



SOME ISSUES ON URBAN HOUSING INVESTMENT AND DEVELOPMENT IN VIETNAM

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Abstract. Vietnam is experiencing rapid urbanization both in terms of space and population, leading to the emergence of housing demand. House is a kind of immovable property that is associated with land and built on land. Houses are diverse and rich in both quantity and quality. This is due to the huge demand for housing in urban areas, characterized by a number of different occupations and the income disparities among the urban population classes. In Vietnam, according to the Law on housing No65/2014/QH13 dated 25/11/2014, the houses are divided into many types such as single houses, apartment buildings, commercial houses, public service houses, houses used for resettlement and social housing units. Housing investment and development means the use of capital for the new construction of houses, technical and social infrastructure works in service of residence demand or for renovation and repair of houses in a certain place. Urban housing is a key material condition for urban economic development and reproduction of urban labor force. A house is not only a valuable asset with particular importance to every family, but is also one of the criteria that measure the level of socio-economic development of a country as well as the living standards of a nation. Therefore, there is a need for State management of urban housing.

Keywords: *urban housing, construction, the state management, Vietnam*

The State management of urban housing in Vietnam concentrates on three main areas: management of housing development; management of housing ownership; management of the housing market business. The Ordinance 1991 clearly states the State management content of houses, including: (1) to promulgate regulations, standards and norms on planning, construction design, management and use of houses (2) to make a plan for construction of houses in accordance with the approved planning project; (3) to permit or suspend the construction or renovation of houses; (4) to register, investigate and count the houses; (5) to conduct the State inspection, settle all disputes and deal with breaches of the law on housing.

With the above-mentioned contents, the State adopts the management tools and legal regulations to formulate and direct the implementation of housing development policies in accordance with each stage of economic development of the country.

Nowadays, the rate of urbanization in Vietnam is high compared to other countries in the region. Aim at improving the living conditions of urban residents by investing and enhancing technical infrastructure, social infrastructure and urban environment through the National Urban Upgrading Program, the urbanization in Vietnam is taking place rapidly with a lot of remarkable results, leading to an increase in the proportion of people living in urban areas year by year (Table 1).

Table 1. Urban population in the period of 2010-2017

Year	The whole country (thousand people)	Urban residents (thousand people)	Percentage %
2016	92695,1	31986	34,5
2015	91709,8	31067,5	33,9
2014	90728,9	30035,4	33,1
2013	89759,5	28874,9	32,2
2010	86947,4	26515,9	30,5

(Source: General Statistics Office of Vietnam)

Due to the increase in the urban population, demand for urban housing has increased markedly, especially in recent years. According to statistics, in 2010, the area of houses across the country increased about 85.2 million square meters, of which, urban housing area accounted for over 50% with 46.1 million square meters and rural housing area increased about 39.1 million square meters. Average area per person across the country was about 17.2 m²/person, in which average area was 20 m²/person in urban areas. The whole country began construction of 24 housing projects for workers in the industrial parks; of which 9 projects were completed, handed over and put into use, supplying 200,000 square meters of floor space to meet the housing demand of 27,000 workers. There were 37 low-income housing projects to be started nationwide, including 1,603 apartments which were completed in terms of construction. In 2010, with many important policies and documents related to the real estate sector, the stable legal corridor was created and transparency was enhanced for this market.

In 2013, the total floor area of the whole country was about 79 million square meters, of which the floor area in urban areas accounted for 36.5 million square meters. Social housing units accounted for about 1 million square meters of floor, equivalent to about 20 thousand apartments; support about 70 thousand apartments of people with meritorious services to the revolution. The total housing fund across the country was about 1,790 million square meters:

nearly 690 million square meters in urban areas and nearly 1,100 million square meters in rural areas. Average housing area was nearly 20 m²/ person.

According to statistics, in 2014, the total floor area across the country increased by 92 million square meters compared to 2013 and the average housing area also increased by 1m²/person compared to 2013 (of which, average area was about 23 m²/person in urban areas and about 19.5 m²/person in rural areas). The whole country further developed 0.8 million square meters of social housing units (equivalent to about 12,000 apartments), raising the total social housing area nationwide up to about 1.8 million square meters. According to the Ministry of Construction of Vietnam, the housing development under the National Housing Development Strategy continued to be strengthened, increasingly meeting the housing demand of people, especially the people with meritorious services to the revolution, the poor in areas frequently suffering from storms, floods, inundation and low income people in urban areas who cope with housing problems.

The support program for people with meritorious services to the revolution was expected to support more than 72,150 households, with a total budget of around 2,400 billion Vietnamese dong (of which the Central budget was nearly 2,210 billion Vietnamese dong). By December 2014, this Program has provided support to nearly 40,810 households (reaching 57.3%), of which 34,060 households were completed and over 6,760 households were being implemented. The Ministry of Finance disbursed 1,900 billion Vietnamese dong of the Central budget (reaching 84%).

According to statistics of the Management Agency for Housing and Real Estate Market (Ministry of Construction of Vietnam), by the end of December 2015, the average housing area across the country reached about 22 m²/ person. Therefore, the average area in 2015 took a leap, increasing by 1.1 m²/ person compared to 2014 and increasing by 4.5 m²/ person compared to the end of 2010. Notably, the whole country further developed 1 million square meters of social housing units in urban areas, raising the total social housing area in urban areas up to about 2.8 million square meters.

The social housing program in urban areas has remained the highlight in the past period; in particular, in 2015, the whole country completed construction of 13 social housing projects for low-income people with the scale of 6,164 apartments and 20 social housing projects for workers, equivalent to 8,273 apartments. By 2015, 51 social housing projects for low income people (about 25,850 apartments) and 84 social housing projects for workers (about 28,550 apartments) were completed in terms of construction investment; 108 social housing projects for low-income people (about 61,290 apartments) and 63 social housing projects for workers in the industrial parks (about 69,300 apartments) were continued to be implemented. By the end of 2015, there were also 85/95 housing projects for students to be handed over and put into house, resolving the housing demand for about 220,000 students. The number of students who have been placed in residence was about 80%. There are still 10 projects in the phase of completion of crude part.

According to the report of the Ministry of Construction, by the end of December 2016, the average housing area across the country reached about 22.8 m²/ person (increasing by 0.8 m²/ person compared to 2015). In 2016, the whole country further developed 0.5 million square meters of social housing units in urban areas, raising the total social housing area in urban areas up to about 3.3 million square meters. The Ministry of Construction has focused on implementing key social housing development programs with lots of results, helping hundreds of thousands of family households under preferential treatment policy, poor people and low income people to improve their conditions of residence.

According to the Population and housing census in 2009, the average housing area per person across the country was 16.7 m²/ person, of which such area in urban areas was nearly 1.5 times higher than that in rural areas, corresponding to 19.2 m²/ person and 15.7 m²/ person.

Thus, if compared to the results of Population and housing census in 2009, on average, every Vietnamese citizen had an additional floor area of 6.1 m², increasing by 0.96 m²/ person/ year.

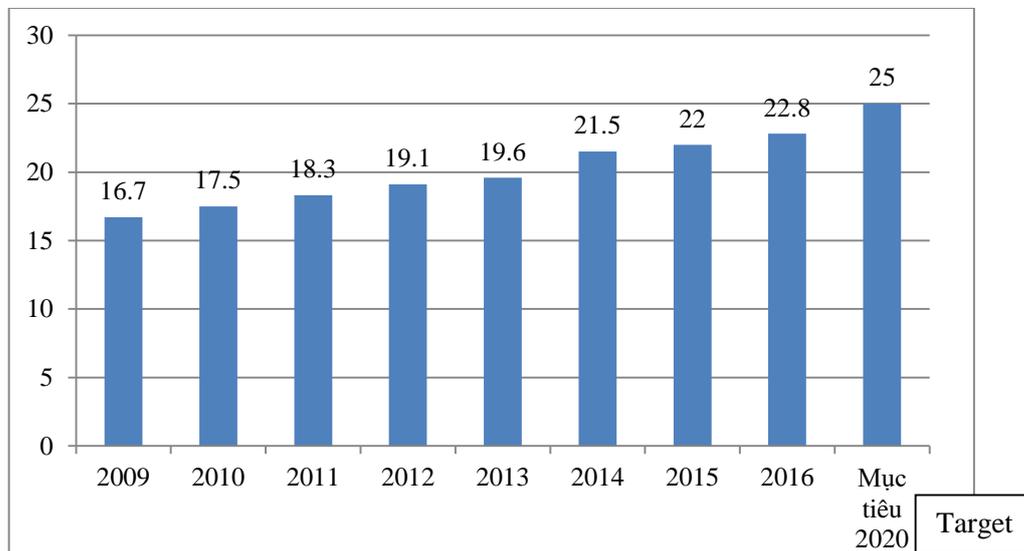


Figure 1. Average housing area (m²/person)

(Source: Ministry of Construction of Vietnam)

The Housing fund has increased but average area per person is still low because the urban population has increased rapidly. The average area per person is only 22.8 m²/ person compared to the world standard of 25 m²/ person. The situation of houses in urban areas is deteriorating, many buildings are damaged, there are signs of subsidence, crack and tilt resulting in serious unsafety for users, and in fact lots of unfortunate incidents have happened, such as collapse or fall, causing great damage to people and property. There are millions of square meters of urban housing units that need to be repaired or removed, but because of the limited investment capital of the Housing fund, millions of people are struggling to survive in these houses. In Ho Chi Minh City, there are nearly 500 old apartment buildings and the number of apartment buildings needs to be renovated in Hanoi City is up to 1,500 (nearly 50 apartment buildings are in dangerous level). Although the people here want to improve, the enterprises also want to participate in, there are too many barriers to slow this process.

According to the United Nations Human Settlements Programme, UN-Habitat, about 27% of urban residents in Vietnam are living in poor quality housing. This percentage is equivalent to 31 million people. A lot of high-rise buildings constructed have changed the original planning, the density of construction is too high, the "giant" population put much pressure on the infrastructure, therefore the management of architecture and infrastructure has to cope with many complicated matters and the quality of the works is degraded.

The cause of this situation is because these works are interwoven with many forms of ownership, many users and lack of general management; the system of legal documents on quality management of works issued previously is incomplete and not synchronized. On the other hand, it is also due to the lack of funds and the attention of state agencies to the maintenance and repair

of these works. Therefore, the management, use as well as the inspection, review and evaluation of force-bearing safety for maintenance, repair, recovery and handling of these works have not been timely and have not met the requirements set out in practice.

The Ministry of Construction of Vietnam has promulgated the Circular No. 21/2016/TT-BXD guiding the implementation of a number of articles of the Government's Decree No. 101/2015/ND-CP on renovation and re-construction of apartment buildings and it takes effect from August 15, 2017. Accordingly, the Circular No. 21 specifies the role of the enterprises involving, the needs of people when renovating the old apartment buildings, and the resettlement needs of people. However, the reality is different in each locality, so it is not possible to provide a "hard frame" to specify all issues, such as: compensation rate, height and number of floors when renovating the old apartment buildings.

In 2015, the housing market has developed in the segment of social housing and affordable housing, then in 2016, the segment of medium and high-cost housing, especially the segment of resort apartments has grown aggressively in Vietnam. This shows that the housing market has rebounded nicely and the confidence in this market is gradually recovering. However, the market is still developing with some deviations when the supply of medium and high-end segment is up to 80% but the demand is only about 20%, whereas the affordable housing supply is only 20% but the demand is reached 80%. Recently, the development of social housing has still faced many difficulties in terms of capital, because this type requires the investment capital with low interest rate and long term; medium-term capital does not solve the problem. The development of social housing always requires large support from the State budget for land, taxes and credits, for example, housing credit support package of 30 trillion dong has just ended, but until this time no similar resources have been included in the social housing segment. The budget for social housing development is still limited, leading to the fact that some housing support policies prescribed by law are not completely implemented on time; there is lack of necessary mechanisms and policies to attract social resources for creating a stable source of capital for the real estate market. Encouraging and attracting the economic sectors to invest in social housing construction are difficult due to low profitability, insufficiencies of clean land fund and favorable locations.

Table 2. Demand for social housing development until 2020 and the results achieved

No.	Type	Floor area (million m ²)	Number of apartments (40 m ² /unit) (apartment)	
1	Period of 2011-2015	According to the National Housing Development Strategy	10.0	250000
		Completed by 2015	2.8	70000
		The rest to be done further for the next phase	7.2	180000
2	Period of 2016-2020	According to the National Housing Development Strategy	12.5	312500
3	Total in the period of 2011-2020		22.5	
4	The rest to be done in the period of 2016-2020		19.7	492500

(Source: Ministry of Construction of Vietnam)

Table 2 shows that the demand for social housing development in Vietnam in 2020 is relatively high, with a total of 492,500 apartments to be done and an estimated floor space of 19.7 million square meters. That is, it is required to build around 4 million square meters of social housing floor area every year, more than four times as many as compared to the current capacity. In order to do this, it is necessary for Vietnam to:

- Mobilize and form a large enough number of enterprises and organizations to invest in the social housing construction (3-4 times as many as the current number);
- The State must create an environment to promote the formation of many enterprises and create conditions for enterprises and organizations to fairly access the State support resources, especially land and funding.
- Formulate diversified models of social housing development for attracting many enterprises and organizations to involve in the social housing development.

The current legal system of Vietnam has many regulations on planning and management of urban development. However, these regulations are inadequate with the lack of uniformity and low legal effect; many regulations are outdated compared to the reality, not meeting the management requirements of urban housing development and investment as well as international integration. This is the main reason leading to inadequacies in the planning and management of urban housing development.

Conclusion

Vietnam wishes to become a modern industrialized country by 2020. This is a process associated with industrialization and urbanization, along with the phenomenon of migration from rural areas to urban areas and the huge demand for housing. With the housing affordability under limited salaries of employees, the demand for social housing represents a major proportion of housing development. The essential and rule-based issue of social housing requires priority, focuses on rapid development and effective management.

Nowadays, the overall picture of urban housing investment and development in Vietnam in the period of industrialization and urbanization is large, yet faint and small in value. It is predicted that by 2018 - 2020, urban housing development will not be as sustainable as the current situation because it will have a boom in the whole country, along with a growing number of organizations and enterprises in terms of construction investment and adequate development of the infrastructure system.

The development and management of urban housing (in which it is attached special importance to social housing) to meet the practical needs is one of the contents of the socio-economic development orientation of Vietnam, is one of the measures of national governance and the State capacity. It is a great opportunity as well as a large market for the relevant construction enterprises, the community of science, technology and society to start up.

Urban housing development at a large scale cannot be single or fragmented, but must be implemented in a comprehensive and industrialized manner under the principle of mass production, with appropriate technology models (firstly linked to the database of digital economy) in order to efficiently mobilize national resources and social community in each locality of Vietnam. With the determination of the Government and the will of the Nation to start up,

Vietnam will rapidly develop and effectively manage the urban housing issue, so as to quickly achieve the goal: "Citizens are entitled to legal residence" and move gradually towards: "Every family in Vietnam has a house - a spacious house with suitable living environment".

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