



Why Vietnam is firmly on the radar of foreign investors?

By Stephen Wyatt, Country Head, Vietnam, JLL

VIETNAM, January 2017 - Vietnam is on the rise as increasing levels of foreign direct investment (FDI) support strong economic growth and help to drive development across the country.

Its big cities, Ho Chi Minh City and Hanoi, are at the forefront of the transformation as more people flock to its urban centres and new high rise buildings change its skylines.

Foreign investors are taking note: They ploughed an estimated \$15.8 billion into the country in 2016 – a new record. And Vietnam’s policy changes are encouraging them to do so. The country relaxed foreign ownership rules for real estate in 2015.

“Vietnam witnessed strong growth in FDI in 2016. This can be attributed to a strong economy backed up with political stability and relatively low labour costs when compared to the region,” says Stephen Wyatt, Country Head of JLL Vietnam. “Manufacturing dominates FDI, accounting for 64 percent, but 7 percent of total FDI is attributed to real estate. The sector attracted \$1.53 billion in newly registered capital in 2016 with 59 newly registered projects.”

Real estate boom

Demand is increasing for office, retail and hotel stock around the country.

In Ho Chi Minh City, the country's tallest building, the Vincom Landmark 81 is under construction. Meanwhile, the Thu Thiem New Urban Area, a 657 hectare site east of Saigon River, is earmarked to be the new central financial district. And last year, Takashimaya opened their first Department Store in Vietnam, within Saigon Centre, Ho Chi Minh City, a mixed use development by Keppel Land from Singapore.

In Hanoi, the office sector is also seeing high levels of development, according to JLL research, while a new urban living project Starlake Tay Ho Tay is being constructed by South Korean conglomerate Daewoo. Condotels and villas are also being built in secondary cities such as Da Nang to woo investors in the second-home market.

Vietnam’s burgeoning tourism industry, which welcomed 10 million visitors last year, is driving hotel developments. The Hoi An South Integrated Resort is currently being constructed, with its first phase to be completed in 2019; meanwhile Ha Long Bay got its first five-star property, Wyndham Legend Halong Bay, last June.

“There has been a lot of attention for major tourist locations such as Da Nang, Nha Trang and Phu Quoc in the last two years,” adds Wyatt.

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Industrial real estate is also enjoying a boost. “Industrial parks in the North, South and Central regions are witnessing strong activity. For instance, the Long An province in southern Vietnam is experiencing a strong demand for ready-built factories and industrial land.”

Changing ambitions, shifting gears

Vietnam’s upward trajectory looks set to continue, despite the slowdown affecting other Asian countries. It posted GDP growth of 6.2 percent last year – a figure which is forecast to rise to 6.7 percent this year amid the growing affluence and higher consumption levels of the country’s middle class who are developing a taste for foreign brands from Starbucks to Louis Vuitton. Vietnam’s middle class is expected to double to 33 million people by 2020 while Ho Chi Minh City is home to Southeast Asia’s fastest-growing middle class, according to Boston Consulting Group.

The country has also benefitted from the return of overseas Vietnamese, known as Viet Kieu, who are becoming major players in spurring Vietnam’s economy and growing its thriving start-up scene in Ho Chi Minh City and Hanoi.

Such strong economic and population growth factors have led to both cities making the top 10 of JLL’s latest Cities Momentum Index, with Ho Chi Minh City in second place and Hanoi in eighth. However, both still have work to do to secure their longer-term position. “The transition towards technology-based high value activities remains at an early stage. Congestion and pollution remain serious impediments to quality of life and increasing productivity,” says Jeremy Kelly, Director of Global Research. “A lack of strong higher-education institutions and technology skills may slow the transition towards a knowledge-based economy.”

Such challenges will require planning and investment to overcome yet are far from insurmountable. Indeed, with the government taking concrete steps to liberalize the business environment and create the right conditions for future growth, the country could well be on its way to becoming another success story in Southeast Asia.”

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