nine of the 11 items in the CPI basket posted increased prices in January, but most of these price gains were minor. We think inflation could re-emerge as a headwind going forward as oil prices and logistics costs are picking up, while the VND exchange rate has steadily depreciated vs. the US dollar.

Fig 22: Solid macroeconomic fundamentals.



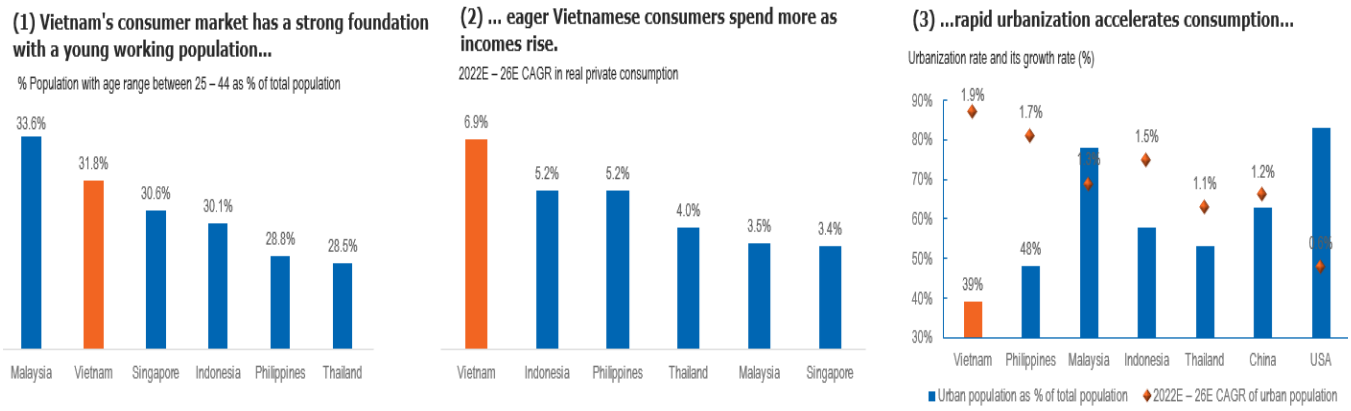
Source: GSO, Yuanta Vietnam

Second, the economy can still rely on the force of demographics for the next 10 years. Vietnam possesses a significant demographic advantage that can continue to fuel economic growth in the coming decade. With a population of c. 100 million, Vietnam still has a young population structure, with over 60% of the population of working age.

This young and growing workforce provides an ample supply of labor to enable expansion in manufacturing and exports. Additionally, as incomes rise, Vietnam's large working age population represents a rapidly emerging consumer class. Vietnam will continue to experience a consumption boom in areas like retail, consumer goods, real estate. The youthfulness of Vietnam's population will drive domestic consumption and investment over the next 10 years.

Successfully leveraging this demographic dividend through appropriate policies and reforms in areas like education and infrastructure can provide a structural lift for Vietnam's economy.

Fig 23: Demographic dividend drives Vietnam's economy



Source: MoF, Yuanta Vietnam

Third, the global economy growth is projected to slow down but we anticipate less volatility as inflation expectations are reined in by preemptive central bank activity and stabilization of prices for merchandise. To be sure, global uncertainties abound, including for the US and China economies, but overall we anticipate a relatively benign external environment as it pertains to the Vietnamese economy over the next several years.

CIGARR Framework: Deep Dive

Ex-VHM, sector P&L results remain persistently weak

Ex VHM, 2023 earnings of the top-20 listed developers were notably weak.

Weak earnings for the sector overall were obscured by relatively strong results at VHM. The top-20 listed developers posted revenue of VND135tn (+14% YoY) and PAT of VND40tn (+4% YoY) in 2023. However, excluding VHM, the sector has performed poorly with revenue of VND32tn (-4% YoY), equivalent to 61% of full-year revenue guidance; and PAT of VND7.0tn (-30% YoY), equivalent to 88% of 2023 revenue guidance.

Fig 24: 2023 sales (Excl. VHM) decreased by -4% YoY

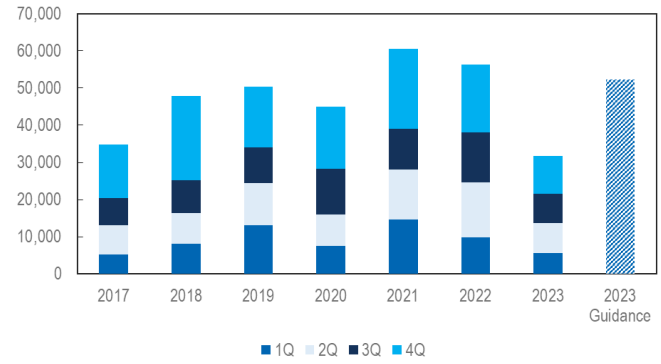
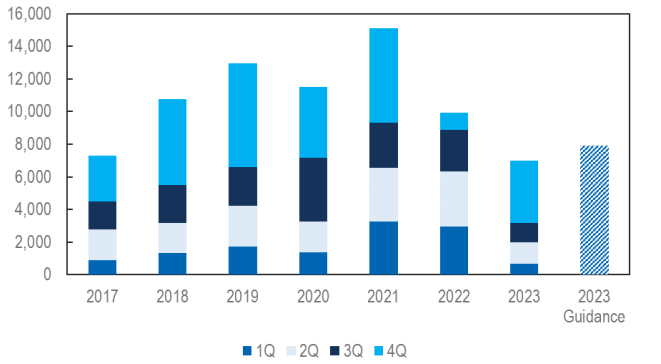


Fig 25: 2023 PAT (Excl. VHM) decreased by -30% YoY



Source: Company data, Yuanta Vietnam; Note: Top 20 listed developer

Capital efficiency has been trending down since 2Q21.

Capital efficiency has been trending down since 2Q21. TTM ROIC peaked at 11.2% in the second quarter of 2021. However, it then experienced a gradual decline over the following year, primarily influenced by the disruptions caused by the COVID-19 pandemic in 2020-21. Additionally, the real estate market entered a recessionary phase, characterized by subdued buyer sentiment, diminished purchasing power, and prolonged administrative processes for initiating new projects.

Consequently, the average of the TTM ROIC (i.e., the numerical average, which is not skewed by VHM) for the top-20 developers dwindled to a mere 5.0% in 4Q23, from the peak level of 11.2% in 2Q21.

Fig 26: Average ROIC TTM (%)

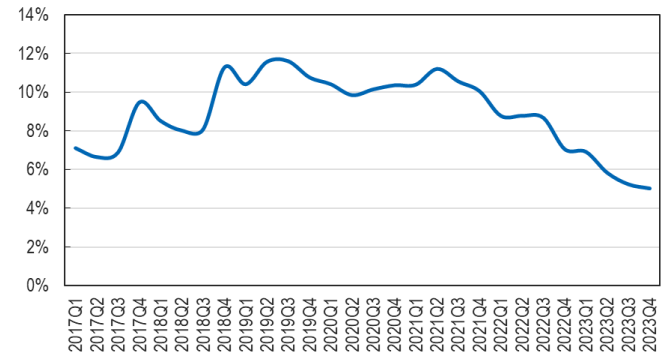
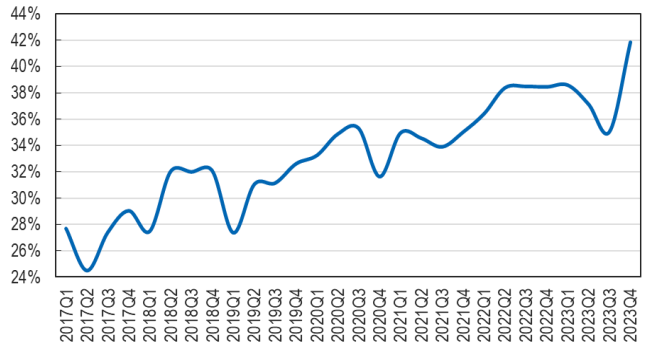


Fig 27: Average gross margin TTM (%)



Source: Company data, Yuanta Vietnam; Note: Top 20 listed developer

TTM gross margin in 4Q23 strongly rebounded from 35.1% in 3Q23 to 41.9% in 4Q24 as sales of low-rise units, which carry relatively high profit margins, were

major contributors to total revenues in recent quarters for most of the developers.

A bright sign: Total presales value recovered in 4Q23.

A bright sign: Total presales value recovered in 4Q23. Advances from customers across the top-20 developers increased by +28% QoQ to reach VND91tn in 4Q23.

Of course, this figure is more than slightly skewed by the VND54 trillion in 4Q23 presales (60% of the total) that were attributable to VHM alone. But stripping out the presales value at VHM, the sector presales value still increased by +11% QoQ, indicating a marginal improvement.

We believe that challenges in presales activities have gradually diminished, largely attributable to the low mortgage rates. However, the enhancements in presales seem to be contingent on companies adopting bulk sales strategies (e.g., VHM) or introducing projects in prime locations (e.g., KDH with The Privia).

Fig 28: Presales – Advances from customers (VND tn)

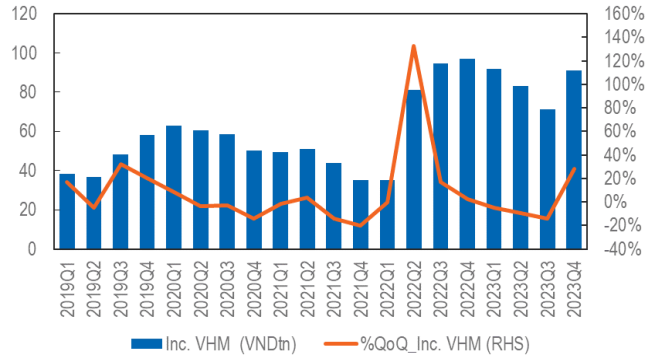
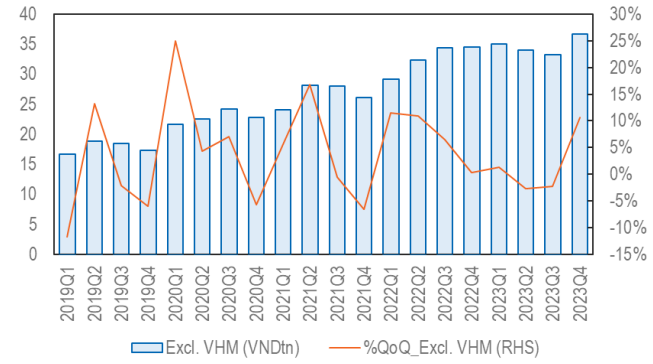


Fig 29: Presales – Excluding VHM



Advances from customers (VND bn)

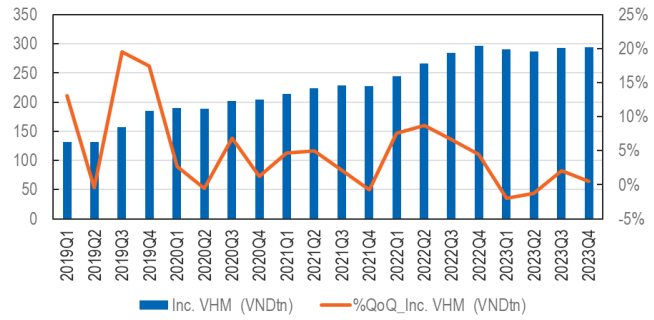
Row I	AGG	CEO	DIG	DXG	HDC	HDG	HPX	IDJ	IJC	KDH	NBB	NLG	NTL	NVL	PDR	QCG	SCR	SJS	VHM	VPI	Total	(+/)
2020Q1	1,900	246	1,860	1,530	44	3,170	287	112	19	3,350	1,560	1,460	135	1,140	868	1,460	1,190	436	41,200	880	62,847	4,834
2020Q2	2,030	314	1,820	2,090	60	1,930	204	522	19	3,810	1,570	1,720	126	1,120	1,570	916	1,160	510	37,900	1,100	60,491	-2,356
2020Q3	3,270	362	1,600	2,420	56	1,590	169	735	18	3,260	1,030	1,730	107	2,180	1,670	637	1,350	535	34,400	1,480	58,600	-1,891
2020Q4	2,550	254	2,000	2,920	90	1,320	59	1,020	10	2,120	81	2,070	58	4,090	800	552	879	243	27,300	1,710	50,127	-8,473
2021Q1	2,860	302	2,040	2,350	157	1,090	106	1,230	24	1,720	30	2,410	170	5,370	560	378	914	288	25,300	2,120	49,419	-708
2021Q2	3,170	288	2,090	1,320	196	1,610	61	1,360	38	1,330	26	2,730	208	6,840	2,400	657	1,440	327	23,000	2,090	51,181	1,762
2021Q3	3,340	278	2,040	1,280	178	1,530	46	1,510	21	433	26	3,820	207	7,640	1,580	648	1,140	280	15,800	2,020	43,816	-7,364
2021Q4	3,340	327	1,740	2,190	200	1,130	79	1,620	18	157	34	2,420	225	8,310	1,690	556	1,360	140	8,920	623	35,079	-8,737
2022Q1	4,570	460	1,720	2,010	154	1,230	143	1,790	17	149	31	2,970	292	10,300	1,430	666	1,030	149	5,810	47	34,968	-111
2022Q2	3,726	790	1,644	2,119	203	1,051	312	1,906	7	376	29	3,543	251	12,562	2,204	326	986	164	48,975	130	81,305	46,336
2022Q3	2,676	1,146	1,479	2,177	162	1,044	509	1,773	7	529	28	3,838	169	14,864	2,110	348	948	92	60,421	502	94,822	13,517
2022Q4	3,106	430	1,460	2,383	94	750	1,099	2,026	10	988	28	3,271	88	15,963	1,239	366	530	95	62,337	585	96,846	2,024
2023Q1	3,627	388	1,538	2,655	135	497		2,061	6	836	28	3,617	36	16,617	1,134	241	612	84	56,810	852	91,774	-5,072
2023Q2	2,650	1,192	1,664	2,462	179	325		2,042	7	1,355	51	3,351	56	17,155	196	241	571	72	49,284	428	83,283	-8,491
2023Q3	1,176	1,260	1,685	2,469	166	382	776	2,116	8	897	56	3,323	22	17,778	4	241	567	17	38,103	289	71,336	-11,947
2023Q4	1,899	1,100	1,765	1,753	172	296	574	1,906	7	2,354	51	3,815	18	19,195	4	230	585	3	54,504	1,019	91,248	19,913

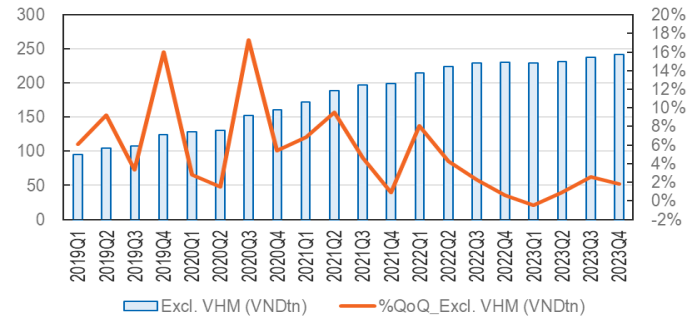
Source: Company data, Yuanta Vietnam

Inventories were flat in 2023 as developers were less confident in their expansion plans after engaging in numerous M&A deals the previous year, and especially in 1H22. According to data from the top 20 developers, total inventories in 2023 reached VND295tn, representing flat YoY growth. Most of developers still prioritize the development of ongoing projects, improving their cash on hand, and carefully determining the timing of specific projects to launch.

Fig 30: Inventories – Total top-20 (VNDtn)

Fig 31: Inventories (VNDtn) – Excluding VHM





Total inventories (VND bn)

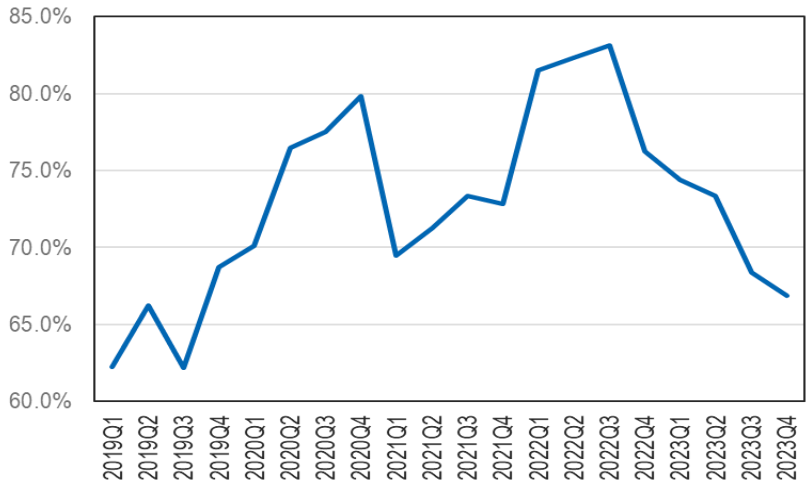
Row Label	AGG	CEO	DIG	DXG	HDC	HDG	HPX	IDJ	IJC	KDH	NBB	NLG	NTL	NVL	PDR	QCG	SCR	SJS	VHM	VPI	Total	Change	QoQ	YoY
2020Q1	2,790	914	4,510	8,550	813	2,930	2,030	756	3,830	7,230	4,150	4,360	1,060	58,600	7,770	8,050	4,180	3,640	61,600	2,140	189,903	4,990	2.7%	43.6%
2020Q2	4,910	849	3,980	8,840	967	2,170	1,890	793	3,860	7,550	4,240	4,910	1,160	59,200	7,680	7,320	4,280	3,730	58,600	1,950	188,879	-1,024	-0.5%	43.4%
2020Q3	5,190	795	3,810	9,760	966	1,830	1,850	1,020	3,630	7,080	3,330	5,400	1,190	79,400	9,780	7,010	4,360	3,850	49,000	2,530	201,781	12,902	6.8%	28.2%
2020Q4	5,730	665	4,390	10,300	1,610	1,640	2,290	1,340	3,650	7,340	2,560	6,030	1,160	86,800	9,310	7,370	3,310	3,780	43,200	1,790	204,265	2,484	1.2%	10.5%
2021Q1	5,780	682	4,480	10,100	1,550	1,360	2,430	1,370	2,790	7,410	2,480	13,500	1,230	90,000	10,600	7,120	3,350	3,860	41,600	2,050	213,742	9,477	4.6%	12.6%
2021Q2	7,030	626	4,390	9,640	1,370	1,230	3,720	1,450	3,400	7,340	2,360	13,700	1,240	103,000	12,000	7,130	2,960	3,700	35,900	2,190	224,376	10,634	5.0%	18.8%
2021Q3	7,220	702	4,300	11,100	1,270	1,170	4,500	1,450	3,670	6,850	2,380	17,700	1,210	106,000	11,900	7,060	2,890	3,680	32,000	2,210	229,262	4,886	2.2%	13.6%
2021Q4	6,730	607	3,850	11,200	1,860	1,320	3,880	1,450	4,020	7,750	914	15,500	1,150	110,000	12,200	7,190	2,800	3,580	28,500	3,010	227,511	-1,751	-0.8%	11.4%
2022Q1	6,670	592	4,040	11,400	1,870	1,480	3,950	1,620	3,880	11,500	1,010	15,900	1,240	120,000	12,200	7,340	2,780	3,560	29,700	4,090	244,822	17,311	7.6%	14.5%
2022Q2	5,051	923	5,374	12,585	1,842	1,465	4,079	2,001	3,671	12,113	1,202	16,083	1,268	125,508	13,107	7,149	2,858	3,693	41,978	4,293	266,242	21,420	8.7%	18.7%
2022Q3	3,666	1,463	5,630	14,108	1,786	1,529	3,807	1,933	3,542	12,729	1,272	16,105	1,234	129,636	13,378	7,130	2,860	3,664	54,628	3,939	284,040	17,798	6.7%	23.9%
2022Q4	3,723	1,468	5,923	14,238	1,092	1,354	3,595	2,027	3,565	12,441	1,355	14,828	1,211	134,485	12,131	7,203	2,776	3,745	65,816	3,667	296,643	12,603	4.4%	30.4%
2023Q1	4,059	1,471	6,037	15,114	1,131	1,120		1,736	3,493	12,656	1,418	15,612	1,199	136,905	12,132	7,094	2,842	3,765	60,947	1,987	290,717	-5,926	-2.0%	18.7%
2023Q2	3,353	1,458	6,310	14,788	1,155	1,061		1,773	3,091	12,970	1,554	16,269	1,167	139,010	12,171	7,097	2,854	3,850	55,101	1,991	287,024	-3,693	-1.3%	7.8%
2023Q3	2,165	1,638	6,279	14,788	1,146	1,093	3,320	1,832	3,089	17,153	1,587	16,868	1,241	137,755	12,158	7,101	2,850	3,842	55,169	2,054	293,129	6,105	2.1%	3.2%
2023Q4	2,014	1,272	6,553	14,139	1,138	1,060	2,980	1,728	3,073	18,788	1,576	17,416	1,003	138,759	12,200	7,036	3,665	4,194	52,380	3,714	294,687	1,558	0.5%	-0.7%

Source: Company data, Yuanta Vietnam

4Q23 financial leverage of the top-20 developers increased QoQ, largely due to the impact of VHM's increased leverage. By the end of 2023, total borrowings amounted to VND165tn, marking an +8% YoY increase.

The impact of VHM is especially apparent in this metric: The aggregate sector's borrowings increased by VND12tn, while VHM's total borrowings increased by VND20tn YoY. As implied by these figures, several of the high-leverage companies such as DXG, HDG, HPX, NVL, and PDR trimmed their overall debt levels.

Fig 32: Total debt to equity (excluding VHM)



Source: MoF, Yuanta Vietnam

The total debt-to-equity ratio for the top-20 developers thus increased from 45% in 3Q23 to 49% in 4Q23. However, this increase is entirely due to the

increased leverage at VHM. Stripping the property behemoth from the group, total debt-to-equity decreased from 68% in 3Q23 to 67% in 4Q23.

As illustrated in Figure 34 below, long-term borrowings accounted for 61% of total debt as at 4Q23, which should help to support investors' near-term confidence in the financial structure of sector balance sheets. In aggregate, long-term debt duration is a better match with project duration given that the leading property firms tend to develop relatively large-size projects.

Fig 33: Leverage ticked up in 4Q23 due to VHM

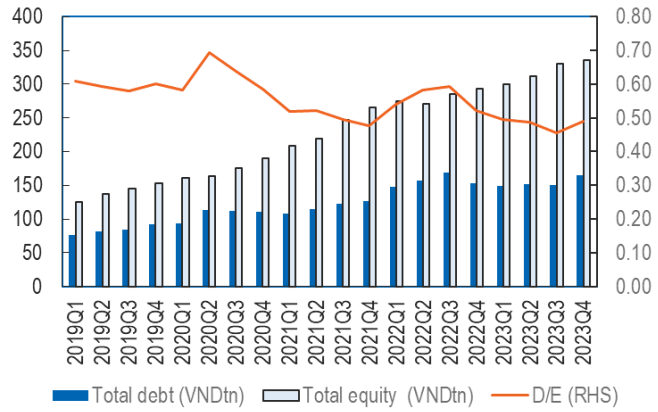
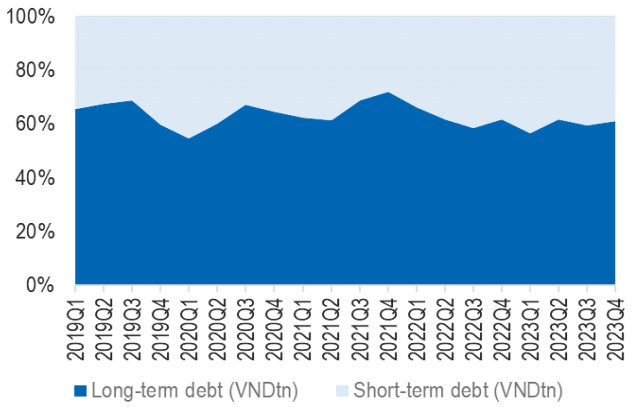


Fig 34: Debt structure is 61% long term



Total debt (VNDbn)

Row L	AGG	CEO	DIG	DXG	HDC	HDG	HPX	IDJ	IJC	KDH	NBB	NLG	NTL	NVL	PDR	QCG	SCR	SJS	VHM	VPI	Total	QoQ_Change
2020Q1	1,148	2,480	1,261	5,610	906	6,060	2,002	241	529	955	437	892	195	34,600	2,156	495	2,281	590	26,660	3,900	93,399	1,811
2020Q2	1,283	2,560	1,258	5,842	860	6,070	2,069	256	750	1,369	333	1,572	215	38,100	2,215	516	2,520	553	41,400	3,790	113,531	20,132
2020Q3	1,735	2,283	1,233	5,970	1,017	6,473	2,045	437	826	1,787	482	1,592	297	44,400	2,042	511	2,910	574	31,800	3,660	112,074	-1,457
2020Q4	2,479	1,943	1,515	5,950	1,015	6,570	2,438	525	941	1,847	518	2,462	123	48,900	1,895	505	2,780	682	25,000	3,030	111,118	-956
2021Q1	2,263	1,929	1,561	7,140	1,251	6,686	2,568	436	1,284	2,215	622	2,650	126	45,100	2,175	484	2,720	607	23,070	2,920	107,807	-3,312
2021Q2	2,548	1,952	1,778	6,980	1,227	6,588	3,480	378	1,094	2,590	992	2,790	0	51,300	1,381	481	2,200	569	22,880	3,190	114,398	6,592
2021Q3	2,351	1,963	3,334	6,560	1,240	6,486	4,890	398	1,210	2,805	1,142	4,000	0	56,000	2,147	473	2,134	525	21,490	3,000	122,148	7,750
2021Q4	2,479	1,737	4,912	4,480	1,344	7,462	4,700	395	1,124	2,548	1,189	3,610	0	60,500	3,427	454	1,566	1,204	19,951	3,150	126,232	4,084
2022Q1	2,876	1,750	5,365	4,304	1,606	7,100	5,510	377	1,168	4,433	2,367	3,218	0	69,600	4,810	452	1,696	1,437	25,510	4,401	147,980	21,748
2022Q2	2,321	1,739	5,090	5,978	1,770	6,881	5,312	353	1,004	5,762	3,060	4,441	0	68,567	4,842	453	1,801	1,562	31,861	4,487	157,286	9,307
2022Q3	1,665	1,663	5,302	5,982	1,709	6,595	4,755	321	968	7,206	3,121	4,596	0	71,743	5,265	457	1,851	1,562	40,152	4,223	169,135	11,849
2022Q4	1,534	1,165	3,845	5,771	1,690	6,123	3,318	201	1,010	6,771	3,130	5,179	0	64,577	4,440	417	1,909	1,608	36,177	3,966	152,832	-16,304
2023Q1	1,218	1,107	2,763	5,965	1,704	5,861	0	217	912	6,468	2,705	5,605	0	62,729	3,476	584	1,957	1,572	39,699	3,955	148,498	-4,334
2023Q2	1,382	639	2,725	6,027	1,676	5,669	0	221	1,046	5,803	3,869	5,047	87	61,579	3,889	598	2,727	1,578	43,369	4,043	151,974	3,476
2023Q3	1,406	616	2,809	5,616	1,626	5,628	2,669	150	1,033	4,984	3,546	5,662	150	58,944	3,366	590	2,700	1,562	43,126	4,111	150,296	-1,678
2023Q4	1,460	822	3,112	5,289	1,705	5,426	2,465	109	991	6,346	3,640	6,107	150	57,705	3,105	582	2,994	1,456	56,684	4,627	164,775	14,479

Source: Company data, Yuanta Vietnam; Note: Top 20 listed developers

Three liquidity groups--

Group 1: Strong liquidity, exhibiting healthy balance sheets. NTL, CEO, IDJ, KDH, DIG, NLG, AGG, HDG and VHM

Group 2: Moderate liquidity, limited cash reserves. PDR, IJC, SJS, DXG, QCG and SCR

Group 3: Weak liquidity, elevated leverage, and insufficient cash coverage for short-term debt. HPX, HDC, VPI, NBB and NVL

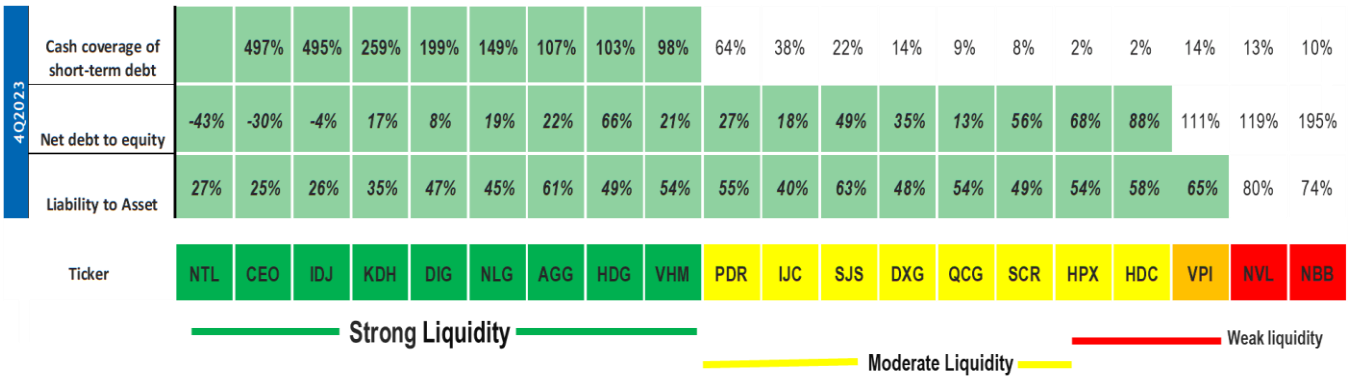
We split the 20 developers into three groups based on our perception of their financial conditions. Alongside (1) the resurgence of the real estate market and (2) the expedited pre-development project processes, we posit that maintaining a robust financial condition will play a pivotal role in fostering the recovery of property developers.

Group 1: Strong liquidity, exhibiting healthy balance sheets. NTL, CEO, IDJ, KDH, DIG, NLG, AGG, HDG and VHM all demonstrate high cash-to-short-term-borrowings ratios and all maintain relatively low levels of leverage.

Group 2: Moderate liquidity, limited cash reserves. PDR, IJC, SJS, DXG, QCG and SCR all exhibit moderate cash-to-short-term-borrowings ratios and maintain balanced levels of leverage.

Group 3: Weak liquidity, elevated leverage, and insufficient cash coverage for short-term debt. HPX, HDC, VPI, NBB and NVL all face significant refinancing pressures, with substantial levels of debt maturing in 2024.

Fig 35: Liquidity situation



Note: Top 20 listed developers, requirement: cash coverage of ST debt >0.7; Net debt to equity <1; Liability to Asset <0.7.

Source: Company data, Yuanta Vietnam;

Appendix A: Important Disclosures

Analyst Certification
Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.
HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.
HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.
SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.
Under Review: We actively follow the company, although our estimates, rating and target price are under review.
Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

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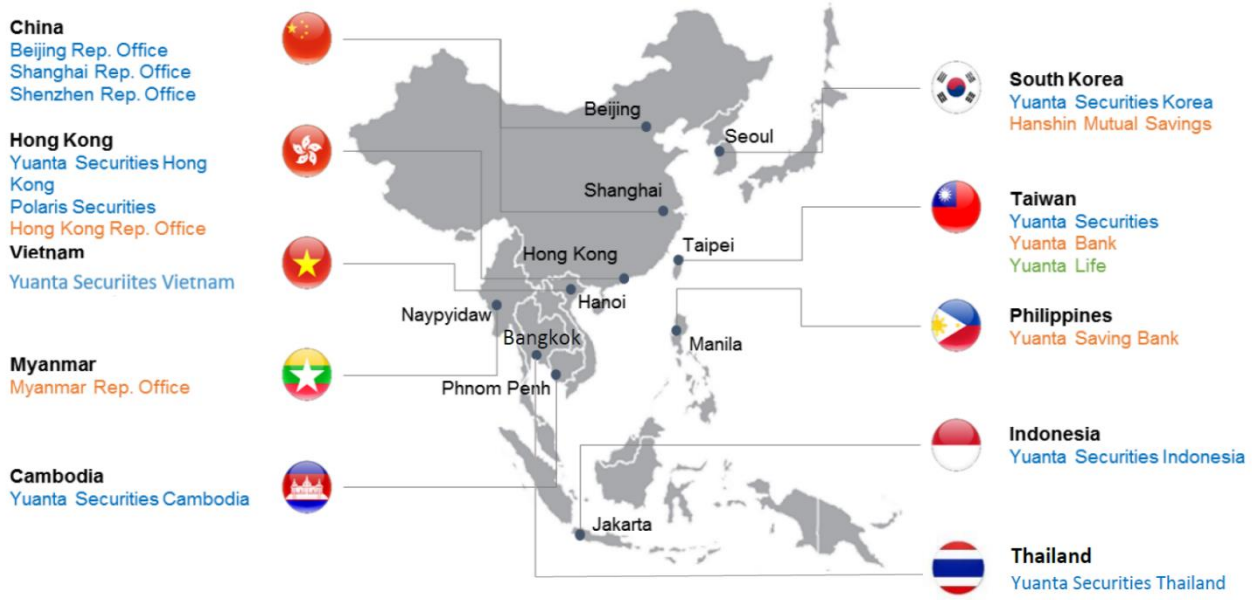

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