Shinhan Securities

REAL ESTATE

ENTERING A NEW CYCLE



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1. Overview and Update of The Real Estate Industry

The Real Estate industry plays an important role in Vietnam's economy and has always been a field that strongly attracts foreign direct investment. The Real Estate industry contributes a large proportion to total credit and corporate bond debt. Real Estate market was negative in the first half of 2023 mainly due to the legal and capital issues.

2. Prospects of The Real Estate Industry in 2024

Expect a recovery when (1) young population and improved income over the years, (2) infrastructure invested synchronously and widely, (3) economic growth in 2024 and (4) completed legal system are expected to promote Real Estate. However, risks still exist when some companies with large total payable cash flow in 2024.

3. Real Estate Stock Pick

VHM & NLG

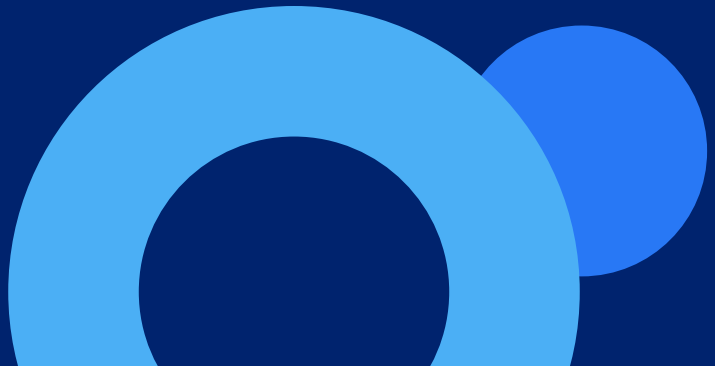
Investment thesis – New supply is the driving force for growth

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Overview and update on real estate industry

The Real Estate industry plays an important role in Vietnam's economy and has always been a field that strongly attracts foreign direct investment. The Real Estate industry contributes a large proportion to total credit and corporate bond debt. Real Estate market was negative in the first half of 2023 mainly due to the legal and capital issues.

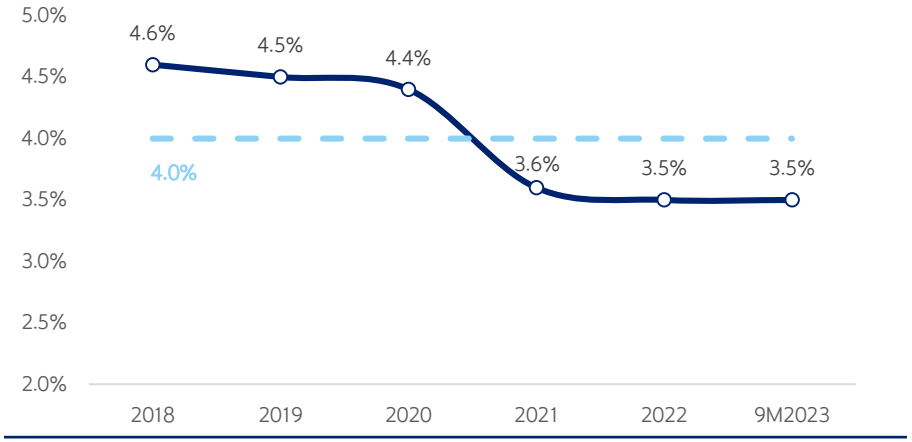


The Real Estate industry plays an important role in Vietnam's economy and stock market

– Real Estate industry accounts for an average of **4.0%** of Vietnam's total GDP in the period 2018–9M2023. Although the proportion is not large, the industry still plays an important role in Vietnam's economy due to the close connection and impact on the output of other industries in the value chain such as Construction (5.7% of GDP) or Banking and Finance (4.5% of GDP).

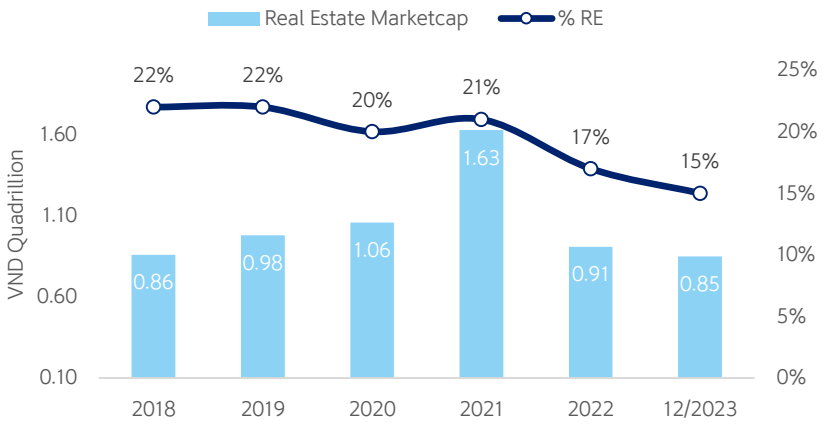
– In terms of scale in the stock market, Real Estate is currently the 2nd largest industry in terms of market capitalization, reaching more than **VND 0.85 quadrillion** as of December 2023, equivalent to **15%** of the total market capitalization of HOSE, HNX and UPCoM, ranked only behind the Banking industry (29% of total market capitalization).

Real Estate accounts for an average of 4.0% of Vietnam's GDP



Source: General Statistics Office, Shinhan Securities Vietnam

Contribution of Real Estate in total stock market capitalization



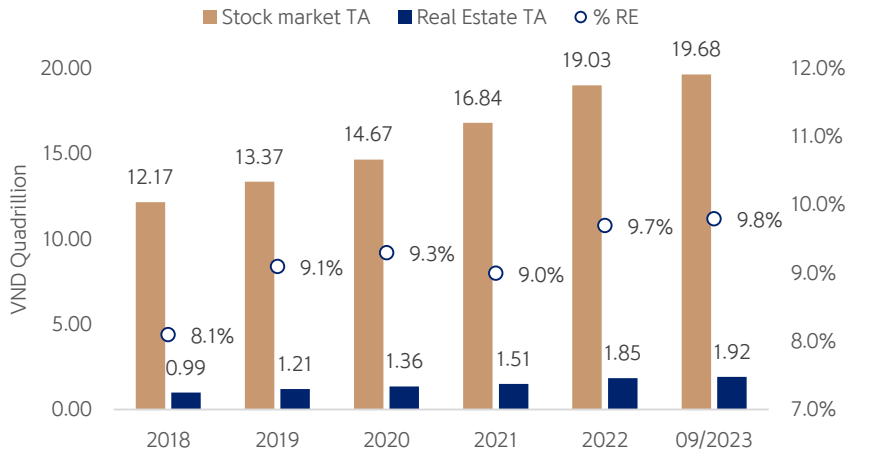
Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry plays an important role in Vietnam's economy and stock market

Total assets of the Real Estate industry as of September 2023 reached VND **1.92 quadrillion**, accounting for **9.8%** of the total assets of the entire Vietnam stock market.

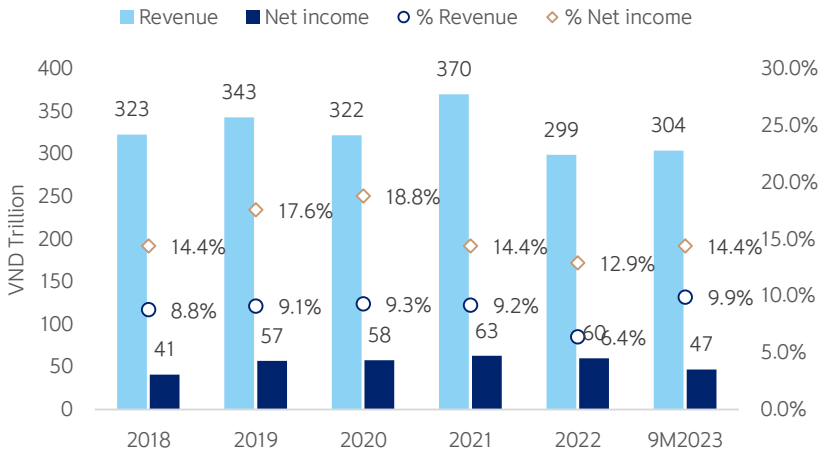
Regarding business activities, Real Estate industry accounts for an average of **8.8%** and **15.4%** of the total net revenue and net profit of the entire stock market, respectively, in the period 2018-9M2023.

The Real Estate industry accounts for an average of 9.2% of stock market total assets in the period 2018-09/2023



Source: FiinPro, Shinhan Securities Vietnam

Contribution of Real Estate to total revenue and net profit of the stock market

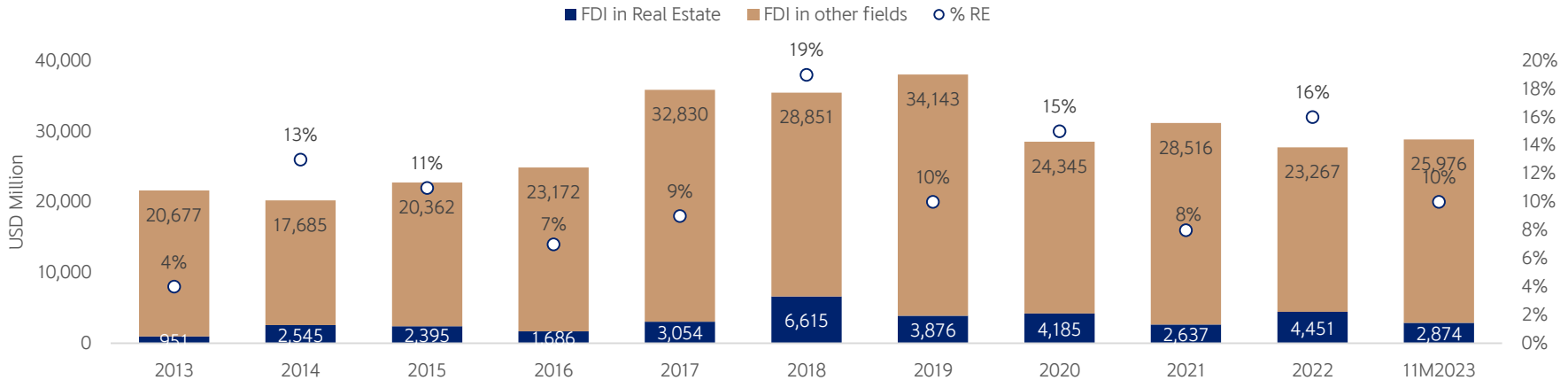


Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry has always been a field that strongly attracts foreign direct investment

Because of its strong potential growth, Real Estate has always been in the top 3 fields attracting registered foreign direct investment (FDI) in the 10-year period 2013-2022. Considering the first 11 months of 2023, Real Estate's FDI registered capital reached **USD 2,874 million**, equivalent to **10%** of total FDI registered capital, ranking 2nd, only behind Manufacturing-Processing industry which accounts for 69%.

Real Estate has always been in the top 3 fields having the highest registered FDI capital

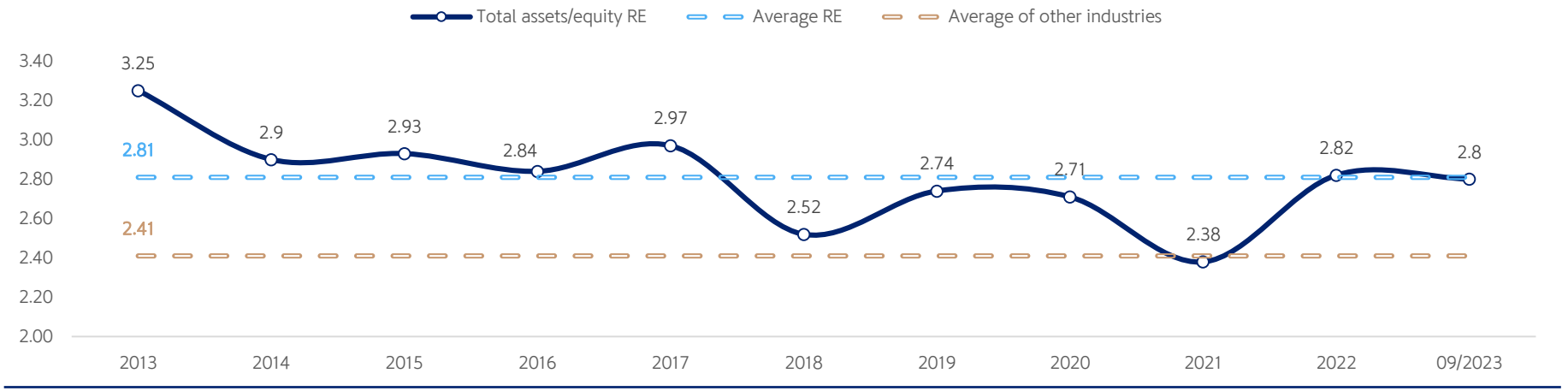


Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

The Real Estate industry often requires very large project investment capital. Companies that are unable to take out loans will be limited to investing in small-scale projects and only in a small number of projects at a time. Therefore, in order to invest in large-scale projects and potential projects at a time, the industry's financial leverage is relatively high compared to other industries. During the period 2013-09/2023, total assets/equity of Real Estate industry reached **2.81x**, higher than **2.41x** – the average of other industries (excluding Finance – Banking group).

Financial leverage in the Real Estate industry is often relatively high compared to other industries

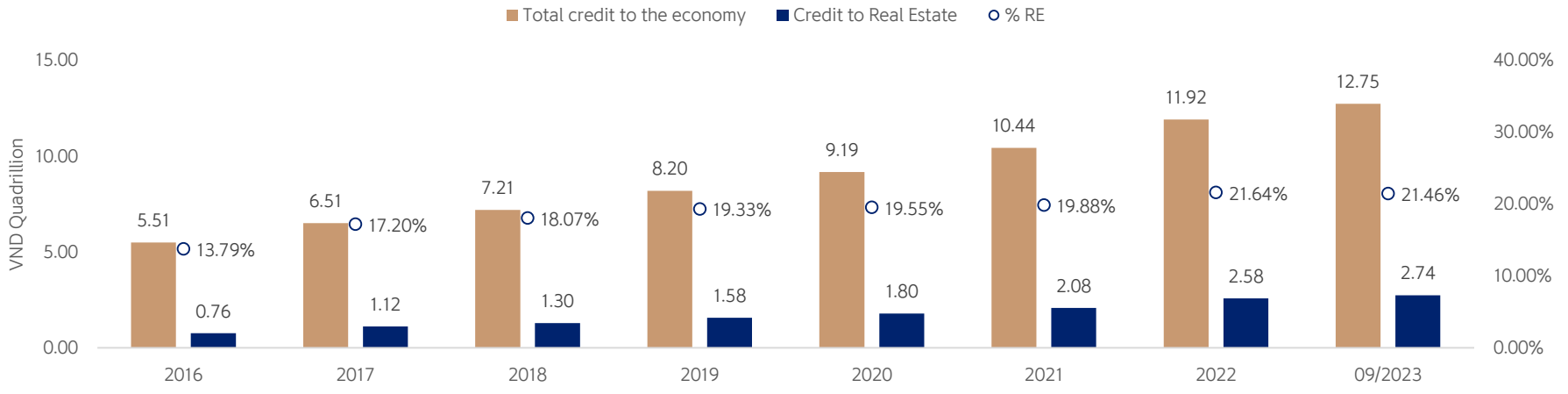


Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

Because of the large demand for loan capital, the Real Estate industry has been one of the main contributors to the total credit to the economy, accounting for **18.49%** in the period 2016-2022. In the first 9 months of 2023 alone, the total credit to the economy grew by **6.96%** compared to the end of 2022, reaching VND **12.75 quadrillion**, of which Real Estate contributed VND 2.74 quadrillion (+6.20% YTD), accounting for **21.46%** of total credit to the economy and **18.93%** of the credit growth.

In the 2016-2022 period, an average of 18.49% of total credit to the economy comes from Real Estate



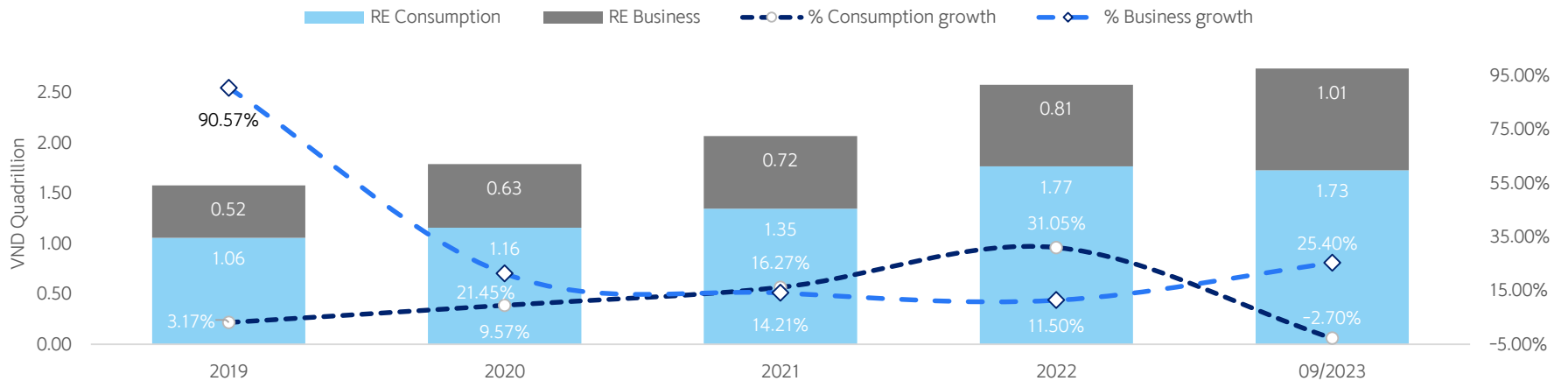
Source: State Bank of Vietnam, FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

Specifically, in the first 9 months of 2023, credit for Real Estate business reached **VND 1.01 quadrillion**, an increase of **25.4%** compared to the end of 2022, equivalent to **36.97%** of outstanding credit in the Real Estate sector; meanwhile, credit for Real Estate consumption only reached **VND 1.73 quadrillion (-2.7% YTD),** accounting for **63.03%** – this is the first time that the credit for Real Estate consumption has declined after many consecutive years having positive growth.

The decline in credit for Real Estate consumption shows that demand for properties has been weak due to many unfavorable factors: (1) The gloomy economy has impacted market's expectation and demand negatively, and (2) The high-end and mid-end segments have been the dominant supply sources, whereas, real housing demand is in the affordable segment.

Credit for Real Estate consumption declined after many years of positive growth



Source: Ministry of Construction, State Bank of Vietnam, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

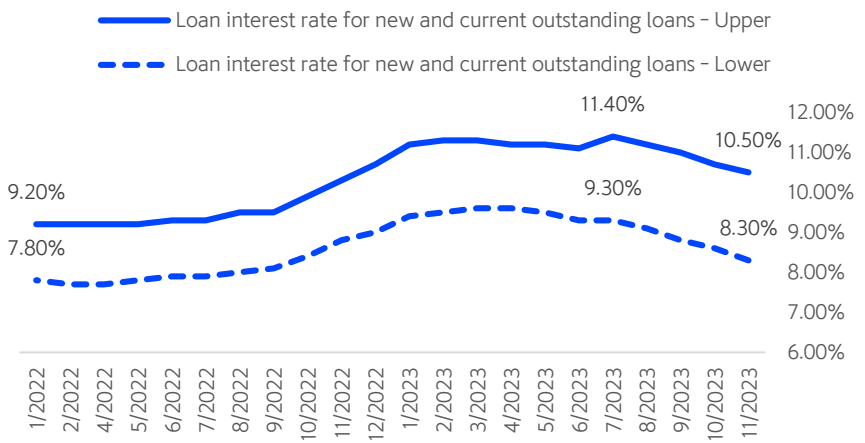
Since the beginning of 2023, the State Bank of Vietnam (SBV) has adjusted regulatory interest rates **4 times** and reduced the deposit interest rate ceiling **3 times.** This has created opportunity for commercial banks to reduce lending interest rates. However, as banks' lending conditions have not been significantly eased, many Real Estate companies are still in a state of capital shortage because of not meeting loan conditions.

Information on interest rate adjustments of the State Bank

Interest rate	Adjustment
Deposit interest rate ceiling (no term and less than 1 month)	1.0% -> 0.5%
Deposit interest rate ceiling (1 month to less than 6 months)	6.00% -> 4.75%
Supplying capital interest rate	6.0% -> 4.5%
Re-discount interest rate	4.5% -> 3.0%
Inter-bank overnight interest rate	7.0% -> 5.0%

Source: SBV, Shinhan Securities Vietnam

Average lending rate has gradually decreased



Source: SBV, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

According to Batdongsan.com.vn, as of December 2023, preferential interest rates for home loans have also shown a decrease of about **2.0%-3.0%** compared to the beginning of the year.

Currently, home loans are commonly structured in the form of a combination of two interest rates:(1) preferential loan interest rate and (2) post-preferential interest rate, the adjustment margin between the two interest rates is in the range of **2.0%-3.8%.** Specifically, preferential interest rates when borrowing to buy commercial housing at banks range from **3.00%-10.99%/year**. At the end of the preferential period, the interest rate falls around **9.5%-13.0%/year.**

Changes in commercial home loan interest rates at some major banks

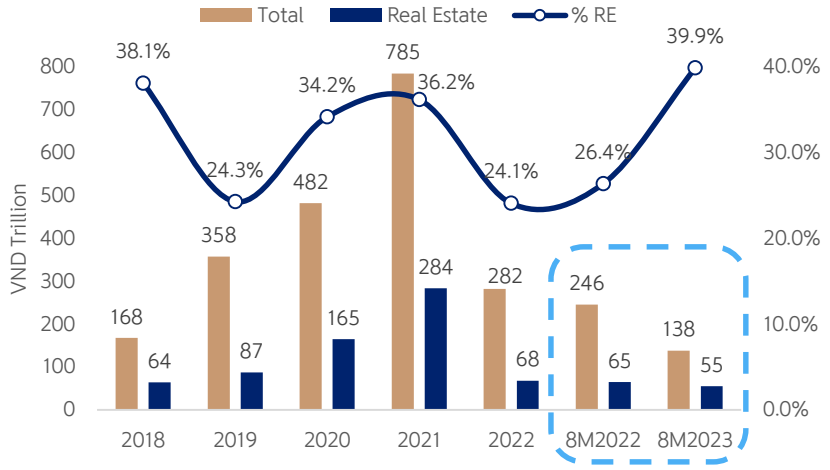
Bank	01/2023			12/2023		
	Preferential rate (%/year)	Maximum loan rate (%)	Maximum tenor (year)	Preferential IR (%/year)	Maximum loan rate (%)	Maximum tenor (year)
Vietcombank	11.0-12.0	70	15	8.5	70	20
Shinhan bank	10.9	70	30	6.6	70	30
Techcombank	10.6	70	35	10.5	70	35

Source: Batdongsan.com.vn, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

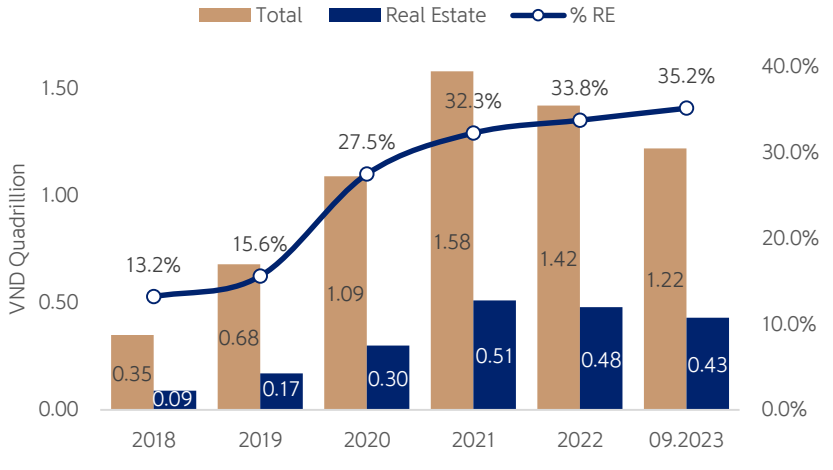
Besides traditional commercial bank credit channel, Real Estate companies also actively raise capital through the corporate bond channel, and the Real Estate industry is one of the two largest issuing industries in the market along with Banks. On average, in the period 2018-2022, Real Estate accounts for **31.4%** and **24.5%** of the total value of corporate bonds issued and the total value of corporate bonds outstanding, respectively. In the first 8 months of 2023, the industry has issued **VND 55 trillion** worth of bonds **(-15.4% YoY),** accounting for **39.9%** of the total value of bonds issued in the entire market.

Real Estate accounts for an average of 31.4% of issued corporate bonds over the period 2018-2022



Source: FiinPro, Shinhan Securities Vietnam

Real Estate accounts for an average of 24.5% of outstanding corporate bonds over the period 2018-2022



Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

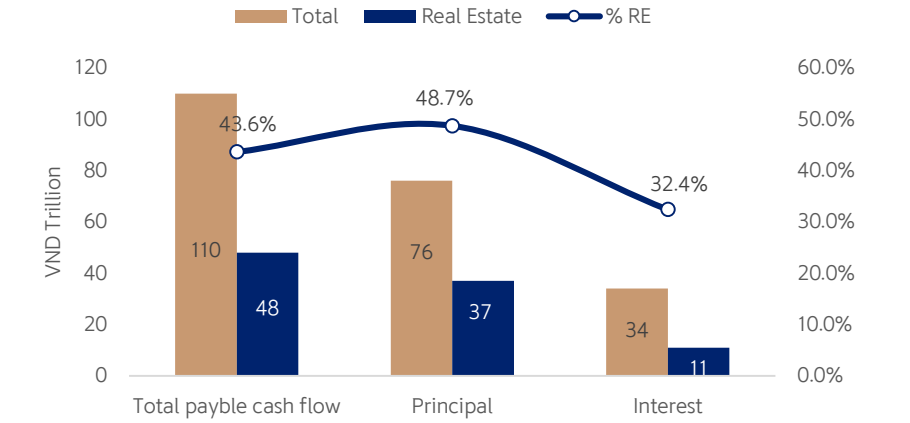
One of the popular indicators used to measure the financial pressure of the corporate bond market is the payble cash flow by bond issuers during the year, including: principal and interest.

In 2023, the corporate bond market has to face a lot of financial pressure because (1) the payable cash flow in the year is large: about **VND 110 trillion** and (2) the gloomy economy impacts the liquidity of businesses – issuers.

The difficult situation is similar to the Real Estate industry, when: (1) many projects are delayed in different stages of the legal process, causing increased costs for businesses, (2) limited access to capital from both commercial banks and corporate bond market and (3) weak market sentiment and low demand.

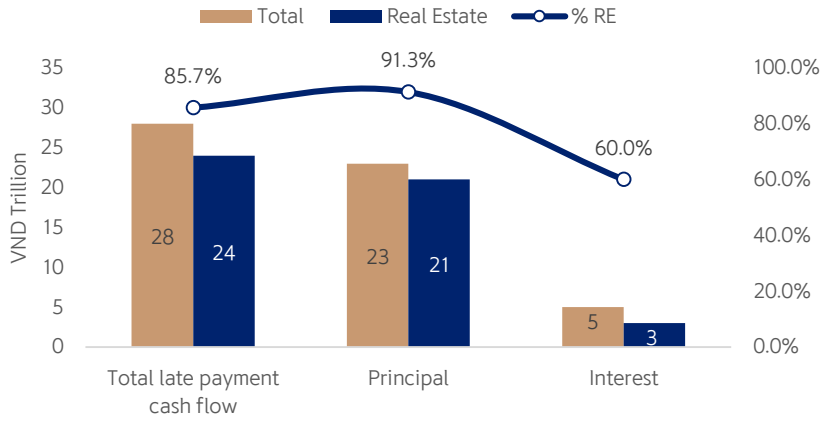
Therefore, high payable cash flow at **VND 48 trillion**, accounting for **43.6%** of the entire corporate bond market, it has brought a lot of short-term financial pressure to Real Estate businesses. Accumulated 8M2023, Real Estate industry has delayed payment of cash flow up to **VND 24 trillion**, equivalent to **85.7%** of the total market.

Payable cash flow of the corporate bond market in 2023



Source: FiinPro, Shinhan Securities Vietnam

85.7% of late payment cash flow came from Real Estate



Source: FiinPro, Shinhan Securities Vietnam

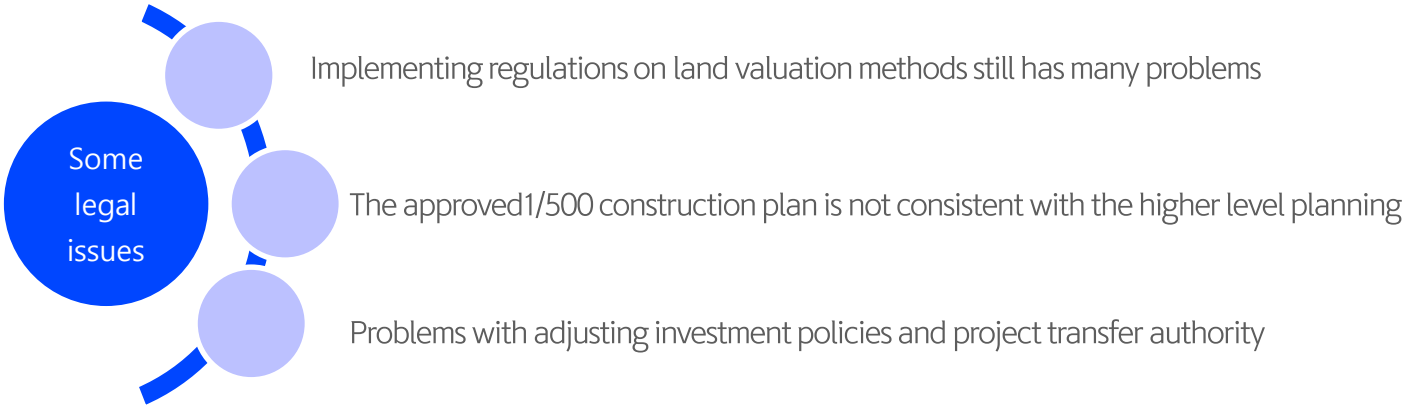
Real Estate industry is affected by many legal documents

a. Overlapping between the Land Laws and relevant legal documents cause congestion in Real Estate management and business

Real Estate has a profound impact on the economy and social settlement. Therefore, many legal documents were issued to control the activities of this industry. A process for implementing a commercial Real Estate investment project has more than 30 steps and is influenced by about 12 related laws. However, the Land Law and related legal documents remain congested, inadequate, in an overlapping situation and incoherent, causing adverse impacts on the efficiency in land administration.

Legal issues cause projects to prolong completion time and increase costs, resulting in house prices being upward. In Decision No. 338/QD-TTg dated April 2023, about 80-90% of projects and constructions in HCMC and 50% of construction projects in Hanoi encountered difficulties or stopped implementation. Therefore, we expect the legal settlement of the project to help increase new supply to the market.

Some legal issues between Land Law and relevant legal documents



Source: Ministry of Construction, Shinhan Securities Vietnam

Real Estate industry is affected by many legal documents

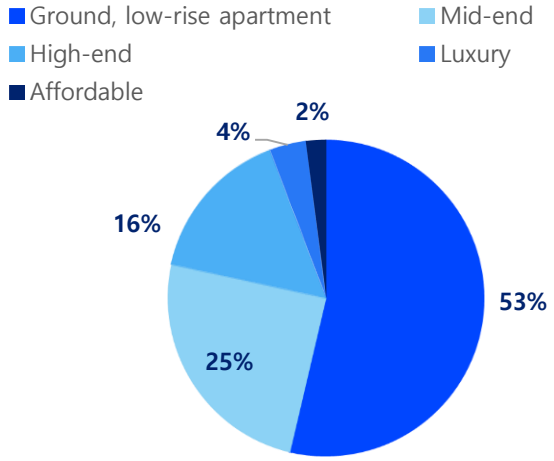
b. The social housing project has not yet been strongly implemented

The surplus in the middle and high-end segments and a lack of supply in the affordable segment with high demand worsen the imbalance of real estate in Vietnam. Decision No. 338/QD-TTg dated April 2023 reports that the demand for social housing for low-income people and industrial park workers is at 2.4 million condos for the period 2021-2030.

However, up to date, the number of condos meeting this demand is 155,792 units (about 6.5%). The cause of this shortage mainly comes from (1) lack of land fund for housing property development, (2) limited concessional loans, and (3) unattractive preferential policies for businesses.

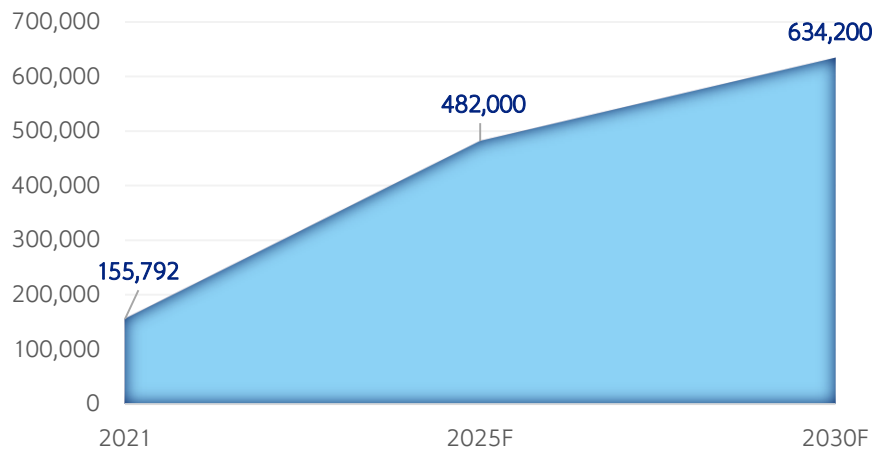
Decision No. 338/QD-TTg approved a project of 1 million social condos for the period 2021-2030 with a credit support package of VND 120,000 billion. As of the third quarter of 2023, about 52 projects met the requirements with total debts of VND 25,884 billion.

Supply structure by segment



Source: VARS, Shinhan Securities Vietnam

Social housing condos and worker housing from 2018 to 2030F



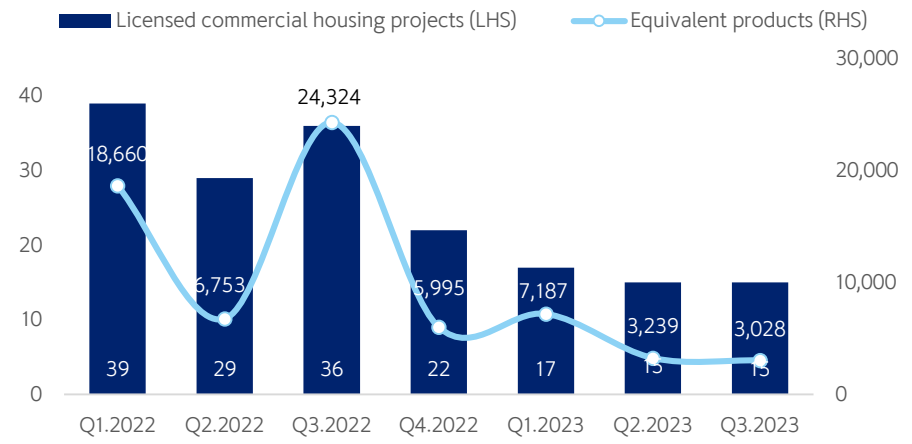
Source: Decision No. 338/QĐ-TTg, Shinhan Securities Vietnam

Real Estate market was negative in the first 9 months of 2023

The Real Estate market status in 9M2023 have been shown through many negative data. According to the Ministry of Construction, the number of licensed commercial housing projects in 9M2023 is only **47 projects (-55% YoY),** including **13,454 products (-73% YoY),** showing the difficulty of businesses in implementing the project investment legal process.

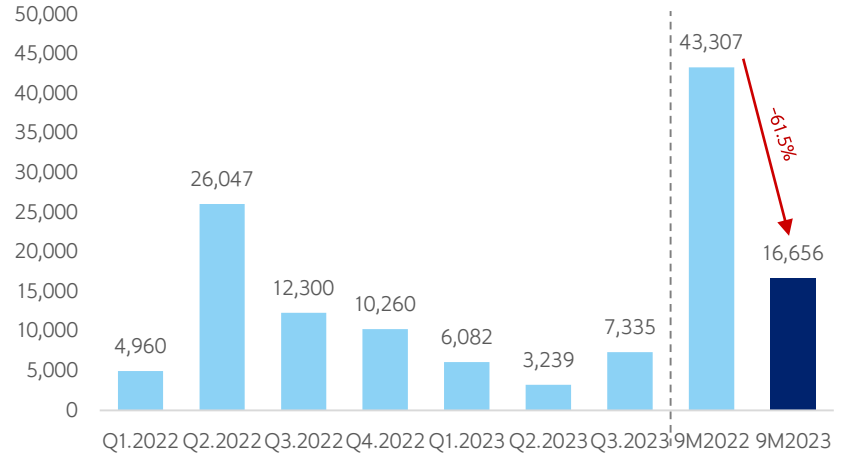
In addition, because of the low absorption rate, many Real Estate businesses postponed sales launches or launched sales in just small scales, leading to a sharp decrease in residential property supply: Total new supply of residential property products in Hanoi and HCMC (including condo and landed property) in 9M2023 was only **16,656 products**, corresponding to a sharp decrease of **-61.5% YoY** compared to **43,307 products** in the same period.

Number of licensed commercial housing projects 9M2023 -55% YoY



Source: Ministry of Construction, Shinhan Securities Vietnam

Residential property supply in Hanoi and HCMC decreased by 61.5% YoY

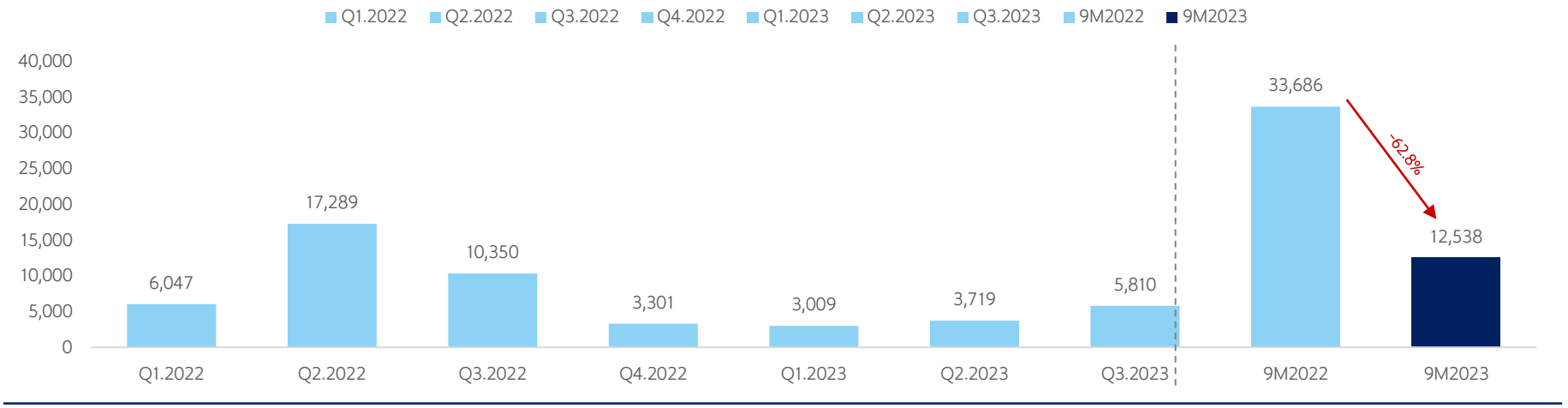


Source: CBRE, Shinhan Securities Vietnam

Real Estate market was negative in the first 9 months of 2023

Because of (1) negative sentiment towards the Real Estate market with the tendency to wait and expect selling prices to be lower, more reasonable and (2) the supply does not have affordable products – the segment that has great demand for real housing. In fact, the number of condo sold in Hanoi and Ho Chi Minh City in 9M2023 was only **12,538 products**, corresponding to a decrease of **62.8% YoY** compared to the same period of **33,686 products**.

Number of condo sold in Hanoi and Ho Chi Minh City

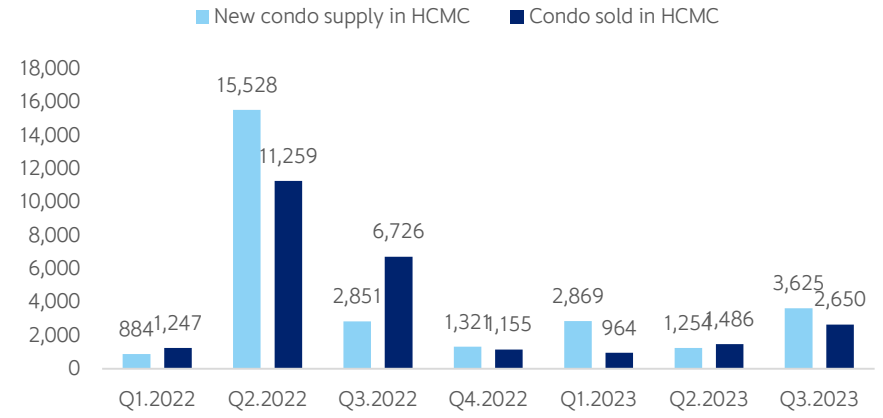


Source: CBRE, Shinhan Securities Vietnam

Real Estate market was negative in the first 9 months of 2023

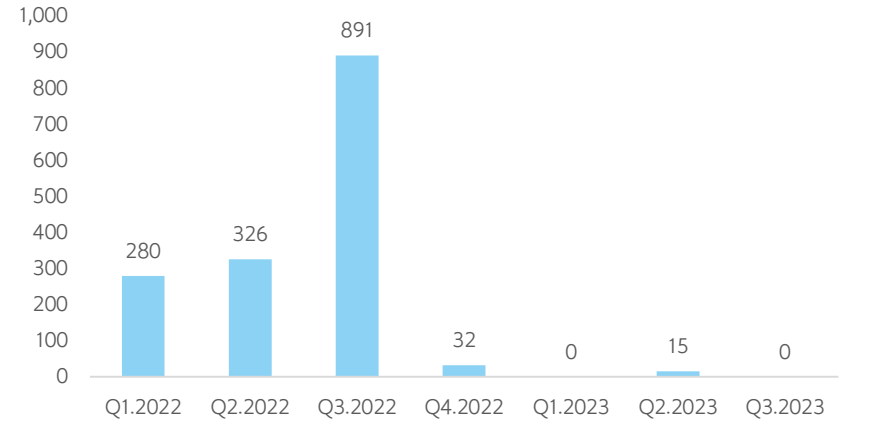
Specifically, in Ho Chi Minh City, total condo sold in 9M2023 reached **5,100 products, down 73.5%** over the same period. Of which, the majority of products came from the high-end segment, the remaining small proportion was mid-end, with absolutely **zero supply** of affordable products since the first quarter of 2019. For landed property (including: villas, townhouses and shophouses), the situation was even worse when the total supply was only **15 products** from a single project, The Soli Binh Tan which was opened for sale in Q2/2023; moreover Q1/2023 is the first quarter in the last 10 years that Ho Chi Minh City recorded **zero** new landed property for sale.

Condos sold in Ho Chi Minh City decreased sharply in 9M2023



Source: CBRE, Shinhan Securities Vietnam

Supply of landed property in HCMC was 15 products in 9M2023

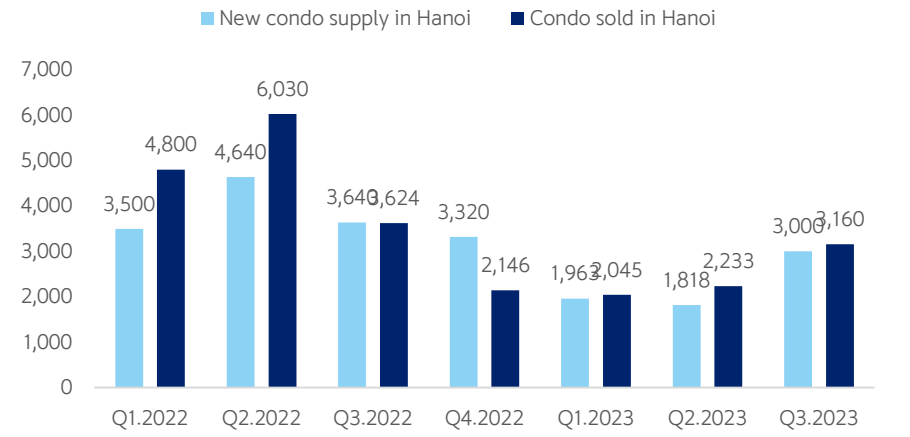


Source: CBRE, Shinhan Securities Vietnam

Real Estate market was negative in the first 9 months of 2023

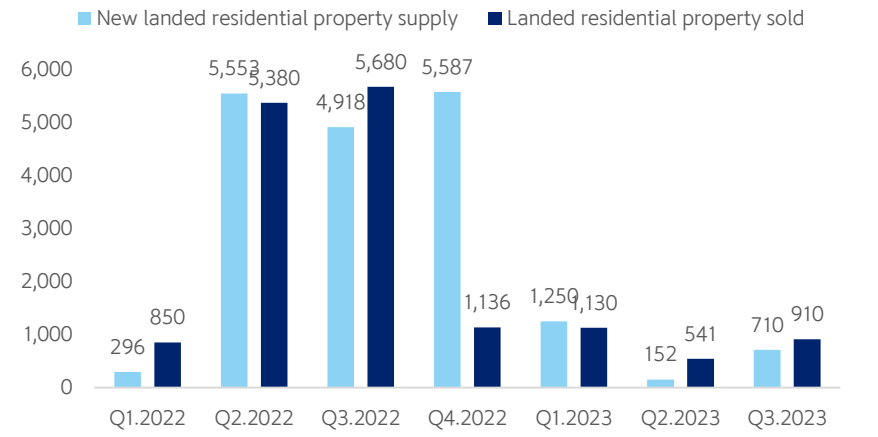
Hanoi also recorded a sharp decline in the number of condo sold in 9M2023, however the decline rate was lower than in Ho Chi Minh City because the supply structure has a higher proportion of mid-end segment products. Specifically, sales volume reached **7,438 products (-48.5% YoY).** Besides, Hanoi also recorded **no products** for sale in the affordable segment since Q3/2021. Regarding landed property, Hanoi recorded **2,581 products** sold during the period **(-78% YoY).**

Condos sold in Hanoi decreased sharply in 9M2023



Source: CBRE, Shinhan Securities Vietnam

Hanoi's sold landed property decreased by 78% YoY in 9M2023



Source: CBRE, Shinhan Securities Vietnam

02

Prospects of the real estate industry in 2024

Expect a recovery when (1) young population and improved income over the years, (2) infrastructure invested synchronously and widely, (3) economic growth in 2024 and (4) completed legal system are expected to promote Real Estate. However, risks still exist when some companies with large total payable cash flow in 2024.

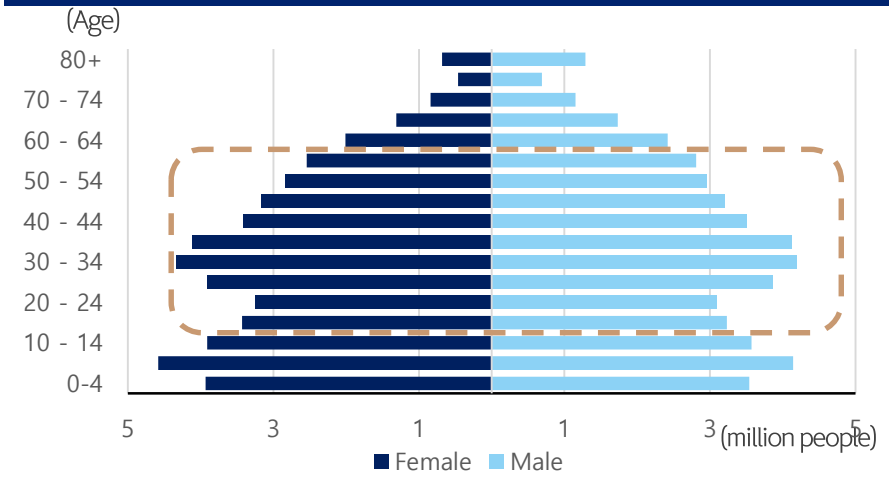
Young population and improved income over the years are driving the demand for Real Estate

According to the General Statistics Office (GSO), Vietnam is in the golden population period with **70%** of people of working age. This population structure is forecast to maintain until 2038. In particular, the average age of Vietnamese people is currently about **34** years old. This is the age when Vietnamese people have a high need for housing to settle down.

With a large working population and the tendency to migrate to big cities to work, the Vietnamese family structure is broken with the scale becoming smaller and more flexible (nuclear family). According to GSO, Vietnamese family size decreased from **3.9 people/household** in 2010 to **3.6 people/household**.

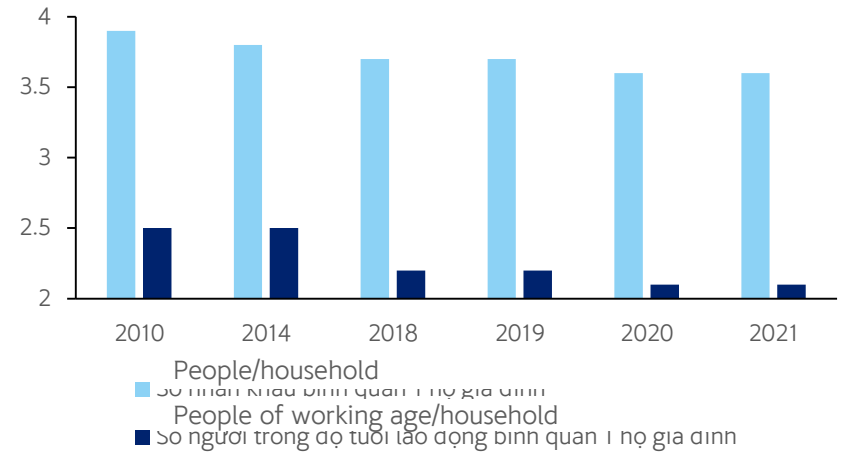
We expect that, with a high young population and a fragmented family structure, the demand for residential Real Estate will continue to increase in the near future.

Vietnam population pyramid in 2021



Source: VARS, Shinhan Securities Vietnam

Size and number of people of working age in a household



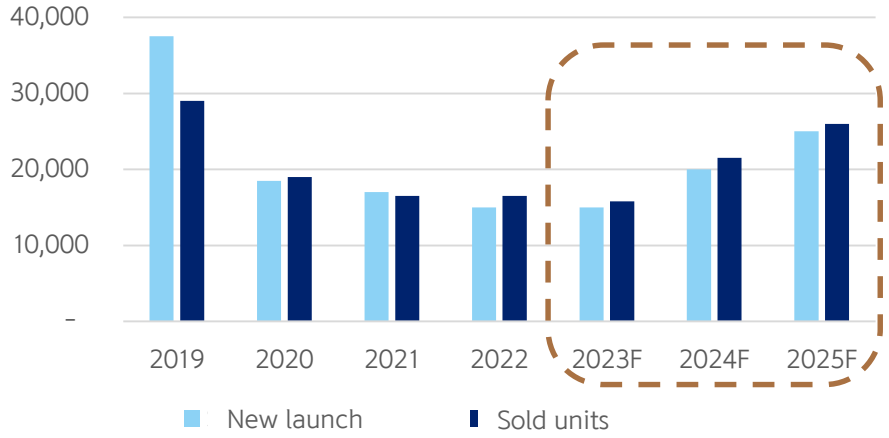
Source: General Statistics Office of Vietnam , Shinhan Securities Vietnam

Young population and improved income over the years are driving the demand for Real Estate

Besides, income per capita has grown over the years. In 2022, the average income per capita in 2022 will reach **USD 4,164 (+10.84% YoY)**, ranking **6th** in Southeast Asia. Euromonitor forecasts that by 2040, the average income per capita will be about **USD 6,300**.

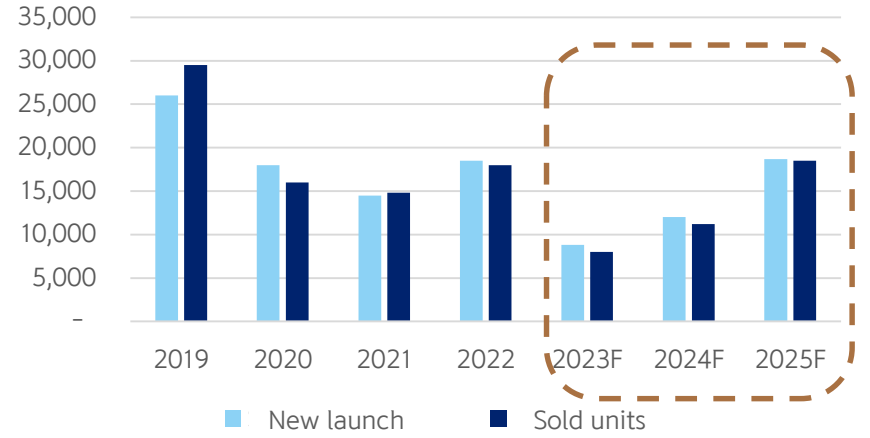
Increased income contributes to increased purchasing and also increases expenditure on housing. According to a report by Batdongsan.com, the proportion of people willing to spend **40%** of their income to pay for a house in installments increases from **25%** at an income of less than **VND 40 million/month** to **41%** when the income is over **VND 100 million/month.**

Forecasting the number of new and sold condos in Hanoi



Source: CBRE, Shinhan Securities Vietnam

Forecasting the number of new and sold units in HCM



Source: CBRE, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

Infrastructure has been continuously invested with public investment capital increasing over the years. Specifically, disbursement of public investment capital in 2022 reached **VND 593 trillion (+ 20.3% YoY)** and planned public investment capital in 2023 is about over **VND 700 trillion (+ 25% YoY).**

Many key projects are being implemented: Hanoi's Ring Road No. 4, HCMC's Ring Road No.3, North – South Expressway, Bien Hoa – Vung Tau Expressway, Khanh Hoa – Buon Me Thuot Expressway, Long Thanh Airport. We expect investment in synchronous and widespread transportation infrastructure projects to contribute to increasing supply and value for Real Estate projects because:

(1) Land funds developed outside the center but connected to transportation infrastructure will become more attractive, attracting developers;

(2) Full infrastructure contributes to increasing the value of projects at more competitive prices.

Large infrastructure project to be built in 9 months of 2023



North – South Expressway P2

Commencement date: N/A

Handover year: 2025

Investment cost: VND 114.6 trillion

Status: Constructing 12 expressway projects



Long Thanh Airport

Commencement date: 31/08/2023

Handover year: 2025

Investment cost: VND 337 trillion

Status: Commencement of package 5.10 for passenger terminal construction

Source: Ministry of Transport, Airports Corporation Of VietNam, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

a. Southern infrastructure



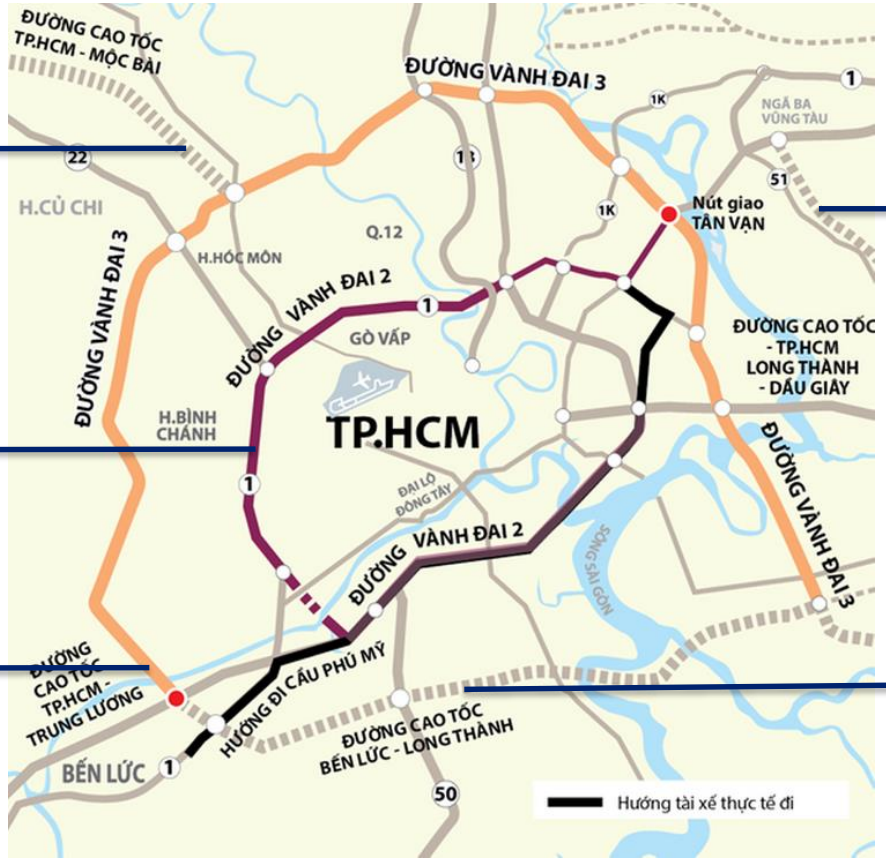
HCM - Moc Bai Expressway (Construction starts in 2024)



Ring Road No.2 (Completed in 2026)



Ring Road No.3 (2022-2025)





Bien Hoa – Vung Tau Expressway (Completed in 2026)



Ben Luc - Long Thanh (Completed in 2025)

Source: Batdongsan.com.vn, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

a. Southern infrastructure

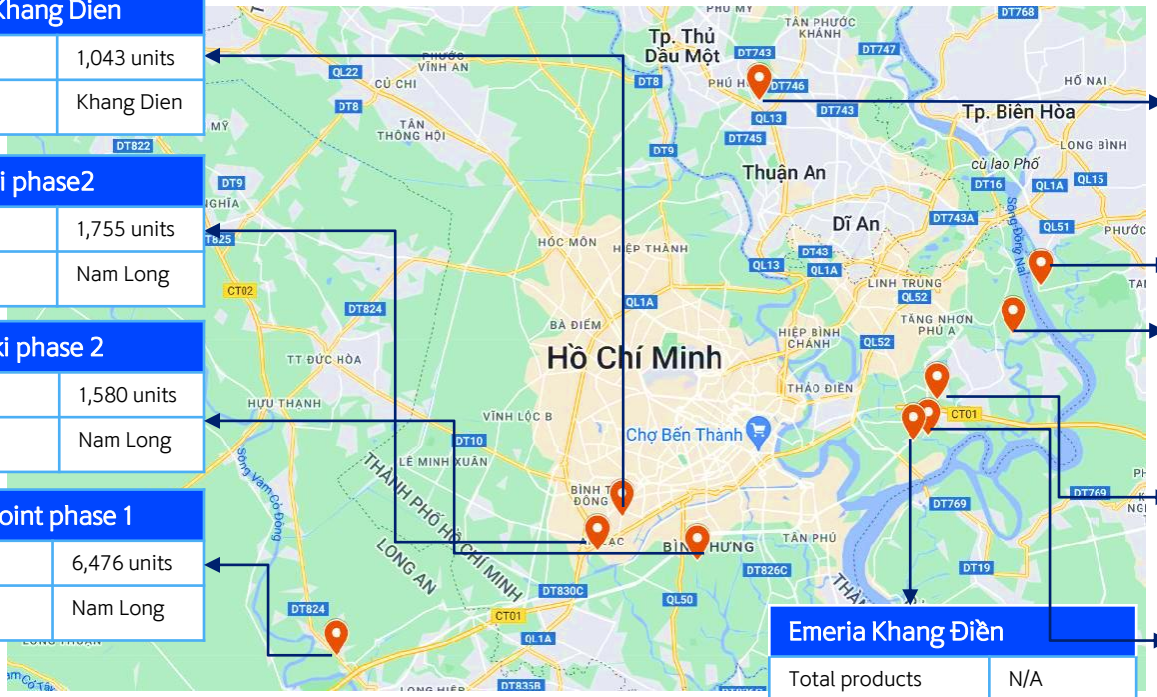
Synchronous infrastructure contributes to helping Real Estate projects be distributed more evenly. Due to its favorable geographical location, most previous projects were concentrated in the East (Thu Duc City). Currently, some projects are being constructed to the West such as NLG's Waterpoint in the Ben Luc area or KDH's The Privia in Binh Tan.

Privia Khang Dien	
Total products	1,043 units
Developer	Khang Dien

Akari phase2	
Total products	1,755 units
Developer	Nam Long

Mizuki phase 2	
Total products	1,580 units
Developer	Nam Long

Waterpoint phase 1	
Total products	6,476 units
Developer	Nam Long



NTMK	
Total products	6,600 units
Developer	Phat Dat

Izumi Nam Long	
Total products	2,940 units
Developer	Nam Long

Vinhomes Grand Park	
Total products	44,000 units
Developer	Vinhomes

Classia Khang Dien	
Total products	176 units
Developer	Khang Dien

Emeria Khang Điền	
Total products	N/A
Developer	Khang Dien

Melosa Khang Dien	
Total products	567 units
Developer	Khang Dien

Source: Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

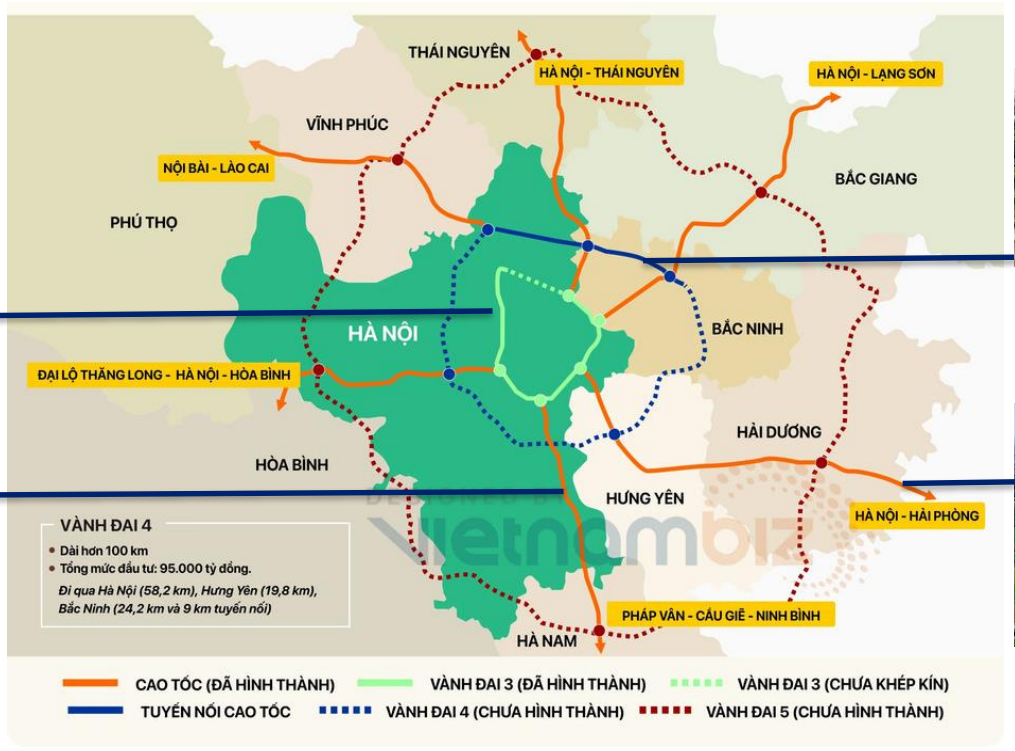
b. Northern infrastructure



Ring Road No.3 (Under Construction)



Phap Van-Cau Gie Expressway (Under Construction)





Ring Road No.4 (Under Construction)



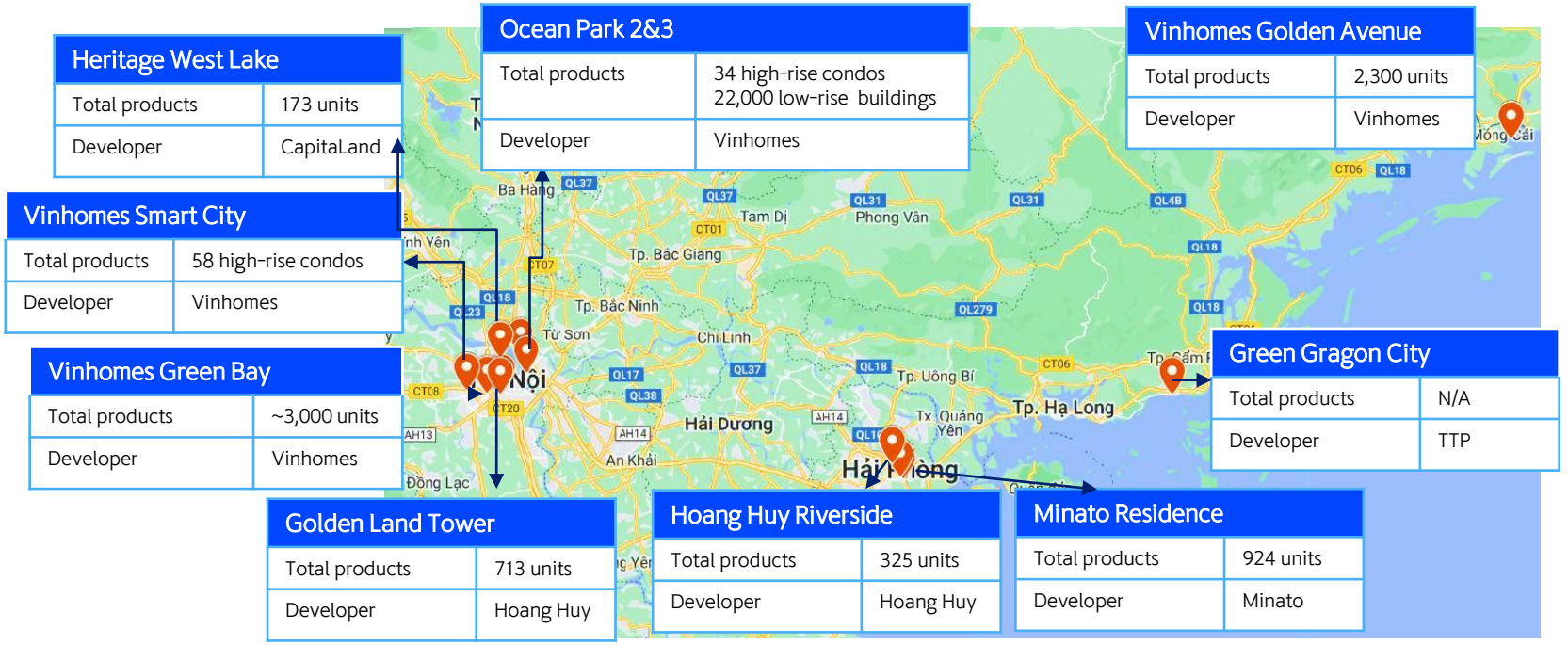
Hanoi - Hai Phong Expressway (Completed)

Source: VietnamBiz, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

b. Northern infrastructure

A strong and widespread transportation infrastructure system contributes to creating many opportunities for projects with large land funds outside Hanoi. Many businesses choose to build projects in areas with expressway projects such as Vinhomes Mong Cai and Green Dragon City. In the Hanoi, projects are mainly formed around the Ring Road such as Vinhomes' Ocean Park 3 project located at Ring Road No.3.5 and Hanoi – Hai Phong highway.

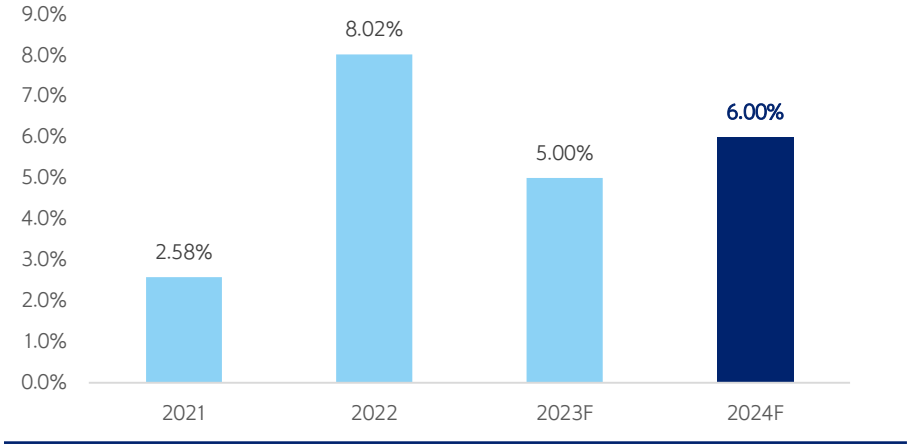


Source: Shinhan Securities Vietnam

Economic growth in 2024 will be a major “nudge" for the Real Estate market

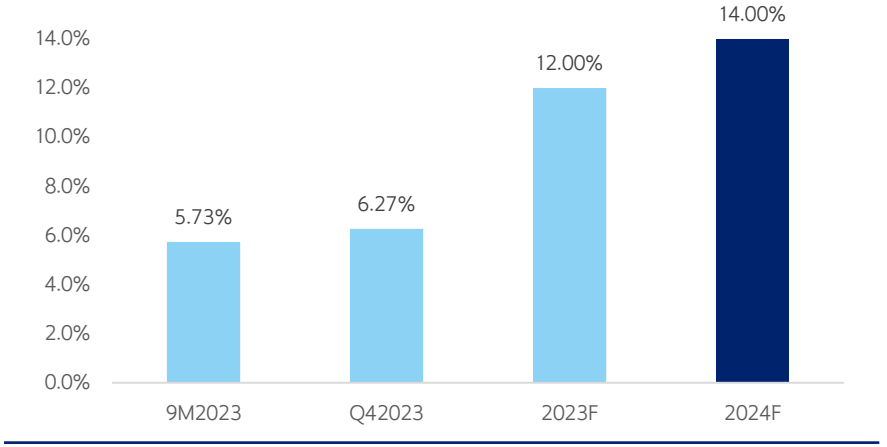
In 2024, we forecast Vietnam’s GDP growth to be at **6.0%,** mainly thanks to (1) interest rate maintains at a low level helping credit growth to reach **13%-14%;** (2) demand in Vietnam’s exporting markets recovers, then pushing export turnover grow.
Real Estate is an industry playing an important role in the economy. It is directly and significantly affected by economic fluctuations due to specific characteristics such as large demand for credit capital, highly regulated regarding business activities, highly elastic regarding income towards end customer demand, etc.
Therefore, the high growth prospects of the economy in 2024 will be an essential and positive “nudge" for the Real Estate market. People's income improvs leading to positive sentiment – expectation about the future of the economy/income, spending needs increase combined with preferential and attractive interest rates leading to the need to buy and invest in Real Estate becoming more active again. The widespreading effect helps increase the supply of new property products on the market as many businesses postponed sales in 2023 due to low absorption rate.

Vietnam's GDP growth in 2024F will be 6.0%



Source: GSO, Shinhan Securities Vietnam

Low interest rates will support credit growth of 14% by 2024F



Source: SBV, Shinhan Securities Vietnam

The completed legal system is expected to promote Real Estate supply

On November 27, 2023 and November 28, 2023, the Law on housing (amended) and the Law on real estate trading (amended) were respectively adopted (see details). The amended Law on real estate trading introduces a number of regulations to control real estate transactions, protect homebuyers, and contribute to the purification of the market. Meanwhile, the amended Law on housing increases incentives for developers, encouraging the development of social housing. The amended Law on housing and the amended Law on real estate trading are expected to take effect from January 1, 2025, to improve the legal framework and harmonize with the amended Land Law, which is expected to be passed next year.

According to VARS, about 70% of construction projects have legal issues. Therefore, we expect that the completion of legal mechanisms along with the improved credit flows will contribute to supporting the construction projects and promoting the supply. At the same time, it brings positive psychology to investors, and sets the stage for Real Estate prosperity around mid-2024.

Key points of Law on housing (amended) and the Law on real estate trading (amended)

1. The housing deposit must not exceed 5% of the selling price
2. The party transferring all or part of a project must fulfill the financial obligations related to land
3. Expanding the target group eligible for social housing support policies and increasing the standard profit for overall social housing projects

Source: thuvienphapluat.com, Shinhan Securities Vietnam

We expect Real Estate to enter the recovery phase in mid-2024

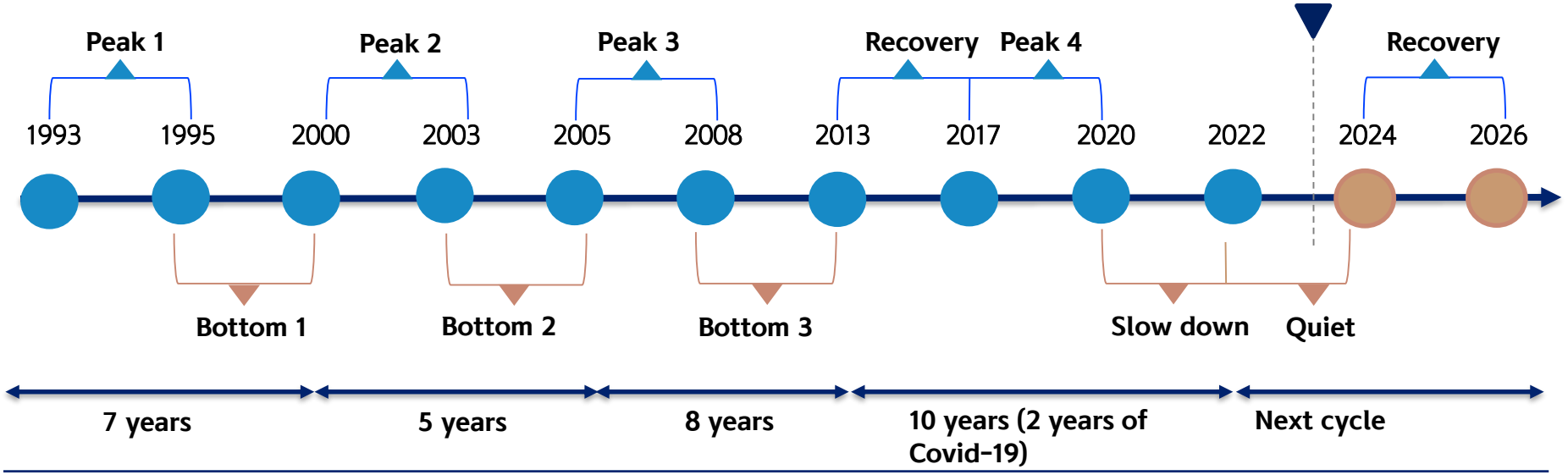
We believe that the darkest time of Real Estate has passed when:

(1) Credit policies are gradually being loosened, lending interest rates are decreasing (although the interest rate cut is insignificant);

(2) Many solutions and policies have been proposed to address the legal issues of the construction project (Appendix 1b);

(3) Bonds have their payment term extended.

We expect that after the Draft Law is enacted and the macro situation remains positive, it will take about 6 months to 1 year for the market to recover. This comes from (1) policy lag, the legal corridor needs time to be completed (about 6 months) and (2) it takes time for projects to be implemented and sold. Therefore, we expect the real estate market to enter a recovery phase from mid-2024.

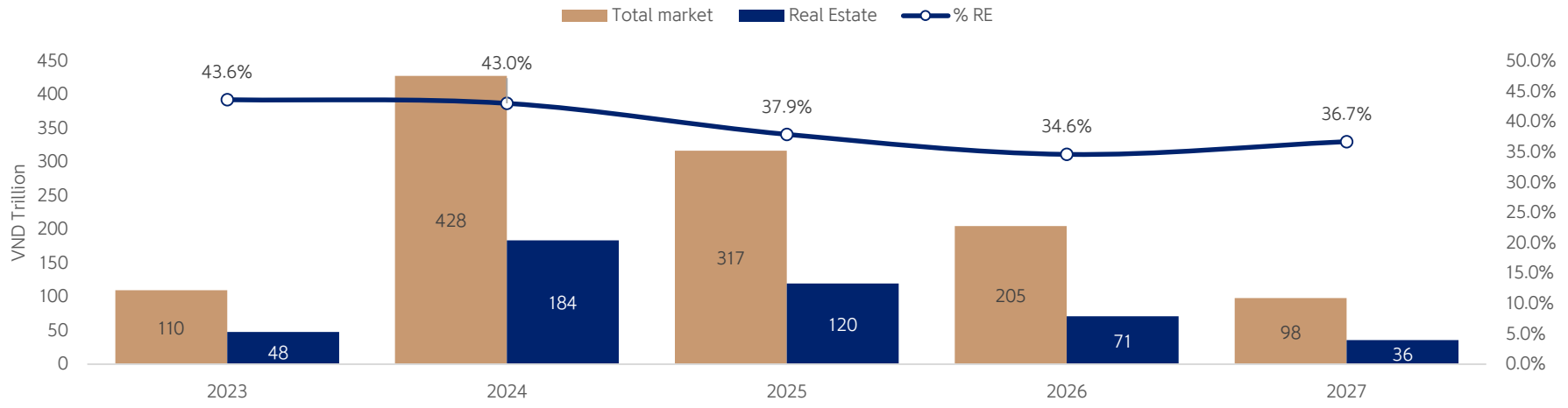


Source: Cushman &Wakefield, Shinhan Securities Vietnam

Risks still exist

The payable cash flow in the entire corporate bond market (including principal and interest) will be very large in the next 3 years, especially highest in 2024, with the value of **VND 428 trillion** (**3.89 times** higher than in 2023), in which the Real Estate industry alone will have to pay **VND 184 trillion** (**3.83 times** more than in 2023) and account for **43.0%** of the entire market. This shows that the financial burden of the Real Estate industry has not yet reached its peak and companies in the industry are still likely to face liquidity risks if the market does not develop positively in 2024.

Payble cash flow on corporate bonds will be highest in 2024



Source: FiinPro, Shinhan Securities Vietnam

Risks still exist

Specifically, some companies with large total payable cash flow (including principal and interest) in the 4-year-period 2023-2026 include:

- No Va Land Investment Group Corporation (NVL): VND 20,149 billion.
- Vinhomes Joint Stock Company (VHM): VND 7,557 billion.
- Hai Phat Investment Joint Stock Company (HPX): VND 2,689 billion.
- Nam Long Investment Corporation (NLG): VND 2,161 billion.

Payable Cash Flow (VND Billion)	2023	2024	2025	2026	Total
NVL	564	9,402	2,348	7,835	**20,149**
VHM	144	4,957	183	2,273	**7,557**
HPX	789	1,359	541	0	**2,689**
NLG	88	1,169	793	111	**2,161**
VPI	34	1,451	263	0	**1,748**
KDH	18	132	1,214	0	**1,364**
PDR	1,078	154	0	0	**1,232**
DIG	52	995	0	0	**1,047**
DXG	17	216	221	0	**454**

Source: FiinPro, Shinhan Securities Vietnam

03

Real Estate Stock Pick

VHM & NLG

Investment thesis - New supply is the driving force for growth

Part 3 – Real Estate Stock Pick

Top-pick Real Estate Stocks

General information					Financial ratios							Valuation					
Stock	Market cap (VND Bn.)	Target Price* (VND)	Market Price (VND)	Upside (%)	Land Fund (ha)	Rev. Growth (% YoY)		Net Income Growth (% YoY)		ROE		P/E			P/B		
						2023F	2024F	2023F	2024F	2023F	2024F	Trailing	5y Average	2024F	Trailing	5y Average	2024F
VHM	182,448	77,000	41,900	83.3%	18,152	35.4%	13.0%	15.7%	10.3%	18.5%	16.9%	4.43	12.50	9.10	1.03	2.37	1.60
VRE	52,831	36,700	23,250	57.8%	N/A	28.5%	4.5%	39.7%	9.5%	9.8%	10.8%	12.81	31.06	17.46	1.44	2.28	1.43
NLG	14,275	44,200	37,100	19.1%	684	-11.4%	107.7%	-6.1%	187.9%	5.7%	14.4%	23.48	15.01	20.30	1.49	1.75	1.20
KDH	24,499	36,860	30,650	20.3%	600	-5.5%	74.6%	12.1%	9.8%	8.2%	8.2%	25.50	19.93	18.60	1.92	2.27	1.90

(*) Target price (fair value) within 12 months

Souce: Fiinpro, Shinhan Securities Vietnam

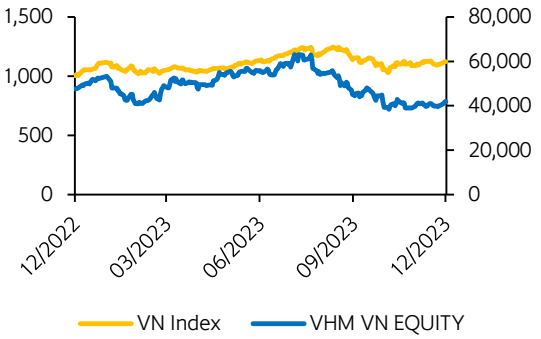
Data as of 12/27/2023

Vinhomes JSC (HOSE: VHM)

BUY

Target price (12 months)	VND 77,000
Current price (27/12/23)	VND 41,900
Return (%)	83.8%
VNINDEX	1,123
Market P/E (x)	12.0
Market cap (billion VND)	182,448
Outstanding shares (mil shares)	4,354
Free-float (mil shares)	918
52-week high/low (VND)	66,200/36,750
90-day avg. trading volume (mil shares)	6.5
90-day avg. turnover (bn VND)	260
Major SHDs (%) VIC	69.30%
Major SHDs (%) Government of Singapore	4.99%

Performance	3M	6M	12M
Absolute (%)	-7.1	-25.0	-11.8
Rel.to VN-Index (%)	-4.4	-24.0	-23.6



The Top Tier

Vinhomes's predecessor was Urban BIDV-PP JSC, established in 2008. Following VinGroup's restructuring goal, in 2018, Vinhomes was merged with two other companies to focus on taking charge of VinGroup's real estate investment and business activities.

Since 2010, Vinhomes has been cumulatively selling 216 thousand condos/villas/townhouses; put 29 urban areas into operation, recorded the number of Vinhomes residents reached 464,000 people. Based on the RNAV valuation method, we issue a BUY rating for VHM, at a target price of VND 77,000 – equivalent to an expected return of 83.8% (compared to the closing price on December 27, 2023).

Investment thesis

- **Vinhomes' long-term growth potential is guaranteed by many dominating advantages**: (1) Large, clean, quality and continuously expanding landbank, currently more than 18,152 hectares; Hanoi and Ho Chi Minh City alone are 5,489 hectares, (2) Outstanding access to capital and diverse sources such as bank credit, domestic and international bonds, customers paying in advance with a high proportion, and (3) Demand for Vinhomes housing products is high - proven by the high absorption rate right after opening for sale.

- **Vinhomes Vu Yen is handed over in 2024-2025,** helping VHM net profit reach a historic peak in 2025.

Outlook

- We forecast that converted revenue in 2023, 2024, 2025 will reach 109,785 billion VND (+34.9% YoY), 108,516 billion VND (-1% YoY) and 135,669 billion VND (+25% YoY) respectively because: (1) Hand over a large amount of products at The Empire and The Crown in the period 2023-2024 and (2) Start handing over a large amount of products at Vu Yen - Hai Phong from 2025.

- Net profit accordingly reaches: 37,726 billion VND (+31% YoY) in 2023, 34,450 billion VND (-9% YoY) in 2024 and 40,304 billion VND (+17% YoY) in 2025.

Risk: (1) Cycle, (2) Policy

Year	2021	2022	2023F	2024F	2025F
Revenue (bil VND)	84,986	62,393	110,245	124,555	135,669
GP (bil VND)	48,460	30,696	58,215	62,777	67,219
NP (bil VND)	38,825	28,831	33,345	36,779	40,304
EPS (VND)	8,904	6,611	7,658	8,446	9,163
GPM	57.0	49.2	52.8	50.4	49.5
NPM	45.8	46.7	30.2	29.5	29.8
ROE (%)	29.6	19.6	18.5	16.9	15.5
P/E (x)	4.5	6.1	10.1	9.1	8.4
P/B (x)	1.4	1.2	1.9	1.6	1.3

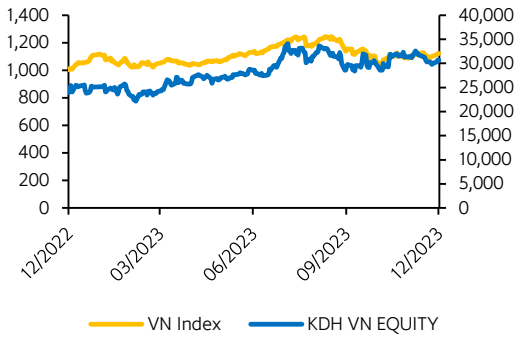
Source: Company data, Shinhan Securities Vietnam

Nam Long Investment Corporation (HOSE: NLG)

BUY

Target price (12 months)	**VND 44,200**
Current price (27/12/23)	VND 37,100
Return (%)	**19.1%**
VNINDEX	1,122
Market P/E (x)	12.0
Market cap (billion VND)	14,275
Outstanding shares (mil shares)	385
Free-float (mil shares)	218
52-week high/low (VND)	40,750/22,800
90-day avg. trading volume (mil shares)	2.33
90-day avg. turnover (bn VND)	77
Major SHDs (%) BOD and related parties	22%
Major SHDs (%) Ibeworth Pte	8.%

Performance	3M	6M	12M
Absolute (%)	7.2	9.4	23.7
Rel.to VN-Index (%)	10.0	10.5	12.0



Affordable segment leading recovery

Nam Long Investment Corporation is one of the leading real estate developers in the mid and affordable segment. NLG's main products are Valora (townhouses, villas), Flora (detached apartments) and Ehome/EhomeS (Affordable apartments) with revenue structures of 56%, 36% and 8% respectively.

Investment thesis

- **NLG owns a large land fund of 684 hectares**, mainly concentrated in the East (Dong Nai) and the Southwest (Ben Luc, Long An). NLG's land bank is usually raw land, located in areas with transportation infrastructure and is often 10 - 15 years ahead of the market.

- **NLG can lead the recovery thanks to affordable segments.** We forecast the presales in 2024 to reach VND 9,360 billion (+68.5% YoY).

-**Healthy financial position with low leverage thanks to association with Japanese investors.** Specifically, in 9M2023, the net debt/equity of NLG reached 0.23x, only half of the average of large developers and equivalent to the leading property developer, VHM (0.22x).

Business results forecast

- In 2023F, we expect presales to reach VND 5,556 billion (-45.5% YoY) and complete 59% of the plan, mainly due to (1) not yet launching next phase of Izumi, (2) the decrease in Akari's absorption rate. For the whole year, revenue is expected to reach VND 3,846 billion (-11.36% YoY) and complete 80% of the plan thanks to the handover of Valora at Izumi and Southgate projects. NPAT-PreMi reaches VND 813 billion (-6% YoY).

- In 2024F, we expect the presales to reach VND 9,360 billion (+68.5% YoY) thanks to (1) low base in 2023, (2) implementation of the next phase of the Mizuki project, (3) continuing to lauch Southgate, Izumi and Akari. For the whole year, revenue is forcasted to reach VND 7,987 billion (+107.7% YoY). NPAT-PreMi reaches VND 2,341 billion (+187.9% YoY).

Risk: (1) Legal delay, (2) Absorption rate is lower than expected.

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	2,217	5,206	4,339	3,846	7,987
OP (bil VND)	236	782	829	331	1,397
NP (bil VND)	850	1,479	866	813	2,341
EPS (VND)	3,078	3,099	1,345	1,323	3,924
OPM	10.6	15.0	19.1	8.6	17.5
NPM	38.3	28.4	20.0	21.1	29.3
ROE (%)	12.6	10.9	6.5	5.7	14.4
P/E (x)	9.9	20.7	23.2	31.7	10.7
P/B (x)	1.4	2.8	1.3	1.9	1.8

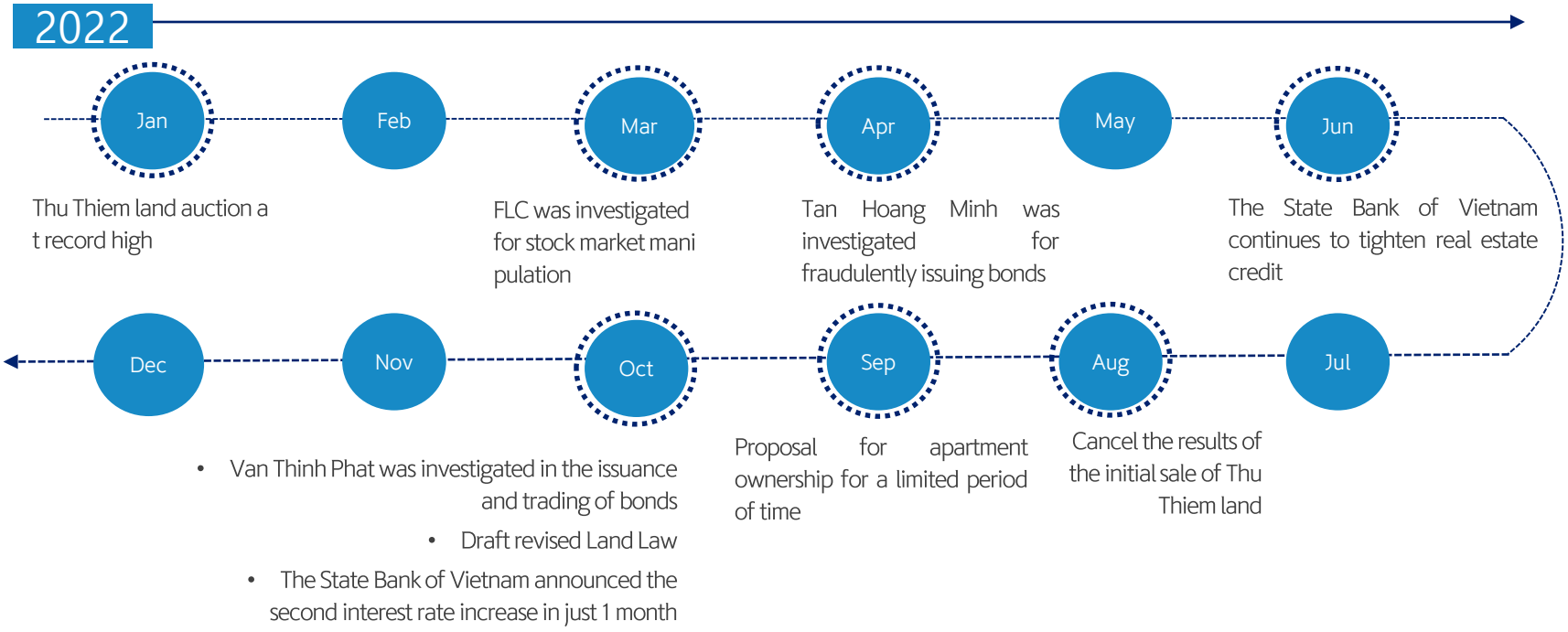
Source: Company data, Shinhan Securities Vietnam

04 APPENDIX

Legal and policy

a. Summary of land fever and freezing period in 2018-2022

In 2018, virtual land fevers were formed and extinguished. By 2019, the Government issued many policies to tighten credit flow into this channel, while also reviewing project legalities, causing the real estate market to stagnate. 2022 will be a year with many changes in the real estate sector related to legal issues over the past 5 years.



Source: CBRE, Shinhan Securities Vietnam

Legal and policy

b. Legal documents are issued in 2023

Policy	Date issued	Content
Decree No. 08/2023/ND-CP	05/03/2023	Allowing the extension of the bond term but at a maximum period of no more than 2 years versus the initial term in the bond issuance plan announced to investors and the principal can be paid. Bond interest is equal to other assets. This reduces pressure on bond payments in the short term
Decision No. 33/NQ-CP	11/03/2023	- Assigning the State Bank to implement a credit program of about 120,000 billion VND to complete at least 1 million social housing apartments. This credit is for investors and home buyers of social housing projects and workers' houses to borrow at an interest rate 1.5-2% lower than the average medium and long-term lending interest rate of state-owned commercial banks. - Assigning the State Bank to consider adjusting risk coefficients for different real estate segments.
Decree No. 10/2023/NĐ-CP	03/04/2023	Amending and supplementing a number of articles of decrees implementing the Land Law: - Adding additional conditions to allow conversion of rice land use purpose to implement investment projects - Modifying the authority to issue land use right certificates - From May 20, 2023, if a tourist apartment (condotel) meets the conditions prescribed by law, it will be issued a Certificate (red book).
Decision No. 388/QĐ-TTg	03/04/2023	- Approving the Project "Investment and construction of at least 01 million social housing apartments for low-income people and industrial park workers in the period 2021 - 2030". - By 2030, the total number of apartments completed in localities is about 1,062,200 units. Of which, in the period 2021 - 2025, about 428,000 units will be completed; In the period 2025 - 2030, about 634,200 units will be completed. - Amending the regulation that social housing projects must reserve at least 20% of the social housing area in the project for rent and the investor can only sell after 5 years of putting into use according to the direction and business plan (sale, lease, lease purchase) decided by the Investor.
Circulars No. 02/2023/TT-NHNN Circulars No. 03/2023/TT-NHNN	23/04/2023	Regulations on credit institutions and foreign bank branches restructuring debt repayment terms and maintaining the same debt group to support customers in difficulty.

Source Thuvienphapluat.vn, Securities Vietnam

Legal and policy

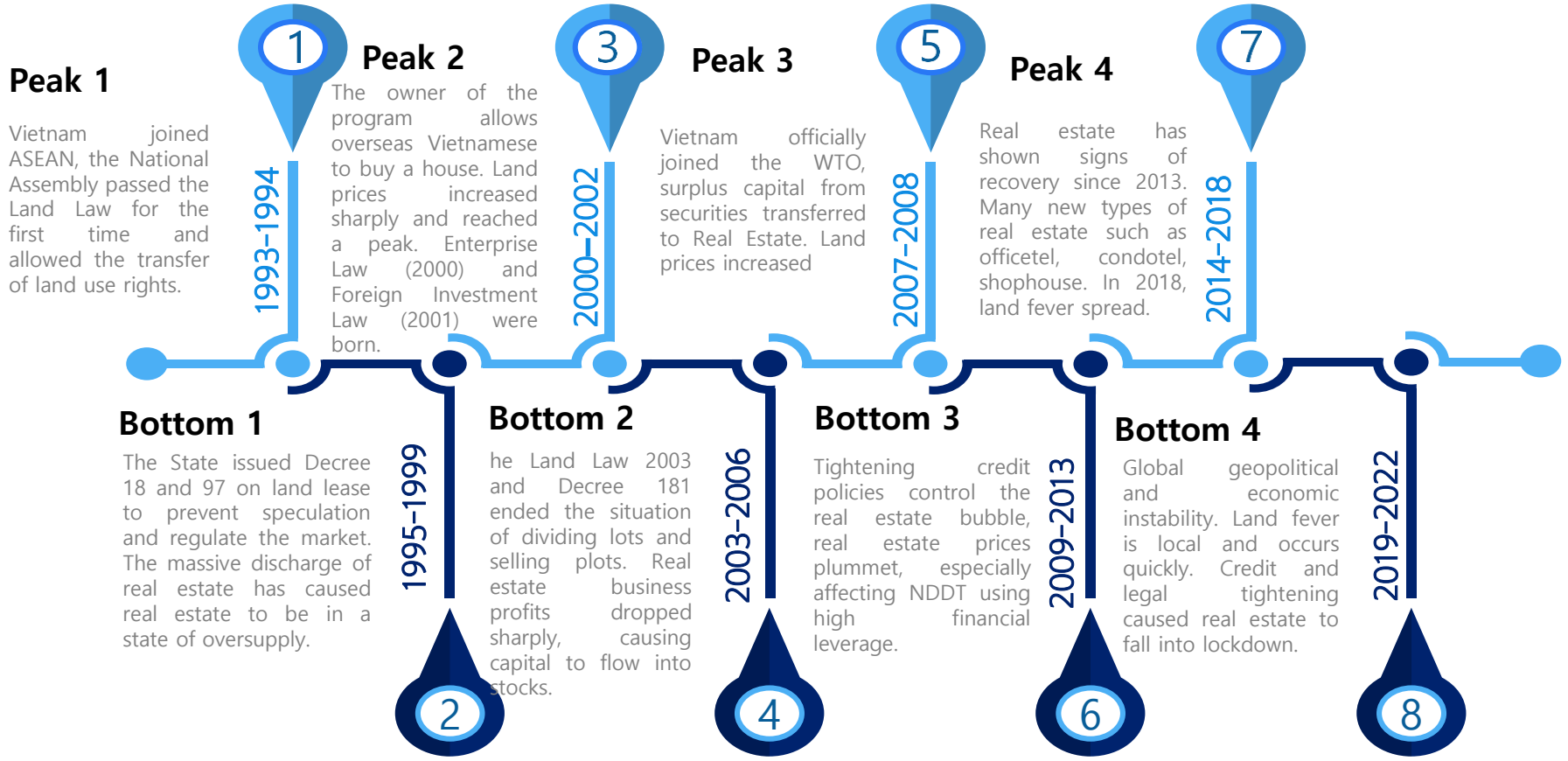
c. Appendix points for major amendments and supplements to the draft Law/amended Law

Legislation	Content
Draft revised Land Law	❑ Completing the mechanism for determining land prices according to market principles. ❑ Regulating higher tax rates for people with large areas of land, many houses, land speculation, slow use, and abandonment of land. ❑ Completing regulations on land allocation, land lease, and change of land use purpose.
Amended Law on housing	❑ Supplementing subjects and conditions to enjoy social housing policies. ❑ The amended Law on housing allows a profit margin of 10% for the social housing area and separate accounting of profits for 20% of the construction area of commercial facilities in the social housing project. Previously, under Decree No. 188/2013/ND-CP, developers were subject to a ceiling profit rate of 10% for the entire project (social housing area and commercial facilities). Therefore, the new regulation will help to increase the overall profit of social housing projects. ❑ There is no regulation on the duration of apartment ownership.
Amended Law on real estate trading	❑ Supplementing regulations on publicizing information about real estate put into business, including mortgages of houses, construction works, real estate projects put into business, type of real estate, real estate location, … ❑ The housing deposit must not exceed 5% of the selling price. ❑ Requiring the transferor of a real estate project to complete all financial obligations related to the land (land use fees, taxes, etc.) before transferring part or the entire project. ❑ Prohibiting the transfer of land use right in form of dividing lots, selling vacant land for people to build their own houses in urban areas of type I, II, or III, and in wards, districts, and cities within special urban areas. ❑ The amended Law only encourages, but does not require individuals to buy and sell real estate through a trading floors and they can choose to have or not have a financial institution guarantee the investor's financial obligations.

Source: Thuvienphapluat.vn, Shinhan Securities Vietnam

Real estate cycle

A real estate cycle from land fever to closure takes about 6–8 years.



Source: CBRE, Shinhan Securities Vietnam

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Stock

- **BUY:** Expected 12-month gain of 15% or more
- **HOLD:** Expected 12-month loss of 15% to gain of 15%
- **SELL:** Expected 12-month loss of 15% or more

Sector

- **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



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