

## REAL ESTATE SECTOR

### Q1/2021 result wrap up: **The market remains silent**

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#### Sector outlook: **Neutral**

##### Vietnam key figures Q1/2021

GDP Growth yoy	4.48%
Outstanding credit ('000 tril)	9.469
Credit/GDP (est)	116%
Credit growth ytd	2.93%
M2 growth ytd	1.47%
Refinancing rate	4.00%
Average inflation yoy	0.29%

##### Real estate sector (major developers)

P/E	20.9
ROA	5.8
ROE	17.3

##### Market

P/E VNINDEX	19.5
P/B VNINDEX	2.83

#### Key highlight

1. Launched units and sold unit in Hanoi market were stronger compared to last year figure (+170% y-o-y and +94% y-o-y). However, they slowed down compared to Q4 2020 due to new wave of Covid-19 break out in Hai Duong province. In HCMC, the slow granting license issue is still constraining the launching unit, leading to reduction in both sold and launched units across the market. However, high demand for housing in HCMC led to high absorption.
2. Average price across segments has raised significantly.
3. In Q1 2021, most of large property developers record high growth in revenue y-o-y because the presale in 2019 and early 2020 support the revenue recorded were delivered during this quarter. Similarly, NPAT grew strongly with the revenue,
4. Steel price and other construction materials such as concrete, stone, sand etc. have increased significantly.
5. The credit poured into real estate market has been high in Q1 2021 at 3% ytd, grow 12% y-o-y, account for 19.6% of total credit.

#### SUMMARY

- Property market has been distressed phase since presale across the segments was reduced significantly. Interest rate would not be reduced further due to the higher risk of the sector.
- Developers have been strengthening their cashflow witnessed low demand, reduction in presale, raising construction cost which is not stopping yet.
- More tightened credit which warn by State bank of Vietnam would impact adversely on financial strength and demand for housing.
- The pandemic in May is currently broke out hurting the market and we think this would not stop until vaccine is polarized. We are still observing the market to see whether the recovery come back.



#### List of major real estate developer

Ticker	P/E	P/B	Mkt Cap (VND)	ROA (%)	ROE (%)
VHM	14.32	4.07	371,057,169,950,400	12.61	33.64
NVL	39.38	5.61	179,043,082,708,500	3.36	15.26
NLG	9.53	1.65	10,897,339,212,000	7.10	17.42
SCR	22.82	0.86	4,029,919,333,000	1.59	3.82
AGG	9.85	2.44	4,145,803,907,700	5.28	28.04
VPI	23.04	2.54	7,019,996,490,000	3.22	11.63
PDR	34.90	8.61	45,853,914,487,200	8.53	28.00
HPX	84.05	2.77	9,072,164,162,600	1.61	3.44
KDH	19.07	2.74	23,116,506,515,900	8.87	14.94
<b>Average</b>	<b>28.55</b>	<b>3.48</b>	<b>-</b>	<b>5.80</b>	<b>17.35</b>

Ticker	Rev Q1/2020 (Bil)	Rev Q1/2021 (Bil)	% YoY	NPAT Q1/2020 (Bil)	NPAT Q1/2021 (Bil)	% YoY
AGG	43	343	700%	0.69	7.1	930%
HPX	360	250	-31%	33.9	70	108%
KDH	710	874	23%	154.7	206	34%
NLG	416	236	-43%	116.9	366	213%
NVL	1,068	4,542	325%	302.5	701	132%
PDR	629	586	-7%	158.0	25	59%
SCR	142	56	-61%	47.5	37	-22%
VHM	6,519	12,986	99%	7,645	5,477	-28%
VPI	80	141	77%	2.3	6.16	165%

### Sold and Launch of the quarter

	Sold (unit)	QoQ (%)	Launched (unit)	QoQ (%)
<b>Hanoi</b>	4,156	-44%	4,421	-39%
<b>HCMC</b>	2,624	-48%	1,709	-74%

### Under development projects of some major developers

AGG	Location	Absorption rate	Units
<b>The Standard</b>	Binh Duong	36%	1,150 high rise
<b>Westgate</b>	HCMC	48%	375 low rise
<b>BC27</b>	HCMC	N/A	2,284 high rise
<b>D7 project</b>	HCMC	N/A	6,117 high rise
<b>BD3 (the Gio)</b>	Binh Duong	N/A	2,883 high rise
<b>The A</b>	HCMC	N/A	3,400 high rise
VHM	Location	Absorption rate	Units
<b>Vinhomes Ocean Park</b>	Hanoi	67%	47,300
<b>Vinhomes Smart City</b>	Hanoi	57%	47,000
<b>Vinhomes Grand Park</b>	HCMC	89%	45,500
<b>Vinhomes Galaxy</b>	Hanoi	N/A	N/A
<b>Vinhomes Wonder Park</b>	Hanoi	N/A	2,350 low rise 2 blocks high rise
<b>Vinhomes Dream city</b>	Hung Yen	N/A	44,000
NLG	Location	Absorption rate	Units
<b>Mizuki</b>	HCMC	35%	4,231 units
<b>Akari</b>	HCMC	37%	5,228 units
<b>South Gate Water point</b>	Long An	45%	3,227 units
<b>South Gate Water point P2</b>	Long An	N/A	N/A
<b>Nam Long 2</b>	Can Tho	N/A	1,531 land lots
<b>Paragon Dai Phuoc</b>	Dong Nai	N/A	587 units
<b>Waterfront</b>	Dong Nai	N/A	6,906 units
<b>VSIP</b>	Hai Phong	N/A	3,096 units
KDH	Location	Absorption rate	Units
<b>Lovera Vista</b>	HCMC	87%	1,310 apartments
<b>Clarita</b>	HCMC	N/A	Villas
<b>Armena</b>	HCMC	N/A	180 villas
<b>158 An Duong Vuong</b>	HCMC	N/A	1,000 apartments
<b>Binh Chanh project</b>	HCMC	N/A	Apartment
NVL	Location	Absorption rate	Units
<b>Aqua Phoenix</b>	Dong Nai	9%	3,202
<b>Aqua City</b>	Dong Nai	60%	2,116
<b>Aqua Riverside</b>	Dong Nai	83%	1,685
<b>Aqua waterfront</b>	Dong Nai	62%	2,701
<b>Nova Ho Tram</b>	BRVT	40%	2,589
<b>Novaworld Phan Thiet</b>	Binh Thuan	20%	16,000
<b>Noval Hills Mui Ne</b>	Binh Thuan	2%	16,000

## SALES UPDATE

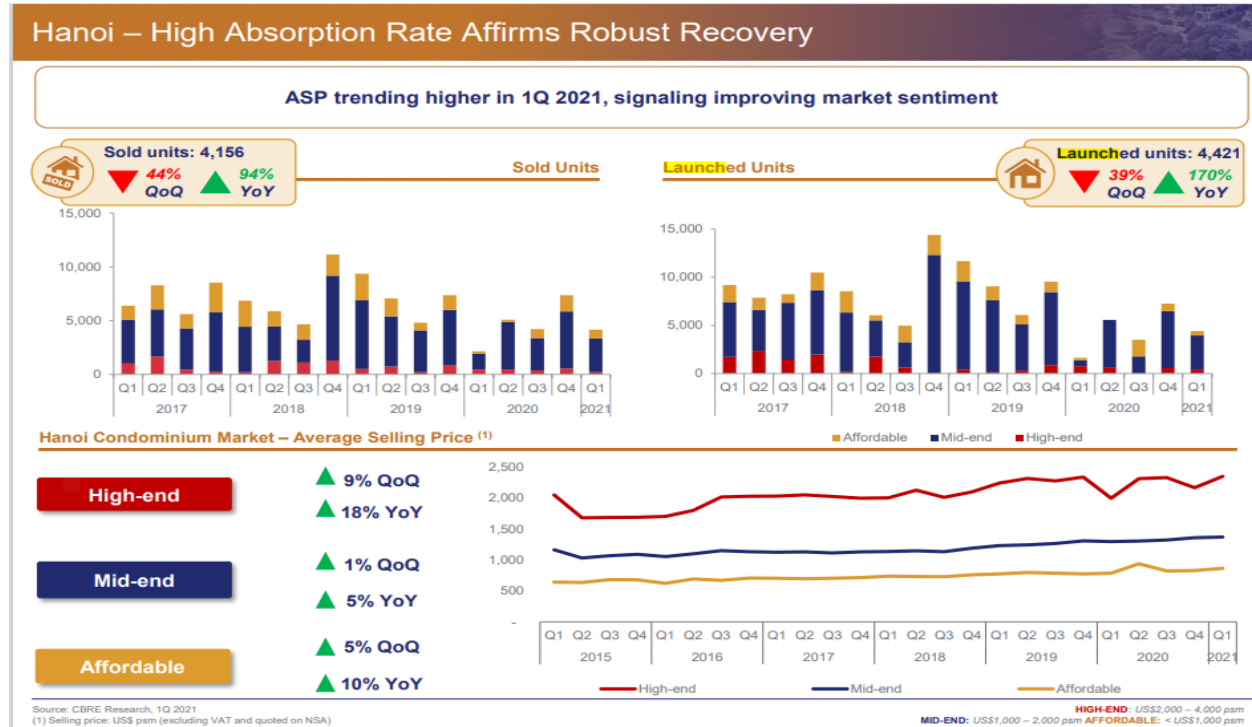
### Hanoi and HCMC market in Q1 2021

Launched units and sold unit in Hanoi market were stronger compared to last year figure (+170% y-o-y and +94% y-o-y). However, they slowed down compared to Q4 2020 due to new wave of Covid-19 break out in Hai Duong province.

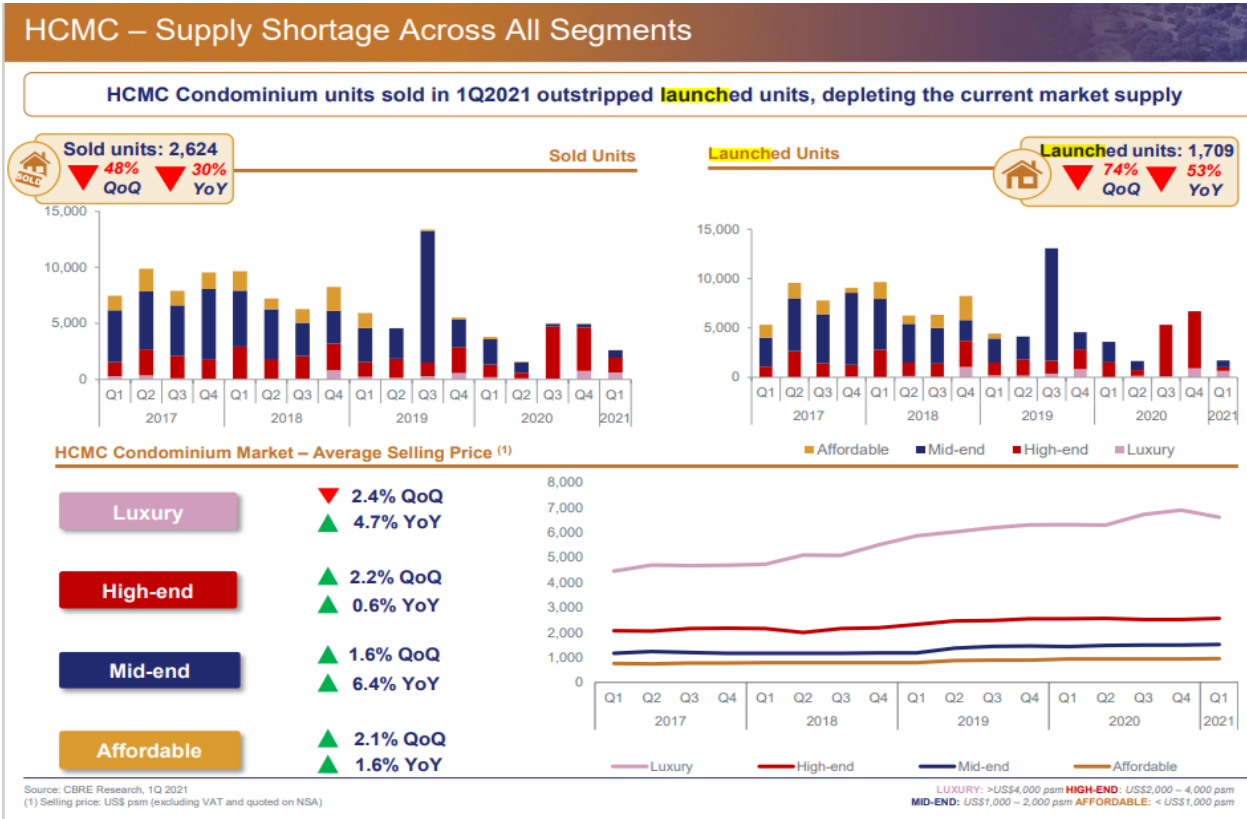
In HCMC, the slow granting license issue is still constraining the launching unit, leading to reduction in both sold and launched units across the market. However, high demand for housing in HCMC led to high absorption rate.

Average price across all segments have been increasing, reflecting the evidence of hot real estate market and recovery in demand for both investment, consumption, and speculation, which is pushed by low interest rate environment.

There is some positive signal since both Hanoi and HCMC recorded higher sold and launched units y-o-y. According to Real estate brokage Association, in Q1 2021, most of the sold units were from the inventory, not from new launching projects. The inventory has been getting bigger since the pandemic break out in March 2020, then developers have been limited new launch to save the cashflow.

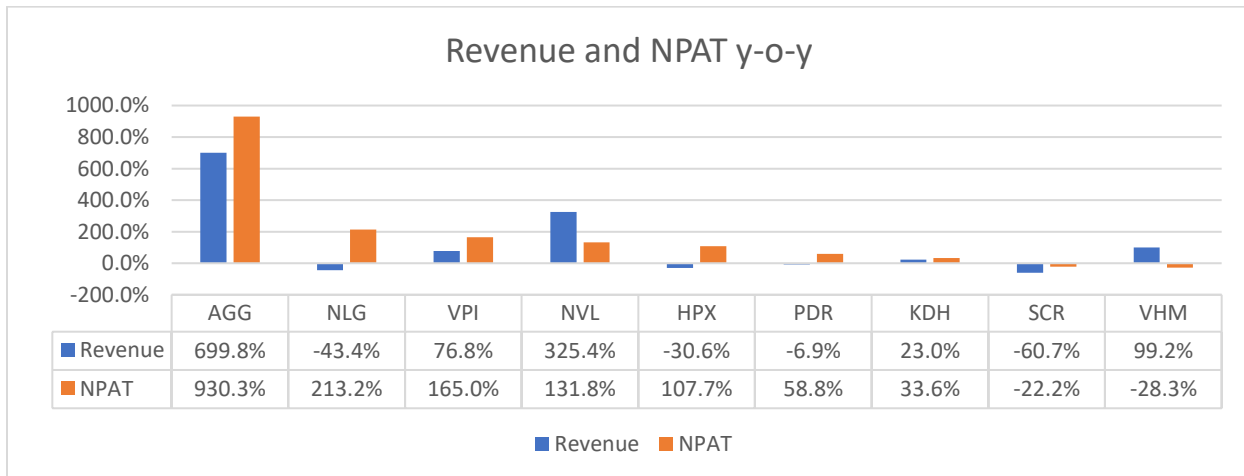


Source: CBRE, Vinhomes



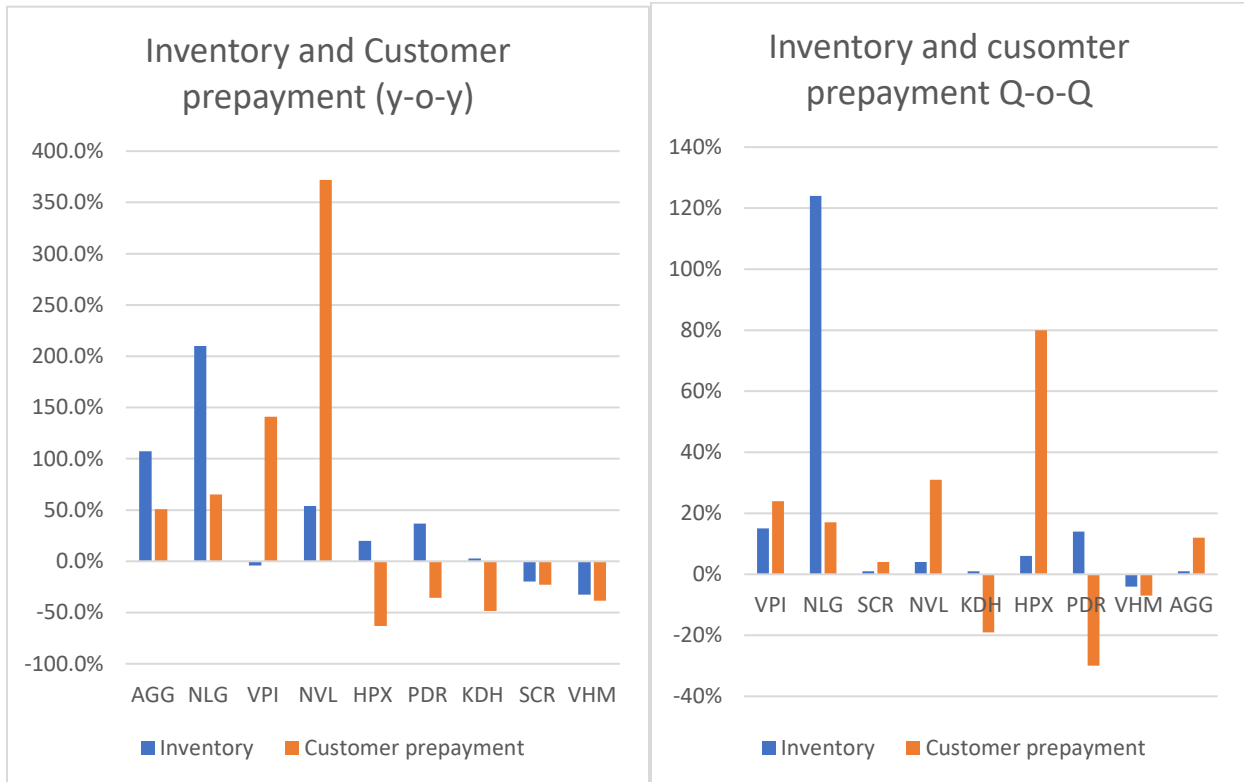
Source: CBRE, Vinhomes

## FINANCIAL RESULT OF SOME MAJOR DEVELOPERS

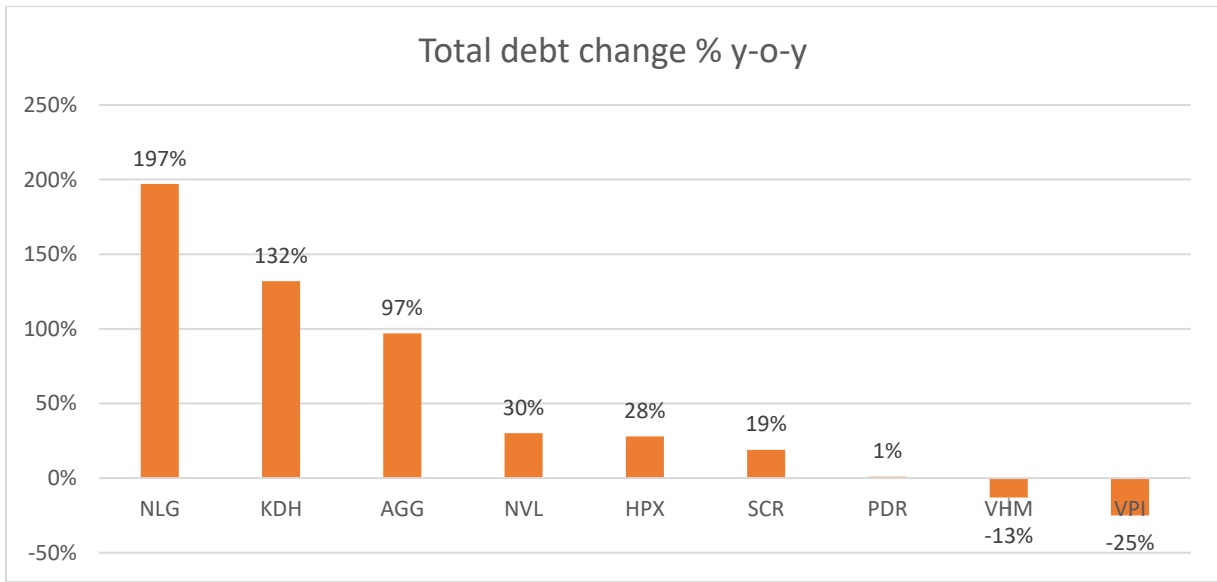
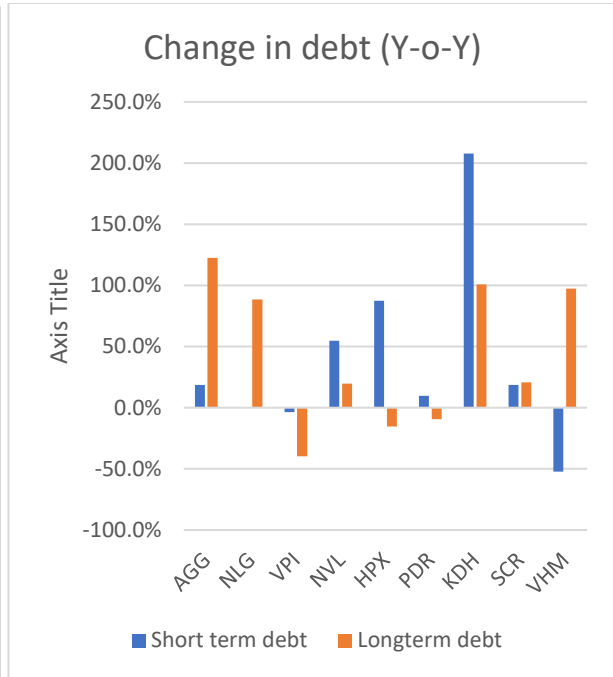
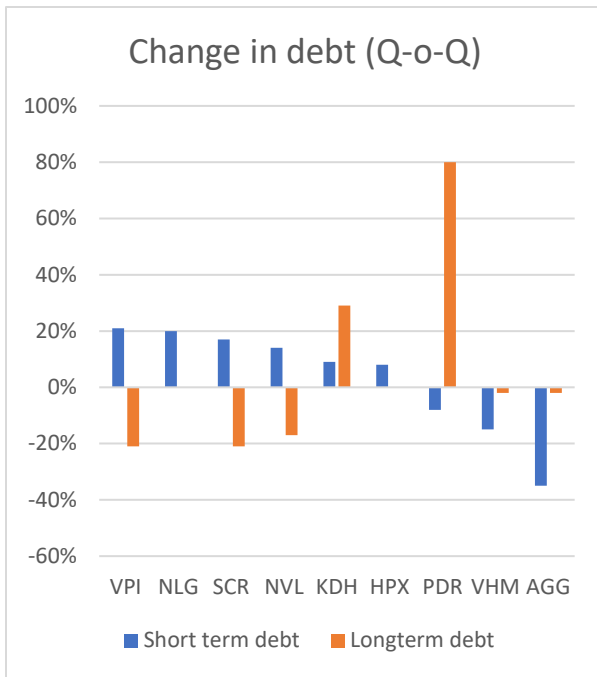


In Q1 2021, most of large property developers record high growth in revenue y-o-y. AGG grew 700% y-o-y, while VHM doubles revenue y-o-y. This is not unexpected phenomena because the

presale in 2019 and early 2020 support the revenue recorded were delivered during this quarter. Similarly, NPAT grew strongly with the revenue, except VHM recorded -28.3% y-o-y due to not record any bulk sale this period.



The inventory grew strongly for AGG, NLG NVL and PDR, these companies operating in HCMC market. The inventory growth is not negative signal since it reflects work in progress and ready to be delivered projects and customer prepayment’s growth supported alongside. On the other hand, VHM recorded reduction in inventory since their presale and customer prepayment were down significantly due to the Covid 19 break out and lower demand for Hanoi market. It would be more problematic for PDR KDH since customer prepayment was down and inventory was up, which reflects the cash flow is shortage.

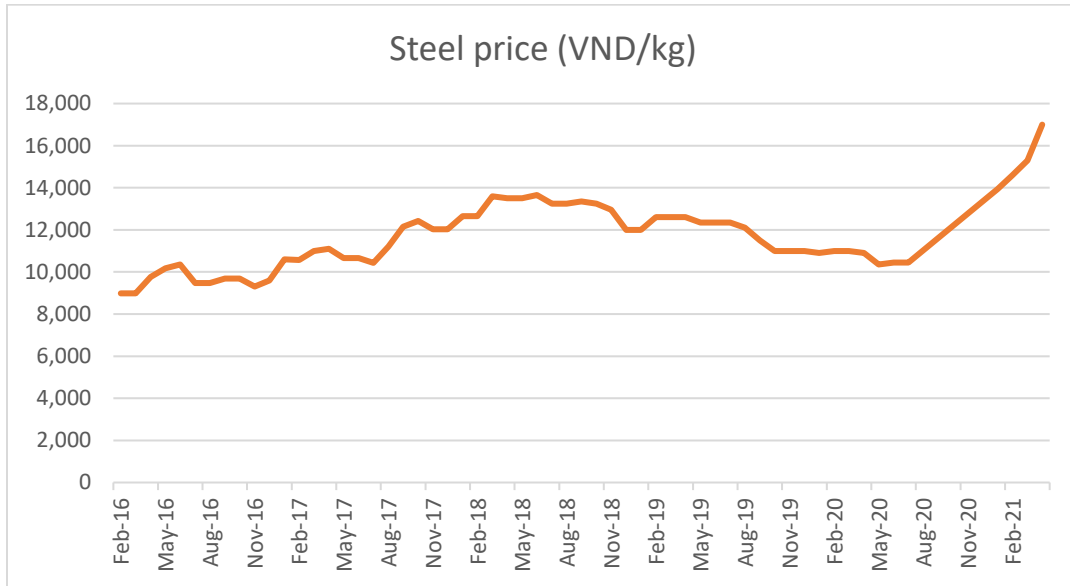


We observed that compared to last year, most of companies tend to shift financial structure from short term to long term debt, which is much safer when the presale has been slow down.

### CONSTRUCTION COST

Steel price and other construction materials such as concrete, stone, sand etc. have increased significantly. Steel raised 40%, sand double since early 2020. Construction raw material normally account for 60-70% for construction company and 30% for property developer. This raise would impact on construction cost since construction company used to earn thin margin, so they must

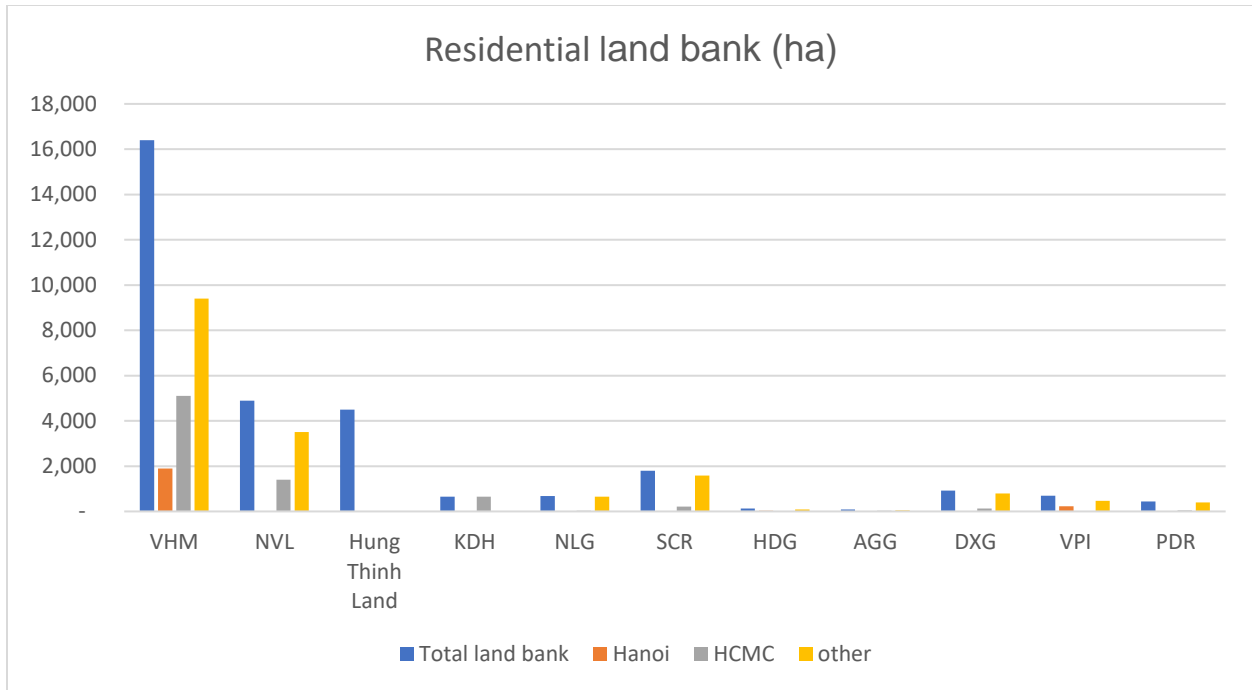
increase construction price or take loss. So, whatever the situation, we think real estate developer would see higher cost in near term, or they must rise price to protect the margin although their negotiating power with contractor is dependable on company brand name.



### LANDBANK

Land bank of these companies have not change much. Vinhomes still dominate the others in landbank owning with 16,400 ha. The landbank of these companies did not change since early 2021. Developers have been more cautious in searching for new landbank since price of land have been increasing strongly early this year.



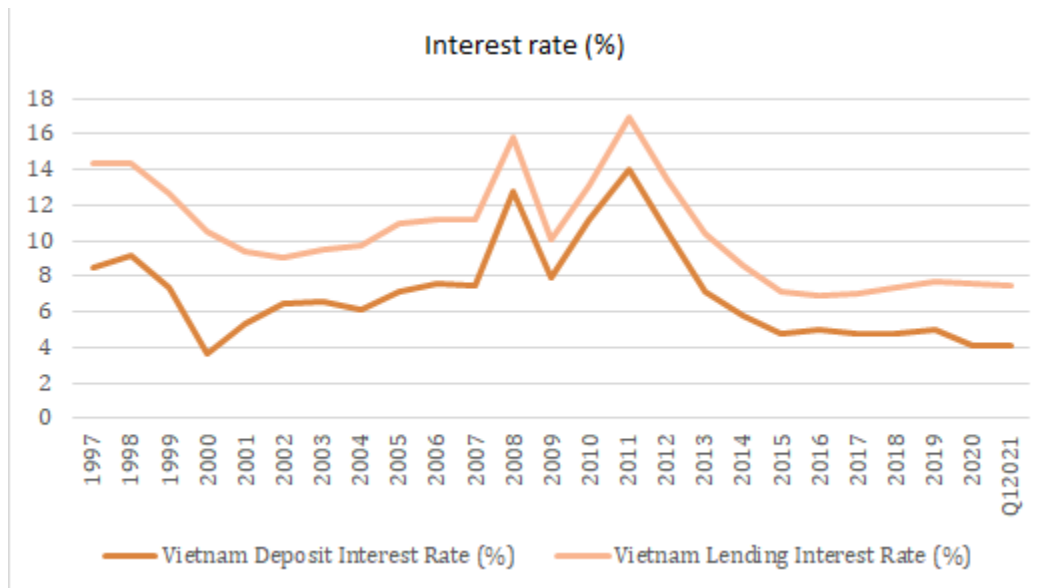
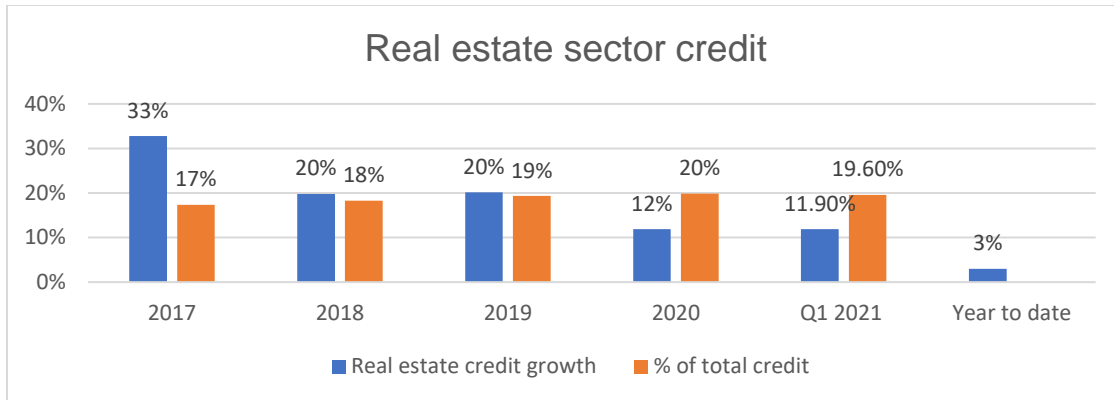


### REAL ESTATE CREDIT GROWTH

The credit poured into real estate market has been high in Q1 2021 at 3% ytd, grow 12% y-o-y, account for 19.6% of total credit. This is higher than growth of total credit but is still approximated to last year. Interest rate for real estate buyer has been reduced a little bit and keep around 10%. We think that lending interest rate would not reduce further since the risk of the mortgage loan or development are still high.

There was about 22,1 trillion VND of bond par was issued by Real estate sector in the first quarter, reduce -26% y-o-y, account for 73% of total issuance. Average coupon rate of real estate bond was about 10,3%/annually, reduce 20 basis point since end of 2020. Average maturity date was 3 years.

There are some signal of money pouring in alternative investment channels such as real estate (land lot, shophouse...) and stock market seeking for speculating return, which push the price up higher, impact adversely on real demand for housing. The real estate market will need more time to recover to the pre-Covid 19 level.



## CONCLUSION

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