GREEN BUILDING MARKET STAKEHOLDER ASSESSMENT

VIETNAM

2023

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ACKNOWLEDGEMENT

This report was prepared as part of the UK-IFC Market Accelerator for Green Construction (MAGC) Research Program. The preparation of this assessment was based on 80 surveys of Vietnamese private sector companies including developers, real estate practitioners (i.e., brokers, real estate agents, and/or property managers), building experts (i.e., architects, engineers, contractors, and Green Building experts), commercial occupiers, and residential occupiers (i.e., tenants and homeowners). Substantive contributions were received from Diep Ngoc Do and Phong Hong Vu of IFC´s Vietnam EDGE team. A special thank you is extended to Corinne Figueredo, IFC EDGE Operations Manager, who provided guidance for the study.

About IFC

IFC — a member of the World Bank Group — is the largest global development institution focused on the private sector in emerging markets and developing economies. We work in more than 100 countries, using our capital, mobilization capacity, expertise, and influence to create jobs and raise living standards, especially for the poor and vulnerable. In fiscal year 2023, IFC committed a record $43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to improve people's lives as economies grapple with the impacts of global compounding crises. For more information, visit www.ifc.org.

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OVERVIEW

Buildings account for one-third of global final energy use and one-fifth of energy-related greenhouse gas (GHG) emissions. Green Buildings can be a solution to reduce energy use and GHG emissions of buildings and contribute to low carbon economic growth. However, market failures and barriers (e.g., lack of supportive policies, information asymmetry between builders and buyers regarding the efficiency of a building, and lack of information about, experience with, and awareness of Green Buildings) result in the continuation of conventional approaches to constructing buildings.

The UK-IFC Market Accelerator for Green Construction (MAGC) aims to boost the uptake of greener construction practices and technologies in developing countries. As part of this initiative, the MAGC Research program gathers, analyzes, and disseminates new evidence to develop, improve, and promote approaches to green construction and market transformation.

The scope of MAGC Research includes a series of stakeholder assessments intended to understand the perceived motivations and obstacles to the growth of Green Buildings in selected emerging markets.

This report was conducted as part of the MAGC Research Program in 2022-2023. The stakeholder assessment is intended to be representative, but not exhaustive. It aims to provide actionable insights and contribute to the understanding of the Green Building market in Vietnam, shedding light on awareness, motivating factors, perceived obstacles, construction cost and performance estimates, and decision-making paradigms of each stakeholder group.

The Vietnam stakeholder assessment was conducted through the SurveyMonkey online survey platform. 80 stakeholders responded to the survey, representing five stakeholder groups: developers, real estate practitioners (i.e., brokers, real estate agents, and/or property managers), building experts (i.e., architects, engineers, contractors, and Green Building experts), commercial occupiers, and residential occupiers (i.e., tenants and homeowners).

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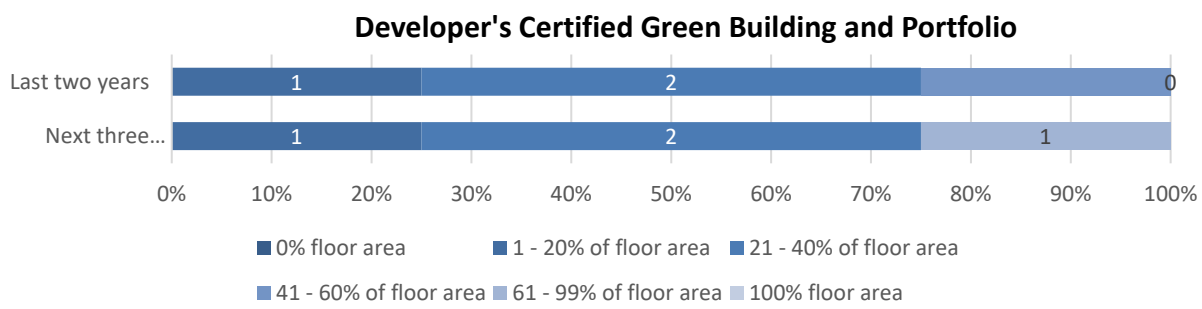
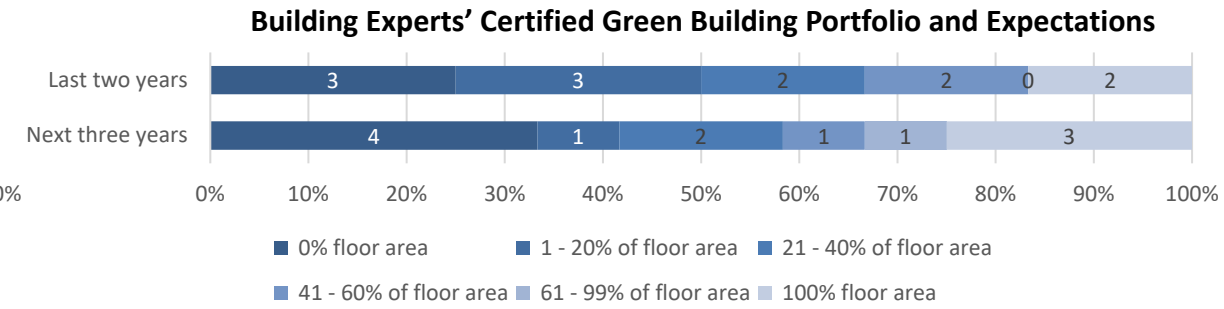
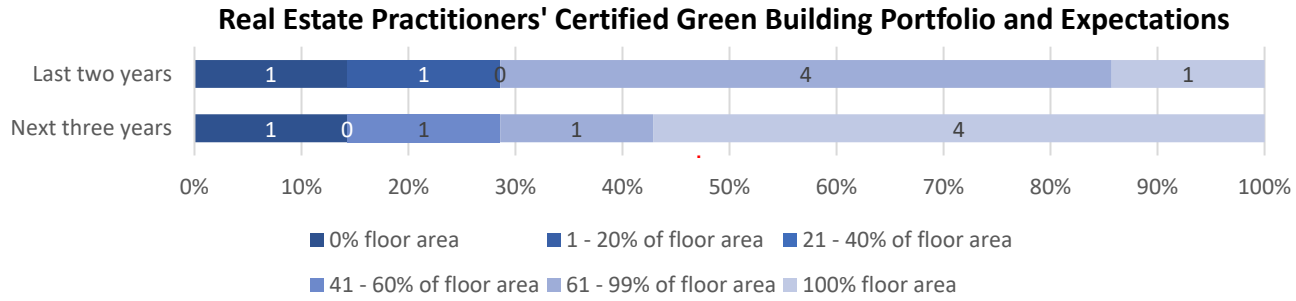
Portfolio: This assessment finds that Vietnam has a growing Green Building market, with developers, building experts and real estate practitioners expecting to increase their certified Green Building portfolios during the next three years compared to the last two.

These findings are aligned with the IFC's Green Building Market Maturity Snapshot for Vietnam,* which indicates that the Green Building penetration rate and the share of certified buildings among new builds have increased over the last few years.







*IFC. 2023. Vietnam Green Building Market Maturity Snapshot 2020.

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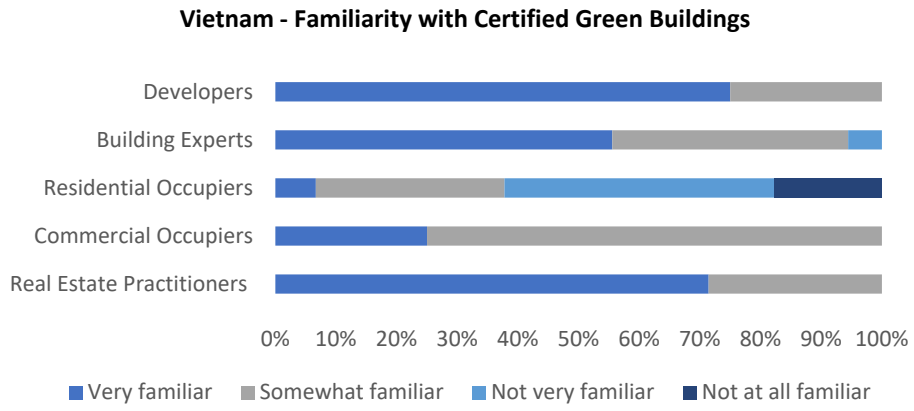
Familiarity: : Overall, 63% total of respondents indicated that they are somewhat familiar or very familiar with Green Buildings, indicating limited awareness among stakeholders in Vietnam. Real Estate Practitioners (100%), developers (100%), commercial occupiers (100%), and building experts (93%) were identified as groups most familiar with certified Green Buildings. Conversely, residential occupiers (38%) reported the least familiarity with Green Buildings.



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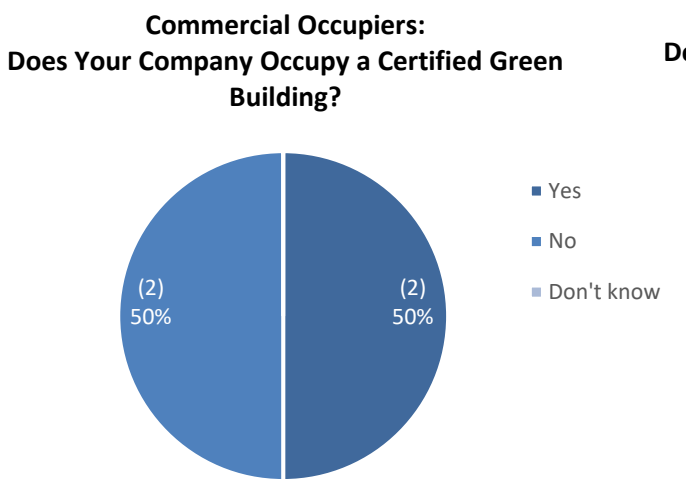
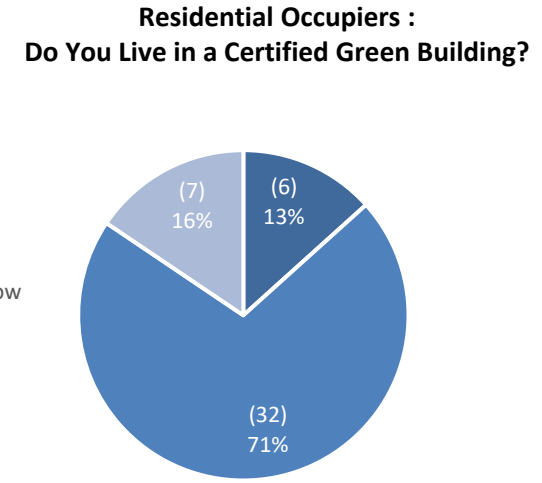
Motivations: On the supply side, according to the survey the main motivating factors for Green Buildings according to building experts are their increased marketability (63%), corporate requirements (63%) and improved access to finance (50%). On the demand side, residential occupiers indicated that the main motivating factors for buying or leasing a Green Building are health and happiness (60%), lower cost of utilities (50%), and increased property value (30%).

Obstacles: On the supply side, survey results indicate that the perceived cost of construction is considered the major obstacle to the expansion of certified Green Buildings in Vietnam (50% of Green Building experts), followed by the lack of attractive financing option (50% of Building Experts). On the demand side, the main reported obstacle is also the perceived cost of construction (50% of commercial occupiers), together with the lack of green building material supplier (50% of commercial occupiers).





GREEN BUILDING MARKET STAKEHOLDER ASSESSMENT: VIETNAM

Main Motivations

Supply Side — Building Experts (8)

- Increased marketability (63%)
- Company Strategy/corporate requirement (63%)
- Improved financial access opportunities (50%)

Demand Side — Residential Occupiers (40)

- Health and happiness (60%)
- Lower utility bills compared to conventional buildings (55%)
- Increased property value (30%)

Main Obstacles

Supply Side — Building Experts (8)

- Higher construction cost (50%)
- Lack of attractive financing options (50%)
- Lack of incentives and public policy support (50%)

Demand Side — Residential Occupiers (40)

- Higher construction cost (58%)
- Lack of knowledge of the benefits (33%)
- Lack of incentives and public policy support (33%)

Motivation categories:

- Advantage of Green Buildings
- Availability of finance
- Availability of supply
- Better financing terms
- Company strategy
- Environmental sustainability
- Government policy
- Increased demand for Green Buildings

Obstacle categories:

- Unclear business case
- Knowledge
- Financial obstacle
- Company strategy
- Risk
- Government policy
- Disadvantage of Green Buildings
- Capacity
- Availability of supply
- Availability of financing

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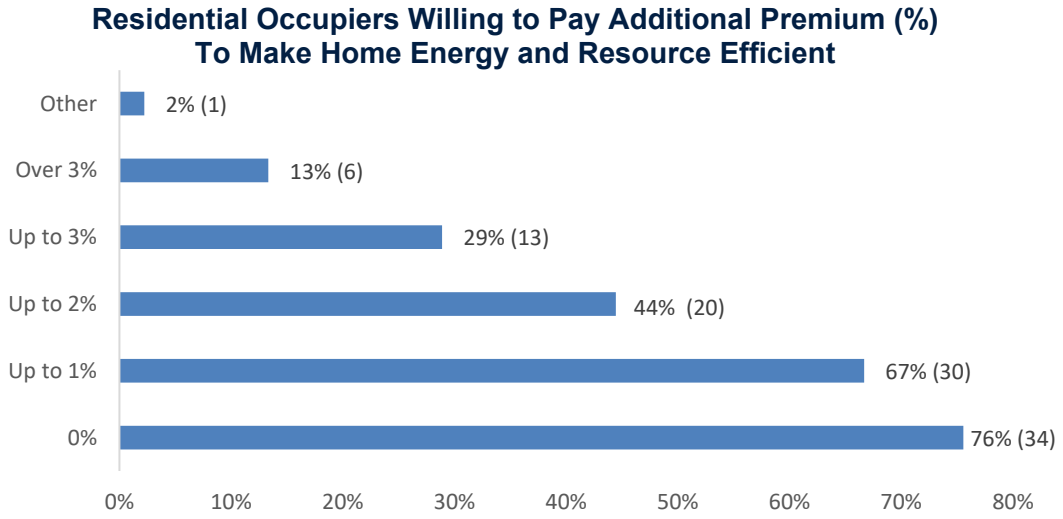
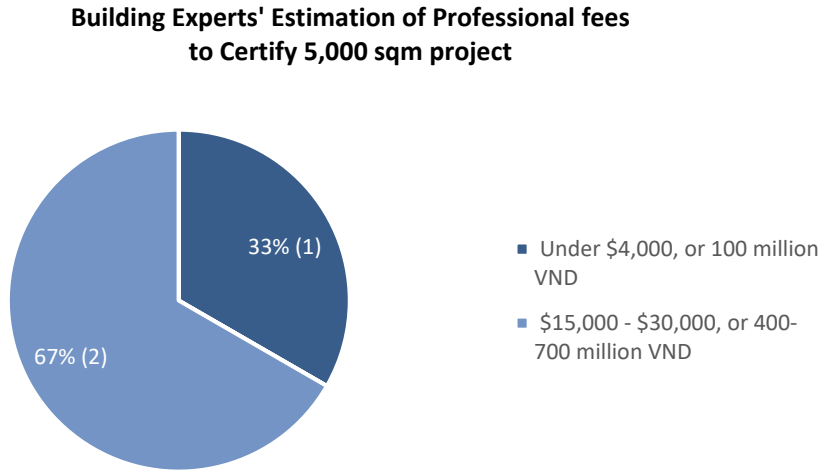
Demand: Only 13% (6) of residential occupier respondents reported to be working or living in a Green Building, and only 2% (1) reported living in a certified Green Building. However, 13% (6) indicated that they would be willing to pay more than an additional 3% to live in a resource and energy efficient Green Building, while 29% (13) indicated that they would be willing to pay an extra 3%, 44% (20) indicated that they would be willing to pay 2% extra, and 67% (30) indicated they would be willing to pay 1% extra. Given that the typical estimation for the actual additional cost of Green Building construction is 1-2%, this suggests that the business case for additional Green Buildings in Vietnam is strong

Certification: Out of 18 building expert respondents, 53% (8) indicated that they use EDGE, 20% (3) indicated they use LEED, and 13% (2) indicated that they use Green Star certifications most often. However, 60% (9) of building expert respondents noted that they do not use any certification. Regarding the cost of certification, the estimation of the professional fees required to certify a 5,000 sqm project varied across building experts respondents, suggesting a continued knowledge gap.





GREEN BUILDING MARKET STAKEHOLDER ASSESSMENT: VIETNAM

Standards: Survey findings indicate that stakeholders feel that existing regulations and incentives are not sufficient to catalyze the Green Buildings market. Several respondents specifically call for a stronger stance by local government on Green Buildings legislation. Stakeholders identified the following public policy actions as key drivers for developing the Green Building market: fiscal incentives for certified Green Buildings (e.g., tax breaks, grants); National Green Building Code; Mandatory Green Building certifications for new buildings; as well as Requirement for public buildings to be certified Green Buildings, and Carbon tax on conventional buildings (or other market-based mechanisms to reduce emissions).

Influencers: Local governments are considered the most influential stakeholders in the development of the certified Green Building market in Vietnam, followed by architects and Green Building consultants.

Conclusion:

- The importance of Green Buildings in Vietnam is expected to grow for supply side stakeholders (developers, building experts and real estate practitioners).
- 13% (6) of residential occupier respondents indicated that they would be willing to pay more than an additional 3% to live in a resource and energy efficient Green Building, while 29% (13) indicated that they would be willing to pay an extra 3%, 44% (20) indicated that they would be willing to pay 2% extra, and 67% (30) indicated they would be willing to pay 1% extra. Given that the typical estimation for the actual additional cost of Green Building construction is 1-2%, this suggests that the business case for additional Green Buildings in Vietnam is strong.
- On the supply side, according to the survey the main motivating factors for Green Buildings according to building experts are their increased marketability (63%), corporate requirements (63%) and improved access to finance (50%). On the demand side, residential occupiers indicated that the main motivating factors for buying or leasing a Green Building are health and happiness (60%), lower cost of utilities (50%), and increased property value (30%).
- 50% of building expert respondents and 58% of residential occupier respondents in Vietnam consider the additional cost of Green Building construction as the main obstacle for the development of the market. In addition, 50% of building expert respondents also cited the lack of attractive financing option of Green Buildings as another obstacle to the development of the market.

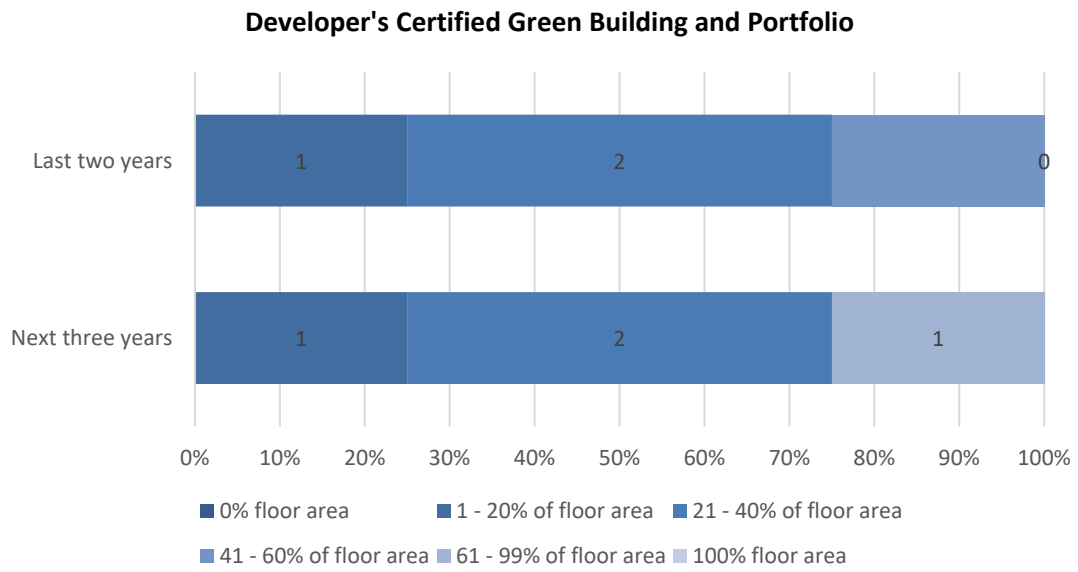
ANNEX

Developers

Responses: 4

Based on the 4 survey responses the study collected, % of developers consider themselves to be either very familiar (25%) or somewhat familiar (75%) with Green Buildings. 100% of developers stated that they currently have certified Green Buildings in their portfolios.

Based on the developers' answers, an increasing trend emerges with developers intending to increase their share of certified Green Buildings in their portfolios. A breakdown of the developers' portfolio existing and future expectations are provided below.



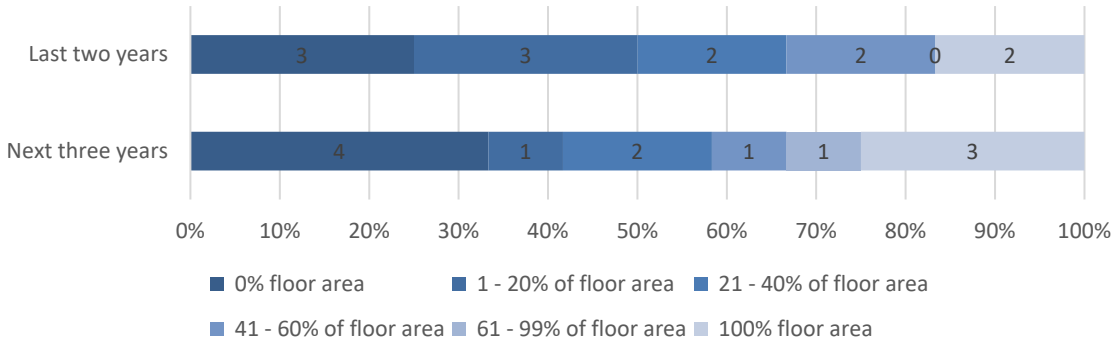
Developers report that offices (75%) and average-income housing (75%) are the most popular in terms of certified Green Building developments. The anticipated increase in green certified floor space is predominantly driven by government regulations, preferential policies and public recognition and brand enhancement,

Building Experts

Responses: 18

The majority of building experts (93%) report being either very familiar (47%) or somewhat familiar (47%) with green buildings, and they expect certified Green Buildings to grow over the next three years.

Building Experts' Certified Green Building Portfolio and Expectations



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The three most popular property segments to develop and certify green for designers and Green Building consultants include hotels, offices, and warehouses

Main real estate sectors for certified Green Building development

Building Experts

Responses: 18

Feedback from building experts indicates that the main obstacles to greater growth in the certified Green Building market included the high cost of construction (50%), a lack of attractive financing options for Green Buildings (50%), and lack of incentives and public policy support (50%). Conversely, the primary motivations for developing certified Green Buildings included increased marketability (63%), corporate requirement (63%) and improved financial access opportunities (50%).

Main obstacles in developing the certified Green Building market

- Higher construction cost, 50%
- Lack of attractive financing options, 50%
- Lack of incentives and public policy support, 50%

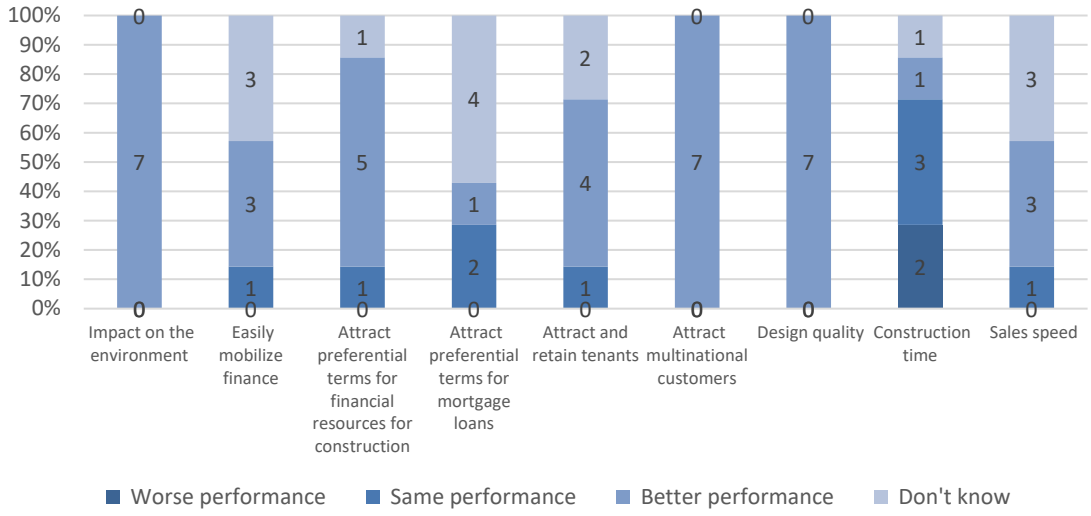
Main motivators in developing the certified Green Building market

- Increased marketability, 63%
- Company Strategy/corporate requirement, 63%
- Improved financial access opportunities, 50%

Certified Green Buildings are expected to perform better than conventional buildings in terms of impact on the environment and attracting multinational clients. Furthermore, building expert respondents estimated that certified Green Buildings perform better in all other categories except for construction time and sales speed.

43% of building experts estimated the actual savings (accrued or realized) by a certified Green Building, as compared to predicted savings, to be higher. Further 43% estimate savings are lower, and 14% estimate savings are the same.

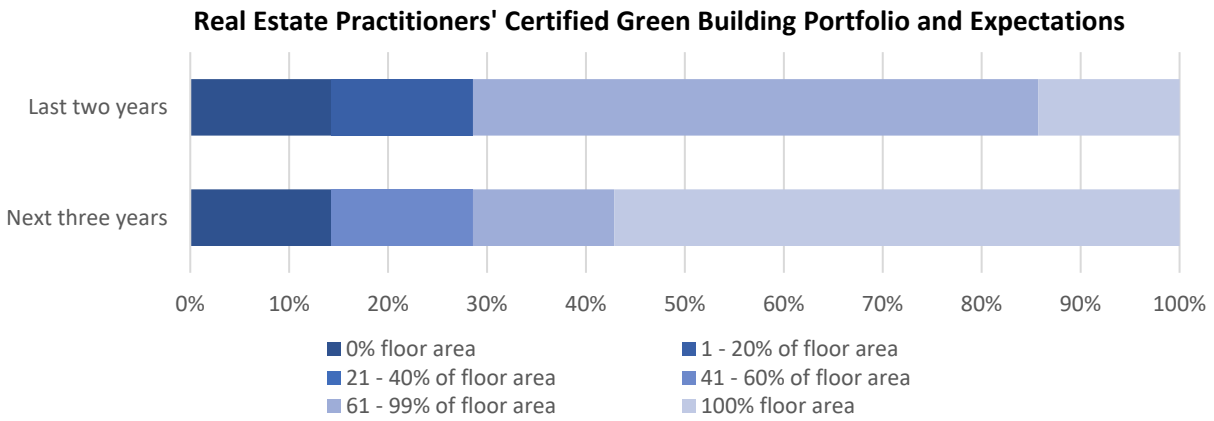
Certified Green Building versus Conventional Building



Real Estate Practitioners

Responses: 8

Real estate investors surveyed consisted of real estate investment companies, pension funds, and insurance companies. All real estate investors answered to be either very familiar (71%) or somewhat familiar (29%) with certified Green Buildings. 86% of real estate investor' surveyed reported that their portfolios had certified Green Buildings in the past two years. All real estate investors project to have certified Green Buildings in their portfolio in the next three years.



Survey responses indicate that office (100%) is the most popular certified Green Building segment among institutional investors, followed by warehouse (60%) and high income residential (40%).

57% of real estate investors estimate that certified Green have similar or lower construction cost compared to conventional buildings, while estimating the property value and rental price to be same or higher. In addition, the majority of real estate investors estimate utility bills to be higher.

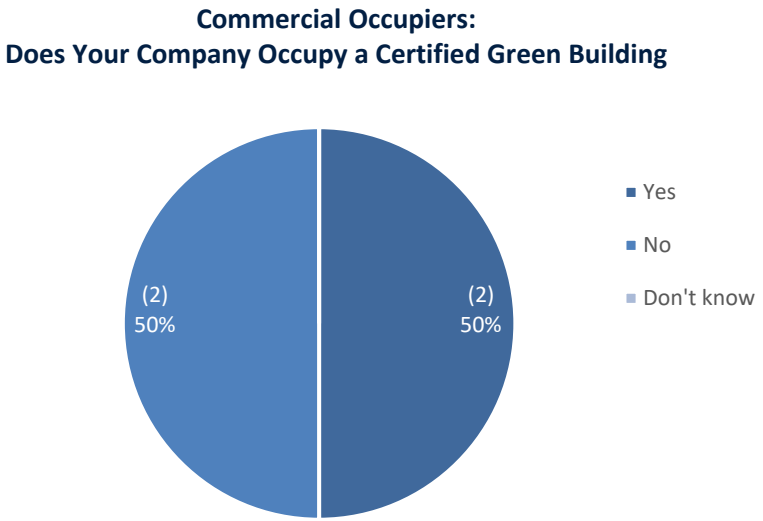
Areas in which certified Green Buildings perform better than conventional buildings, and, therefore, of considerable importance to real estate investors, are impact on the environment, health and wellbeing, and attracting multinational clients. All respondents indicated that these areas perform better than conventional buildings. A vast majority of real estate investors (75%) are of the view that real estate developers and government moderately or somewhat facilitate Green Building developments in Vietnam. Green Building regulations were perceived as being hardly enforced – 50% selected limited or mild enforcement.

Commercial Occupiers

Responses: 5

The commercial occupiers stakeholder group consisted of businesses or companies active in the that either rent or own a building/space in Vietnam. The survey results revealed that the majority (40%) rent the floor space they use. Of the stakeholders surveyed, 20% of commercial occupiers own or rent floor space <1,000 sqm. One of the key questions in the survey asked stakeholders to rate their company's sustainability agenda - 25% of stakeholders indicated that their company has a medium or advanced sustainability agenda, and that sustainability was a significant focus of their firm while 50% indicated that they have not yet implemented a sustainability agenda. The majority (50%) of the respondents indicated that they had limited familiarity with certified Green Buildings.

25% of commercial occupiers stated that they occupied a certified green building, while 44% of commercial occupiers surveyed indicated that they did not occupy a certified Green Building.



Residential Occupiers

Responses: 45

The residential occupier stakeholder group consisted of a combination of homeowners (76%) and rental tenants (24%). When asked if they lived in a green home, 13% (6) said they did and 71% (32) said they did not, while 16% (7) of respondents were unsure. This could be attributed to the lack of knowledge of certified Green Buildings within this stakeholder group, with only 38% of respondents reporting being familiar or somewhat familiar with certified Green Buildings, and only 2% (1) respondent reporting living in a certified Green Building. As for the rest, when asked what would be the main motivators for respondents to live in a certified Green Building, the response was primarily financial and cost-related. Residential occupiers would be more motivated to pursue living in a certified Green Building if there was a proven financial benefit, either in lower utility and/or operational cost.

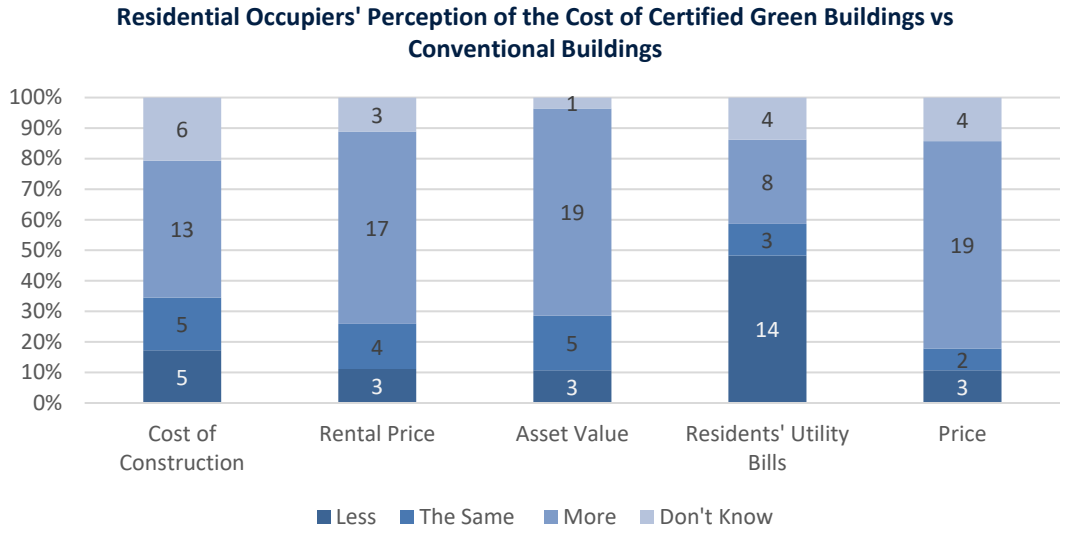
Main motivation to buy/rent a certified Green Building

- Health and Happiness, 60%
- Lower utility cost compared to conventional buildings, 55%
- Increase property value, 30%

Main obstacle to buy/rent a certified Green Building

- Higher construction cost, 57%
- Lack of knowledge of the benefits, 33%
- Insufficient supply of certified Green Buildings, 33%

When comparing certified Green Buildings against conventional buildings, residential occupier respondents typically estimated that the construction cost, rental/sales price and asset value are higher for certified Green Buildings of the same type, while estimating utility bills to be lower.



METHODOLOGY

The stakeholder assessment surveys were conducted through the online survey platform SurveyMonkey. The anticipated time to complete each survey was 10 – 15 min. The Vietnam survey received responses from December 2022 to April 2023.

Related but separate surveys were designed for each stakeholder group, each of which considers sector-specific questions related to the Green Building market. The surveys focused predominantly on Green Building familiarity, motivations and obstacles, performance, regulations, and incentives, finance, and source of information.

The number of target survey responses intends to provide a representative, but not exhaustive, assessment of each stakeholder group in each selected Green Building market. However, in some cases obtaining contact information and/or eliciting responses from stakeholders proved challenging, and the target number of responses could not be achieved. In addition, in some cases stakeholders only provided answers to some survey questions. Therefore, the number of responses on which each analysis featured in this report is based can vary.

The target and actual number of surveys for each stakeholder group is presented in the table to the right. Additional information regarding the number of responses on which an analysis is based on is provided throughout the report.

Stakeholder Group/Subgroup		# Target Surveys	# Actual Surveys
Developers	Developers	20	4
Building Experts	Architects Engineers EDGE Experts and Other GB consultants Contractors	50	18
Real Estate Practitioners	Brokers Real estate agents Property managers	15	8
Commercial Occupiers	Corporate Occupiers Retailers and Other	40	5
Residential Occupiers	Homeowners Tenants	40	45
Grand total		200	80

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