

Prudential raising Vietnam property fund

By **Dominic Whiting**, Asia property correspondent

HONG KONG (Reuters) - Prudential is raising a property fund to invest in Vietnam, hoping the firm's reputation for caution will draw investors to the country's opaque, but thriving, market.

Prudential Property Investment Management (PruPIM) is the first global name to vie for investor attention with property funds raised by Vietnam-based investment firms.

But Jonathan Allen, PruPIM's Asia chief executive, is targeting 15-20 percent internal rates of return because of a "fairly prudent stance on project risk", compared to the 25 percent returns usually bandied around for Vietnam.

Funds investing in India and China, which both rank higher than bottom-placed Vietnam on a global transparency survey by consultants Jones Lang LaSalle, aim for 25-30 percent returns.

"The risks are there for all to see and attendant of all emerging markets -- ownership rights and titles, tax issues, regulatory approvals," Allen told Reuters in telephone interview from London.

"But we're hoping to mitigate those risks through on-the-ground expertise, experience and risk controls."

Allen declined to say how much equity he expected the seven-year fund to raise, but gave a broad range of \$100 million to \$500 million. The fund's first closing will be around the end of June or beginning of July.

Vietnam is creating a buzz in investment circles because of its entry into the World Trade Organisation in January, and an economy growing at a rate of more than 8 percent a year.

Economic liberalisation has seen more state-owned firms list on the stock market, where prices more than doubled in 2006. The knock-on wealth effect has helped raise high-end apartment prices as much as 30 percent this year.

Vacancy rates at top office buildings in Hanoi and Ho Chi Minh City are at rock bottom and rents have jumped about 20 percent in the last two years to double Bangkok levels.

PruPIM, which has been investing in Vietnamese property for Prudential's insurance business for three years, will look to invest its fund in offices, industrial and logistics buildings, and in resort property.

But with few buildings on the market, it will need to partner developers on new projects.

"The demand is outweighing the investible universe," Singapore-based Allen said. "Vietnam is experiencing capital inflows in the same way as most markets around Asia, and that's a dynamic that won't go away in the short term."

VinaLand Ltd. (VNLq.L: Quote, Profile, Research, listed on London's Alternative Investment Market, drew 150 investors by the time a \$407 million capital raising for Vietnamese property closed in March.

Rival Indochina Capital raised a \$265 million property fund last year, and another Vietnam fund management firm, Dragon Capital, is looking to raise a similar fund.

Investors are teaming up with a raft of new developers, many of whom have turned to the property boom from activities as diverse as vehicle imports and soft drinks.

Typically, Vietnamese firms have contributed land, while the foreign partner drives the capital.

In its transparency survey, Jones Lang LaSalle said reliable market information is scarce in Vietnam, where it is tough to obtain detailed master plans for development and navigate bureaucracy.