Real Estate Legal Update

10 July 2024

The amended Land Law, Housing Law, and Real Estate Business Law will be implemented synchronously from August 1, 2024, with the expectation of contributing to clearing supply bottlenecks

On June 29, 2024, the National Assembly officially approved the early implementation of the Land Law, Housing Law, and Real Estate Business Law, effective from August 1, 2024 (five months earlier than the original effective date).

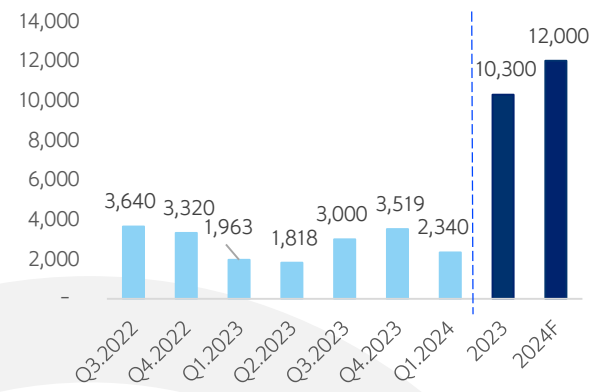
Overall, we expect the early and simultaneous implementation of the Real Estate Laws to contribute to:

1. Addressing overlapping provisions from previous laws. According to the Ministry of Construction (11/3/2024), the real estate market still has hundreds of projects awaiting the removal of bottlenecks. In which:
   - ❖ Hanoi has 246 unresolved projects.
   - ❖ Ho Chi Minh City still has about 143 unresolved projects.
2. Ensuring transparency and clarity for localities to comprehend and enforce the law.

Additionally, the early implementation of the three laws is expected to contribute to a positive mindset among officials involved in valuation, investors, and homebuyers, helping to unblock and promote supply for the real estate market from the end of 2024.

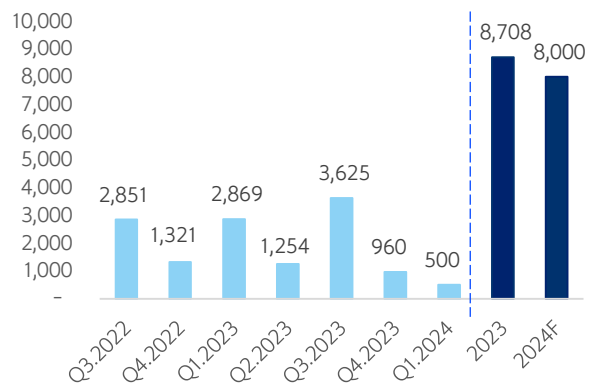
According to CBRE, the new supply of apartments in Hanoi is projected to reach 12,000 units (+16.5% YoY). In addition, the new supply of apartments in HCMC in 2024 is projected to reach 8,000 units (-8.1% YoY). However, only 500 units were delivered in Q1, indicating that a significant portion of the new supply is expected to be launched in the remaining quarters.

Condos launched in Hanoi



Source: CBRE, Shinhan Securities Vietnam

Condos launched in Ho Chi Minh City



Source: CBRE, Shinhan Securities Vietnam

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Authorities are still urgently finalizing the guiding documents for the Law. However, to date, only 2/16 guiding documents for the Land Law have been issued, including the Decree regulating sea encroachment activities and the Decree on land prices.

Decree issued	Main points	Comments
Decree regulating sea encroachment activities (ND42/2024/ND-CP dated April 16, 2024)	For investors with offshore projects, Provincial People's Committees have the authority to issue a decision on the allocation of land and sea areas used for sea encroachment or a decision on the lease of land and the allocation of sea areas used for sea encroachment, to the corresponding investors **(Clause 3, Article 7).**	We expect the simultaneous handover of land and sea areas to contribute to **shortening the procedures** for investors compared to the previous regulations (which required the handover of sea areas first, followed by the handover of land after reclamation).
Decree on land prices (ND71/2024/ND-CP issued on June 27, 2024)	Addressing the limitations and clarifying concepts in surplus value-based valuation compared to the old regulation: 1. Clarification of the concept of total land development revenue **(Article 6).** 2. In addition to the land development costs, several other expenses are also factored into the total cost for the purpose of determining land use fees, including contingency costs for inflation, interest on loans, investment and construction consulting fees, and project management expenses **(Article 6).**	We believe that clarifying concepts in valuation will help **reduce confusion among valuation officers**. At the same time, we expect that the inclusion of more incurred costs during project development into land plot development costs when calculating land use fees will contribute to **rationalizing land use fees for enterprises, thereby stabilizing the real estate market.**
	There are no transitional provisions for projects undergoing valuation when this Decree takes effect **(Article 39).**	The application of both new and old decrees could lead to confusion among local officials.

Overall, many regulations have been amended in a more detailed, comprehensive, and reasonable manner to create a synchronous legal system and avoid overlaps. We expect that the early completion of the legal documents will help the market enter a recovery phase from the end of 2024.

However, we note that (1) the cautious issuance of legal documents may delay the completion of the legal framework longer than expected, and (2) the understanding and application of local legal documents may be slower than anticipated. This could prolong the market's recovery process.

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Appendix

Guiding Documents for the 2024 Land Law

No.	Documents	Status
1	Decree detailing the implementation of some provisions of the Land Law	Not yet issued
2	Decree on land investigation; registration, issuance of land use certificates, certificates of ownership of property attached to land, and land information system	Not yet issued
3	Decree on compensation, support, and resettlement when the State acquires land	Not yet issued
4	Decree on the land development fund	Not yet issued
5	Decree on land use fees and land rental fees	Not yet issued
6	Decree on land prices	Issued
7	Decree detailing regulations on paddy land	Not yet issued
8	Decree regulating sea encroachment activities	Issued
9	Decree on administrative sanctions for violations in the field of land	Not yet issued
10	Decision of the Prime Minister on mechanisms and policies for job settlement and vocational training for people whose land is acquired	Not yet issued
11	Circular of the Minister of Ministry of Natural Resources and Environment regulation, provision on technical standards for land investigation and assessment; techniques for land protection, improvement, and restoration	Not yet issued
12	Circular of the Minister of Ministry of Natural Resources and Environment on statistics, land inventory, and development of maps of the current status of land use	Not yet issued
13	Circular of the Minister of Ministry of Natural Resources and Environment on land records, Land Use Right Certificates, and Certificates of Ownership of Property Attached to Land	Not yet issued
14	Circular of the Minister of Ministry of Natural Resources and Environment on the content, structure, and types of information in the national land database)	Not yet issued
15	Circular of the Minister of Ministry of Finance on the collection rates, collection regime, submission, management, and use of fees for exploitation and use of land documents	Not yet issued
16	Circular of the Minister of Home Affairs regulating the establishment and management of land boundary records of administrative units and guiding the settlement of cases where there is no agreement on the land boundary of administrative units	Not yet issued

Reference

❖ Compilation of guiding documents for the 2024 Land Law

https://shorturl.at/MQ8GH

❖ Legal Framework for Land Reclamation Activities (Legal Expert Nguyen Van Dinh)

https://shorturl.at/eA1jG

❖ New Provisions on the Surplus Method under Decree 71/2024/ND-CP (Legal Expert Nguyen Van Dinh)

https://shorturl.at/Qxwj0

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