



## Sector quarterly report: Real estate sector Q3/2022

Equity Analyst

Phi Cong Linh

linhpc@gtjas.com.vn – ext 704

01 Mar 2023

## Sector is facing crisis

## Key Highlight

- The number of apartments launched and sold in Hanoi market decreased sharply compared to the the previous quarter. The segments were almost frozen with no transactions when credit were tightened, leading to exhausted liquidity.
- In Ho Chi Minh City, the supply in Q4 was low with a total of 1,312 units, down -54% QoQ, just higher than Q1 2022 and the lowest in many recent years. The number of sold units also dropped sharply with 1,155 units, down -85% QoQ.
- Credit growth of the real estate industry reached 24% Ytd, higher than the total credit of the country at 14.18% Ytd.
- Credit to the real estate industry has been limited by the SBV to limit bubbles.

## Comment

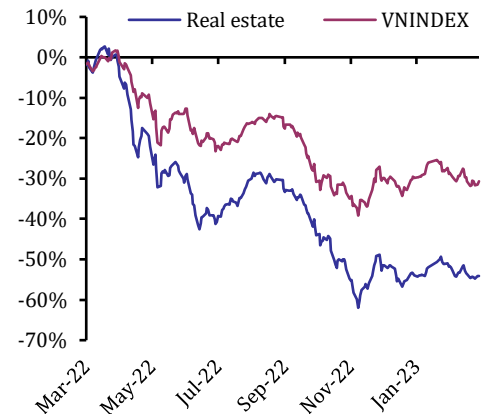
- Per our view, the pessimism and risk off attitude will continue and be more serious in 2023 due to interest rate continue to hike; land price continue to collapse; developer who need cash will liquidate their asset and inventory; investor and home buyer will be reluctant to hold their asset due to higher interest expenses when interest grace period end; global economy come into recession, affect the income.
- We remain Neutral for residential property sector.

Rating:

Neutral

Maintained

## Major stocks performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	-3.84%	-4.07%	-48.97%
VNI index	-5.6%	-1.7%	-30.7%

Source: Bloomberg, Guotai Junan Vietnam

	GDP Growth (%yoy)	Outstanding credit (Tril VND)	Credit growth (% Ytd)	M2 growth ( $\Delta$ %)	Refinancing rate (%)	Average inflation (% yoy)	P/E sector (x)	ROE sector (%)	ROA sector (%)	P/E Vnindex (x)
2022	8.02 %	11.924	14.18%	7%	6%	3.15	18.8	8.5	3.4	11.4
Ticker	P/E	P/B	Mkt cap (VND)	ROA (%)	ROE (%)					
AGG	#N/A	N/A	3,653,456,345,600	(0.2)	(1.0)					
HPX	12.3	0.4	1,341,383,442,210	1.5	3.2					
KDH	18.0	1.6	18,565,896,870,500	6.1	9.4					
VHM	6.4	1.3	183,318,871,244,800	9.7	21.3					
NLG	20.1	1.1	9,832,455,680,000	2.2	5.8					
NVL	9.5	0.6	21,548,655,144,900	1.0	6.2					
PDR	6.4	0.9	7,522,437,652,800	5.3	15.1					
SCR	52.7	0.5	2,643,020,657,000	0.5	1.0					
VPI	24.8	3.6	12,487,180,237,200	4.7	15.1					
Average	18.8	1.3	28,990,373,030,557	3.4	8.5					

Source: Guotai Junan Vietnam

**Sold and Launch of the quarter**

**Table-1: Sold and Launch of the quarter, condo**

	Sold (unit)	QoQ (%)	Launched (unit)	QoQ (%)
Hanoi	2,146	-41%	3,320	-9%
HCMC	1,155	-85%	1,312	-54%

Source: CBRE, Guotai Junan Vietnam

**SALES UPDATE**

**Hanoi and HCMC market in Q4 2022.** The number of apartments were launched and sold in Hanoi market decreased sharply compared to the number of the previous quarter. The segments were almost frozen with no transactions when credit was tightened, leading to exhausted liquidity.

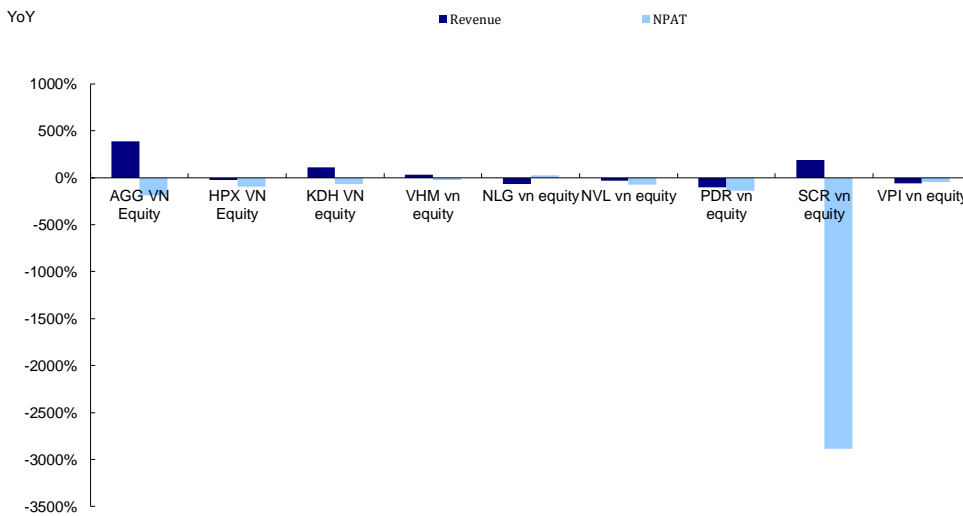
In Ho Chi Minh City, the supply to the market in Q4 was low with a total of 1,312 units, down -54% QoQ, just higher than Q1 2022 and the lowest in many years. The number of sold units also dropped sharply with 1,155 units, down -85% QoQ.

The average transaction price in Ho Chi Minh City with the high-end segment increased by 7.8% YoY, up 1.4% QoQ while the remaining segments were almost unchanged.

The primary selling price on the apartment market in Hanoi averaged \$1,934/m2 (excluding VAT and maintenance fees) at the end of 2022, up 21.2% over the same period last year. In the secondary market, the average selling price as of Q4 2022 reached USD 1,303/m2, up 7.5% YoY, but down 2.8% QoQ.

**Financial result of some major developers**

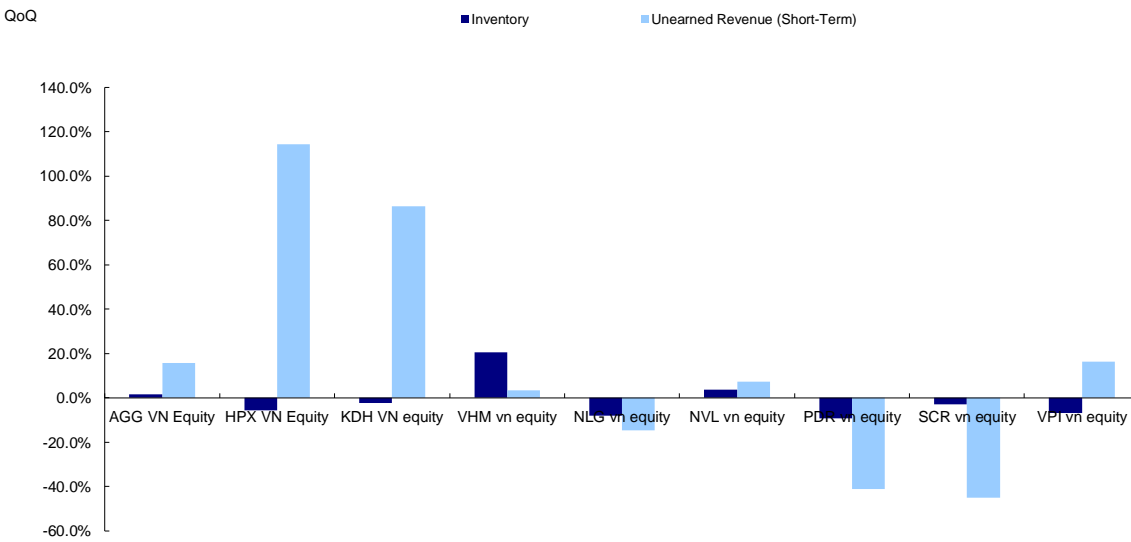
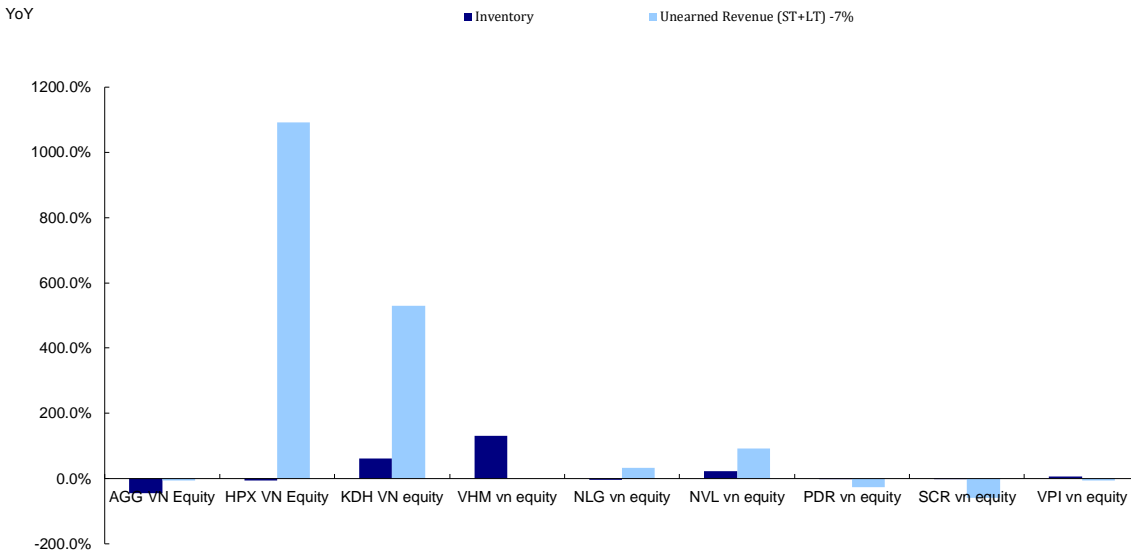
**Chart-1: Revenue and NPAT**



Source: Fiiipro, Guotai Junan (Vietnam)

In Q4 2022, most large property developers record negative growth in revenue YoY. AGG grew 391% YoY, while VHM revenue increase 34% YoY. NPAT of most companies in the sector record negative growth, which reflected the stressful situation and profit margin of the sector shrink dramatically.

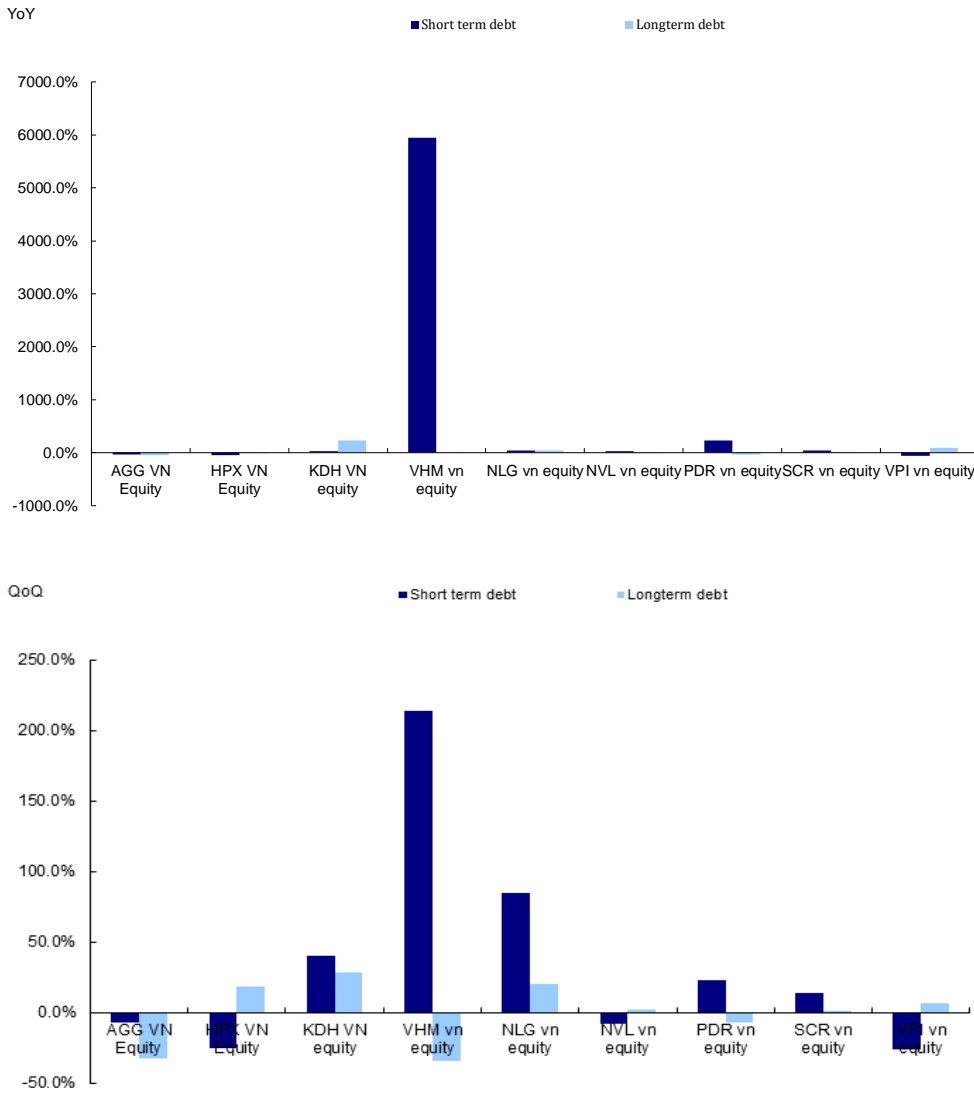
**Chart-2: Inventory and customer prepayment**



Source: Fiinpro, Guotai Junan (Vietnam)

The inventory has not changed from last quarter, except VHM up 20% QoQ. Meanwhile, some companies such as VPI, NVL, KDH, VHM and HPX recorded unrealized revenue growth, HPX at +114% QoQ, KDH at 86% QoQ, VPI at +16% QoQ. Compared to the same period last year, the inventory of these companies in general increased higher.

**Chart-3: Debt**

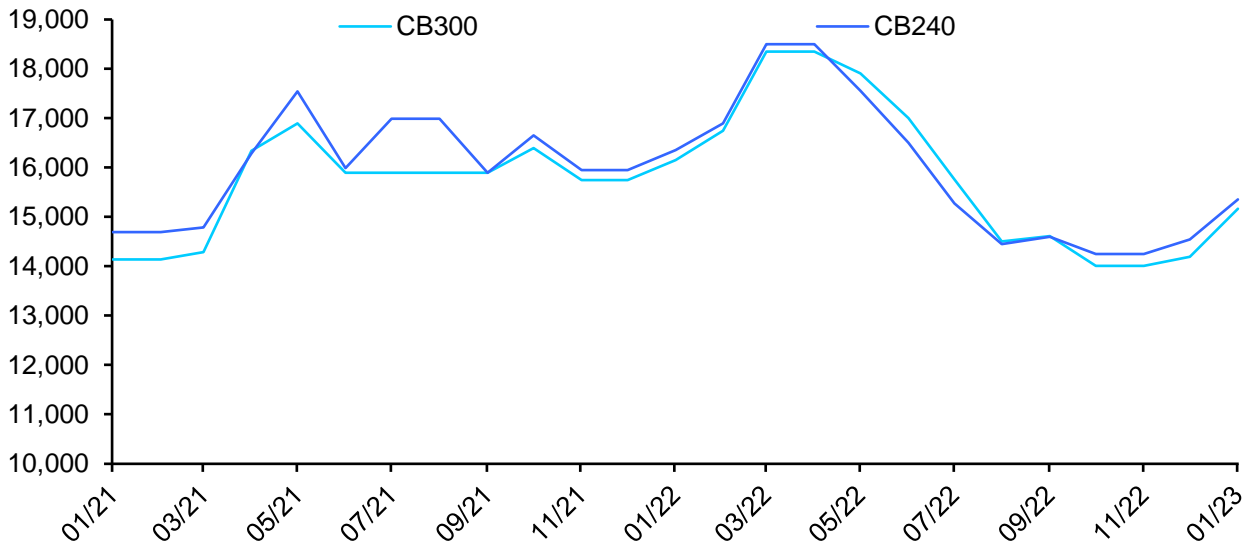


Source: Fiiipro, Guotai Junan (Vietnam)

Most companies have large debts burden with total debt increasing by 30% YoY (except for VHM which increased sharply because VHM's short-term debt was low in the same period last year). On average, most of these companies recorded short-term debt down about 7% QoQ in the context of the real estate industry and the economy being shortage of money and sales plummeting.

**Construction cost.** Prices of iron and steel and other construction materials such as concrete, stone, sand, etc. have increased significantly since the beginning of the year since October 2022, significantly increasing costs for construction and real estate businesses. Construction enterprises are in a difficult financial situation, costs are high while construction works are stalled due to the weak housing market.

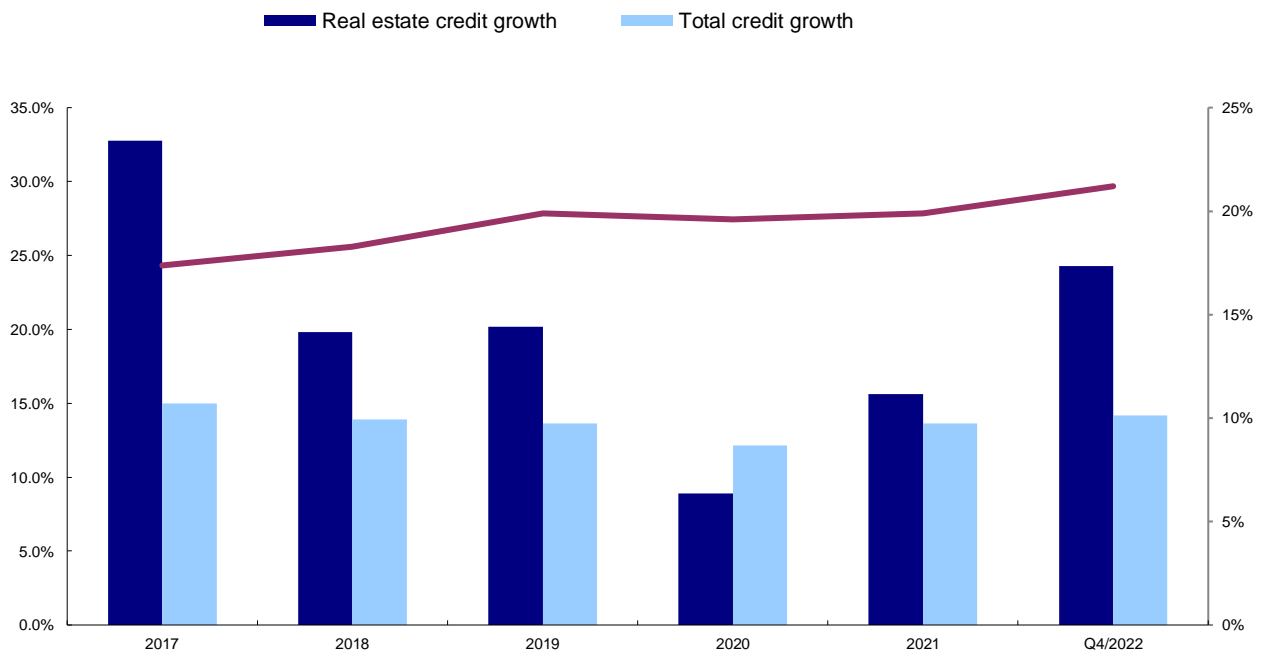
#### Chart-4: Steel price

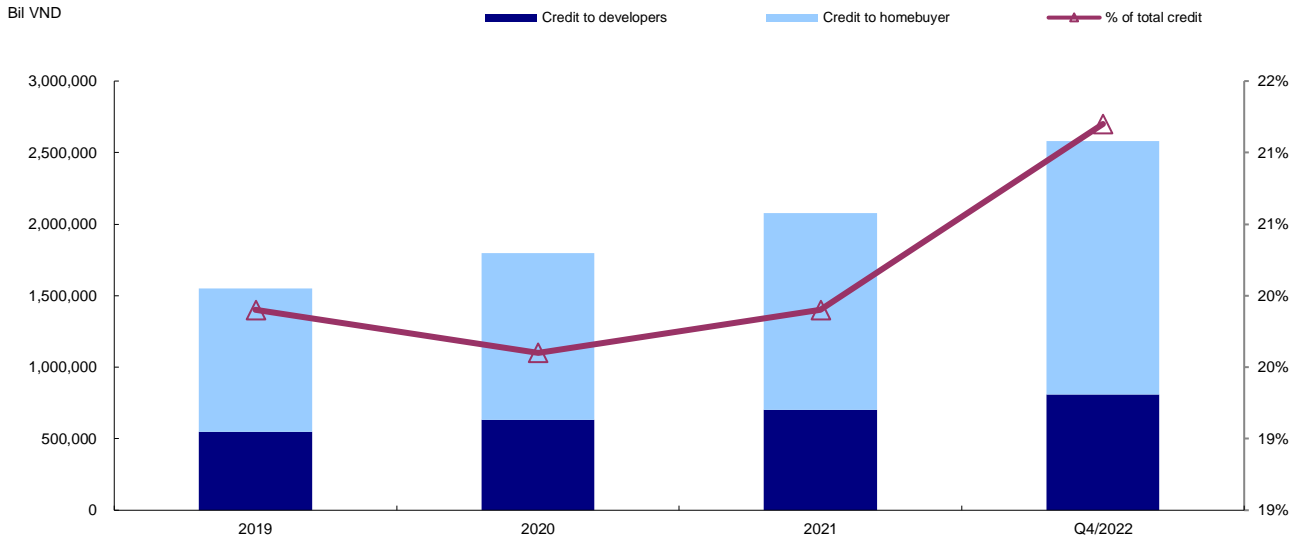


Source: Fiiopro, Guotai Junan (Vietnam)

**Real estate credit growth.** The credit poured into real estate market has been hot in 2022 at +24% ytd, account for 21.2% of total credit, much higher than total credit growth at +14.18%. State bank of Vietnam is trying to cool the real estate market to avoid asset bubble in housing price, restrict credit pouring into the property market. The total value of corporate bonds issued in Q4/22 decreased by 94.5% compared to the previous quarter and decreased by 98.8% over the same period, reaching only VND3,619 billion. For the whole year of 2022, the total value of issued corporate bonds is estimated at VND 269,733 billion, down 64.4% compared to 2021.

**Chart-5: Credit growth**





Source: State bank of Vietnam, Guotai Junan (Vietnam)

### Conclusion

As we gave warning before, property sector and developer are falling into debt spiral and credit tightening. Many developers were forced to margin call in stock market and must sell their landbank and assets to repay the debt. More seriously, a wave of investors request to buy back the bond before maturity to avoid legal risk (related to the new regulation on bond issuance) pushes issuer to the liquidity crisis. Trust in property developers and bond investing are bad as ever.

Per our view, the pessimism and risk off attitude will continue and be more serious in 2023 due to interest rate continue to hike; land price continue to collapse; developer who need cash will liquidate their asset and inventory; investor and home buyer will be reluctant to hold their asset due to higher interest expenses when interest grace period end; global economy come into recession, affect the income.

We remain **Neutral** for residential property sector. Stocks we recommend to follow are **VHM, NLG, KDH, AGG**.



## APPENDIX

**Table-1: Financial summary**

Ticker	Rev Q4/2021(V ND Mil)	Rev Q4/2022 (VND Mil)	% YoY	NPAT Q4/2021(V ND Mil)	NPAT Q4/2022 (VND Mil)	% YoY	Short term debt Q4/2021 (VND Mil)	Long term debt Q4/2021 (VND Mil)	Short term debt Q4/2022 (VND Mil)	Long term debt Q4/2022 (VND Mil)	%YoY Total debt
AGG VN EQUITY	1,120,987	5,501,257	391%	214,781	(185,629)	-186%	1,347,039	1,641,835	940,240	872,931	-39%
HPX VN EQUITY	413,042	326,817	-21%	98,326	2,102	-98%	2,345,423	2,346,976	1,298,421	2,019,483	-29%
KDH VN EQUITY	590,631	1,234,079	109%	352,323	110,544	-69%	814,616	1,737,856	1,028,048	5,742,967	165%
VHM VN EQUITY	23,304,611	31,193,321	34%	11,740,375	8,927,802	-24%	250,820	19,667,987	15,170,840	21,006,302	82%
NLG VN EQUITY	4,418,041	1,629,030	-63%	336,924	437,078	30%	1,292,733	2,315,354	1,804,071	3,375,233	44%
NVL VN EQUITY	4,590,602	3,241,309	-29%	811,690	239,064	-71%	19,087,653	41,430,753	25,516,580	39,060,195	7%
PDR VN EQUITY	1,228,829	14,635	-99%	753,803	(266,857)	-135%	806,850	2,620,095	2,667,967	1,771,913	30%
SCR VN EQUITY	108,906	319,257	193%	3,272	(91,281)	2890%	788,220	777,852	1,071,406	837,942	22%
VPI VN EQUITY	1,970,780	760,211	-61%	242,075	133,707	-45%	1,794,476	1,958,984	794,742	3,835,222	23%

Source: the Company, Guotai Junan Vietnam,

**COMPANY RATING DEFINITION**

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

**SECTOR RATING DEFINITION**

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

**DISCLAIMER**

The views expressed in this report accurately reflect personal views on securities codes or the issuer of the analyst(s) in charge of the preparation of the report. Investors should consider this report as reference and should not consider this report as securities investment consulting content for making decisions on investments and Investors shall be responsible for the investments decisions. Guotai Junan Securities (Vietnam) Corp. may not be responsible for the whole or any damages, or an event(s) considered as damage(s) incurred from or in relation to the act of using all or part of the information or opinions stated in this report.

The analyst(s) responsible for the preparation of this report receive(s) remuneration based upon various factors, including the quality and accuracy of the research, clients' feedbacks, competitive factors and the revenue of the company. Guotai Junan Securities (Vietnam) Corp. and/or its members and/or its General Director and/or its staffs may have positions in any securities mentioned in this report (or in any related investments).

The analyst(s) responsible for the preparation of this report endeavours to prepare the report based on information believed to be reliable at the time of publication. Guotai Junan Securities (Vietnam) Corp. makes no representations, warranties and covenants on the completeness and accuracy of the information. Opinions and estimates expressed in this report represent views of the analyst responsible for the preparation of the report at the date of publication only and shall not be considered as Guotai Junan Securities (Vietnam) Corp.'s views and may be subject to change without notice.

This report is provided, for information providing purposes only, to Investor including institutional investors and individual clients of Guotai Junan Securities (Vietnam) Corp. in Vietnam and overseas in accordance with laws and regulations explicit and related in the country where this report is distributed, and may not constitute an offer or any specified recommendations to buy, sell or holding securities in any jurisdiction. Opinions and recommendations expressed in this report are made without taking differences regarding goals, needs, strategies and specified situations of each and every Investor(s) into consideration. Investors acknowledge that there may be conflicts of interests affecting the objectiveness of this report.

The content of this report, including but not limited to this recommendation shall not be the basis for Investors or any third party to refer to with the aim of requiring Guotai Junan Securities (Vietnam) Corp. and/or the analyst responsible for the preparation of this report to perform any obligations towards Investors or the third party in relation to the investment decisions of Investors and/or the content of this report.

This report may not be copied, reproduced, published or redistributed by any person(s) for any purposes unless upon a written acceptance by a competent representative of Guotai Junan Securities (Vietnam) Corp. Please cite sources when quoting.





## GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

### Phí Công Linh

Equity Analyst- Real estate sector

[linhpc@gtjas.com.vn](mailto:linhpc@gtjas.com.vn)

(024) 35.730.073 – ext:704

### Võ Thế Vinh

Head of Research

[vinhvt@gtjas.com.vn](mailto:vinhvt@gtjas.com.vn) - ext:701

01 March 2023



CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)  
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1 <sup>st</sup> Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	4 <sup>th</sup> Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: <a href="mailto:info@gtjas.com.vn">info@gtjas.com.vn</a> Website: <a href="http://www.gtjai.com.vn">www.gtjai.com.vn</a>	Fax: (024) 35.730.088	Fax: (028) 38.239.696

Real estate sector

Sector Quarterly Report