

Dai Phuc builds on the momentum in Vietnam

BY **WONG KING WAI**

The residential market in Vietnam is opening up to foreign buyers, following an amendment to the Housing Law that was approved by the Vietnamese National Assembly last November.

The amendment, which will take effect on July 1, allows foreign individuals and institutions to purchase any type of residential property, including condominiums and landed assets. Before this, ownership was restricted to foreigners who were married to Vietnamese and those deemed to have made significant contributions to the nation's development.

The opening up of the residential market will be a welcome boost for local developers.

One that is looking to capitalise on it is Dai Phuc Development Co Ltd, based in Dalat, the capital of Lam Dong province in Vietnam. The temperature in Dalat — located 1,500m above sea level on the Langbian Plateau in the southern part of the Central Highlands — ranges from 14°C to 23°C, earning it the title City of Eternal Spring.

Dai Phuc Development was founded in 2007 by Barry Israel and his wife, Le Ngoc Khanh Tam. Israel was a former lawyer in Washington DC before he became CEO and majority owner of Danao International Holdings. At one time the largest American investment firm in Vietnam, Danao's portfolio included hotels such as Sofitel Dalat Palace and Novotel Dalat, apart from golf courses such as Dalat Palace Golf Club as well as serviced apartments.

Before starting Dai Phuc Development with her husband, Tam was a shareholder and director of public relations for Danao International Holdings.

The couple's first project, La Vallee de Dalat, features eight luxury homes and is built on a slope overlooking the city. It covers 10,000 sq m (2.47 acres) of freehold land, costs US\$5.6 million and has an expected sales value of US\$8.4 million, says Tam.

The house plots measure between 812 sq m and 973 sq m, with built-ups of 464 sq m and 600 sq m.

"The selling price depends on the size of the lot and the interior finishings. Each villa is priced around VND20 billion to VND24 billion or about US\$1.2 million," Tam says.

The developer is working with Austin Home to offer two furniture packages — one priced at US\$50,000 and the other at US\$80,000. The concept, unusual in Dalat, is to build custom homes, which means the buyer works with the developer on the interior finishing and chooses the furniture.

Only seven of the villas will be for sale, with the remaining unit, which has been completed, occupied by the developer. To date, three units have been sold to foreign buyers, with two under construction. The foundations have been laid and water pipes as well as television, internet, telephone and electricity cables installed.

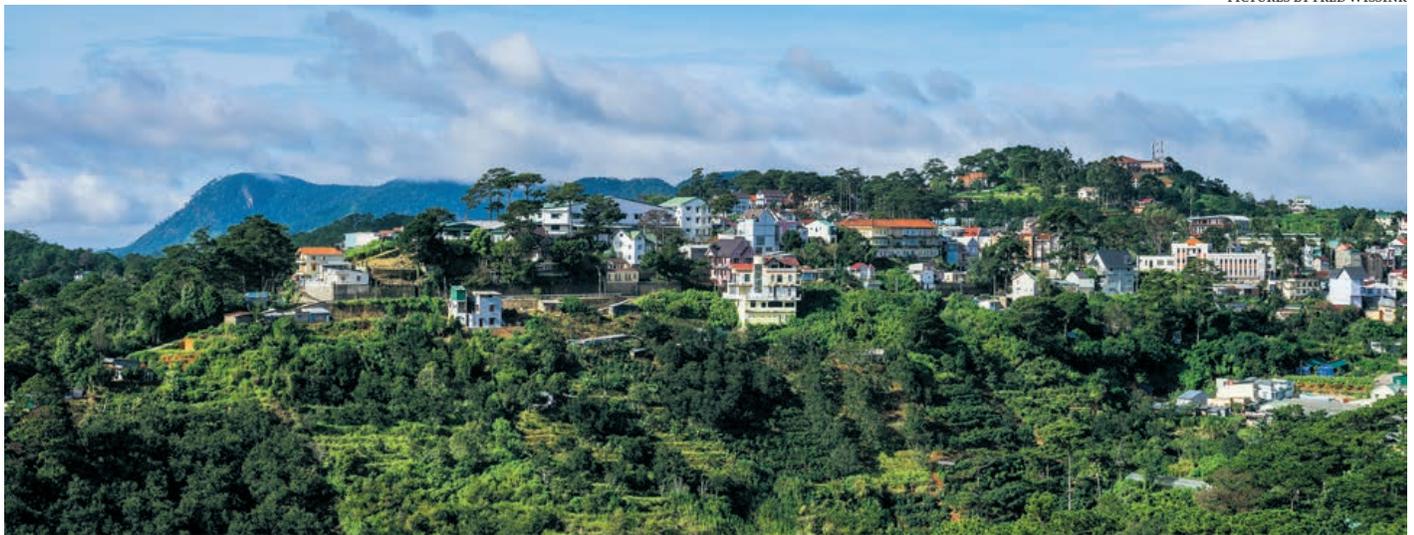
"We will build the next house when we have a buyer," Tam says. But "we will probably build the adjoining house at the same time" to minimise inconvenience to him or her.

The houses have a French-inspired design in a nod to Dalat's history. "The French came here around the turn of the last century and began building a city with all these villas reminiscent of European mountain chalets. Many still stand," she says.

"The actual layout, however, was inspired by a house in Southern California that Barry spent a great deal of time in. It overlooks the Pacific Ocean and was designed to draw everyone's attention to the views. While the Dalat houses are much larger, the California house provided the inspiration on how best to maximise views and enjoy the climate."

For the first two years after the completion of the project, it will be managed by the developer. A committee comprising homeowners — all of whom are entitled to join — will thereafter select a management company. The committee will supervise the common areas and enforce the ownership rules as laid out in the purchase and lease agreements. The estimated maintenance fee is US\$750 per quarter, to be administered by the project manager under the committee's supervision.

Rental rates are estimated at between US\$2,500 and US\$4,000 per month, with yields of 3% to 3.5%, says Tam.



PICTURES BY FRED WISSINK



Clockwise from above: Israel and Tam, founders of Dai Phuc Development

The view from La Vallee de Dalat

The villa that is occupied by the developer



Building on the side of a mountain

The villas enjoy outstanding views and design, but "what you cannot see is what really differentiates the project", according to Tam. "With La Vallee de Dalat, we have built — some would even say overbuilt — our infrastructure. These villas are built on the side of a mountain. We started with a 45° slope. Using the best architects and engineers we could find in Southeast Asia, we designed a system of retaining walls that eliminated that steep angle. Our bottom retaining wall is 16m high, which we believe is the highest in Vietnam.

"To secure that wall, we dug a three-metre foundation. Then we placed nine-tonne concrete pods into the rock base of the mountain. Those anchors are spaced six metres apart, and tied into the retaining wall in two spots, which pulls the wall back into the mountain.

"To secure the foundations of each house, we dug down to bedrock, sometimes four metres below the surface, and again placed nine-tonne pods on the bedrock. Then we ran concrete and steel columns up to the ground level and rested the bottom-floor concrete pads on these columns.

"We've also put in a complex underground drainage system that runs throughout and around the 10,000 sq m property. We ran pipes for this run-off system down the mountain into a small stream. We recently noticed that some farmers in the valley have taken advantage of the rainwater we diverted to the stream by damming it. There is now agriculture down there, including several greenhouses that did not previously exist."

Tam's company owns 22,000 sq m of landbank in and around Dalat.

"Through my development company, I own the largest remaining undeveloped freehold piece of land in Dalat," she says. "It also happens to be the highest point overlooking the entire city, sitting right at the entrance after a drive up the mountain from the airport.

"The land has been subdivided into six 1,200 sq m lots with a road system that allows for three entrances to the project. The lots can be re-subdivided to make 12 lots. In addition, we've also got a 3,200 sq m piece of freehold land that also overlooks the city and has been zoned for a tourism project." There are no concrete plans for the land as yet.

Vietnam market's strong performance

One concern about the new amendment to the housing legislation is that some details have yet to be clearly defined. For instance, it is stated that foreigners with special visas will be able to purchase property. But what is this special visa?

"This will be stated in a guidance circular, which will probably be released in the next six months. It is likely that the interpretation of this requirement in the fine print in the implementing regulations will be more restrictive," says CBRE Vietnam associate director Dung Duong.

The circular will also address issues such as the process of renewal of the lease after 50 years, and if there is a premium to be paid to revert to 50 years if there is, say, 30 years left on the lease.

But Dung believes foreign buyers will not be deterred as most will be buying to let or looking for capital gains.

The strong performance of the Vietnamese property market last year, which looks likely to spill over into 2015, is another encouraging sign.

"The revised law on housing, decreasing interest rates and reinforced market confidence supported the residential market in Vietnam in 2014. Last year, saw a sharp increase in the number of new launches in both Hanoi and Ho Chi Minh City (HCMC)," Dung says.

"There were a total of 14,807 new units launched in HCMC, 3.2 times higher than 2013, while in Hanoi, a total of 16,253 new units were released, which was 2.06 times higher than that of 2013. There was an increasing trend in new launches from 1Q to 4Q of last year, showing improving market confidence among both developers and buyers towards the year-end.

"It is expected that the market will continue to look positive in 2015 as more new launches or project restarts will be seen in the two most happening markets — Hanoi and HCMC. Sales momentum is expected to stay strong, keeping the current pace in Hanoi and HCMC. The active involvement of end-users and investors — including speculators — will translate into increased sales volume.

"While the law on foreign ownership in residential housing is expected to stimulate demand, activities on this front will be slow in the near term as market players take time to assess the market movement," says Dung