

MEASURES TO ENCOURAGE HOUSING DEVELOPMENT

by Dr. TRẦN THẾ NGỌC



To achieve targets set by the housing policy for the year 2010, the government could pay attention to the four following groups of measures:

1. Organizational measures

a. A system of national housing agencies could be formed. At the central level, there may be a National Housing Commission headed by a

Deputy PM including representatives from the Ministries of Planning and Investment, of Construction and of Finance; General Department of Land Registry and the SBV. The Commission is responsible for working out the national housing policy, making plans to develop housing in each province, and controlling housing development fund. At provincial and municipal level, there should be

housing agencies responsible for carrying out plans and schemes set by the Commission and by local governments as well. The provincial agency may be an independent body or directed by the provincial Land Registry- Housing Service or People's Committee.

b. The cooperation between related authorities at provincial level (land registry, construction, planning and investment, transport and communications, etc.) is necessary. These organizations could be rearranged with a view to forming a housing agency. Another measure is to make this agency a body under the provincial service of land registry with representatives from other related authorities.

c. In developing new housing estates, the government could encourage the participation of non-state sectors by allocating land to private companies that agree to undertake the building of infrastructure, allowing private companies to build apartment houses for rent, or cooperating with foreign companies in trading in real estate, etc.

d. Officials working as assessors of real property should be trained properly and organized into professional associations operating according to regulations set by law.

e. To improve housing conditions, local governments can:

- encourage private and foreign companies to produce modules used for constructing houses because these products help reduce prices of houses to somewhere within reach of the working class and facilitate schemes to rebuild slums.

- forming groups of representatives from slums as a basis for the cooperation between local governments and residents in rebuilding these slums and developing the infrastructure.

Local housing agencies are responsible for cooperating with local governments and residents in carrying out housing development schemes.

2. Financial measures

a. House rent and purchase:

- Hire-purchase agreement:

If a house could be bought on a 30-year hire-purchase agreement at an interest rate of 0.5% a month, a buyer needs only pay VND209,843 a month for a VND50-million house, or VND419,685 for a 100-million house. Those agreements are feasible, so the housing agency could set the following policies:

- + The buyer has to at first pay 30% of the value of the house and pay the rest by installments. The government encourages and helps laborers keep savings accounts for house purchase. When their savings equal 30% of the value of the house, they are allowed to enjoy a hire-purchase agreement.

- + The buyer has 30 years to pay for the house.

- + Interest rate on installments is kept to the minimum.

- Long-term tenancy:

To recoup investment in a VND50-million house within 30 years, the monthly rent is VND299,775 (if the interest rate is 0.5% a month, the rent will be higher when the interest rate rises). With present discount rate, equaling the interest rate on long-term loan, of 0.8% a month, the monthly rent will rise to VND424,080 which is beyond reach of most laborers. This situation will discourage investors from putting money in housing development. The following measures would be helpful:

- + Investors are allowed to pay annual land rent to the land registry for the land they use for building apartment houses.

- + The National Housing Commission provides investors with loans at an interest rate lower than the lending rate offered by commercial banks.

- + When the tenant wants to buy the house, the price of the house will equal the depreciated value of the house plus the price of land. The tenant can use the house as collateral to get soft loan from the National Housing Commission to make payment to the seller.

- Houses rented to groups of tenants:

According to our calculations, a house of 30- sq.m for 10 persons is worth some VND36 million. If it is rented to a group of ten for VND500,000 a month, the investment will be recouped in a 7-year period. If the price of land is included, the rent will become too high for such poor tenants as students or workers. To solve this problem, the following measures could be taken:

- + Financing investors who build houses for collective tenancy.

- + Allowing them to pay annual land rent (if the land use fee has been paid, it could be refunded).

- + Imposing income tax on private persons who rent their houses without licenses.

- b. Capital for developing housing estates:

- Raising a fund for housing development:

This fund will be controlled by the National Housing Commission and originated from the following sources:

- + Proceeds from the sale of state-owned buildings and houses.

- + Land use fee and land rent collected annually by land authorities.

- + Sale of shares to insurance and finance companies.

- + Contributions from non-government organizations, international organizations and charities.

- + Loans from public funds.

- + Funds from savings and loan associations.

- + Profits from real estate and other businesses.

- + Installments by buyer on hire-purchase agreements.

This fund is used for financing the following programs:

- + Programs to build houses for low-paid workers carried by either private or state-run companies.

- + Programs to supply soft loans to low-paid laborers who want to buy, build or rebuild houses.

- Increasing sources of finance for the building and buying of homes:

- + Giving incentives to commercial banks, finance and insurance companies that invest in developing housing estates.

- + Encouraging and allowing real estate companies to build both apartment houses and detached houses in the same housing estate in order to reduce prices of apartments for low-paid laborers.

- + Encouraging the formation of housing associations and savings and loans associations.

- + Allowing real estate companies to issue bonds (those who buy these bonds could get double profit: fixed interest borne by the bond and profit from future rise in price of land.)

- + Encouraging land owners to cooperate with real estate companies in building houses for rent.

- + Regulating the monetary policies, especially the policy on interest rate, in order to ensure flows of deposits to banks and reduce price of houses.

- + Encouraging slum residents to cooperate with local government in rebuilding their homes.

- + Putting the stock market into operation in order to attract idle money.

- Encouraging foreign investment:

- + Using deregulation to attract the FDI to housing projects and

stimulating the need for first-class houses.

- + Looking for aid from international institutions for infrastructure projects.

- + Making policies to attract investment from Vietnamese expatriates.

- + Offering the same price of land to both local and foreign investors.

3. Technical measures

- High quality of town planning jobs and architectural plans can help enhance the value of resident areas and living conditions. The building of multi-level apartment houses could allow a bigger area for use at a lower cost.

- It's necessary to build a wide range of houses, from villas, detached houses, to apartment houses and modular houses with a view to providing accommodation for low paid laborers.

- New and cheap building materials could be imported.

- The work of land and housing control should be computerized in order to make the best use of available information for making town planning.

4. Legal measures

Certain legal matters relating to housing development business that need to be amended are as follows:

- Creating a legal basis for the formation and operation of the national housing authorities.

- Making regulations to encourage the building of homes, especially for the poor, and finance those who buy homes on hire-purchase agreements.

- The ownership of homes could be diversified to offer more opportunities to laborers. More regulations should be made to control house construction, house rent, trade in real estates, etc.

- Regulations on the sale of house to Vietnamese expatriates should be made.

- The limit of 400 sq.m on land for house building in suburbs could be revoked.

- Other matters to be settled are: infrastructure construction in exchange for land allocation; cooperation in developing housing estates; use of land use fee for infrastructure projects; annual payment in land use fee when developing housing estates, etc.

We think that the above-mentioned measures could make homes available at lower prices, stimulate the market for real estates and improve the quality of town planning work.