

Vietnam Construction Market | Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Vietnam construction market was valued at around USD 60 billion in 2021 and the market is projected to register a CAGR of more than 8.71% during the forecast period (2022 -2027). The Vietnam construction industry is one of the best performing in the Asia-Pacific (APAC) region. Despite losing momentum due to COVID-19, it continued to grow strongly in 2021. In the first nine months of 2020, the industries which saw a significant decrease in the number of employees include the construction industry by 14.1%.

Key Highlights

Due to the impact of the COVID-19 epidemic and the downturn in the real estate market, most construction companies in Vietnam have experienced a sharp decline in business results. The construction industry really faced a lot of difficulties in the first 6 months of 2020.

The first difficulty is COVID-19 which caused construction sites to stop deploying. The other difficulty is stemming from the real estate market when hundreds of projects are congested due to legal procedures.

Vietnam has risen to prominence as the most recent East Asian growth engine, attracting the attention of international investors. It is in the midst of a transformation. The government's economic reforms transformed the country into one of the world's fastest-growing economies.

Despite the epidemic, the Vietnamese economy continued to demonstrate significant growth patterns, making the country a favorable investment destination for foreigners. In the residential construction market, high-end condos in the city remained in demand despite the pandemic, and there were no signs of a fall in prices.

In housing projects, the Hanoi People's Committee issued a decision approving the outline for devising the capital's housing development program for 2021-2030, with a vision toward 2040.

The increasing demand for warehousing drives investment in Vietnam's logistics system with foreign enterprises' appearance and

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further business expansion. E-commerce and food delivery have now become very crucial in everyday life.

Vietnam's competitive advantage will continue to increase as work progresses on major infrastructure projects aimed at improving logistics in the country: the construction of the North-South Expressway linking Hanoi and Ho Chi Minh City will increase domestic transportation capacity along a corridor that connects industrial zones with urban centers, ports and the border with China. With the strong growth of industrial real estate during the pandemic, many new investors decided to enter the market, including domestic developers (Vinhomes, Thanh Cong Group) and foreign developers (JD.com, Fraser, ESR). In addition, investment funds have also participated via investment into potential projects such as Actis, which recently announced an investment into a local industrial park operator.

From now to 2023, the supply of industrial land in the North is expected to increase by an average of 7.4% per annum, while the supply of warehouse and ready-built factories is also expected to increase by 46% and 10% per annum, respectively.

Vietnam Construction Market Trends

Government plans to develop Infrastructure driving the Construction Market

In 2021 Vietnam announced a plan worth USD 10.5 billion to build or upgrade 16 railways with a total length of 4,800 kilometers in the next 10 years. The plan was announced by Deputy Prime Minister Li Wencheng.

It planned to renovate and upgrade 7 lines with a total length of 2,400 kilometers and build 9 lines with similar lengths. The government's focus on developing seaports with an aim to increase trade volume in the country is expected to drive growth in the infrastructure construction market over the forecast period.

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Vietnam's transport ministry announced a transport infrastructure plan between April 2021 and 2030, estimated to cost between USD 43 billion and USD 65 billion. An industrial research institute under the Ministry of Transport has developed three proposed options for implementation.

An industrial research institute under the Ministry of Transport has developed three proposed options for implementation. The enactment of the new PPP law implemented from January 2021 is expected to play a key role in the completion of these infrastructure projects.

Accordingly, the Ministry of Transport (MOT) proposed a plan to develop the North, South railway infrastructure, including the construction of a dual-track broad-gauge line connecting Hanoi and Ho Chi Minh City, two express railway sections, and upgrades to the existing railway.

Vietnam's government adopted the country's road development plan for 2021-2030 in September 2021. By 2030, the plan seeks to create nearly 5,000 kilometers of expressways, up from 3,841 kilometers in 2021.

By 2030, Vietnam plans to construct 172 national highway routes with a total length of 29,795 kilometers, up from 5,474 kilometers in 2021. It also intends to construct 3,034 kilometers of coastal roads that will connect 28 cities and provinces.

Investments in Residential Sector

In recent years, the Vietnamese housing market has experienced remarkable growth. Due to the limited investment choices available to local Vietnamese outside of the property market, demand for flats has far outpaced supply, with many new buildings selling out shortly after they go on sale.

In the first half of 2021, there were approximately 7,900 condominium units launched in Hanoi, up by 10% year over year. Although there have been some negative impacts from waves of COVID-19 on the Hanoi residential market in H1 2021, the

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increase in new launches shows a recovery of sales activities and the adaptation of both developers and buyers to the new market situation.

The existing central area and 22 districts focus on developing high-rise apartment buildings, at the same time building infrastructure suitable to the size of the project to ensure overloading of the infrastructure system does not occur.

In fact, increasing the proportion of high-rise apartment buildings and gradually reducing the proportion of low-rise housing is not a new trend. Because before that, housing development projects in the city also gradually changed the project structure from low-rise to high-rise, according to the direction of the government and the Ho Chi Minh City government.

In addition, Ho Chi Minh City plans to increase the proportion of rental housing in the next 30 years to meet the housing needs and affordability of low-income subjects with many forms of payment, such as rent, lease purchase, and buy.

In the coming decades, the city will prioritize and encourage all economic sectors to invest in and build rental housing, social housing, and low-cost housing for people with low incomes.

In 2021, the Ministry of Construction has proposed a VND 30 trillion (USD 1.3 billion) credit package to build low-cost homes for workers. Across the country, there are 266 social housing projects with more than 142,000 units totaling more than 7.1 million square meters.

Another 278 projects, including 276,000 units with a total area of 13.8 million square meters, are under development. In the year 2022, some real estate developers planned to build apartments worth VND 1 billion (approximately USD 44,150) per unit, increasing hopes of quenching the need for affordable housing.

To meet the increased demand for cheap housing, real estate developer Hung Thinh Corp., building material maker Dong Tam Group, and wood firm Truong Thanh Furniture Corp. announced an affordable housing initiative in the beginning of Q1 of 2022.

Vietnam Construction Market Competitor Analysis

The construction market in Vietnam is fiercely competitive, with big domestic and international businesses. Song Da Corp JSC, Truong Xuan Investment And Construction JSC, COFICO, Hoa Binh Construction Group JSC, and Cotecons Construction JSC are just a few of the key competitors in the sector.

The building business in Vietnam has grown significantly in recent decades. Furthermore, Vietnam's construction capability has advanced significantly, allowing it to handle the building needs of large-scale projects.

In Vietnam, the construction sector is characterized by a considerable quantity of initial investment capital and a reliance on bank financing. Low disbursement rates and project postponement using public investment funding are two factors that have had a substantial impact on construction enterprises' financial status.

To deal with the challenges, many enterprises in the industry have implemented various development strategies, such as maintaining core industries (construction, installation, or building of underground works) while diversifying into real estate, hydropower, and renewable energy.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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