

Screening to continue in property market



The real estate market will probably continue to undergo screening this year, so more quick-buck opportunists will be eliminated, leaving the playground for professional and financially healthy investors.

Statistics of the Ministry of Construction show that 2,600 out of 56,000 enterprises active in construction and property trading dissolved or suspended operations in 2012. Among them, 2,110 were construction firms and the others were real estate companies, up 6% and 24% against 2011 respectively.

It is believed that if the market continued the current trend, the number of disbanded and inactive businesses would rise further. From another angle, this would be beneficial to the market for eliminating the profiteering property traders

Le Chi Hieu, general director of Thuduc Housing Development Corp. (Thuduc House), said 2013 would be a year for brave investors with enough money to buy cheap projects to further grow and wait for the market recovery.

The make-or-break movement depends on talent and skills of each investor. The important thing is which segment they will choose, high-end or low-end.

The market is leaning towards the low-cost segment, targeting low-income earners. The Government's Resolution 02 issued early this year is also aimed at removing difficulties for this segment, focusing on condos of below 70 square meters each, priced at VND15 million per square meter.

The central bank's governor Nguyen Van Binh in a directive on the monetary policy released last Thursday said the central bank would join hands with the construction ministry to draw up and issue a guideline for lending to buyers of low-cost houses and investors converting their projects into low-cost ones.

He added the central bank would set aside a sum for refinancing with reasonable terms and interest rates in a bid to help banks give loans to the aforementioned borrowers in the spirit of Resolution 02.

It is still unknown if this remedy will be effective, but the market has recorded positive changes as a number of enterprises decided to shift their projects to the low-cost segment.

In the northern market, at least four projects have been turned into low-cost housing projects. They are the apartment project AZ Thang Long of Thang Long Confectionery Co. Ltd., the high-rise commercial housing project Song Da developed by Song Da Urban Development Joint-stock Co. in Ha Dong District, the urban project Trung Van of Hanoi Construction Investment JSC in Tu Liem District, and the project of Tourist Material Joint-stock Co.

The shift towards the low-end segment is understandable since low-cost home developers can enjoy preferential loans, land use fee and corporate income tax.

In the southern market, several realty firms have increased investment in the low-cost housing segment, which will lead to a larger supply of budget condos in the coming time. In particular, Le Thanh Commercial Construction Co. is seeking permission for investment in two apartment projects in HCMC's Binh Tan District.

The company's director Le Huu Nghia informed his firm would build a low-cost housing project consisting of 2,500 apartments and a commercial one with about 900 flats.

Similarly, Thuduc House will develop small-sized apartments called S-Home, with each unit covering 40-60 square meters. The company plans to launch 700-1,000 S-Home apartments in District 9 and Thu Duc District in the coming time.

It is unknown how the market will respond to this kind of apartment, as well as how the supporting policies for the market will be carried out. However, one thing for sure is that with many projects in the low-end segment, a fierce competition will take place.

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