

Real estate at the heart of economy

The private sector in Vietnam has long been playing an important role in the development of the country's economy. To highlight the contribution of the sector and real estate market, VIR's **Bich Ngoc** talked to veteran American investor and CEO of Indochina Capital, **Peter Ryder**, who has more than 25 years of business experience in Vietnam.

How have you assessed the contribution of the private economic sector, especially foreign direct investment (FDI), to Vietnam's real estate market?

An interesting trend in Vietnam, which I detect, is that the real estate development has long been dominated by the private sector. This is unlike many other industries in which the government still has very large involvement.

If you look at the history of real estate development over the past 25 years, we can see that Vietnam has really opened up in the post-*doi moi* era. In the immediate wake of this, major developers were foreign investors who typically set up joint ventures with domestic authorities. During this time, Indochina Capital began two joint ventures, one with Danang Tourism to develop the Furama Resort, and another with the Vietnam Fatherland Front and Hongkong Land to develop an office building at 63 Ly Thai To in Hanoi.

In the last decade, the market has become dominated by domestic developers such as Vingroup, Sun Group, Nova-land, and many other local private sector companies. There still has been an occasional joint venture involving foreign developers with state-owned enterprises, but if we look at the real estate market as a whole, we can see that at least 90 per cent can be attributed to the private sector. The contribution of the private sector to the country's economy via real estate development has been tremendous.

Infrastructure system improvement is a key factor in helping to develop the real estate market. What are your evaluations on the efforts from the government to improve infrastructure in recent years, and what challenges does the government have to overcome?

Infrastructure is critical to real estate. Without basic public infrastructure (roads, bridges, ports, airports, mass transit systems, etc) office buildings, retail centres, hotels, resorts, warehouses and logistic facilities cannot be utilised

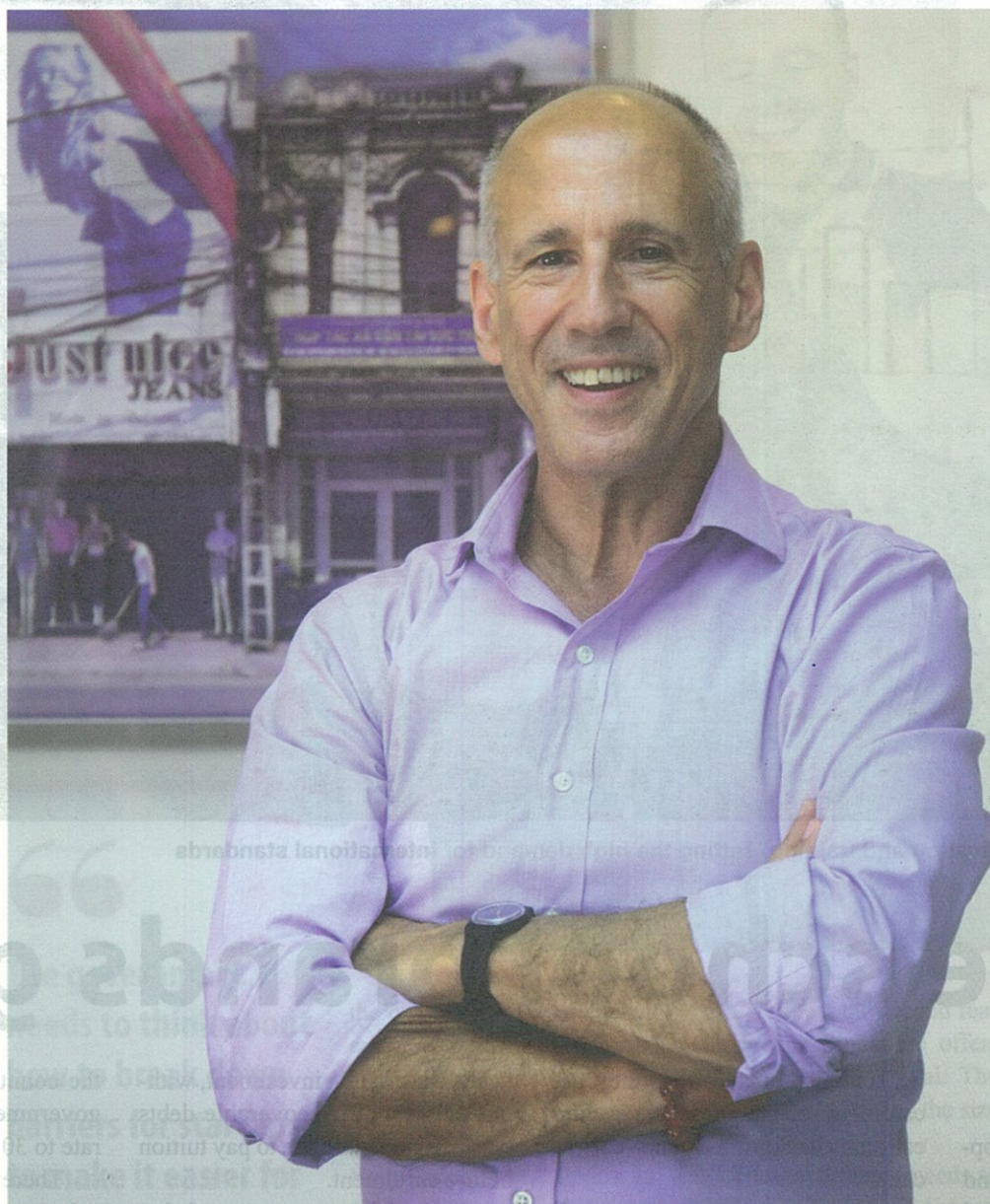
to maximum benefit by users. Infrastructure improvement is also a very central piece of Vietnam's economy. One of my biggest concerns today is that Hanoi and Ho Chi Minh City are so far behind their respective infrastructure schedules, especially in regard to their mass transport systems. Traffic gridlock is a serious concern in these cities and it creates negative ripples throughout every sector of the economy. Like many other sectors, the infrastructure system should also be opened up to the private sector under the form of build-transfer (BT), build-operate-transfer (BOT), and public-private partnership (PPP) models. I think that the government has not provided attractive enough incentives for foreign investors to take part in these types of investments. It would be fantastic if overseas investors could be attracted for infrastructure improvement under these models.

Vietnam's real estate market has been improved since the country inked a bilateral trade agreement (BTA) with the US in 2000 and joined the World Trade Organization (WTO) in 2007. How have you seen interest in the sector grow in the wake of these two milestones?

The US-Vietnam BTA and WTO accession both benefitted real estate in Vietnam because they made Vietnam more attractive and accessible as an investment destination to foreign and domestic investors. As such, the demand for real estate, particularly office, logistics and manufacturing facilities increased as the overall economy grew. Today, with other bi-lateral and multi-lateral agreements in place, for example CPTPP, interest in the real estate sector has increased significantly, both from domestic and foreign sources.

How do you assess the rise of foreign developers in the country so far? How have they been contributing their efforts to Vietnam's real estate development?

Going back 15-20 years, the real estate market was dominated by foreign developers



PROFILE OF PETER RYDER

Peter Ryder is CEO of Indochina Capital, one of Vietnam's leading advisory, investment and real estate development companies. Since Indochina Capital's establishment in 1999, Ryder has spearheaded the company's real estate activities while also playing an active management role in other aspects of the company's business, including cross-border M&A advisory, equities and finance.

Indochina Capital has developed prominent commercial and residential projects in Ho Chi Minh City and Hanoi, including River Garden Ho Chi Minh City and Indochina Plaza Hanoi, along with several resorts and residential developments along Vietnam's pristine coast. The most notable of these are renowned luxury resorts such as The Nam Hai Hoi An, Six Senses Con Dao, and Hyatt Regency Danang Resort and Spa.

Today, Indochina Capital is engaged in a number of new real estate development and investment opportunities through its Vietnam-focussed partnership with Kajima Corporation, one of Japan's largest and most prestigious contractors and real estate developers. In addition, Indochina Capital has teamed up with Vanguard Hotels to roll out Wink Hotels, a visionary hospitality brand redefining affordable luxury in the Indochina region which blends modern, creative design and functionality with traditional Vietnamese values. The group has also taken a strategic stake in Toong, Vietnam's leading co-working space company, which will manage a co-working space in each Wink Hotel.

Peter has been living and working in Vietnam for the past 25 years. He was the chairman of the American Chamber of Commerce in Hanoi from 1999 to 2001, and served as a board member from 1995 to 2005, rejoining the board in 2015. Educated as an anthropologist and archaeologist, Peter received a Masters of Arts degree in Anthropology with a Mayan studies focus from the University of Pennsylvania in 1983.

like Indochina Capital, Keppel Land and other regional (Asian) developers. Today however the market is dominated by local developers. For the most part, foreign groups continue to focus on high-end office, retail and hospitality properties, paying less attention to residential, whereas local groups focus on the full residential property, the full spectrum: high, middle and low-end.

Foreign developers have played an important role in Vietnam's overall expansion by creating a number of iconic properties that have drawn attention to the country, particularly in the hospitality segment (e.g., The Nam Hai). Indochina Capital has always attempted to develop to the highest quality in terms of design, materials and construction. We continue this effort today through ICC-Kajima, our joint venture with Kajima, one of Japan's largest contractors and the most active Japanese overseas developer.

attention to detail and environmental sensitivity. For example, our latest venture, Wink Hotels, aims to make a significant contribution to Vietnam's exciting hospitality profile.

What are the key factors for Vietnam to attract increasing interest from foreign business into the real estate market, and how can the country utilise those advantages?

Real estate is essentially a key infrastructure sub-sector. More quality property is required as Vietnam's economy expands, more office buildings,

more serviced apartments, more hotels, more logistics and manufacturing facilities to accommodate increasing foreign demand. Basic infrastructure goes hand in hand with real estate development. Fast paced improvements in both are essential for a rapidly growing economy.

We have seen many foreign developers coming to Vietnam from Asian countries, but fewer from the EU. Can you analyse the reason why?

Real estate is the ultimate local business. To be successful requires a keen understanding of the locality in which you operate, the community, the economy, the government and the culture of the local operating environment. Given the cultural similarities, Asian developers feel more at home in Vietnam than do European or North American parties. Thus on the foreign side, real estate in Vietnam is dominated by Japanese, South Korean, Singaporean, Chinese and other East Asian players.

Which countries and segments are now most interested in Vietnam?

Japan, South Korea, Singapore and China are the source of most foreign flows into real estate in Vietnam. In addition, there is increasing interest from Middle East groups. As noted earlier, developers and investors from these countries along with other foreign investors tend to focus on higher-end developments in the commercial and hospitality sectors.

There is some foreign investment in high-end residential but the overall apartment for-sale, particularly the middle and middle-low segments are dominated by local companies, who given Vietnam's land law, have a built-in advantage.

How could Vietnam attract more FDI flows into the real estate sector, especially with regards to new-generation FDI?

In order to attract "new generation" FDI, Vietnam should promote and incentivize investment that is green, sustainable and technologically cutting-edge. Our Wink Hotels embrace all three themes and this we believe will enable us to capture more than our fair share of the "new generation" business and leisure—"bleisure"—traveller.