

N°5 | MARCH/APRIL 2021

TM

TRENDS

LEGAL MAGAZINE

COMMENTS ON THE REAL ESTATE LOGISTICS SECTOR

INSIGHTS FROM:

IRELAND | ITALY | POLAND
UNITED KINGDOM | VIETNAM

REAL
LAW
ESTATE



The Law Firm **Network**
FAR - REACHING LEGAL SOLUTIONS



PUBLISHER



The Law Firm Network
FAR - REACHING LEGAL SOLUTIONS

Zurich, **Switzerland**

CONTACT

E-MAIL: rafaeltruan@lfnetwork.com

TEL: **+34 9131 06660**

www.lfnetwork.com

Executive Director: **Rafael Truan Blanco**

Regional Directors:

EMEA - **Peter Krarup** (Mazanti-Andersen)

The Americas - **Alejandro Fiuza** (Brown Rudnick LLP)

Asia-Pacific - **Dang The Duc** (Indochine Counsel)

Publications Director: **Marek Turcza** (TURCZA Kancelaria)

Real Estate Chairwomen:

Giulia Comparini (Cocuzza e Associati)

Janneke Sinnige (Wieringa Advocaten)

Real Estate Publication Officer: **Jonny Nolan** (BHSM LLP)

Graphic design and DTP: **Bartosz Wiczynski** (TURCZA Kancelaria)

Copyright © 2021 The Law Firm Network. All rights reserved.



[linkedin.com/company/the-law-firm-network/](https://www.linkedin.com/company/the-law-firm-network/)



LOGISTICS REAL ESTATE IN VIETNAM: COVID-19 AND UPCOMING TRENDS

by Le Nguyen Huy Thuy & Ton That Hoang

Background

International trade has been severely impacted by the COVID-19 pandemic. Not only have consumer habits changed – through an increased use of e-commerce to purchase goods once bought in brick and mortar stores – but new medicines and vaccines require new capabilities in the logistics sector to be properly delivered and stored. The challenges presented by these changes are forcing the logistics sector to adapt. As for Vietnam, a market with nearly 100 million potential customers – 60% of whom access the internet and all of whom will need the COVID-19 vaccine – the need for large scale logistics services continues to grow. Investment, specifically in logistics related real estate, will only serve as a profit centre for foreign investors who understand the legal requirements to enter into the sector.



Upcoming Trends

Vietnam is one of the fastest growing e-commerce markets in Southeast Asia, with revenue expected to reach US\$13 billion¹ by the end of 2021. In recent years, the supply chain has increasingly focused on consumers, with the speed of delivery a primary factor in making purchasing decisions. With the stay-at-home requirements due to the pandemic, more customers chose online shopping. This required competitive prices and strict delivery schedules. The variety of goods, not only dry goods delivery but also cold storage for food and temperature-sensitive items such as pharmaceuticals, vaccines, cosmetics, etc., entered into this ecosystem drove the demand for expanding services.

In 2019 the global cold chain market was valued at US\$4.7 billion and is expected to reach US\$8.2 billion by 2025 with an average annual growth rate of 12.5%². Both domestic and international investors have long been targeting cold chains, and there is need of more cold storage located closer to customers to serve the growing demand for regular temperature-sensitive products. Another driving force for cold storage is specialised health care products, the most prominent being the COVID-19 vaccine and other potential vaccines in the future.

COVID-19 vaccine's distribution process – an unprecedented service in the logistics market – requires a very low temperature that is not normally required in standard cold storage. The need for new facilities and capabilities to meet this demand promises to bring significant profit to investors and service providers who can seize the opportunity. But cold storage requires additional space for refrigeration, ventilation, and other elements especially in tropical countries like Vietnam. That need for more space will be met through investment in logistics real estate, and in Vietnam there are certain regulations which are

¹ Vietnam's logistics report 2020

² <https://www.prnewswire.com/news-releases/global-cold-chain-monitoring-market-2020-to-2025---availability-of-cold-chain-logistics-in-developing-countries-presents-opportunities-301081927.html>



necessary to be considered and comprehended before deciding to make such an investment.

Conditions for foreign investors to invest in logistics real estate in Vietnam

Real estate business is in the list of industries and trades in which business investment is conditional, any organisation or individual wishing to conduct real estate trading must set up an enterprise or cooperative (hereinafter referred to as enterprises)³.

Real estate business includes⁴:

- Leasing houses and buildings for sub-leasing;
- In the case of land leased from the State, the construction of residential houses for the purpose of lease out; and the construction of houses and buildings other than residential houses for the purpose of sale, lease out or grant of hire purchase;
- The construction of houses and buildings on the land leased from organisations, family households or individuals, for leasing out in strict accordance with the land use purposes;



- Receiving the transfer of a part or all of real estate projects from investors in order to construct houses and buildings for the purpose of sale, lease out or grant of hire purchase;
- The construction of residential houses on land allocated by the State for the purpose of sale, lease out or grant of hire purchase; and
- The construction of houses and buildings on the leased land in industrial zones, industrial complexes, export processing zones, high tech zones or economic zones for trading in strict accordance with the land use purposes.

It is important to note that the above opportunities do not involve the ownership of land. Foreign investors cannot own land in Vietnam but may lease land for the duration of their investment project. The same rule is applied for logistics related real estate. While a foreign investor can lease land pursuant to the above allowances from individuals, organisations, or the State, they may not own the land which will underlie their investment in logistics facilities.

To invest in real estate business in Vietnam, which is the basis of logistics real estate, a foreign investor must establish an enterprise with foreign owned capital (according to Section 2, Chapter IV of the Investment Law 2020); or contribute capital or purchase shares or capital contribution portions to a Vietnam-based enterprise. Foreign investors must satisfy the conditions and the forms of investment set forth in Article 24 and Article 25 of the Investment Law 2020, which are fairly basic qualifications. Once those conditions are met, foreign investors can enter the real estate business sector and develop the logistics facilities that will be necessary to meet the requirements imposed by increased e-commerce and supply of

the COVID-19 vaccine.

Vietnam has become an ideal place for foreign investors over the last two decades. Despite the COVID-19 pandemic, Vietnam still ranked second in the COVID Performance Index⁵ and has proven itself a safe place for foreign direct investment. In order to facilitate foreign investors to invest in supply chains to meet the growing demand for multi-method logistics and cold chains, the Government of Vietnam has loosened the legal framework on real estate investment in general and logistics real estate in particular. Given the above conditions, Vietnam's logistics real estate will become a promising segment that has many places and opportunities for development and very good growth momentum in the 2021 - 2022 period. Investing in logistics real estate in Vietnam will soon become a trend for foreign investors.

³ Article 10 of the Law on Real Estate Business 2014, amended by Point a Clause 2 Article 75 of the Investment Law 2020.

⁴ Article 11.3 of the Law on Real Estate Business 2014.

⁵ <https://interactives.lowyinstitute.org/features/covid-performance/#rankings>

Written by:



Le Nguyen Huy Thuy
Attorney-at-law
Indochine Counsel, VIETNAM
INDOCHINECOUNSEL.COM



Ton That Hoang
Legal Assistant
Indochine Counsel, VIETNAM
INDOCHINECOUNSEL.COM