

Some Measures to Develop the HCMC Real Estate Market

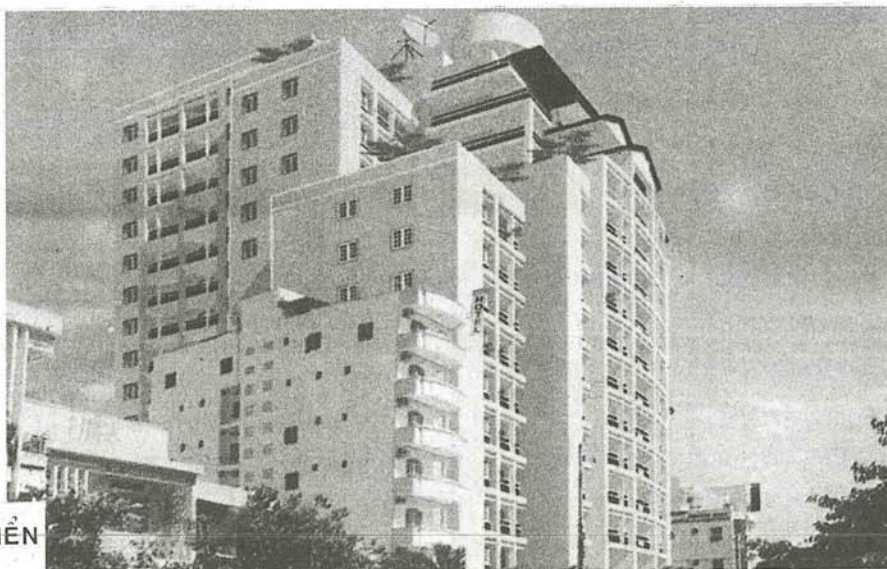
by NGUYỄN ĐIỂN

herd instinct. These are factors that cause difficulties for businesspersons in the market and potential buyers and produce bad effects on investment activities.

The HCMC real estate market is busy with trade in urban housing, and this is the subject matter of our study.

According to a survey conducted by the General Department of Statistics, over 97% of housing area in cit-

HCMC Service of Finance, there were 21,043 transactions certified by the tax agency in 1996. This figure rose to 41,660 in 1997; 48,772 in 2001 and over 50,000 in 2002. According to experts in the housing business, legitimate transactions (that is, ones certified by tax and land registrar) accounted for only 30% of transaction done in HCMC. In fact, local authorities have no way to control or gather statistics about



1. HCMC real estate market in recent years

In recent years, along with the socioeconomic development, the HCMC real estate market has made its appearance with its own characteristics. The market is generally busy in spite of the absence of many factors, such as a legal infrastructure for its operation. And as a result, the official market is of small scale and ineffective while the unofficial one is busy, complex and unruly. From 70% to 80% of transactions took place in the unofficial one, which distorts market relation and deprives the government of a large sum of income tax take.

In fact, this market has come into being just for 10 years but it experienced three price fevers in 1995, 2000 and 2002. The market was also frozen in 1997-99 and early 2004, because the Amended Land Law is to come into effect in July 2004. These facts show that the market is easily affected by land policies. That is why the market prices skyrocketed at times although the demand for housing increased slowly. Two reasons could be used for explaining this situation: money laundry and the

ies is used by private persons, therefore the trade in real estate is brisk. Urban housing and land is also transferred, exchanged and inherited in the same manner as farming land is. The most common transaction is the transfer of the land use right, as seen in classified columns on HCMC dailies. Because the area of urban housing is equal to some 20% of the area of rural districts, the demand for housing in cities increases fast after urbanization, the price of housing in HCMC rose quickly (in 2002 it rose by 40% as compared with 2001.)

According to a study carried out by the Central Institute of Economic Management Studies, 80.7% of HCMC residents want to have houses of their own and only 13.7% of them are content with flats in apartment houses. This reflects the high demand for houses and land in HCMC. How about the housing market in HCMC?

Because the housing is fixed to the land, the main commodity in the real estate market is the right to use housing. So the housing market also produce effect on the market for the land use right. According to the

property transactions in HCMC.

In addition, the housing market has close relation with the land market. All price fevers on the market for the land use right originated from the increased demand for housing caused by the fast urbanization.

Another factor that affects the real estate market in HCMC is the development of industrial parks and export processing zones (referred to collectively as IPs hereafter). It's worth noting that where the lease of land in industrial parks is concerned, there is no clear distinction between the right to lease land held by the State and the right to transfer the land use right exercised by infrastructure developing companies. In most IPs, these companies, after building the infrastructure, have leased land to other companies at agreed upon price. According to current regulations, these infrastructure companies have no right to fix the rental (it belongs to the municipal authorities). This means that these companies are free from effects from the market for the land use right and privileges they have enjoyed so far are really a licence to print money. Until recently, the HCMC govern-

ment officially announced, on the Saigon Giải Phóng daily, March. 31, 2004, the total area available for investors in IPs and the rental per square meter.

These facts show that the stock of land for the land market is very great, but the real estate market isn't well under control and fails to contribute to the economic growth in HCMC because of poor management. In addition, the price fevers on this market keep causing difficulties for local residents and an increasing number of immigrants working in HCMC.

2. Measures to develop the HCMC real estate market

At the 9th conference of the HCMC VCP Unit of 7th term in October 2002, targets set for the development of the real estate market were as follows:

- Establishing and developing the organized market for real estate in HCMC including markets for trade, transfer, leasing and mortgage of real estates.

- Regulating sources of investment to increase the supply of housing and land to IPs and private persons and ensure an area of 12 square meter per capita by 2005.

- Employing official instruments to struggle against speculations in real estate with a view to make the market healthier.

To achieve these targets, in my opinion, the HCMC government should pay full attention to the following problems:

(1) Perfecting regulations about the real estate market as delegated by the Decree 93/2001/NĐ-CP by the PM and the 2003 Amended Land

Law: In carrying out this task, strong measures must be taken to prevent speculation and misuse of land because this is an important step to beef up the state control over the market.

In beefing up the state control over the market, regulations had better allow all private persons to engage in this business instead of limiting them. Past experience shows that the more the government tries to limit transactions, the more laws are broken. All organizations and private persons must be allowed to lease, exchange, transfer, mortgage, etc. the land use right they receive from authorized agencies because this is an important measure to develop and normalize the real estate market.

The HCMC authorities must apply actively and creatively new regulations introduced by the 2003 Amended Land Law to simplify procedures for conducting transactions relating the real estate. For example, the 2003 Land Law stipulates that there is only one document for real estate: it is the certificate of the land use right (other chattels fixed in land are also noted down on this document) instead of two documents as stipulated formerly (a certificate of the land use right and a certificate of housing ownership).

(2) HCMC authorities must be determined to complete the task of granting these certificates in 2004 as set by the plan for the year. Official documents will allow residents to sell or mortgage their certificates when necessary on the official market instead of going to the black one. The task of investigating for misuse of land must be carried out regularly.

Maps and land registration must be carried out properly and publicized in order to facilitate the state control and the trade in the land use right.

(3) Facilities supporting the real estate market, such as centers of information and real estate evaluation, for auction of the land use right, etc. are much needed. The formation of trading floors for real estate and auctions of the land use right have been approved. The HCMC must carry out these directives as soon as possible.

(4) Tasks of paying compensation after land clearance and resettling local residents must be carried out according to the Resolution 18 adopted by the Standing Committee of the HCMC VCP Unit of 6th term. This effort can facilitate projects to develop the infrastructure and new housing, increase the supply on the market and avoid unnecessary and prolonged disputes over real estate. Authorities must be determined to retrieve land that is occupied illegally or developers fail to carry out the approved projects.

(5) Authorities had better adopt new policies and mechanism for encouraging private investments with a view to increasing the supply of housing on the market, and at the same time, beef up operation of state-owned companies trading in real estate in order to help them to lay well their role in increasing the supply of housing, providing necessary services and prevent negative effects caused by the market mechanism for the real estate market. Moreover, these companies should play the leading role in providing the poor and low-income earners with housing. ■

