The Fear of Bubble Bursting

Vuong & Associates, Vuong & Associates
Vietnamese people and the financial system, the corporate sector have invested heavily in real properties. They used to tell themselves that prices of real estate assets would only go up. For more or less 20 years now, the real estate market in Vietnam has shown very clear signs and attributes of a highly speculative market.

Foreign firms also jumped in the market, with shared beliefs and perhaps different vision and resources. They also helped drive up the prices of real estate assets as crazy too.

Now all fear about the bubble bursting. Daily news, weekly magazines, blogs and real estate websites all talk about a near-term burst. Some even mentioned a specific period of time: 2012.

It is understandable when we know that tens of billions of US dollars have been put in real properties throughout Vietnam. Even the number of investment value has never been worked out reasonably correct. Banks never know exactly how much their borrowers threw their funds into real estate speculation since borrowers may have stated some other reasons for borrowing money from bank but would later dump them all into the housing and land gamble. When banks do not really know instructions from a central bank to rein in highly leveraged purchases of properties become “efficiently doing the wrong thing”.

China has gradually become a reference for Vietnamese speculators to try a more educated guess on when the bubble bursts. Like today on VNEconomy.vn, an article titled “When Chinese Real Properties Bubble Bursts” made all sorts of analysis, guessing and brainstorming, and all readers know what the author of the article wanted to tell readers by referring to the neighboring China.

Some argued: No, the Vietnamese-made bubble will not burst since Vietnamese
characteristics would not allow the bursting of it, so it would likely fizzle out.

Whatever words they use do not really matter. What matters now is prices of land and housing space are going down. Liquidity remains very low. Banks and financial firms consider real estate assets “off-limits”. When people start losing money and panic, the widespread effect of a crisis will be growing larger everyday. That is more important and more formidable, not the words themselves. And early signs of that have been appearing in recent months in Vietnam.