

Housing Development in Viet Nam

Proposal for Urban Planning Approach with integration of Housing Development for the Low-income population



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1 Analysis Shelter Situation in Vietnam

1.1 Basic General Data

1.1.1 Geography and Administration

The Socialist Republic of Vietnam (Viet Nam) is located in the heart of South-East Asia. It lies between the People's Republic of China in the North and the Gulf of Thailand in the South. Vietnam is bordered by the Pacific Ocean and the East Sea as well as the People's Democratic Republic of Laos and the Kingdom of Cambodia in the West.

Table 1: Population and area of major cities (Source GSO, 2007)

City	Population	Area (sq.km)	Class
Ho Chi Minh City	6.347.000	2099,0	special city
Ha Noi Capital	6.232.000	3344,7	special city
Hai Phong	1.827.000	1520,7	Class 1 city
Da Nang	805.000	1257,3	Class 1 city
Can Tho	1.155.000	1401,6	Class 2 city



Viet Nam

Location: Southeastern Asia
Area: total: 329,560 sq km
Climate: tropical in south
Population: ~85 million (July 2007 est.)
Density: 257 person/km²
Poverty: (percentage poor, international poverty line, 2002): 29%
Urbanization: 27,4%
GDP real growth rate: 8.48% (2007).
GDP by sector:
 Agriculture (19,4%)
 Industry and Construction (42,3%)
 Services (38,3%).
GDP per Capita: \$835 (2007 est.).
Labor Force: 45.73 million (2007 est.)



Figure 1: map of Vietnam

1.1.2 Demography and Health

Population: about 85 million (July 2007 est.) Density: 257 person/sq.km;

In 2007 only 27.4% of the population live in urban area and 72.6% of population live in rural area.

Age structure: 57% of the population is below the age of 30

- 0-14 years: 25.6% (male 11,418,642/female 10,598,184)
- 15-64 years: 68.6% (male 29,341,216/female 29,777,696)
- 65 years and over: 5.8% (male 1,925,609/female 3,055,212) (2008 est.)

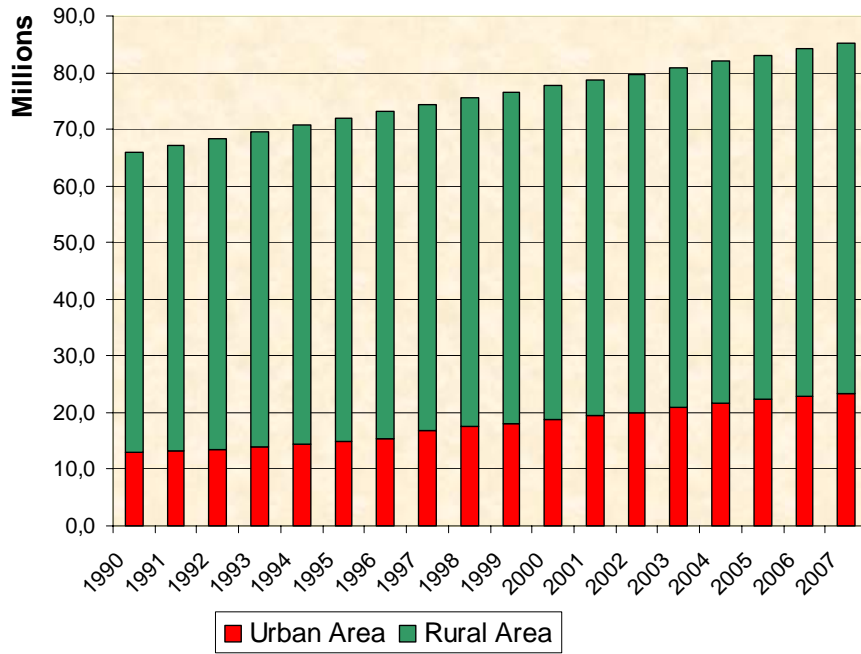


Figure 2 Urban and rural population 1990 – 2007 (source GSO, 2007)

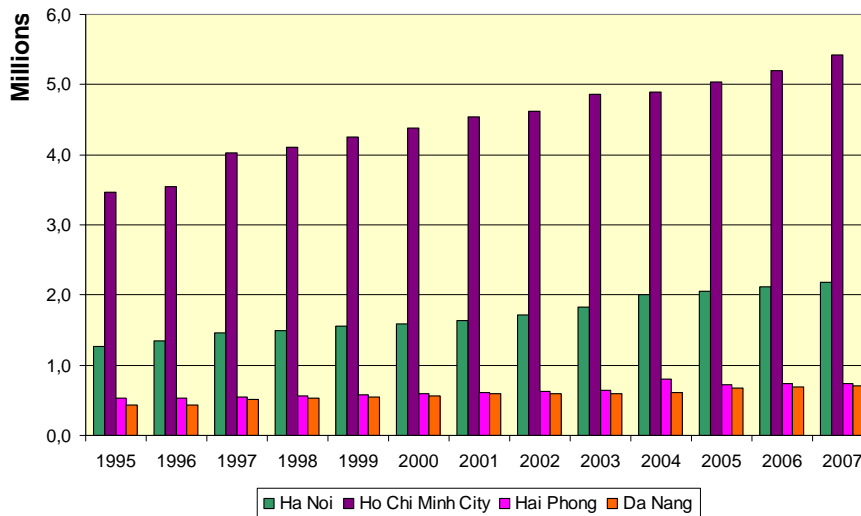


Figure 3: Urban population in major city of Vietnam from 1995 to 2007 (source GSO, 2007)

1.1.3 Economy

The World Bank commented (World Bank, 2008a): “Vietnam is one of the best performing economies in the world over the last decade. Real GDP has on average grown by 7.3 percent per year during 1995-2005 and per capita income by 6.2 percent per year. In US dollar terms, income per capita rose from US\$260 in 1995 to a 2007 level of US\$835”.

Vietnam's poverty¹ reduction and economic growth achievements in the last 15 years are one of the most spectacular success stories in economic development. The Ministry of Labour, Invalids and Social Affairs (MOLISA) report the scale of poor household (HH) decreased in 5 years from 17.2% in 2001 (2.8 millions HH) down to 8.3% in 2004 (1.44 millions HH), and below 7% in 2005 (1.1 million HH). That was about 340.000 HH per year. However, recent modification of poverty classifying² increases the scale of poverty population up into 22%. The millennium goal of Vietnam Government is to reduce scale of poverty down into 11% by year 2010.

Table 2: key Vietnam's economic figures (source GSO, 2007)

GDP (purchasing power parity):	\$221.4 billion	2007 est.
GDP (official exchange rate):	\$70.02 billion	2007 est.
GDP real growth rate (percent per year)	8.2	2006;
	8.48	2007 est.
	7.5	2008 forecasting
GDP - per capita (PPP):	\$2,600	2007 est.
GDP - composition by sector:		2007 est.
- agriculture:	19.5%	
- industry:	42.3%	
- services:	38.2%	
Labour force:	46.42 million	2007 est.
Labour force - by occupation:		July 2005
- agriculture:	55.6%	
- industry:	18.9%	
- services:	25.5%	
Unemployment rate:	5.3%	2007 est.
Population below poverty line:	14.8%	2007 est.

1.2 Shelter Related Fact and Figures

Recently, after four years of learning from other countries, in 18 October 2007, HCMC alliance of Cooperative announced program "saving for house" that introduce new model for housing distribution: the "Housing cooperatives". This program has been facilitated by central government. Assistance from the

¹ Vietnam's classify of poverty for phase 2001-2005 is: 80,000 VND/person/month (mountain area); 100,000 VND /person/month (rural area) 150,000 VND/person/month in urban area.

² Vietnam's new classify of poverty for phase 2006-2010 is: 200,000 VND /person/month (rural area) 260,000 VND/person/month in urban area.

government is to provide site and services. This solution creates opportunity for low – income reasonable prices of a house.

Since 1990, there was 1500 social houses were built for low income people by HCMC government with total amount of 10bil VND (588,000 USD). In addition, employer of some industrial park constructed 31 rental settlements for about 7980 workers.

It is anticipated that by 2010, HCMC need more than 70,000 flats for low – income household (10,000 of that is for rent). The land for social housing is acquired by relocated polluted industry, warehouse, etc....that must be relocated. In addition, a solution for social housing was applied in HCMC that forced trade housing project must reserve 5% to 20% of serviced land for city's housing projects. (Ministry of Construction, 2008)

Ha Noi will implement pilot projects phase 2008 to 2010 which will provide 500 renting flats and 400 flats for sell. The target group are mainly officer, state employee, soldiers. The budget comes from central government. (Ministry of Construction, 2008)

1.3 Housing Policy

1.3.1 Housing law

The transition toward a market system since 2000 boot out a new era of economic competition for urban space. Vietnam land law since 1993 not allow privately land ownership as it is officially the collective property of the people. However, the so called 'land use rights' introduced through the law can be traded and serve as a socialist equivalent to the concept of land property.

Housing law was enacted late. Until 29 November 2005 it was adopted by the Vietnamese national assembly and became effective on 1 July 2006.

The law is the first law to set out a comprehensive legal framework for the ownership, lease, use and management of houses, including apartments, by local and foreign individuals and organisations.

1.3.2 Housing development policies

Funding

The housing law allows the developer to accept up to 70 per cent of the value of the house lease or house purchase contract from a potential purchaser or lessee, provided that the foundations for the house have been completed.

Social welfare housing

housing developers for low-income households will receive special incentives such as land rental exemptions and lower tax rates.

Mortgaging of houses

A house owner has the right to mortgage the house as security for one or several obligations if the value of the house is higher than the total value of all obligations.

Mortgages can be granted only to one single credit institution that is permitted to operate in Vietnam.

1.4 Actors in Shelter Delivery and their Roles

1.4.1 Central government

Land and Housing Authority that belongs to Ministry of construction is the key actor at housing development. Besides, on urban development, Vietnam institute for Architecture, Urban and Rural Planning (VIAP) is the key actor.

1.4.2 Local government

Local government, the people committee use Department of Construction as key actor in urban management and urban development. Except Ha Noi and Ho Chi Minh City, there is no housing institution in local government.

1.4.3 Housing bank

Nowadays, numbers of banks involve in housing development projects. However they are trade benefit oriented and focus on mid and high income client. The joint stock Vietnam's Housing Development Bank (HDB) and Housing Bank of Mekong Delta (MHB) are key actor in housing for mid and low income household.

1.4.4 Private housing development companies

With marketisation on housing distribution, the key actors are private housing development companies.

1.4.5 Housing cooperatives alliance

Since 2005 model of Housing Cooperative for housing distributing has been introduced and applied in Vietnam. Some pilot projects were implemented base on this model. However, after 3 years, this actor could not extend its hand to broad low and mid income population.

1.4.6 Individual household

Individual household is still key actor in housing development, specially in shelter settlement. The household construct their house with their own resource and in many cases are illegal and inadequate qualities, in spontaneous settlement.

1.5 Shelter Design

1.5.1 Physical Planning

Regional and city master plan is carried out by central and local government though professional consultants. Lower master plan, comprehensive and detailed plan are studied with individual projects or on the demand of urban management of local government. In general there is no specific urban planning studies for shelter's settlement except some resettlement projects which relocated low income household in the project area.

1.5.2 Land Use

Population growth and the influx of migrants have led to a critical demand for urban land for housing and development, as a result of which land values, even in peripheral areas, increased significantly. Housing Law enacted in 2005 and revised in 2006, social housing became essential component to express awareness of the state's responsibility to low-income household. Vietnam government recently facilitate social housing projects in all cities. However, these projects were stuck in land acquisition phase due to the land value were too high.

1.5.3 Norms and Codes

Since most of housing projects are strictly profit-oriented and key client of housing company are high-income groups. New residential area requires huge demand for high-end serviced apartments, and achievable prices are three times higher than attainable prices for low and mid market.

2 Organization

Southern Sub-Institute for Urban and Rural Planning (SIUP) is an organization belonging to the Vietnam Institute for Architecture, Urban and Rural Planning (VIAP), which belongs to Ministry of Construction of Viet Nam (MOC).

Beside responsibilities as professional advising body for MOC in urban planning, housing development, SIUP is having an overall responsibility in the management and development of national master plans for the Southern region of Vietnam.

SIUP is key professional to develop regional planning for Ho Chi Minh City Metropolitan Region Development Plan, (approved in May 2008); all Provincial Regional Planning of 16 Southern provinces; almost all General Master Plan for major cities in the South.

3 Shelter Problems

3.1 Inadequate housing stock

In major cities of Vietnam, population growth and the influx of migrants have led to a critical demand for house and urban land for housing “The unclear and incalculable land policy of these years, which coincided with a remarkable lack of legal land rights allocations as well as overlapping institutional planning competencies in terms of land use and property, led to an artificial shortage of land and of land use rights, respectively, in HCMC, and to a sub-optimal use of scarce land resources”. (Waibel, 2007)

In 2007, HCMC (about 2,000 km²) had population about 6.7 million person (1.5 million house holds); about 4000 person/km² but there was only approximately one million housing units and flats in urban areas and about 140,000 houses in rural areas. (Hiep, 2007)

Department of Construction of Ho Chi Minh City (HCMC) reports over 280,000 employees working in state sector are in urgent need of houses; 30% of them cannot afford buying house even by instalment (DOC, 2007). There is clearly a very strong demand for housing units that are affordable to low- and moderate-income households.

Besides formal housing production, up to 80% of the total private construction took place without any regulation or permit, due to the weak political control of free-market forces and the deficient planning and licensing system in Vietnam.

In HCMC, it is estimated that more than 50% of residential buildings were built without an official permit (Phat 2002: 5). Further, a severe backlog of land use certificates has developed as the HCMC authorities have offered only 25 percent legal land deeds for total 979,000 house- holds up to the year 2002 (Lanh 2002: 3).



Figure 4: a dormitory in Ho Chi Minh City (Source E-City, 2008)

3.2 Unaffordable house cost

Under huge demand for housing market, local and international property companies that strictly profit-oriented, have overwhelmingly invested in the construction of housing for high-income groups who can afford to buy land³ and

³ In Vietnam, land cannot be privately owned but the so called 'land use rights' introduced through the land law in 1993 can be traded and serve as a socialist equivalent to the concept of land property.

house on the market at high prices. These prices are three times higher than attainable prices for low and mid market premises (Detroy et al. 2006: 12). Housing market in major cities with extremely high benefit up to 500% (E-city, 2008) created unreachable price to the mid and low – income household. For example, high-rise housing project of Hoang Anh River View in Ho Chi Minh City (HCMC) gained benefit up to 497% with the price 80% population can not reach (E-city, 2008).

Price of apartments, offices for rent and hotel room rates had risen dramatically by the end of 2007 and continued to rise earlier this year. In early February 2008, the price of an apartment in HCM City and Hanoi increased on average by 50% over the same period of 2006.



Figure 5: Renting block for workers built illegally by landowner (Source E-City, 2008)

In 2008, the lowest price is about 600 million VND per unit that cannot affordable for employee, worker who earn average income of is about 3 million/month. Vietnam was on the list of the top 17 countries with the highest property prices while its per capita income was in the lowest group (Viet Nam News, 2008).

Under urban planning point of view, reasons for increasing price of house and land are:

- High standards of plots size
- Heavy financial load of infrastructure
- Construction and maintenance cost of high-rise building

Included in Social Housing Program, pilot projects were launched in some cities. Government's low-income housing program had been carried out slowly, as

commented by Minister of Construction. Up to 2007, HCMC launched 14 social housing projects of total 40 projects. The HCMC's social housing program intends to build 25000 units for low-income people, 20000 renting unit for workers, 200 units for employees.



Figure 6: Slump area in Ho Chi Minh City (Source E-City, 2008)

4 Proposal for Change and Improvement

In view of the lack of housing for low-income groups, new urban planning approaches are necessary for sustainable master plan either city structure or residential area and up to neighbourhood models that regards to mid and low-income population. Question is which criteria are to be fulfilled by residential sites and neighbourhoods in order to provide sustainable and feasible housing to low-income households.

Here the specific requirements for architecture as well as for urban planning must be formulated that are oriented to three fundamental goals: minimized financial expenditure, environmental feasibility and consideration of the social needs while simultaneously ensuring a minimum standard of living.

4.1 Proposal for urban planning approach

4.1.1 Objectives

- Ensuring urban planning project integrated housing development strategies.
- Ensuring urban planning approach regards to mid- and low-income population by provides sustainable urban residential typologies and neighbourhood models that they are affordable.

4.1.2 Point of view

Master planning should:

- maximize flexibility of house and land use ownership;
- flexibility financing option for housing development
- minimized financial expenditure;
- consideration of the social needs while simultaneously ensuring a minimum standard of living.
- not just provide ideas on physical and spatial organizing but all so the ideas on community building in future.
- For existing slump, shanty or under-developed area, strategies of upgrading, renewal, redevelop should be cleared and basing on principles: the new resettlement sites are better or at least equal the existing area.

4.1.3 Principles

- Flexible urban planning approach: Providing a long term strategic planning for the city's development and also flexibility to the master plan; Providing a flexible urban structure to enable different housing typologies according to current and future demands;
- Optimize mobility: applying principle "City of Short Distances" to reduce traffic and therefore to reduce investment and follow-up secondary costs for infrastructure; providing public transportation oriented while provide alternatives less priority individual vehicle.
- Optimization of technical infrastructure: accommodate high density housing that can reduce the costs of technical infrastructure and thereby the investment

cost per unit. Ensuring sufficient provision of technical infrastructure for a sustainable low income neighbourhood with lowest cost.

- Socially mixed neighbourhoods: provide an approach that integrate low income House Hold (HH) into surrounding communities rather than segregate them; encourage mixed income community through provide different groups housing class;
- Minimizing construction, operating and maintenance costs: provide alternatives of housing constructing, operating and maintenance in all levers from the self-help approach, technical assistances to professional consultants and contractors in the aim of reducing cost.
- Accommodate traditional forms of living and working: low or mid rise apartment, shop-house; row house; high density etc.

4.1.4 Proposal for improving Urban Planning approach

Following is matrix of urban planning solutions for Affordable housing / Residential Site (ARS) (Table 3)

Table 3: Matrix of urban planning solutions for affordable housing / residential

Goal	objective	criteria	Urban planning solutions	
Affordability housing / residential site	Low cost	Sub-standard	Infrastructure: Narrow, road, Short distance;	
			Minimize road network , power supply network, water supply network, drainage network;	
			Land use: Minimize open space; Small plot;	
			Mid-rise building: 3 to 5 stories; Small units	
			Low cost construction material	
			Low cost finishing / maintenance	
			location	New settlement
				Far from city centre
				Agriculture land
				Vacant land
				Connectable with city centre
			Renting house	House for single family
				Housing for Worker
				Temporary relocation
			Basic service	Public facility
In-house shop				
Limited open space				
Share-space area				
Multi function area				
infrastructure	Power supply to each house			
	water supply to each house			

		Drainage to each house	
		Share- septic tank	
		mix-use land / building	
Multi-option of housing stock	Mid-rise building	Diversity of unit size, combinable, various price depending on location	
	Plots	Various size / price	
	Commercial enable house / units	Ground floor for service and trading	
	Diversity of price	mid-income family together with low-income family.	
sustainable	Job creation	Among community themselves Locating Near industrial site	
	Manageable settlement	Adequate size (no of household, population) Community building Self-management	
	Diversity	Architecture	Social housing; private house; commercial house; Urban design flexibility;
		Neighbourhood Typology	Pattern; public service; size; infrastructure; location
Housing typology		Mid- and low-rise building, plot, row house;	
Multi option of price		Multi-size; house type; material; location; finishing;	
	Diverse client	Mid-, low-income; career; gender; age; religion...	
Investment feasible	Diversity of house provider	State; cooperative; habitat humanity; "Gawad Kalinga"; private sector; foreign company; individual household; other NGO	
	Multi option for housing funding	Social bank; mortgage program; social organization; NGO; Social housing finance corporation; national program; housing development bank; national social bank. Mekong housing bank; micro credit (of the community)	
Cultural adaptation	Architecture	Local material; local climate; local architecture	
	Community building	Forming neighbourhood; definable residential space; short distance; non-crossing traffic	

With point of view and principles mentioned above, urban planning process should accommodate following check list:

Location of Affordable Residential Site

ARS for develop housing for mid- and low income household should be located in area that land can be easily acquired with low price. For example, agriculture land, urban fringe, vacant land distance from city centre. This site should well connect to city centres, industries with public or low cost transportation such as bus, MRT, metro, bike-taxi... through highway.

One of a challenge of ARS is land cost. Ho Chi Minh city applied regulations that all housing projects have to reserve up to 20% of land with service for social housing. Other solution for lower land cost that social housing will be assist by applying low tax of converting agriculture land into residential.

Structure and zoning solution for ARS

Urban area should be well structured and zoned for diversity of urban component which will provide more sustainable development. Shared urban services, infrastructure, public facilities... are key factors to reduce housing cost.

Integrating commercial, tradable areas / building will provide better social benefits for both high-, mid-, and low-income. Such integration not only income enable but also create cultural diversity for the site.

ARS should also be flexible in investment alternatives. State, private sector, foreign investor, cooperatives, individual household...can have opportunity to develop the site. The flexible factor also comes from the diversity of project scales.

For better management, size of ARS should be around 1000 household.

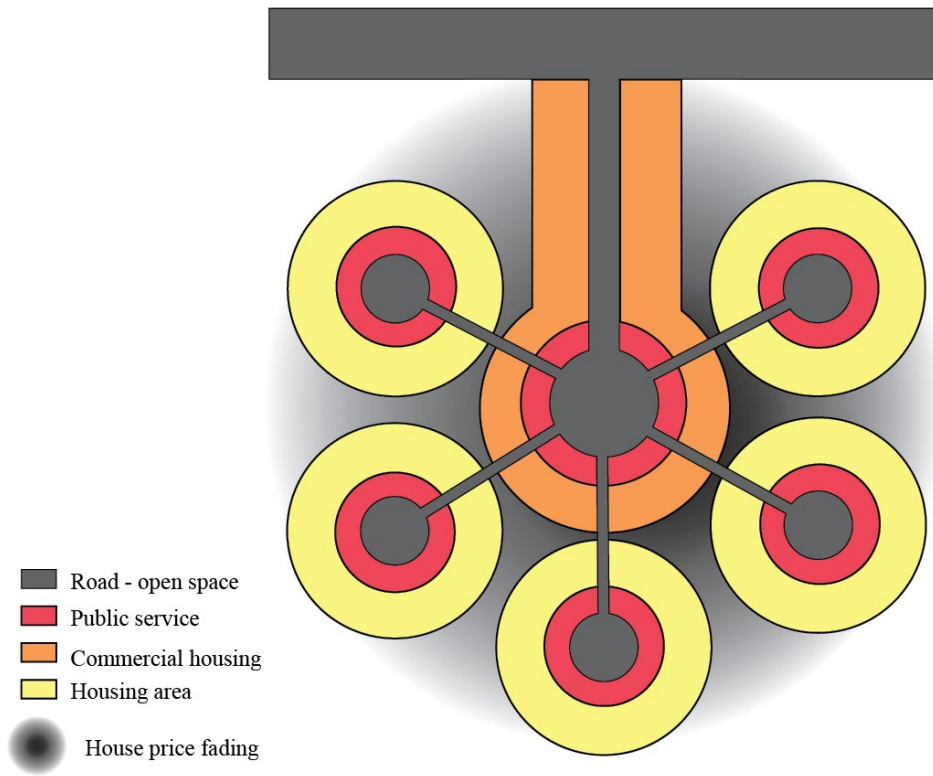


Figure 7: Example of proposed ARS with diversity of housing typology and price that cross-subsidy enable

Above fig show example of structure of ARS. Urban spaces are minimize and sufficient. Main road and urban space in the centre is preserved for commercial housing or trading enable house. Higher standard urban and housing design is applied and therefore reasonable for higher price house and land. Higher density with high rise building can be accommodated here. This area can be develop by private sector and then cross subsidy for low-cost housing.

In the other hand, lower density and standard applied for outer area where mid-rise or land plots are accommodated. Smaller urban space with less service, distance from the centre etc... is suitable for low cost housing. This area can be priority developed by state, non- profit organization, cooperatives...

Solution of land use for ARS

To decrease the cost for ARS, high density should be applied both in population and construction. Minimum of sub-standard should be applied. Exemption should be applied for low-income area that encourage lower housing price.

However, since high-rise building always more expensive, while 3 to 5 stories buildings are more affordable to mid- and low-income household.

It is experienced in Vietnam, Philippine, Thailand that variation of affordable area of a unit in mid-rise building is around 25 – 40 sq.m, while size of a plot is about 30 – 60 sq.m.

Open space in ARS should be minimized and structured in the manner that reflex tradable options. For instant, the area closes to open space such as: road, park, garden, square, playground... should be commercial enable house. This area will be use as cross-subsidies for low-cost houses. (see fig. 4 above).

A research on applicable sub-standards, criteria, guidelines should be done including surveying; analysis and testing step to ensure it cover all factors that may affect housing cost. This action can be done by an institute (such as VIAP – Vietnam Institute for Architecture, Urban and Rural Planning). Temporary exemption of sub-standard, criteria, and guidelines will be enacted by Ministry of Construction or Inter-Ministries. Further guidelines and assist to this matter should be provided / trained for implementing organization by Ministry of Construction.

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