

2 Dec 2024

# Housing

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## Pave the path to unknot

**Non-rated**

### Bullish hope on the pilot implementation

On the afternoon of November 30, 2024, the 8th session of the 15th National Assembly was held with urgency to conclude. The main topic discussed and approved was the draft resolution on the pilot implementation of commercial housing projects through agreements on land use rights or existing land use rights, where such land is not residential. The draft was open for public comment on the government portal since May 2024, and passed despite concerns raised by delegates during the discussion.

### Some are excited

In reality, most real estate projects, especially large-scale ones, are implemented on land that is not originally residential, often agricultural land. Hence, by allowing the agricultural land, the resolution is considered a strategic document with significant benefits, including: 1) in the short term, it opens the way for more than 493 projects currently stalled due to land use rights issues, including 189 projects in Hanoi and 126 in Ho Chi Minh City, 2) it promotes supply in urbanized areas in the medium and long term and 3) it reduces the waste of constrained land resources, thereby contributing to the stable development of the real estate market.

### Cautious stance is worthy since action speaks louder

We remain cautious about the implementation capacity of relevant agencies. The resolution specifies that provincial People's Committees will define specific regulations for implementing pilot projects in line with local conditions, and provincial People's Committees will submit a list of pilot projects to the People's Council at the same level for approval before implementation. Therefore, implementation will depend on the subjective will of local leaders, and some stalled projects could be blocked if they do not meet the criteria.

### The winners are not taking their all

However, listed housing stocks on Monday session reacted cautiously to the news of the resolution. Besides the need for time to assess the actual effectiveness of resolving legal issues for long-standing projects, most project investors are not listed on the stock exchange. These are small-scale businesses with a few scattered projects in local areas. Due to constrained financial capacity, these investors are vulnerable if they lack the financial resources to kick-start projects amid the costlier land use right fees. In some cases, these project owners may engage in M&A activities with other partners if they are unable to implement the projects, even if they could approval or permits.

**Research Dept**  
researchdept@kisvn.vn

Table 1: Summary on the resolution

No.	Criteria	Content	Reference in Resolution
1	This Resolution stipulates the pilot implementation of commercial housing projects through agreements on receiving land use rights or having land use rights that are not residential land (hereinafter referred to as pilot projects) nationwide.	- State agencies; Enterprises with real estate business functions according to the provisions of law on real estate business; Land users according to the provisions of the Land Law.	Article 1, paragraph 1
2	Land type for implementing commercial housing projects through agreements on receiving land use rights or having land use rights but that land is not residential land	- Land for implementing commercial housing projects through agreements on receiving land use rights is land types as prescribed in Article 9 of the 2024 Land Law that are eligible for transferring land use rights as prescribed by the land law. Form of agreement: transfer of land use rights, capital contribution using land use rights. - Land that real estate businesses have the right to use belongs to one or includes the following types of land: a) Agricultural land; b) Non-agricultural land that is not residential land.	Article 2, paragraph 1
3	Conditions for implementing commercial housing projects through agreements on receiving land use rights or having land use rights	- The project is consistent with the district-level land use planning or construction planning, urban planning. The project is consistent with the local housing development program and plan that has been decided and approved. - The project has a written approval from the provincial People's Committee on the agreement on receiving land use rights. - Real estate businesses that are allowed to change the land use purpose to implement the project must meet the conditions prescribed by the law on land, the law on housing, the law on real estate business, the law on investment and other relevant laws.	Article 3, paragraph 1, 2, 3
4	Criteria for selecting pilot projects	- <b>Option 1:</b> The total number of pilot projects shall not exceed 30% of the number of projects and 20% of the total area of housing project development needs approved by the housing development program and plan until 2030. Priority shall be given to piloting in cases that meet the following conditions: a) Land in urban areas, areas with approved urban development planning; b) Enterprises with real estate business functions that are using land allocated by the State with land use fees collected or leased by the State with one-time land rental fees collected for the entire lease term; c) In cases where the facility must be relocated due to environmental pollution or must be relocated due to non-compliance with construction planning or urban planning  - <b>Option 2:</b> Pilot implementation of commercial housing projects through agreements on receiving land use rights or having land use rights in the following cases: a) In case the investor has a document from the Provincial People's Committee approving the implementation of the commercial housing project through an agreement on receiving land use rights before the effective date of Land Law No. 31/2024/QH15; b) In case the investor has land use rights originating from the State with land use fee collection or land lease with one-time land rent collection for the entire lease term; c) In case the investor has non-agricultural land use rights in cases where the facility must be relocated due to environmental pollution, the facility must be relocated according to construction planning and urban planning.	Article 4

Source: KIS Research, draft on the resolution

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