

The housing paradox in Vietnam

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It is that while a majority of households live in private houses there is little land allocated for traffic infrastructure and greenery.

A look at the numbers and comparisons with other countries, especially those at a higher level of development than Vietnam, make the point crystal clear.

The 2019 population and housing census found only 2.2% of Vietnamese living in apartments, while the remaining 97.8% lived in private houses. Vietnamese families owned an astounding 88.1% of their homes, putting them in the global top 10.

In comparison, in 2021 only 20.6% of housing units in South Korea were individual, while the remaining 79.4% were apartments.

The national home ownership rate was 56.1%.

In the U.S., only 65.9% of homes are single-family units, and the rate of home ownership is 65.3%.

The case of China is also noteworthy. In recent years high-rise apartment buildings have accounted for nearly all new construction. In a country with a population of over 1.4 billion, nearly 90% of the people are homeowners.

It is commonly believed that in Vietnam many people cannot afford to buy a home because the cost of housing is disproportionate to incomes.

Analyzing Hanoi's data on home ownership reveals a different truth. In 2020 the bottom 20% had an average annual income of VND25 million and a typical home size of around 20 m² per person.

Families with poorer housing quality had an average area of 15 m² per person.

In 2019 some 83.9% of households owned their homes, 14.7% lived in rented homes and the rest were in other types of housing, with 87.1% of households living separately.

A majority of households live in and own landed properties, which at current prices are worth VND50 million per square meter. Thus, it is unlikely that the average housing owned by the bottom 20% is worth less than VND1 billion, equivalent to 40 years of their income.

But there is an explanation. Most people have been living in their multi-billion-dollar homes for years, especially those with lower incomes. Twenty years ago they could afford the low costs of agricultural land on the outskirts of Hanoi (outside a radius of five kilometers from the center) where informal housing could be constructed. They only paid around 30% of a projected 30-year income for both land and construction since they were not required to pay for the development of shared infrastructure and the construction quality was poor.

The actual construction cost of their homes are thought to be about a quarter of that incurred by developers and the price at which today's affordable apartments are sold.

Thus Vietnam's urban areas are characterized by townhouses crammed into narrow alleys with little room for traffic and almost none for greenery.

From all this it is clear that avoiding the cost of developing shared infrastructure has been the key to a majority of Vietnamese households owning landed properties, even in pricey urban areas.

As a result, a very large proportion of urban residents, particularly in Hanoi and Ho Chi Minh City, have a very poor quality of life.

When the rate of land used for traffic is less than 10% and the green space is among the lowest in Asia, cities cannot be civilized or modern or offer a high quality of life.

Converting townhouses into high-rise apartments is one possible option for Hanoi and HCMC to free up space for roads and parks.

The future of these two cities lies in vertical rather than horizontal development.

What happens in urban Vietnam in future will be largely determined by public opinion and behavior. But if the traditional Vietnamese habit of owning a piece of land persists, then the country's major cities will continue to be as overcrowded, dirty, and dusty as they are today. But if most people move into high-rises, it will be possible to create pleasant urban areas with improved living standards.

For this, step one is altering the public's opinion of desirable residential areas. Next come the government's plans for the future, including its investment in infrastructure and expansion of social services.

Once these two conditions are met, the market will be able to do its job, resulting in cities that are both large and prosperous.

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