Vietnam — A case of better late than early?

WCT Bhd is a latecomer to the Vietnam property market — and that may be a very good thing.

In the Vietnam property market game, it is the unusual case of better late than early, rather than the other way round, as many players who flocked there earlier have found out.

Malaysian developers that have ventured there include Gamuda Bhd, S P Setia Bhd, Berjaya Land Bhd and Ireka Corp Bhd associate Aseana Properties Ltd (ASPL).

While Vietnam forms only a small part of the first three companies' assets and focus, the same cannot be said of ASPL, which was listed in April 2007 by Ireka with a mandate to invest purely in Vietnamese and Malaysian real estate.

The London-listed property fund had an initial asset base of US$212.5 million (RM646 million), but has seen its shares slump 65% since its IPO nearly five years ago.

But after several painful years of restructuring of the Vietnamese economy to address its inflation and trade deficit problems, analysts say the worst could be over.

"This will be an important transitional year for Vietnam to implement its plan on restructuring the economy, with the main focus on the state-owned enterprises," Deputy Prime Minister Hoang Trung Hai told the Vietnamese media at a conference in Hanoi last week.

According to local press reports, Hai said although the country's economy still has inflation and a wide trade deficit, the Vietnamese government has gradually stabilised it.

He said while last year's full-year inflation was over 18%, figures recorded in the last six months of 2011 showed that inflation was on the decline.

Vietnam also enjoyed a balance of payment surplus of US$2.5 billion to US$3 billion, and foreign reserves increased against the narrowed trade gap, he said.

Hai said the government will create more effective measures to further narrow the trade deficit, while promising that the top priority is macro-economic stabilisation, rather than economic growth.

Vietnam's central bank has also signalled it may cut interest rates as inflation eases, although it warned of yet another difficult year.

Inflation, which stood at 18.3% in December, may range between 8.5% and less than 12% at worst in 2012, central bank governor Nguyen Van Binh said yesterday.

"We believe that 2012 will be a hard year, a challenging year for Vietnam's economy," Binh said. "Slowing inflation is a prerequisite for interest rates to drop, but it doesn't always happen like that."

The current economic picture is a stark contrast from some five or six years ago, when Vietnam attracted developers from Malaysia, Singapore and other parts of the world.

REUTERS

Motorists wait at a traffic junction in Hanoi.

The "Doi Moi" economic reforms reforms initiated in 1986 paved the way for the country's transition from a command to a more market-oriented economy.

Those reforms started bearing fruit in the early 2000s, turning the country of 87 million people into a favourite for foreign direct investment.

Touted as the next China, investors saw Vietnam as a low-cost industrial base or an exciting consumer story. The euphoria reached its peak in 2008, but since then, the Vietnam fairy tale has turned into a nightmare as investors have been caught in a period of economic uncertainty.

After the global credit crisis that struck at the end of 2008, the country has been struggling to regain a sound footing as foreign investments fell, inflation soared, and its trade deficit widened.

As a result, interest rates rose to over 20% while the dong was devalued by 7% in 2011, in a year that saw the government take more drastic steps to tackle the problems.

Some of the property players have decided to wait it out. ASPL, for instance, has yet to undertake any property launch in Vietnam since it started operations in 2007. But like WCT, it is also starting to see some signs of optimism.

This year, ASPL plans to launch its maiden project — the Phuoc Long B Residential Development in Ho Chi Minh City, Monica Lai, chief financial officer of Ireka Development Management, told *The Edge Financial Daily*.

Ireka Development Management is the manager of ASPL.

The development comprises 37 luxury villas and 450 apartments. The villas will be launched first. The low-density project is located on the border between District 2 and 9 of Ho Chi Minh City, with river views. It is being undertaken as a joint venture with Nam Long Investment Corp.

Elsewhere in Ho Chi Minh City, ASPL is currently constructing a hospital to anchor the International Hi-Tech Healthcare Park, a 37.5ha healthcare themed development with a gross development value (GDV) of US$770 million over nine years. However, earlier plans to launch residential units have been postponed.