

VIETNAM GREEN BUILDING MARKET SNAPSHOT 2019¹

This Green Building Market Snapshot provides a summary of key market indicators based on IFC's research on policy environment, building construction, and Green Building certification and finance. The year of the snapshot coincides with the launch of the UK-IFC Market Accelerator for Green Construction (MAGC) program in the country. Additionally, most recent Green Building developments in the market are included where available. IFC welcomes readers' comments.



CERTIFIED GREEN BUILDING MARKET STATUS: EARLY GROWTH

As of 2019, Vietnam's Green Building Market was in its early stages of development. There were around 150² certified Green Buildings, corresponding to less than 2%³ of new builds in the country. The certified Green Buildings were high-end commercial offices, or upper middle income residential buildings. The Green Building finance space has been nascent, there were no Green Building finance products in 2019. The Vietnamese government focuses on sustainability, but the current policy and incentives concentrate on Renewable Energy.



COUNTRY LANDSCAPE

- Energy Consumption:** Around 30% of Vietnam's electricity consumption was attributed to residential and commercial buildings in 2019.⁴
- Construction Market:** The COVID-19 pandemic significantly affected both property demand and supply in Vietnam. Prior to COVID-19, Vietnam had a fast-growing real estate market. Supply of residential and commercial and industrial buildings was increasing.⁵ In terms of demand for housing, especially for affordable housing, demand was both high and unmet.
- Developers:** Around 90% of houses are self-built in Vietnam.⁶ Nearly all developers are local, and around 60% of developers are small. The residential segment is highly concentrated, only the top few local developers have big land stocks.
- Finance:** Local commercial bank financing is the main source for property, office, commercial, and hotel construction projects in Vietnam. The Vietnamese mortgage market is still underdeveloped, and buyers often borrow money from their families and friends.

1. GREEN BUILDING POLICIES AND REGULATIONS

Is there a national definition of Green Building?

A green construction requires high efficiency in the use of energy and materials, and reduced adverse impacts on the environment. At the same time, it must be designed to minimize the negative impact of the built environment on human health and natural environment.⁷

Is Green Building part of the country's Nationally Determined Contributions (NDC)?

Vietnam's Nationally Determined Contribution aims to reduce greenhouse gas emissions by 8% compared to the country's baseline by 2025. The residential sector is not a direct target, with the focus on developing and using energy-saving construction materials and green materials in housing and commercial sectors.⁸

Is there a national Green Building strategy/action plan?

The National Program on Energy Efficiency (280/QD-TT 2019) set a clear objective to increase energy efficiency from 5% to 7% of the total energy consumption in Vietnam from 2019 to 2025. The Program specified that all buildings must comply with the mandatory requirements set by the National Technical Building Code on Energy Efficiency. Additionally, the country must have 80 certified green buildings by 2025.

Public Policy and Regulations

Building Energy-Efficiency Code 2017 (QCVN 09:2017/BXD).

The Code is mandatory for buildings larger than 2,000 sqm. However, the current monetary penalty (\$500-\$1,500 for not complying with energy efficiency standards, stated in the Decree on Administrative Fines on Energy Efficiency and Conservation, numbered 73/2011/ND-CP) is not high enough to force developers to conform to the regulations.

Binh Dinh Province's Department of Construction issued Decision 291/SXD-QLXD

Offers official recognition to Green Buildings in the form of free marketing on the Department's website.

The State Bank of Vietnam's Directive No.3

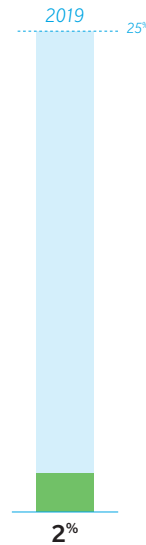
Establishes a regulatory framework for credit growth in green financing, including building finance. There are no mandatory targets for the banking sector in lending green projects. The directive has no obligatory stipulations on granting credit for green finance. Banks can decide for themselves how to implement the directive.

2. GREEN BUILDING MARKET SIZE

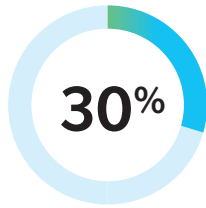
New and existing floor space certified green in 2019: 0.7 million square meters



Share of certified new green buildings among all new developments (based on square meters)



Share of green building developers among major developers⁹



3. CERTIFICATIONS AND STANDARDS

National Green Building Rating Systems

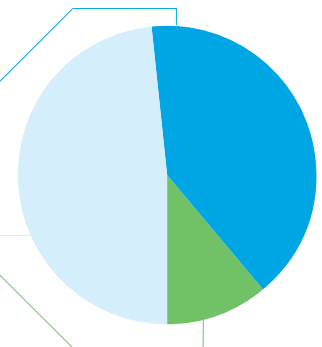
LOTUS was developed in 2009 by Vietnam Green Building Council and certified around 0.3 million sqm as of 2019.

International Green Building Rating Systems

- ▶ LEED entered Vietnam market in 2007 and certified around 1.4 million sqm as of 2019.
- ▶ EDGE was launched in Vietnam in 2015 and certified around 1.3 million sqm as of 2019.¹⁰

Voluntary Green Building certification systems' market share by square meters certified (as of 2019).

- ▶ LEED is 47% of cumulative GB
*LEED non-residential or mixed-use 100%*¹¹
- ▶ EDGE is 43% of cumulative GB
EDGE residential 90%, non-residential 10%
- ▶ LOTUS is 10% of cumulative GB
LOTUS residential 0.3%, non-residential 99.7%



4. GREEN BUILDING FINANCE

Financial Institutions offering Green Building finance (by public/private) and their products as of 2019

- ▶ IFC's research shows that no financial institution was offering Green Building loans/mortgages in 2019.
- ▶ 2020 Update: According to the State Bank of Vietnam, 31 financial institutions were involved in green credit, with total credit of more than VND285 trillion (\$12.4 billion), mainly on green agriculture and renewable energy. Yet, there were no Green Building loans/mortgages in the market.

Green bonds or other capital market instruments earmarked for Green Building finance between 2015 and 2019.

- ▶ In 2016, a government-backed entity and a municipal government issued green bonds worth \$23.4 million and \$3.6 million respectively. There was no allocation for Green Buildings.
- ▶ (2020 Update): The government issued two green loans worth \$71 million and \$186 million. None were earmarked for Green Buildings but most of the proceeds (78%) have been used towards renewable energy.¹²

5. COST OF UTILITIES

Share of cost of utilities (Electricity and Water) for an average income: 19%¹³



6. EDUCATION AND SKILLS

Number of Universities offering Green Building programs

- ▶ Green Building courses were not being offered by Vietnamese universities as of 2019.

ENDNOTES

1. If not footnoted, the source of the information is from Vietnam Market Assessment report prepared by IFC EDGE team in 2019.
2. <https://vgbc.vn/en/vietnam-green-building-update/>
3. IFC's calculations consider the formal construction sector. The rate covers EDGE post-design, LEED and LOTUS certified floor area divided by estimated new build for the formal sector, for calendar year 2019. There may be a delay between certification and completion of the building. LOTUS numbers were retrieved from VGBC website (<https://vgbc.vn/en/lotus-projects-old/>) LEED numbers were retrieved from USGBC website (<https://www.usgbc.org/projects>) on October 19, 2021
EDGE numbers were retrieved from EDGE App data as of September 30, 2021
Green certification numbers do not differentiate buildings certified with more than one certification system or product (that is, each certification is counted as unique) and include certifications for existing buildings.
Estimated new build is based on IFC's 2019 Market Assessment for Vietnam.
4. <https://www.iea.org/countries/vietnam>
5. Building market data in Vietnam by Market Research Department of Batdongsan.com.vn at IFC request, October 2019.
6. General Statistics Office - Statistical Yearbook of Vietnam 2017 - page 260-265
7. <https://www.giz.de/en/downloads/VietNam-GreenGrowth-Strategy-giz2018.pdf>
8. <http://spappssecext.worldbank.org/sites/indc/Pages/Mitigation.aspx>
9. Calculated based on the number of developers that have at least one green certified building out of the top ten developers in Vietnam.
10. EDGE numbers exclude dropped projects where information is available.
11. IFC's estimate based on LEED publicly available data.
12. <https://vir.com.vn/banks-roll-out-green-credits-for-eco-friendly-approach-83919.html>
13. Calculated based on the Economist Intelligence Unit Database for country utility data in major cities (2019) and the World Bank GNI per capita 2019

PARTNER SUPPORT

This note was prepared as part of the Market Accelerator for Green Construction (MAGC) program, funded by the UK Government.



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