

A FUTURE FOR ESTATE AGENTS IN VIETNAM

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Recently, the estate agent has been mentioned in the press and law documents. The Draft of the Real Estate Law also introduces regulations on functions, duties and business conditions for estate agencies. Concepts of professional estate agents along with their work ethics and qualification are totally new to ones who are doing this business and relevant authorities.

There is a great gap between so-called estate agents in Vietnam and their foreign counterparts. And it's hard to find books or magazines of this trade. With thousands of estate agencies all over the country, the estate agents could only perform a small part of the duties of professional estate agents. As for us, the real estate business, including advisory, brokerage, pricing and management services, are still strange. To bridge this gap is now an important task needed for the healthy development of this trade.

1. Some facts about estate agents' services in Vietnam

It's hard to consider estate broker's business in Vietnam today as a "trade" in its proper meaning. The real estate market has just come into being for a decade or two and it still has seasonal features and its services are in their first stages of development. Operations of brokers in this market seem the most developed but they also imply many inadequacies.

Most of the inadequacies come from the lack of an official training center where potential brokers can get professional knowledge and indiffer-

ence of relevant authorities. Clients of estate agencies find it hard to get necessary information. In other words, information from these agencies is unreliable. Each agency has its own forms of contracts that include complex terms and conditions to avoid responsibility and retain clients. Many clients have to pay the penalty for using brokers' services. Without proper training, services of estate agents are not customer-oriented enough. At a higher level, few agents can undertake big contracts effectively and correctly. This situation is not only found in contracts to buy private real estates but also ones relating to large-scale projects, especially ones requiring land clearance. Operations of brokers usually produce false information that leads to sudden rises and falls in the market price. Under current conditions, brokers have a lot of chances to make profit because infor-

mation about the urbanization planning, land use right and legal status of pieces of estate is not publicized.

Generally, the estate agents' services are developing in Vietnam in an unruly manner and without orientation or professional quality. To help the real estate market operate healthily and contribute to the economic growth, the agents' services must be standardized and agents must be retrained.

2. Conditions for development of real estate market

At present, the Draft of the Real Estate Law recognizes the broker business and requires the brokers to get necessary business certificates and licenses. This is the basic legal infrastructure for developing this business and the estate market. However, there are many factors that affect turnover of real estates on the market. We need examine them to un-

derstand opportunities of brokers' business.

a. Effects on the demand:

- Economic growth cycle (one, two or 10, 12 years): This factor could affect the market forces. In Vietnam recently, however, the demand for real estate didn't correspond with high growth rates. This fact need to be further examined.

- Changes in the demand in relation to changes in the spending power: This factor depends to a great extent on the unemployment rate, urbanization and concentration of population. In addition, the supply of credit also affects the demand for real estates.

b. The supply of real estates:

- The supply relates to rises and falls of kinds of estates, the number of estates for sale and changes in selling prices and construction cost. Generally, the supply of estates also



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depends on the economic growth rate.

- The supply also depends on the development of construction business, town planning and land clearance. This factor makes the supply in transition periods greater than one in stable periods.

- The supply, like the demand, depends partly on government's social programs and activities of the finance market.

c. Change in the structure of industry:

Such change brings about changes in the supply and demand. The change in structure of industry could come from abroad and at home. Vietnam's industrialization and modernization will lead to increasing demand for land needed for factory building and offices. The decreasing role of the agriculture also makes the demand rise causing imbalance between the two market forces. This situation requires brokers to gain more expertise in order to upgrade their services. Changes in distribution and density of population caused by high birth rate and migration will increase the pressure for housing.

The presence of foreign investment and companies requires more space and land areas and a lot of services will make their appearance to meet this requirement: leasing, supplying loans, mortgage, pricing, estate management, construction of office buildings, etc.

d. Financial strength:

The real estate market in Vietnam is frozen bringing many estate companies and developers to the brink of ruin, along with their bankers. The real estate always demands an abundant supply of credit, which is still lacking in Vietnam. If Vietnam becomes a WTO member, the foreign sources of finance will be able to solve this problem. Foreign banks can offer a wide range of services relating to real es-



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tate that local banks can follow. This will be a new dynamic for the realty market. However, foreign sources of finance could lead to hot development and dependence on foreign forces.

e. Natural instability of the realty market:

The market can experience wide fluctuations that are sometimes greater than ones in the whole economy and don't coincide with the cycle of economic growth. Aside from periods of crisis and depression, the natural fluctuations in the realty market are slower than changes in the cycle of economic growth. Similarly, the growth of the realty market is slower than the economic growth.

As a law, capital tends to be concentrated in key industries, instead of real estate, when the economy develops well because the profit from these industries is higher. On the other hand, capital doesn't flow quickly to real estates during depression periods because of difficulties in withdrawing capital from other industries. These changes are very common in stable realty markets.

In Vietnam, the realty market has been unstable for years. Besides external factors, the market has

been affected by many internal ones, such as government's policies, legal infrastructure, limited finance market, and lack of experience of secondary investors, etc. These factors make the Vietnamese realty market very unstable, which provides brokers with more opportunities.

f. Estate brokers and information technology:

Information technology is an effective solution to operations of brokers when it makes their offices organizationally united and computerizes both external and internal relations, which allows reduction in cost and improvements in productivity. In other words, new technologies make the brokers' offices more competitive when this business develops.

At present, many brokers' offices introduced themselves on the Internet that is available for an increasing number of potential customers.

3. Conclusion

The above analyses show that the estate agencies have great potentials for development. With a market where information is not available for everybody and many factors are causing disorder, the role of estate agents becomes

more important. However, operations of badly-trained agents have become a worrying problem for relevant authorities. They make the market more active but also cause the price to skyrocket. To make the market healthier and more efficient, there must be plans to train them in professional practices.

For the time being, it's necessary to replace the concept of "land brokers" with one of "estate agents" and make their services an official and legal trade. First of all, their operation must be under control of relevant authorities and regulated by laws, such as real estate registration law, real estate trading law and housing code, etc.

As for professional training, there is only courses in real estate valuation and real estate management offered by Hà Nội National Economic University and some short-term courses supplied by the HCMC University of Economics. This situation means that it will take time and great efforts to provide agents with formal training. Without a strategy to deal with this gap, the realty market will fall far behind regional markets and customers will pay the price for it for years to come.■