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Longer Lease Terms for Foreign Investors in Vietnam

Featured in the August 14-20 edition of the Vietnam Investment Review, [David Lim](#) discussed the potential implications of a change in government policy regarding an extension of land leasehold terms for foreign investors in Vietnam's Special Administrative Economic Zones.

Vietnam's Minister of Planning and Investment Nguyen Chi Dung told attendees at the M&A 2017 Forum that the Ministry is compiling a draft Law on Special Administrative Economic Zones under which foreign investors could have land leaseholds of up to 99 years for relevant properties.

David explains, "This would make Vietnam a more competitive market in the region compared with neighbouring countries...as the regional and global race for investment intensifies; such initiatives will be well received, and are necessary for Vietnam to stay competitive"

For more information lease terms in Vietnam or other developments on the Vietnam property landscape, please contact [David Lim](#).

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Longer-term foreign leases proposed Article by Bich Ngoc

The government is considering allowing foreigners to lease land for up to 99 years in the country's special economic zones, which would nearly double the length allowed by the current laws. Minister of Planning and Investment Nguyen Chi Dung told last week's M&A 2017 Forum, organised by VIR, that the ministry is compiling a draft Law on Special Administrative Economic Zones (SEZs), under which foreigners could have land leaseholds of up to 99 years for properties in the country's SEZs. Lease length is one of the most concerning issues for foreign investors in Vietnam. Under existing laws, the land leasehold for foreigners is 50 years maximum, or up to 70 years if the properties are in economic zones. "Other countries have had such an open policy. We must take bold steps and introduce policy breakthroughs to lure foreign investment, as long as they do not counter the country's constitution. Otherwise we will keep lagging behind," Dung said.

According to Dung, the draft would be submitted to the National Assembly in October. The Law on SEZs will be an important legal framework for the establishment, development, and management of three SEZs – Van Don in the northern province of Quang Ninh, Bac Van Phong in the central province of Khanh Hoa, and Phu Quoc in the southern province of

Kien Giang. "Vietnam has relied heavily on natural resources, human resources, and geographic advantages. Opportunities for growth from the country's reforms are diminishing, thus we must actively seek other driving forces for growth and to attract foreign investors." David Lim, managing partner of ZICO Law Vietnam, told VIR that as Vietnam prepares for continued integration into the ASEAN Economic Community (AEC), extending the lease term to 99 years in SEZs would significantly enhance the attractiveness of investing in Vietnam and its SEZs. "This would make Vietnam a more competitive marketplace in the region compared with neighbouring countries which already offer longer-term leases. This would also present opportunities in Vietnam's emerging real estate market, which would result in more compelling yields compared to other ASEAN countries," said Lim.



Vietnam's approach in the regional market and its goal of becoming a regional hub can be further supported by the government providing longer leasehold periods, he said. "As the regional and global race for investment intensifies, such initiatives will be well-received, and are necessary for Vietnam to stay competitive," Lim added. Neil MacGregor, managing director of Savills Vietnam, also applauded the draft law. "Savills Vietnam is very excited by news of a draft law extending the leasehold title for foreigners to 99 years in SEZs such as Phu Quoc, Khanh Hoa, and Quang Ninh," he said. "While this is good news for the property market, we await details, including confirmation that foreigners would indeed receive a 99-year leasehold title and not just a lease from the developer."

MacGregor also said that other measures that the government could consider to support the property market might include increasing the existing proportion of units that a developer can sell to foreigners in a given project, and ensuring that title documents are issued promptly to both Vietnamese and foreign buyers. "When other similar announcements have been made to the market, official guidance has been slow to follow; we do hope that guidance in this case will be issued promptly."

These proposed changes indicate the government's willingness to continue to promote Vietnam's attractiveness for foreign investment and the maturity of the property market in comparison with other regional peers," he added. Ben Gray, director of capital markets of Cushman & Wakefield Vietnam, said, "Foreign direct investment, largely in manufacturing, has been key to Vietnam's growth. It hit a record of \$15.8 billion last year and has risen 6 per cent in the first five months of 2017. Any support that the government can give to this by further incentivising FDI to target certain areas is a step in the right direction." However, Gray noted, the government needs to be cognisant of the existing provinces where manufacturers are facing uncertainty about the process to renew their existing land use rights: how many years will they be able to secure and how long will the process take."

The government extended foreigners' property purchase rights in 2015 with new laws on real estate business and housing. So far, around 1,000 foreigners out of a total of 82,000 working and living in Vietnam have opted for local property ownership.

This alert is for general information only and is not a substitute for legal advice.