

2023 AMENDED REAL
ESTATE BUSINESS LAW IN
VIETNAM

Key Points and Market Implications

CBRE

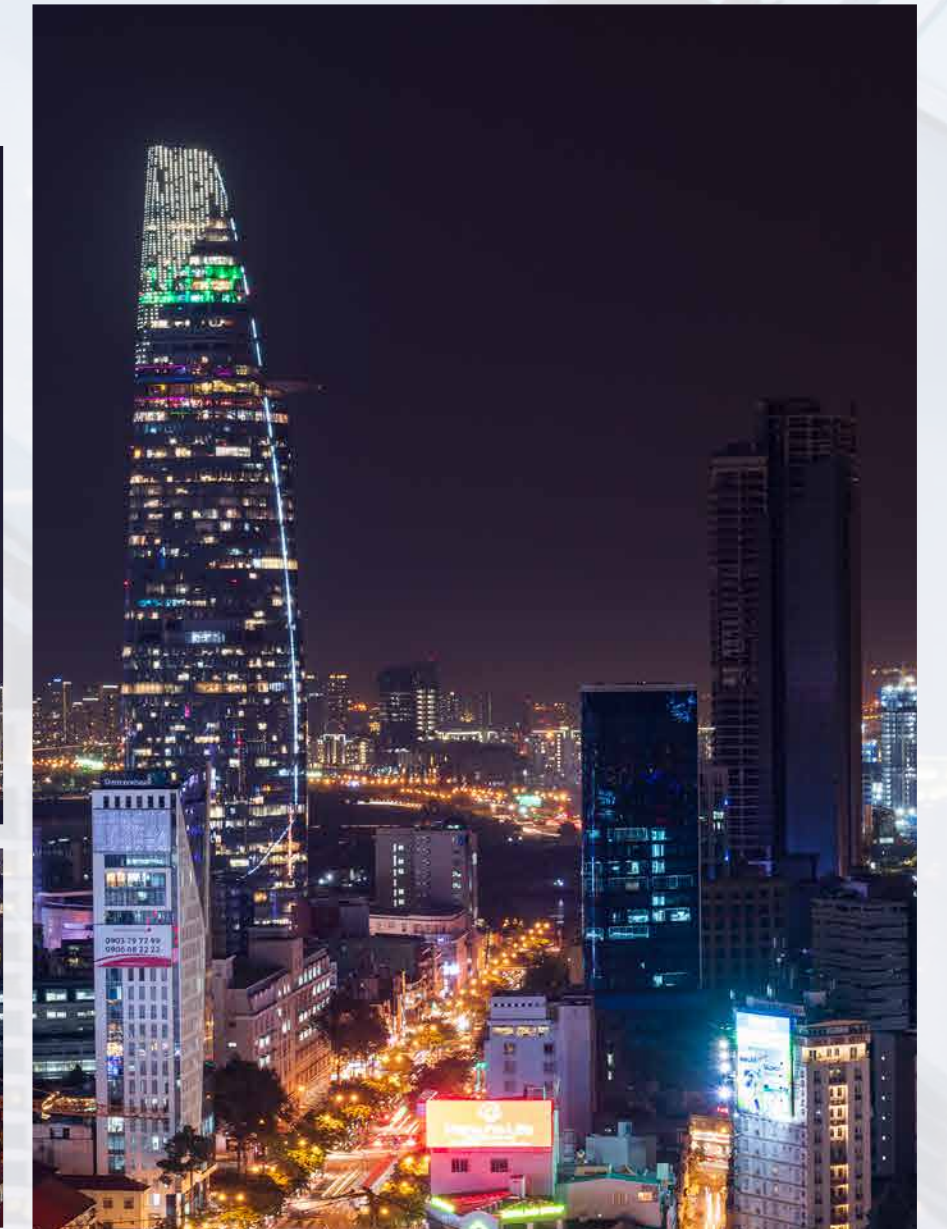
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Introduction

Unveiling the Implications: The 2023 Amended Real Estate Business Law and its Impact on the Vietnamese Real Estate Market.

The conclusion of 2023 & the beginning of 2024 marked a pivotal moment for the Vietnamese real estate market. The National Assembly consecutively approved significant laws, including:



01

Amended Law on Real Estate Business
(passed 28 November 2023, effective from 01 January 2025)

02

Amended Housing Law
(passed 27 November 2023, effective from 01 January 2025)

03

Amended Land Law
(passed 18 January 2024, effective from 01 January 2025)

These legal frameworks hold immense importance in various aspects, encompassing politics, socio-economics, national defence, security, and environmental sustainability. As the global leader in commercial real estate services and investments, CBRE, in collaboration with DIMAC Law Firm, proudly presents a series of market commentaries. These insightful pieces delve into the implications and impact of these laws on the real estate market. Commencing this series is a comprehensive analysis of the **2023 Amended Real Estate Business Law**, shedding light on its far-reaching effects.

2023 Real Estate Business Law: Market Implications

01 Scope of regulation

Article 1

The new Law has narrowed the scope of regulation compared to LREB 2014. These changes address the overlapping scope of regulation with other important laws such as the Land Law, Housing Law, Law on Investment, Law on Management and Use of Public Property and other related laws.

With new regulations, LREB 2023 shows a clear and independent delineation of the specialized real estate field in relation to other fields related to investment and land. For example, the transfer of LURs and the transfer of real estate projects as collateral for debt recovery will be carried out according to the Law on Credit Institutions.

On 28 November 2023, at the 6th session of the 15th National Assembly of the Socialist Republic of Vietnam, the Law on Real Estate Business 2023 ("LREB 2023") was passed (with a ratio of 94.13 National Assembly deputies approving). This Law will take effect as from 01 January 2025, replaces the Law on Real Estate Business 2014 ("LREB 2014") and features with some notable new points as follows:

02 Foreign invested economic organization

Article 10.4 & Article 10.5

LREB 2023 amends and clarifies the regulations on foreign-invested economic organizations, which are not required to carry out investment procedures applicable for foreign investors under the provisions of the Law on Investment, are allowed to conduct the real estate business as same as the domestic organizations and individuals.

This amendment helps create favourable conditions and expand the scope of operations for foreign-invested economic organizations on specific cases while ensuring consistency with the Law on Investment.

03 Deposits in houses and construction projects formed in the future

Article 23

LREB 2023 adds new regulation that real estate project investors are only allowed to collect a deposit of not exceeding 5% of the selling price, lease-purchase price of houses, construction works, and construction floor area in construction works from customers when housing and construction projects have satisfied all conditions for being put on the market according to the provisions of this Law.

This is a notable new point that reflects the true nature of the deposit while limiting risks for the buyer or hire-purchase party. However, the deposit regulations do not mention the issue of deposit penalties, so the deposit penalty ratio will apply according to the parties' agreement. To ensure the spirit of the legislator, this regulation also needs to be further guided and applied for a period of time in practice to evaluate its effectiveness.

2023 Real Estate Business Law: Market Implications

04

Conditions for putting houses and construction works formed in the future on the market

Article 24.6

LREB 2023 adds a new regulation that project investors must complete financial obligations regarding land to the State, according to legal regulations for land attached to houses and construction works put on the market.

The new regulations continue to tighten conditions for real estate to be put on the market. Previously, requiring investors to fulfill their financial obligations was only impartially implemented according to a policy of each locality. However, such an application leads to a lack of synchronization and unity among localities and causes investor inequality. Therefore, this amendment is beneficial to ensure that regulations are applied consistently.

05

Guarantees for sale and lease purchase of off-plan houses

Article 26

LREB 2023 grants the purchaser the right to choose whether or not to require a guarantee of the investor's financial obligations. This regulation creates flexible room for the parties to negotiate freely depending on their actual needs but still gives the purchaser the discretion to request bank guarantees where necessary to protect their legitimate rights when signing the contract with the investor.

This regulation also aims to simplify paperwork by detailing the guarantee provision process, enhance the responsibility of investors in properly implementing regulations, and give customers a clear basis to ensure their legitimate rights and interests when dealing with developers.

06

Land plots – Condition for dividing and selling

Article 31

LREB 2023 adds type II & III urban areas to the subdivision and land sale prohibition, which tightens the current regulations on dividing and selling land plots. This tightening helps ensure healthy housing market development, landscape and urban development.

The new regulations also specify procedures for investors to carry out work to have a basis to proceed with the transfer according to the provisions of law. Specifically, before transferring LURs, the project investor must send a notification of qualified LURs to the competent authority. Within 15 days, the competent authority must answer whether or not the conditions for transfer in the form of dividing lots and selling plots are met.



2023 Real Estate Business Law: Market Implications

07 Conditions for transferring all/part of a real estate project

Article 40

Compared with the current laws, LREB 2023 set out an additional condition requiring the transferring investor to complete financial obligations regarding land for the project. This regulation tightens the transfer conditions of the transferor, prevents the transfer of projects in search of profit and is consistent with the principle that the sellers are only allowed to transfer what they have.

This regulation is a filter test for the developers; only developers with good financial capabilities can participate in M&A activities. On the other hand, it could become a burden for real estate developers in general since delayed real estate projects are quite common in Vietnam.



08 Payment in Real Estate Business

Article 48

LREB 2023 specifically stipulates mandatory conditions applicable to investors and real estate enterprises that must receive payments from customers via bank, other cases will be agreed upon by the parties themselves and are not required via bank. This also aims to institutionalize the content in Article 2.6, Section IV of Resolution No. 18-NQ/TW dated June 16, 2022 on strengthening payments via banks, and not using cash in real estate transactions.

09 Real Estate Brokerage

Article 61

Under the new regulations, individuals are allowed to practice independent brokerage as long as they have a real estate brokerage practice certificate and are registered to pay taxes. However, individuals are no longer allowed to practice independently but must practice in real estate service businesses. This regulation adds standards for independent brokers to practice real estate brokerage practices, helping to professionalize brokerage activities. At the same time, applying this new change also helps avoid government tax losses.



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