



Vietnam Market for Architecture, Construction and Engineering

By U.S. Commercial Service – Vietnam
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Overview

Vietnam enjoyed an impressive growth and a property boom for a long period from 2000-2010 with an average GDP growth of 7-8 percent every year. Many real estate projects including houses, condos, apartments, office buildings, hotels, resorts, etc. were built, resulting in a surging demand for construction, architecture and engineering services. Many foreign companies in the architecture, engineering consulting, and construction management sectors flocked to Vietnam to gain a foothold in this lucrative real estate market.

Then together with a weak economy, the country faced a property bubble during 2011-2013. This resulted in a large oversupply of real estate assets, amounting to a \$4 to \$7 billion inventory of apartments and condos by the end of 2012. Real estate projects were stuck and many construction firms were going bankrupt. Bad debts increased and public investment projects were cut off from financing.

Since late 2012, the government and relevant ministries put forward measures to rescue the real estate market. The Ministry of Construction has proposed to reduce taxes for first-time condo buyers. State Bank of Vietnam (SBV) has increased lending to real estate corporations, and pumped \$7.2 billion to settle bad debts, and \$1.4 billion to support the building and buying of low-income/affordable houses. However, inadequate legal framework is still an obstacle in using this source of money. Many large commercial banks simultaneously gave credit packages for real estate developers and home buyers with preferential rates. There have been signals of recovery in the industry since late 2013.

In the longer term, Vietnam will continue to present opportunities as private developers and local governments address pent-up demand for infrastructure, housing, and industrial facilities throughout the country. While the construction of property projects (houses, buildings, hotels, commercial complexes) has been quiet due to stagnation of the property and tourism markets, the construction of infrastructure and industrial projects has been still been active, due largely to ODA loans and grants from WB, ADB, and from foreign governments. Industrial construction growth is largely associated with the flow of foreign investment in developing industrial projects

Vietnam Ministry of Planning and Investment (MPI) estimates that Vietnam needs to invest \$200 billion for infrastructure development during 2010- 2020. Private investment funds, Multilateral Development Banks such as the World Bank and Asian Development Bank, and Overseas Development Assistance by foreign countries such as Japan have spurred investment in infrastructure but financing continues to be a major challenge.

The country is seeking ways to raise funds from other sources for transportation, energy, and water infrastructure projects. In November 2010, the Prime Minister issued Decision 71 on

“Promulgating the Regulation on Pilot Investment in Public-Private Partnership (PPP) Form” that came into effect in January 2011. A pilot PPP program was launched in 2013 with projects in water, transportation, energy, and healthcare sectors. GVN has been working to revise the construction law and prepare an architect’s law. Ministry of Construction is drafting a development plan for green building to the year 2020 with vision to the year 2030 including standards and norms to rate green and energy efficiency projects. Vietnam Green Building Council has established LOTUS rating tools which incorporate international green building rating systems such as LEED, Green Star, GBI, and Green Mark.

The construction industry in Vietnam can be segmented into the following sectors, some of which have positive prospects:

- Civil construction and engineering:

This sector includes two sub-sectors: (1) construction of commercial projects such as houses, buildings, hotels, commercial complexes, etc.; and (2) construction of transportation infrastructure projects such as roads, railroads, waterways, bridges, tunnels, ports, airports, stations, and other public works.

Currently, commercial construction is less active, with the majority of it locally funded projects on a small-to-medium scale. This is a result of stagnation in the property and tourism markets. The government is encouraging investment in low-cost apartment projects to solve the housing issue of low-income households. Conversely, the infrastructure sub-sector is still active due largely to official development assistance (ODA) loans and grants from various international institutions (World Bank, ADB, etc.) and foreign governments (Japan, Europe, etc.) as well as investment from the Vietnamese government.

- Industrial construction and engineering:

The growth of this sector is largely associated with the flow of both foreign and local investment in developing industrial projects. After the world economic downturn in 2010, investment in new industrial projects declined sharply, but positive signs of growth have recently appeared on the horizon.

The Ministry of Construction reported that in 2013, the construction value reached US\$36.68 billion, an increase of 5.83 percent from 2012.

Best Prospects/Services

Competition is intense, and many international architects and construction services companies have set their footholds in the market. A number of U.S. firms such as Black & Veatch, Delta Construction Management, Hall Brothers Int’l, Caterpillar, Hill International, Turner International, and AECOM have been active in construction and related services for a number of years. But their market share is still relatively modest in comparison to that of Japanese, European, and Korean companies.

However, American products and services can compete, owing to the expertise and reputation for quality among U.S. suppliers, and the increasing demand among developers for new, innovative technologies and services. Architecture services, concept design, construction management, project management, and new building technologies represent the best opportunities for U.S. firms. Specific prospects include high-end hotels and resorts, high-rise office towers, and mixed-use projects, many of which are foreign invested and require high-quality design and construction. Awareness of sustainable and “green” buildings is just beginning to emerge, and suppliers in this area will need to educate project owners on the benefits of green technologies. Other key areas include:

- Landscape architecture, water features and swimming pools
- Hotel and restaurant interiors
- Town planning/master planning
- Green design/building materials (energy efficient, HVAC, lighting and building materials)
- Airport design
- Healthcare design
- Use of high-end architectural interior products and designs
 - Decorative surfaces & finishes
 - Distortion-free glass
 - Hardwood floors and architectural features
 - Fire safety, illumination and alarm systems

Opportunities

Significant opportunities include Thu Thiem New Urban Area, Long Thanh International Airport project, new national highway No.1 project, metro/monorail projects in Hanoi and Ho Chi Minh City. Given growth projections of the demand for construction and related services in Vietnam, increasing openness toward Build-Operate-Transfer (BOT) and the Public Private Partnership (PPP) schemes by the Vietnamese government, and the high regard for U.S. technology, design, and expertise that is considered world class in this field, this sector offers significant opportunities for U.S. companies in the long run, especially in architecture services, concept design, construction management, project management, and green building technologies.

New Towns: Vietnam is developing a number of “new towns” as satellites of major metropolitan or industrial areas. These master-planned developments often call for investments in industrial parks, commercial areas, residential housing, hospitals, schools, and retail.

In August 2008, the Government decided to expand Hanoi to include neighboring Ha Tay province and part of Hoa Binh and Vinh Phuc provinces, which tripled Hanoi’s area and doubled its population to 6.2 million. This expansion will result in all government offices moving from downtown to the My Dinh area (west of Hanoi). This has created many major residential projects in My Dinh and Ha Dong towns (south west of Hanoi). There are also major projects being developed in the east and northeast of Hanoi alongside the Hong River on the road to Noi Bai airport and to the Hai Phong port. Further new towns and industrial zones have also been developing in provinces surrounding Hanoi, such as Bac Ninh, and VinhPhuc.

Thu Thiem New Urban Area is the next chapter in Ho Chi Minh City's expansion. It encompasses 737 hectares of green-field development and spurred by the development of five bridges and a 1.49km-long tunnel linking Thu Thiem with the downtown and other districts of the city. Plans call for massive investments in infrastructure and utilities, and a full range of new construction including: commercial/business district, conventional center, retail, hotels, residential housing, schools and parks.

Hospitality/Resort Development: Vietnam is attracting the vacation-going and second-home demographic with more than 3,200 kilometers of coast-line, over one hundred beaches, beautiful and diverse landscape, and a rich cultural heritage. Prominent areas that have been targeted for tourism development include Can Gio in Ho Chi Minh City, Quang Nam province, Nha Trang, BinhThuan province, Ba Ria-Vung Tau province, Phu Quoc Island, Da Nang City. While many projects are underway (including many of the top international hotel brands, and deluxe villa), there are many projects still in the planning stages. There are also a few hotel and resort projects being developed in Ha Long Bay, Bai Tu Long and Van Don in Quang Ninh province, and Do Son and Cat Ba Island in Hai Phong. City planners also cite the need for accompanying airports, roads, water and wastewater treatment and other tourism infrastructure as priorities.

Ongoing and upcoming construction projects

	PROJECT NAME	OWNER or DEVELOPER	PROFILE	LOCATION	START DATE	END DATE	STATUS
1	Children Hospital	HCMC Department of Public Health	USD \$235M; 1000 beds; 8 floors; 12 ha area; two basements;	Binh Chanh District, HCMC, Southern Vietnam	2014	2015	Under Planning
2	Oncology Hospital	HCMC Department of Public Health	USD \$235M; 1000 beds, 5 ha area	District 9, HCMC, Southern Vietnam	2014	2016	Under Planning
3	Passenger Terminal No 2 - Phu Bai Airport - Hue	Vietnam Airlines Corporation	USD \$167.866M; Development to include: * terminal area * shopping area * restaurant area * check-in counters * escalator * related utilities	Hue, Central Vietnam	Fourth quarter 2014	Fourth quarter 2017	Concept
4	Long Thanh International Airport - Dong Nai	ACV - Airports Corporation of Vietnam	US\$10B; 5,000 ha area; Master Planner: Japan Airport Consultants Inc. Vietnam - Rep.;	Dong Nai, Southern Vietnam	First quarter 2018	First quarter 2030	Under Planning
5	Expressway From Cam Ranh Airport To Phan Rang - Ninh Thuan	Department of Transport - Ninh Thuan Province	USD \$95.215M; Development to include: * total long: 50-kilometer * asphalted concrete type * bridges * sidewalk (road kerbs) * ramps * lighting system * road signage * drainage system and culverts * related utilities Building elements to included: * road metal * asphalt * light * decorative plants	Ninh Thuan, Central Vietnam	Third quarter 2014	Third quarter 2016	Under construction

6	Information Technology Park (ITP) No. 1	Danang IT Park Development Co., Ltd.	USD \$278M; 341,54ha; 6 functional areas: manufacturing and production, trading info technology products and services; research - development; technology incubators; offices; infrastructure and exhibition hall, along with other functional areas... Phase 1 (2013 - 2017) is planned to finish 131 hectares of operational facilities, with a total investment estimated at 82 million USD. In Phase 2, an additional 196 million dollars will be invested to build infrastructure in an area of 210,54 hectares in 6 years from 2017 to 2023.	Da Nang, Central Vietnam	April, 2013	2023	Under construction
7	Information Technology Park (ITP) No. 2	Da Nang Department of Information and Communications	VND \$290 billion; 56ha; high-tech manufacturing; research and development and training, IT incubators; the management of high-tech services; multi-functional complex; villas; green areas, lakes, parks, sport centers; roadway, parking, technical irrigation; key technical infrastructure; power safety corridors; mountains and hills, bordering coronary green belt.	Da Nang, Central Vietnam	2013	2020	Under construction
8	Software Park Project No.2	Department of Information and Communications	USD \$230M; 10ha; Conference centers, conference/seminar rooms, IT exhibitions, accommodation for professionals, employees, health care centers, mini supermarkets, high quality training centers, IT vocational schools, commercial centers and executive management center...	Da Nang, Central Vietnam	2013	2023	Under construction

9	Vietnam International University Township	Berjaya Land (Malaysia)	USD \$3.5B; 925 ha; eight phases	Hoc Mon, TP.HCM, Southern Vietnam	2008	2018	Under construction
10	Ninh An Airport	Thanh Dong Real Estate Investment JSC	USD 142.85M; 257 ha	Khanh Hoa, Southern Vietnam	first quarter 2015	first quarter 2018	Competition
11	Tuan Chau Golf Course - Quang Ninh	Ha Long T&H JSC	USD \$30.055M; 180ha; Development to include: * 18-hole golf course * swimming pool * entertainment area * gymnastics area * park area * related utilities Building elements include: *metal/concrete flat roofing *brick walls with paint finishes *tile, carpet, marble and granite flooring *aluminium-framed glass windows *glass panel and timber doors *decorative lightings	Ha Long City, Quang Ninh Province, Central Vietnam	Third quarter 2014	Third quarter 2016	Competition
12	Phu Man 18-Hole Golf Course - Quoc Oai District	Geleximco - Hanoi General Export Import Corporation	USD \$302.337M; 461ha; Master Planner: IMG Consulting Company; Development to include: * 18-hole golf course * cafe & restaurant * entertainment area * a training center * parking lot * elevators * related utilities	Ha Noi, Northern Vietnam	Third quarter 2014	Third quarter 2016	Concept
13	Bach Mai Hospital – Branch 2	Hanoi Department of Public Health	USD \$235M; 21ha; 1,000 beds	Ha Nam, Northern Vietnam	2014	2016	Planning
14	Viet Duc Hospital – Branch 2	Hanoi Department of Public Health	USD \$235M; 21ha; 1,000 beds		2014	2015	Planning
15	Convalescent Hospital	Song Thao Co., Ltd.	USD \$150M; 87ha	Thanh Thuy, Phu Tho Province			Calling for investment
16	86-story observatory tower in Thu Thiem New Urban Area	Tien Phuoc-Keppel Land (Vietnam-Singapore joint venture)	8.7ha	Thu Thiem District 2, Ho Chi Minh City			Planning
17	Rach Chiec Sports Complex		227ha	District 2, An Phu Ward, Ho Chi Minh City			Calling for investment
18	Smart Complex in Thu Thiem New Urban Area	LOTTE (South Korea) and Japanese investors	USD \$2B; 10ha; shopping mall, hotel, office and apartments	Thu Thiem District 2, Ho Chi Minh City			Planning

19	International financial and commercial centre in Thu Thiem New Urban Area	Vietinbank	USD \$400M; two towers: -1 st tower: 68 stories, main office of Vietinbank - 2 nd tower: 48 stories including five star hotel, spas, luxury apartments...	Thu Thiem District 2, Ho Chi Minh City			Planning
20	Exhibition center in Thu Thiem New Urban Area	DeSo-Defrain-Souquet (Architecture Consulting Firm)	USD \$35M; 1.8ha; 5 stories	Thu Thiem District 2, Ho Chi Minh City	2013	2015	Under construction
21	Service complex in Thu Thiem New Urban Area	Vingroup Joint Stock Company	79ha	Thu Thiem District 2, Ho Chi Minh City			Planning
22	Academy of International Finance in Thu Thiem New Urban Area		1.2ha; 4 floors	Thu Thiem District 2, Ho Chi Minh City			Calling for investment
23	Sports Complex in Thu Thiem New Urban Area		39ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investment
24	Southern Delta Resort in Thu Thiem New Urban Area		7.3ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investment
25	The Aquatic Park in Thu Thiem New Urban Area		8.2ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investment
26	The Central Square and the Riverside Park in Thu Thiem New Urban Area		30ha	Thu Thiem District 2, Ho Chi Minh City			Calling for investment

Web Resources

Ministry of Planning and Investment (MPI)

www.mpi.gov.vn

Ministry of Construction (MoC)

www.moc.gov.vn

General Statistics Office (GSO)

http://www.gso.gov.vn/default_en.aspx?tabid=491

Vietnam Green Building Council

www.vgbc.org.vn

HCMC Department of Urban Planning and Architecture (DUPA)

www.qhkt.hochiminhcity.gov.vn

HCMC Planning Information Center – DUPA

<http://planic.org.vn/map.php?language=en>

World Bank – Vietnam Projects and Operations

http://www.worldbank.org/projects/search?lang=en&searchTerm=&countryshortname_exact=Vietnam&src=

Asia Development Bank – Vietnam Projects and Operations

<http://www.adb.org/countries/viet-nam/main>

Vietnam Association of Architects (VAA)

<http://kienviet.net>

HCMC Association of Architects (HAA)

www.ktsvn.net

Trade/Industry Events:

VIETBUILD HANOI 2014, March 26-30, and November 19-23, 2014

VIETBUILD HO CHI MINH 2014, June 18-22, and August 29-September 2, 2014

CONBUILD VIETNAM 2014, December 3-6, 2014, Hanoi

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