

Minor Field Study

## Real estate valuation in Vietnam

- a study on the implementation of market-based  
valuation methods in a changing economy

Kristin Andersson  
Marie-Louise Svensson

---

Fastighetsvetenskap  
Lunds Tekniska Högskola  
Lunds Universitet

Real Estate Science  
Lund University, Sweden



ISRN LUTVDG/TVLM 01/5057 SE

Department of  
Real Estate Management  
Lund Institute of Technology  
Lund University  
P.O. Box 118  
SE-221 00 Lund  
Sweden



Lund Institute of Technology  
Lund University

Avdelningen för  
Fastighetsvetenskap  
Lunds Tekniska Högskola  
Lunds Universitet  
Box 118  
221 00 Lund

## **Real estate valuation in Vietnam**

**- a study on the implementation of market-based valuation methods in a changing economy**

## **Fastighetsvärdering i Vietnam**

**- en studie av införandet av marknadsbaserade värderingsmetoder i en förändringsekonomi.**

**Master of Science Dissertation and Minor Field Study by**  
Kristin Andersson, Marie-Louise Svensson  
Master of Science Programme of Surveying  
Lund Institute of Technology, Lund University

**Supervisors:**

Olof Färnkvist, Land Surveyor, M.Sc, Swedesurvey AB  
Gösta Palmkvist, Land Management Advisor, Vietnam- Sweden Cooperation  
Programme on Land Administration Reform  
Carl-Magnus Willert, Lic. Eng., Department of Real Estate Management,  
Lund Institute of Technology, Lund University

**Examiner:**

Carl-Magnus Willert, Lic. Eng., Department of Real Estate Management,  
Lund Institute of Technology, Lund University

**Keywords:**

Vietnam, Tam Ky, real estate valuation, real estate market, market economy, market value, multiple regression analysis





KUNGL  
TEKNISKA  
HÖGSKOLAN

Royal Institute of Technology  
ERO

This study has been carried out within the framework of the Minor Field Studies (MFS) Scholarship Programme, which is funded by the Swedish International Development Cooperation Agency, Sida.

The MFS Scholarship Programme offers Swedish university students an opportunity to carry out two months' field work in a Third World country resulting in a Master's dissertation, or a similar in-depth study. These studies are primarily conducted within subject areas that are important for development and in a country supported by the Swedish programme for international development assistance.

The main purpose of the MFS programme is to increase interest in developing countries and to enhance Swedish university students' knowledge and understanding of these countries and their problems. An MFS should provide the student with initial experience of conditions in such a country. A further purpose is to widen the Swedish personnel resources for recruitment into international cooperation.

The External Relations Office, ERO, at the Royal Institute of Technology, KTH, Stockholm, administers the MFS programme for all faculties of engineering and natural sciences in Sweden.

Sigrun Santesson  
Programme Officer  
MFS Programme



## **Preface**

*This Master of Science dissertation was completed at the Department of Real Estate Science at Lund Institute of Technology in March 2001.*

*The dissertation constitutes the final part of our education on Land Surveying, Master of Science. The study was initiated by Olof Färnkvist, Swedesurvey and was carried out within the land valuation project 4.1 in the Vietnam-Swedish Cooperation Programme on Land Administration Reform (CPLAR). This programme is implemented by SIDA and the General Department of Land Administration (GDLA) in Vietnam.*

*With these words, we would like to thank everyone who gave us the opportunity to do our Minor Field Study at the GDLA in Hanoi, Vietnam.*

*We want to thank you, our supervisors, Olof Färnkvist, valuation expert, Swedesurvey, Gösta Palmkvist, Chief Technical Advisor, CPLAR and Carl-Magnus Willert, Lic. Eng., Department of Real Estate Science for your assistance during the creation of this thesis. Thanks to Bui Ngoc Tuan, Deputy Director and Pham Minh De for assisting us with knowledge and help during our stay at the GDLA.*

*We also would like to thank Nguyen Duc Thuan and Nguyen Hong Hanh at the GDLA; without your help, we would not have been able to do this project.*

*We would like to thank Mr Bui van Ba for arrangements during our visit in Tam Ky.*

*Thank you to all the people who gave us a lot of information through interviews and to our interpreter, Hoang Ahn Duong, who made these possible.*

*Last but not least, we would like to thank all the people we met in Hanoi, who made our stay never to be forgotten.*

*Lund 2001*

*Kristin Andersson and Marie-Louise Svensson*



## Summary

In Vietnam an economic reform process is underway; there is a change in the economic system, from a state-planned economy to a market-oriented economy. In 1986 the reform *Doi Moi*, meaning renovation, started, and during the last ten years, the country has seen a lot of changes. These changes have influenced the real estate market in becoming more market-oriented, the investments are growing, and new real estate brokers are opening up.

The authorities are at the moment developing new valuation methods useful in a market economy, to replace the methods used today for property taxation and compensation at compulsory purchases, etc. To increase the knowledge about market-based valuation methods, authorities are cooperating with organisations from other countries. One of these cooperations is the Cooperation Programme of Land Administration Reform (CPLAR) between Sweden and Vietnam.

While, the authorities are devising new valuation methods, a real estate market is developing on the private market in Vietnam, seemingly without influence of the authorities. Here, several operators use real estate valuation in their daily work, for example, banks and real estate brokers. These operators hold a lot of information. Is it possible for the authorities to derive profits from the operators on the open market? There are several problems in the work with developing new valuation methods, for example indistinct responsibilities and an insufficient registration system. Is it possible to improve this procedure of developing valuation methods?

In real estate valuation it is possible to use statistical tools as an aid when working out valuation methods. Is it suitable to use statistical tools when developing valuation methods, based on the market value, in Vietnam? Today, we consider it difficult to obtain good results using regression analysis when evolving new valuation methods. This conclusion is based on a study of a pilot project carried out by CPLAR in Tam Ky, located in the middle of Vietnam. However, if other ways of collecting market data were used, we believe that regression analysis could be used in a greater extent. The most desirable way of collecting market data would be a satisfactory registration system. Since many landholders today do not register their land use and land use transfers, there is no reliability in the existing registration system. Until this system is sufficient enough, there is the need to improve other methods of collecting market data.

To obtain a reliable registration system, measures are needed to make people more inclined to register their land use and land use transfers. Today, the landholders do not see any advantages in registering the land use and land use transfers; therefore, further proceedings that increase and distinguish the benefits of registering the transfers, should be implemented. To improve the process of developing new valuation methods, the cooperation among authorities involved in real estate valuation needs to be increased. Also, the functions and responsibilities of valuation in Vietnam need to be clarified, and it might be advisably to have only one authority responsible for valuation issues. Furthermore, improvement could be obtained by increasing the cooperation between the authorities and the companies on the private market.





## Sammanfattning

I Vietnam pågår för närvarande en förändringsprocess, från att ha tillämpat planekonomi anpassas nu landet till ett marknadsekonomiskt system. År 1986 påbörjades reformen *Doi Moi*, vilket ungefär betyder förnyelse, och därmed har landet de senaste tio åren genomgått stora förändringar. Förändringarna har påverkat fastighetsmarknaden till att bli mer marknadsanpassad, investeringarna i landet har ökat och nya affärsmöjligheter har skapats.

Myndighetsväsendet arbetar för närvarande fram nya värderingsmetoder som är anpassade till en marknadsekonomi, för att ersätta de metoder som idag används inom fastighetstaxering och vid beräkning av ersättning vid tvångsinlösen. För att öka kunskapen om marknadsvärdesbaserade värderingsmetoder har samarbetsprogram påbörjats med olika länder som har erfarenhet av sådana metoder. Ett av dessa är samarbetsprogrammet Cooperation Programme of Land Administration Reform (CPLAR) mellan Sverige och Vietnam.

Under tiden som myndigheterna arbetar fram nya värderingsmetoder utvecklas en fastighetsmarknad utan synbar myndighetspåverkan på den öppna marknaden i Vietnam. Här verkar ett flertal aktörer som i sitt dagliga arbete värderar fastigheter, till exempel banker och fastighetsmäklare. Dessa aktörer innehar fastighetsanknuten kunskap och information. Är det möjligt för myndigheterna att dra nytta av denna kunskap? Ett antal problem existerar när det gäller framtagandet av nya värderingsmodeller såsom oklara ansvarslinjer och ett outvecklat registreringssystem. Dessutom fungerar samarbetet mellan myndigheterna ej tillfredsställande. Frågan är om det är möjligt att förbättra proceduren att utveckla nya värderingsmetoder.

Inom fastighetsvärdering är det möjligt att använda statistiska hjälpmedel vid uppbyggnad av värderingsmodeller. Är det lämpligt att även i Vietnam använda sig av sådana metoder när man arbetar fram marknadsvärdesbaserade värderingsmodeller? Vi anser det idag vara svårt att uppnå bra resultat vid utvecklandet av nya värderingsmodeller genom att använda regressionsanalys. Denna slutsats baseras på en studie av CPLAR:s pilotprojekt utfört i Tam Ky, beläget i mellersta Vietnam. Dock anser vi att regressionsanalyser i större utsträckning kan användas vid framtagning av värderingsmodeller om andra metoder för datainsamling används. Ett väl fungerande registreringssystem skulle vara det mest effektiva sättet att samla in marknadsdata. Många fastighetsinnehavare registrerar inte sina innehav varför dagens register inte är tillräckligt tillförlitligt. Fram till att detta system har förbättrats behöver andra insamlingsmetoder förbättras.

För att uppnå ett effektivt fastighetsregister, bör åtgärder vidtagas som ökar benägenheten att registrera fastighetsinnehavet och transaktioner av dessa. Idag ser fastighetsinnehavaren inte några fördelar med registreringen varför åtgärder som ökar och tydliggör fördelarna med registrering bör vidtagas. För att förbättra processen att ta fram nya värderingsmetoder, bör samarbetet mellan de aktuella myndigheterna ökas. Dessutom bör befogenheter och ansvar för fastighetsvärdering klargöras, lämpligen bör endast en myndighet handha all värderingsverksamhet. Dessutom kan förbättringar uppnås genom ett samarbete mellan myndigheter och företag på den öppna marknaden.



**Table of Contents**

<b>1</b>	<b>INTRODUCTION .....</b>	<b>15</b>
1.1	BACKGROUND .....	15
1.2	PRESENTATION OF THE PROBLEM.....	15
1.3	PURPOSE.....	16
1.4	METHOD.....	16
1.5	SCOPE.....	17
1.6	LIMITATIONS.....	17
1.7	CRITICISM OF SOURCES.....	17
1.8	STRUCTURE OF THE REPORT .....	18
<b>2</b>	<b>DEVELOPMENT OF THE ECONOMY IN VIETNAM .....</b>	<b>20</b>
2.1	INTRODUCTION .....	20
2.2	DOI MOI .....	20
2.3	THE 1990's.....	21
2.4	VIETNAM AND THE ASIAN CRISIS .....	22
2.5	THE PRESENT SITUATION OF THE ECONOMY.....	22
<b>3</b>	<b>LEGISLATION CONCERNING REAL ESTATE IN VIETNAM.....</b>	<b>24</b>
3.1	INTRODUCTION .....	24
3.2	ADMINISTRATION.....	24
3.3	LAND ADMINISTRATION.....	24
3.4	THE LAND REFORM .....	25
3.5	URBAN LAND REFORM .....	26
3.6	THE LAND LAW .....	27
3.7	LAW ON MORTGAGE OF LAND USE RIGHTS .....	29
<b>4</b>	<b>REAL ESTATE VALUATION ACCORDING TO THE PRESENT REGULATIONS .....</b>	<b>30</b>
4.1	INTRODUCTION .....	30
4.2	RESPONSIBILITIES AND FUNCTIONS .....	30
4.3	VALUATION OF LAND AND PRICE POLICY .....	32
4.4	TAXATION OF LAND .....	32
<b>5</b>	<b>IMPLEMENTATION OF NEW VALUATION METHODS BY THE AUTHORITIES .....</b>	<b>34</b>
5.1	DESCRIPTION OF CPLAR.....	34
5.2	SUMMARY OF THE LAND VALUATION PROJECT WITHIN CPLAR.....	34
<b>6</b>	<b>THE CHARACTER OF THE HOUSES AND LAND IN VIETNAM .....</b>	<b>37</b>
6.1	INTRODUCTION .....	37
6.2	HISTORIC DEVELOPMENT OF HOUSING IN VIETNAM .....	37
6.3	THE RESIDENTIAL HOUSES OF TODAY.....	39
<b>7</b>	<b>DESCRIPTION OF THE REAL ESTATE MARKET IN VIETNAM.....</b>	<b>41</b>
7.1	INTRODUCTION .....	41
7.2	THE PROGRESS OF THE REAL ESTATE MARKET IN VIETNAM .....	41
7.3	REAL ESTATE AGENCIES - LOCAL CUSTOMERS .....	42
7.4	REAL ESTATE AGENCIES - FOREIGN CUSTOMERS.....	43
7.5	OPERATORS VALUING REAL ESTATE.....	44
7.6	BANKS.....	44
<b>8</b>	<b>PROFOUND STUDY OF THE TAM KY PROJECT.....</b>	<b>48</b>
8.1	THE TAM KY PILOT PROJECT .....	48
8.2	MARKET ANALYSIS OF TAM KY.....	50
8.3	AIM.....	52
8.4	REGRESSION ANALYSES .....	52
8.5	CONCLUSIONS.....	56

Table of Contents

---

<b>9</b>	<b>SWOT-ANALYSIS</b> .....	<b>58</b>
<b>10</b>	<b>CONCLUDING REMARKS</b> .....	<b>60</b>
10.1	THE PROFOUND STUDY .....	60
10.2	IMPROVING THE IMPLEMENTATION OF NEW VALUATION METHODS .....	61
<b>11</b>	<b>LIST OF ABBREVIATIONS</b> .....	<b>64</b>
<b>12</b>	<b>REFERENCES</b> .....	<b>65</b>
<b>13</b>	<b>APPENDIX 1: QUESTIONNAIRE</b> .....	<b>68</b>
<b>14</b>	<b>APPENDIX 2: MAP OF TAM KY</b> .....	<b>71</b>
<b>15</b>	<b>APPENDIX 3: DATA WHICH THE REGRESSION ANALYSES ARE BASED ON</b> .....	<b>72</b>

## **1 Introduction**

### **1.1 Background**

In Vietnam an economic reform process is underway; there is a change in the economic system, from a state-planned economy to a market-oriented economy. This change influences the real estate market to become more market-oriented. The investments are growing, and new real estate brokers are opening up. Because of this change there is an increasing demand for new valuation methods. Hence, it is now of great importance to find such methods, useful in a market economy.

To support the economic process, the Vietnamese are at the moment developing a cadastral system, maps and legislation, appropriate for a market economy. So far, the Government has not been using valuation methods based on the market value, but instead, a price frame has been used. Now, the Vietnamese Government has decided to develop new valuation methods based on the value theory and valuation theory used in the Western World. Therefore, cooperation has started with several countries to be able to increase their knowledge about new valuation methods. One of these cooperation programmes is the Vietnam-Swedish Cooperation Programme on Land Administration Reform (CPLAR) implemented by Swedish International Development Cooperation Agency (SIDA) and the General Department of Land Administration (GDLA). Description of CPLAR is to be found in Chapter 5.

### **1.2 Presentation of the problem**

At the moment, new valuation methods are developed. Authorities, responsible for issues such as property taxation and compensation, will use these new methods. Since these authorities wish to adapt the new methods to the market-oriented economy, the methods are to be based on the market value.

While, the authorities are devising new valuation methods, a real estate market is developing on the private market in Vietnam, seemingly without influence of authorities. On this market, several operators, for example, banks and real estate brokers, use real estate valuation in their daily work.

Developing valuation methods in a changing economy is not without problems. This thesis illustrates the procedure, and in what ways this procedure can be made easier. Would it be possible for the authorities to derive profits from the operators on the open market?

In real estate valuation, statistical tools are often used as an aid when working out valuation methods. The authorities in Vietnam have so far not used any statistical tools. Therefore, we want to answer the question if it is suitable or not to use statistical tools when developing valuation methods, based on the market value, in Vietnam.

### 1.3 Purpose

The purpose of the dissertation is to study the implementation of valuation methods, based on the market value, in a changing economy. The dissertation is intended to illustrate both the methods carried out by authorities controlled by the Government, and how operators on the open market use the market value, where this is developed without the influence of the Government.

The purpose is also to, in a profound study, investigate whether it is suitable or not to use statistical tools when developing market-based valuation methods in Vietnam.

### 1.4 Method

The dissertation was mainly carried out as a field study of two and a half months, in Vietnam. During the field study we were stationed in Hanoi, where the GDLA is located. The field study was preceded by one month of preparation and literature study in Sweden. Also, the final analyses and conclusions were, in the end, completed in Sweden.

As ways of acquiring knowledge of Vietnam, we studied literature about the economy, legislation and public administration. Also, information and knowledge have been gathered from interviews and visits, for the purpose of this study.

The literature, consisting of both published and unpublished material, was obtained from libraries, daily newspapers, economic journals, the Internet and from the GDLA. Besides this, present legislation has been studied, for example, the Land Law.

To examine how the operators on the open market use valuation methods, based on the market value, as well as to acquire knowledge of the functions of the real estate market, we interviewed these operators. Most of the interviews were done in Hanoi, and the operators interviewed were employees of banks, real estate companies and real estate agencies. From the beginning, the interviews were based on a questionnaire, but since we, as time went on, acquired more knowledge, the interviews changed into the character of discussions. In most cases, one interview led to the knowledge about other operators, which thereafter were contacted, and interviewed. To be able to do the interviews, an interpreter was in most cases necessary.

To study whether it is suitable or not to use statistical tools when developing valuation methods, based on the market value, in Vietnam, a profound study was carried out. The profound study is based on data material, collected in one of the pilot projects within CPLAR. This pilot project was carried out in Tam Ky, in the middle of Vietnam. The data material consists of information about approximately 1500 sold properties. In the profound study, multiple regression analysis was used, employing the software program Excel.

To obtain information and get a picture of the project area, we visited Tam Ky. During the visit, people involved in the pilot project were interviewed.

### **1.5 Scope**

In our Minor Field Study, we have chosen to study merely valuation of residential properties in urban land. The study is based on one of the projects within CPLAR.

Within this project, valuation methods based on the market value have been devised. Whether this is the most appropriate way to approach this task, or if it is more appropriate to base the methods on other principles, is not investigated in this study.

In this thesis we have chosen not to narrate general information about Vietnam, only background that is related to this particular study.

### **1.6 Limitations**

The field study we carried out in Vietnam lasted for two and a half months; therefore, the extent of the study had to be limited.

The language has been a restricting factor, and as a consequence, we were not able to study all the literature and legislation that would have been of interest for our study and that probably would have made our study more complete.

In a country such as Vietnam, it is sometimes difficult to get access to authorities and other institutions. Because of this, we were not able to carry out all of the interviews we wished. Even private companies were sometimes unwilling to give interviews. A reason for this might be that they possibly do not have permission to run the business in question.

Another problem that limited our study was the data material that was to be used for the regression analyses. It became apparent that it was difficult to get access to this data material. When we later on received the data material, it was not suitable to use in regression analyses without being revised, since it consisted of handwritten documents and not data captured as we wished. In addition, the documents were written in Vietnamese, and therefore translation was needed. Because of these reasons the original purpose had to be reformulated.

Since the authority we worked at, GDLA, is in Hanoi, most of the study is based on interviews and observations from this city. This fact also has to be considered as a limitation.

### **1.7 Criticism of sources**

Major parts of the study are based on interviews. There are several reasons why this information should be criticized. Since we used an interpreter when doing the interviews, misunderstandings could have arisen in several ways. The misunderstandings could be as a result of either linguistics or culture, since knowledge and background are different among the person interviewed, the interviewer and the interpreter. Also, the fact that the person interviewed sometimes had reasons not to tell the truth, needs to be considered.

The literature studied is regarded to be current. In some of the cases where Vietnamese literature has been translated into English, misunderstandings of facts can



possibly have arisen, because of incorrect translation. Also, literature accessible from authorities should be criticized, since we cannot exclude this literature to be biased.

The data used in the profound study needs to be criticized. Since we have not collected this data ourselves, it is very difficult to discern its accuracy. In previous pilot projects, it is clear that landholders have given incorrect information. Also, the people collecting the data sometimes deliberately filled in information without having basis for the information.

## **1.8 Structure of the report**

### **2 Development of the economy in Vietnam**

The chapter gives the reader a short background of the proceedings of the economic development after the reforms started to take place in Vietnam in the 1980's. In this way, the reader gets an insight and understanding of the existing economic system, and thereby the necessity of new valuation methods. This chapter also contains a summary of the economic situation today.

### **3 Development of the legislation concerning real estate in Vietnam**

This chapter gives a description of law related to land and real estate, as well as of public administration in Vietnam. Also, the land reform is narrated.

### **4 Real estate valuation according to the present regulations**

The chapter describes the way real estate in Vietnam is appraised today, by state organisations, within the frame of the price policy. The beginning of this chapter describes the organisations involved in real estate valuation and the functions of these. The end of the chapter deals with the system for taxation of real estate, since the profound study carried out in this thesis is based on a project about valuation methods for taxation.

### **5 Implementation of new valuation methods by the authorities**

The chapter gives a short description of the cooperation program, CPLAR, and the valuation projects within this program. The chapter aims to clarify the methods, used by the authorities, to develop market-based valuation methods.

### **6 The character of the houses in Vietnam**

In this chapter is a description of Vietnamese residential houses. The character of the houses is explained, as well as the historical development of the houses and the buildings. Most parts in this chapter are based on the academic dissertation "Another Modernism, Form, Content and Meaning of the new housing architecture of Hanoi" written by Tran Hoai Anh. The chapter also includes our own reflections from the field study in Vietnam.

**7 Description of the real estate market in Vietnam**

The chapter describes the real estate market in Vietnam, and its operators, such as, brokers, banks and real estate centers. The chapter aims to give the reader an understanding of who the operators on the real estate market are, and how these people work with the questions related to real estate and valuation.

**8 Profound study of the Tam Ky project**

This chapter reports the profound study. In the profound study, we have studied whether it is suitable or not to use statistical tools when implementing new valuation models in Vietnam. The chapter includes a market analysis of Tam Ky, as well as results and conclusions of the regression analyses.

**9 SWOT-analysis**

The chapter lists strengths, weaknesses, opportunities and threats we have found in our study on the implementation of market-based valuation methods in Vietnam.

**10 Concluding remarks**

In this final chapter, we sum up what we found out during our study. It contains both our own reflections and opinions.

## 2 Development of the economy in Vietnam

### 2.1 Introduction

In only a short period of time, Vietnam has undergone many big changes, from war to peace, from a state-planned economy to a market economy and from being a Comecon<sup>1</sup> country to becoming a member of the Association of South East Asian Nations, ASEAN.<sup>2</sup>

In spite of the fact that Vietnam has gone through many changes and also has had a rapid growth since the beginning of the 1990's, Vietnam is still one of the poorest countries in the world. This is shown by figures, such as, an estimated per capita income of less than USD 300 per year and USD 1.4 billion in hard currency debts.<sup>3</sup>

The book, "Regulations, markets and economic development", discusses the reasons why some nations have been successful with breaking loose from the trap of poverty. The author of this book emphasizes that in the end, it all depends on, and is decided by the nation's Government, through the legislation that regulates the rights of property.<sup>4</sup> Vietnam has not escaped the problems regarding what way the economy is to be organised. When the war between the USA and Vietnam was over, they had to deal with the economic reconstruction, the change from an economy in war to an economy working in peace. Because of the war, there was a trade embargo initiated by the USA, other western countries, ASEAN, and China in 1975.

There are still marks from the war, namely, disabled soldiers, a demographically imbalanced population, thousands of injuries from exploded land mines every year and regions that still have not recovered from the chemical warfare.<sup>5</sup> The fact that Vietnam is one of the poorest countries in the world is largely due to the war, but given the whole perspective, the reason is not only this, but also centralised mismanagement and international isolation.<sup>6</sup>

### 2.2 Doi Moi

In 1979, Vietnam had to face the fact that the state-planned economy had failed. This resulted in, after some pressure from the Soviet Union, economic reforms starting to take form in the beginning of the 1980's. The breakdown of communism in Eastern Europe forced the leaders of Vietnam to speed up the reform work to "arrest" the economy from collapsing.<sup>7</sup>

In 1986, at the Sixth Party Congress, there were claims of a *doi moi tu duy*, a new wind that would sweep the old mistakes away.<sup>8</sup> The concept *Doi Moi*, meaning renovation, was introduced, and at this time more powerful movements towards a market economy were taken. In the same year, the country abandoned the

---

<sup>1</sup> Abbreviation for Council for Mutual Economic Aid

<sup>2</sup> SIDA rapport, Landanalys Vietnam, Embassy of Sweden, Hanoi, May 1998

<sup>3</sup> Florence M, Storey R, Lonely Planet, Singapore 1999

<sup>4</sup> Lundahl M, Regleringar, marknader och ekonomisk utveckling, SNS förlag 1995

<sup>5</sup> SIDA rapport, Landanalys Vietnam

<sup>6</sup> Karlsson L, Vietnam, Utrikespolitiska institutet, Stockholm 1998

<sup>7</sup> Karlsson L, Vietnam

<sup>8</sup> Framtid med Asien, Förslag till en svensk Asienstrategi, Utrikesdepartementet Ds 1998:8

collectivism; hence, farmers and other enterprises were given the rights to use the land in a private way. The results from these changes were huge, the private market grew and a lot of new enterprises emerged.

### 2.3 The 1990's

The reforms have had some great effects. This was shown in the 1990's, which is a decade characterized by very high economic growth, in average 8% per year.<sup>9</sup>

In 1992, Vietnam had its first trade surplus, USD 75 million. This was an effect of all the import bans to protect Vietnam's own economy. After 1992, there have again been large current account deficits. These official figures are what the statistics say, but in reality, the deficits in the balance of trade are even larger because of the enormous smuggling that takes place every year from China and Thailand.<sup>10</sup>

In 1994, the trade embargo, initiated by the USA, was abolished. This was the definite end of the international isolation.<sup>11</sup>

Through the reforms, large parts of the public industry sector have been deregulated. In the first few years of the reform, the 12 000 State-owned enterprises, SOEs, decreased by more than one-third.<sup>12</sup> The remaining SOEs are in many ways favoured; for example, they get access to the rights of land and credits more easily than other enterprises, which slows down the process of transforming the SOEs into joint-stock companies.<sup>13</sup>

The agricultural sector decreased in the 1990's. From being the dominating sector in the 1970-80's, it is today only one-fourth of the Gross National Product, GNP.<sup>14</sup> During the 1990's the total investments increased to almost 30% of the GNP, the domestic savings increased to almost 16% of the GNP, and the inflow of international direct investments multiplied by more than five. The exports trebled, and the imports increased fivefold.<sup>15</sup>

During the 1990's, the inflation was held under control. In 1996 the inflation was 4.5% and 3.6% in 1997, to be compared with 775% in 1986 and 67% in 1991.<sup>16</sup> The reasons for the very high inflation in 1986 were that the large budget deficits during this time were financed by an expansive monetary policy, which led to a hyperinflation in the years 1986-1989.

---

<sup>9</sup> Framtid med Asien, Utrikesdepartementet

<sup>10</sup> Karlsson L, Vietnam

<sup>11</sup> SIDA rapport, Landanalys Vietnam

<sup>12</sup> Karlsson L, Vietnam

<sup>13</sup> SIDA rapport, Landanalys Vietnam

<sup>14</sup> SIDA rapport, Landanalys Vietnam

<sup>15</sup> SIDA rapport, Landanalys Vietnam

<sup>16</sup> SIDA rapport, Landanalys Vietnam

## 2.4 Vietnam and the Asian crisis

In 1997, the Asian crisis had its peak. Even before the outbreak of the Asian crisis, there were signs of a weakening economic development in Vietnam. At this time there were some acute problems with the exceedingly large current account deficits. There were also problems in the SOEs and the banking sector.

At the time of the crisis, the most significant signs of this in Vietnam were the reduction in foreign direct investments and an increased unemployment.<sup>17</sup> The reasons for this are that most of the foreign direct investments were made in countries in the same region as Vietnam. Since the exports also took place in the same markets as other countries in the region, this led to Vietnam experiencing less competitiveness because of the devaluation in the region.<sup>18</sup>

The growth rate decreased every year at the end of the 1990's. In 1997 the growth rate was 8.5% and in 1999 only 4.5%.<sup>19</sup>

Compared to other ASEAN countries, Vietnam has actually managed the crisis quite well. This has to do with controls and regulations. The exchange rate has been relatively stable, because the Vietnamese currency is not freely convertible and because of the very strict regulations of trade and foreign exchange transactions. There has not been any stock market collapse, because at this time there was no stock market. The stock and bond market was opened in September 1999.

## 2.5 The present situation of the economy

By November 2000, Vietnam had either achieved or exceeded all crucial targets set for the year. The Government report from 14 November claimed that more efforts were needed to sustain the success in preventing the decline in economic growth. The planned growth rate for 2000 was 6.7 %, and was already achieved in November.

The Government report also said that much had been done to step up the struggle against hunger and poverty, generate jobs for unemployed people, develop education and training, and ensure health care for the people.<sup>20</sup>

One problem in Vietnam hampering the investments is the state administration apparatus that is still bureaucratic and unapproachable in relation to people and enterprises. According to the corruption degree estimate made by the IT Organisation in 1999, Vietnam was ranked eleventh among 99 groups, which is a higher level than Thailand (sixteenth), China (eighteenth) and the Philippines (twentieth).<sup>21</sup>

---

<sup>17</sup> Kokko A, Vietnam and the Asian Crisis, causes, consequences and cures, SIDA, Country Economic Report 1998:8

<sup>18</sup> SIDA rapport, Landanalys Vietnam

<sup>19</sup> Semi-Annual Report, Embassy of Sweden, Hanoi 1999

<sup>20</sup> Vietnam News, Volume X, Number 3320 November 10, 2000

<sup>21</sup> Central Institute for Economic Management, Vietnam's economy in 1999, Statistical Publishing House 2000

### 2.5.1 Inflation

In 1999 the inflation was 0.1 %, which was less than the 10 % target planned by the National Assembly and forecasted at the beginning of 1999. The target for the inflation rate approved by the National Assembly for the year 2000 was 6%.<sup>22</sup> The fact is that there was actually a deflation, in the third quarter of the year. In August the inflation rate was as low as -1.5%.<sup>23</sup> This inflation rate is the lowest for the past 15 years. The Consumer Price Index, CPI, growth for 2000 was negative 0.6 % for the whole year. This was due to drops in food and foodstuff prices by 7.9% and 0.7%, respectively. The CPI for house and construction materials increased by 4.7%.

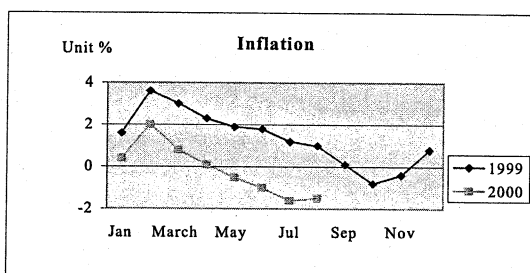


Figure 1: Inflation 1999 and 2000. (Data from Vietnam Economic Times, Issue 80, October 2000)

### 2.5.2 Gross Domestic Product

In 1999, the Gross Domestic Product, GDP, reached 4.8%, the lowest level since 1991,<sup>24</sup> which was due to many economies in the region falling into the 1997-1998 financial crisis. In 1999 indications of a small recovery were apparent. The target for the GDP approved by the National Assembly for the year 2000 was 5.5-6%, and the percentage was attained already in August 2000.<sup>25</sup>

### 2.5.3 Unemployment and poverty

Under employment in rural areas and unemployment in urban areas were prolonged and kept at a relatively high rate. The target for new job creation approved by the National Assembly for the year 2000 was 1.2-1.3 million new jobs.

Poverty has been substantially alleviated during the economic reform, especially since the early 1990's. The proportion of the population living below the poverty line declined from 58% in 1993 to 37% in 1998, and the rate of those living below the food poverty line also decreased, from 25% to 15%. The target for 2000 is a reduction of 11%.

<sup>22</sup> Central Institute for Economic Management, Vietnam's economy

<sup>23</sup> Vietnam Economic Times, Issue 80, October 2000

<sup>24</sup> Vietnam Economic Times, Issue 80, October 2000

<sup>25</sup> Central Institute for Economic Management, Vietnam's economy

### 3 Legislation concerning real estate in Vietnam

#### 3.1 Introduction

The National Assembly is the highest legislative organ in Vietnam and also the highest organ elected by the people. The intention in the future is for the National Assembly to receive a more representative and democratic constitution, and that they will make more of the decisions. Today, the Government, the Prime Minister, the ministries, and a number of local and regional organs are able to promulgate decrees and resolutions. These should be of a lower rank, but often they are coming into being without any legislative decision made by the National Assembly.<sup>26</sup>

The legislation work is characterized by complication, where organisations outside the National Assembly are involved in the legislative activity. These, quite widespread, consultations sometimes cause a lack of initiative in decision-making. The legislation work sometimes takes many years, which makes the decision and accountability lines indistinct.<sup>27</sup>

#### 3.2 Administration

The administration units in Vietnam are distributed as described below. Situated on the central level is the Government, the highest organ of the State administration, with a number of ministries and other subordinated authorities with the same rights as the ministries. The Government is accountable to the National Assembly. The administration on local levels is divided into three areas: provinces, districts and communes or wards.<sup>28</sup> The local organ of the state power is the People's Council; their executive organ is the People's Committee.<sup>29</sup>

#### 3.3 Land Administration

Responsible for the land issues in Vietnam is the GDLA. This department belongs to the Government; it has the same position and legal rights as the ministries. In the provinces, the responsible authority is the Provincial Department of Land Administration and in the district, the District Bureau of Land Administration. Both these authorities belong to the People's Committee on each level.

The Land Administration bodies are accountable to the Government of Land Administration and Surveying.

---

<sup>26</sup> Bring O. et al., Vietnam-demokrati och mänskliga rättigheter, Utrikespolitiska institutet 1998

<sup>27</sup> Bring O. et al., Vietnam-demokrati och mänskliga rättigheter

<sup>28</sup> Commune and ward are on the same level, the terminology depends on if the area is in urban or in rural land.

<sup>29</sup> Bring O. et al., Vietnam-demokrati och mänskliga rättigheter

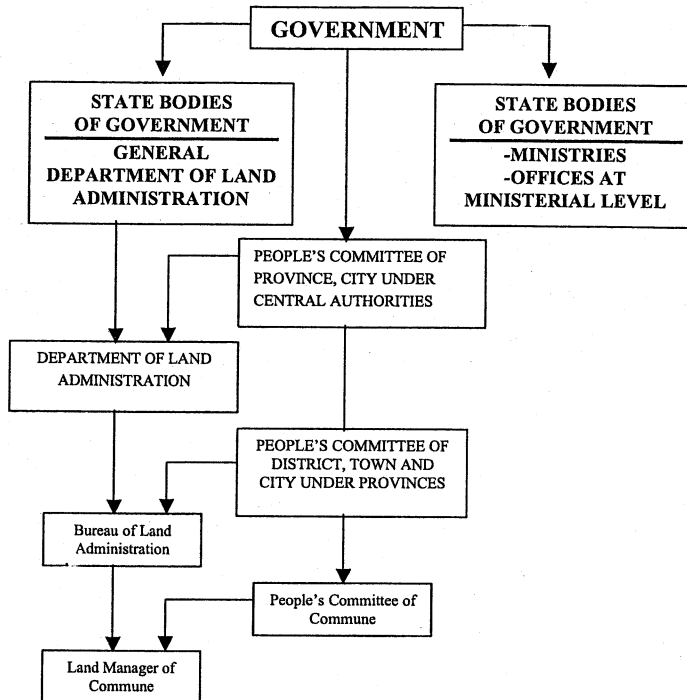


Figure 2: Schematic illustration of the administration system. (GDLA)

### 3.4 The land reform

The first land reform in Vietnam began as early as in 1953 and was executed in 1957. In 1954, Vietnam was temporarily partitioned into two areas, North and South. The year after the partition, the land in the north was confiscated and distributed to landless peasants, while people in the south struggled for ownership of land.<sup>30</sup> This first land reform gave a rapid increase of the yield from the agricultural land, which made the people believe in collectivism and social planning.<sup>31</sup>

In 1959, the Revised Constitution was approved in the North, where three types of property were recognized: state property, collective property and individual property. The following year, the North introduced a policy to collectivise and establish the state enterprise of agriculture and farming co-operative units.<sup>32</sup>

Later on, in the beginning of 1970, privately owned land was progressively brought back into collective ownership by farmers' voluntary surrender.<sup>33</sup>

<sup>30</sup> Ton Gia Huyen, Director of GDLA, Land Policy and Land Administration

<sup>31</sup> Liljeström R. et al., Profit and Poverty in Rural Vietnam, Winners and Losers of a Dismantled Revolution, Curzon Press 1998

<sup>32</sup> Ton Gia Huyen, Director of GDLA, Land Policy and Land Administration

<sup>33</sup> Ton Gia Huyen, Director of GDLA, Land Policy and Land Administration



In 1975, liberation in the South and reunification of the whole country occurred.

The prosperous beginning that could be seen during the first couple of years of the first land reform did not continue. Instead, Vietnam's economy was subjected to a deep recession between 1979 and 1980. The economic crisis resulted in the Decree 100, promulgated in January 1981. This decree made it possible for people in the co-operatives to make their own decisions about work and compensation for work. In effect, the changes that initiated Decree 100 came from the grassroots' level.

As a result of Decree 100, the first Land Law was adopted in 1988. The most important change was that land was now entrusted to organisations and households for long-term use, although transferring land was still forbidden.<sup>34</sup>

In 1993 a new Land Law was promulgated. In this law there were some significant differences from the 1988 Land Law. This law gave a person entrusted with the use of land further rights, namely:

1. Transfer land as inheritance to their successors.
2. Transfer land to another person if they so wish.
3. Change the purpose of the use of the land.
4. Use land as a security for a mortgage.
5. Rent the land.

The Land Law also states the obligations for the user, which are listed in Article 4:

*"Land user must be responsible for protection, improvement, fertilisation, and utilisation of land in rational, effective ways; fulfil cadastral procedures, pay the tax for the transfer of land use rights and for other incomes according to the legislative regulations."*

The 1993 Land Law shows a marked shift from centralised economic planning to the market economy compared to the 1988 Land Law. The Land Law has been revised a number of times since 1993; the last time was in 1998. In addition to this revision, the Government has issued decrees, which complement some of the Articles in the Land Law.

### 3.5 Urban Land Reform

The Urban Land Reform started several years later than the Rural Land Reform. In 1991, the first ordinance was adopted; this ordinance was about the size for the land allocated for housing development. The size was determined to be 100 square meters in urban areas. The ordinance also gave the landholder the right to sell, rent and mortgage the property.<sup>35</sup>

The Land Law from 1993 takes urban land into consideration as one of the six categories of land.<sup>36</sup>

---

<sup>34</sup> Liljeström R. et al., Profit and Poverty in Rural Vietnam, Winners and Losers of a Dismantled Revolution

<sup>35</sup> Pham Minh De, Land Policy & Land Reform Implementation in Vietnam

<sup>36</sup> Pham Minh De, Land Policy & Land Reform Implementation in Vietnam

In Vietnam, urbanisation is considered to be too low and concentrated into only a few areas, e.g. the Red River Delta, the Mekong River Delta and the Southeast Region of Vietnam. These areas also have a high concentration of agricultural land.<sup>37</sup>

In order to settle these problems, the Government issued a decree in 1994 about the ownership of dwelling houses and the right to use the residential land in towns and cities. This decree will give the Government control of funds from dwelling houses, as well as funds from residential land.<sup>38</sup>

### 3.6 The Land Law

In Vietnam, land is not possessed by ownership; instead the land user receives land use rights when the land is allocated from the State. The land use rights give the landholder the right to sell, rent and mortgage the property.<sup>39</sup> It is also possible to lease land from the Government, but the leaseholder does not have the same rights as a person who is a holder of land use rights. In the following chapters, the people involved in a transaction of land use rights will be called *the buyer* and *the seller* of the real estate.

The first article in the Land Law says:

*"Land is the property of the entire people, uniformly managed by the State.*

*The State shall allocate land to economic organisations, units of people's armed forces, state institutions, political, social organisations, households and individuals for stable and long term use under the forms: Land allocation without payment of land use fee and land allocation with payment of land use fee. The State shall also lease land to organisations, households and individuals.*

*The State shall lease land to foreign organisations and individuals "*

Article 11 in the Land Law lists the six different categories of land based on the major purpose of the utilisation:

1. Agricultural land
2. Forest land
3. Residential land in rural areas
4. Urban land
5. Land for specialised use
6. Unused land

Depending on the category of the land, the length of the period for long-term use differs between 20 and 50 years. When the term expires, a new term will be given to the user if the user has followed the land legislative regulations and if the user fulfills a requirement for continued use.

---

<sup>37</sup> Pham Minh De, Land Policy & Land Reform Implementation in Vietnam

<sup>38</sup> Pham Minh De, Land Policy & Land Reform Implementation in Vietnam

<sup>39</sup> Pham Minh De, Land Policy & Land Reform Implementation in Vietnam

According to Article 55 in the Land Law, the definition of urban land is:

*"The urban land is the land in inner city or town used for building houses, offices, organisations, production & commercial bases, infrastructure for the public benefit, National defense, security and other purposes."*

When land is allocated, the user will be granted a Land Use Certificate, LUC, by the authorised State bodies.

Land registering and issuing of LUCs for urban land are more difficult than for rural land. These difficulties are caused by several reasons. One reason is the frequent land disputes because of land use with high value. Another one is that the cooperation needed between construction bodies and financial bodies is not satisfactory enough, which makes it difficult to complete the land registration procedures.<sup>40</sup>

As an example, an investigation in Vinh Foc, north of Hanoi, shows that the completion of the land registration is a slow procedure. In this survey, questions about if the land user was a holder of a LUC and if he had registered his transfers and exchanges, were asked. The questionnaires were handed out in five communes, to 100 people in each commune. The result from the survey was that 50 % had registered their transactions and exchanges; out of these 50 %, only 5 % was a holder of a LUC.

This investigation also showed some further problems.

- The registration of land transfers and exchanges is a bureaucratic and complicated procedure.
- Many people do not have any knowledge about the registration system, and they actually do not know that they have to register their transfers and exchanges with the authority.
- People do not see any advantages to registering their transfers and exchanges, only disadvantages. For example, if the land become legalised, the landholder also has to pay the land use fee. Some people cannot afford to pay, and even if they are able to pay, they do not bother.

The Vietnamese people have the possibility of using their land use rights as a security for mortgage, but since the amount of money they are allowed to borrow is very small, approximately VND 30 000 000 (USD 2 100), not even this opportunity makes people more inclined to register their land use rights.

At the moment, the registration authority tries to solve the problem with the complicated registration system by delegating the responsibility to administration organs at the lower levels.<sup>41</sup> To solve the problem with people avoiding to register their land because of the land use fee, the Government issued Decree 38 in August 2000. In this decree, they permit people with financial difficulties to be in dept to the Government until they transfer their land use rights.<sup>42</sup> Another attempt to speed up the registration procedure, was the reduction of the land use fee from 2% to 1%, and the

---

<sup>40</sup> Prof Dr Sc Dang Hung Vo, Land Administration Reform in Vietnam, GDLA

<sup>41</sup> Noreus S., Legislation expert, Swedesurvey, 27/10/00

<sup>42</sup> Vietnam Economic Times, December 2000

substantial reduction of the land use transfer taxes from 20% to 4%.<sup>43</sup> Earlier reductions of the land use fee have not shown any improvements in the registration procedure, so it remains to be seen if this latest reduction will speed up the registration procedure. To make people more inclined to register their land use transfers, meetings in the villages are planned, where people will be informed about the registration system.

To have a complete legal status, Vietnamese people need, apart from the LUC, a Housing Ownership Certificate, which is received when the house is built. Before the construction procedure starts, an application for a construction licence also needs to be done.

### **3.7 Law on mortgage of land use rights<sup>44</sup>**

The Government recently issued new decrees concerning mortgage of land use rights. One of these is the Decree 165 on secured transactions, which was issued 19 November 1999. This decree lists property which may be pledged, mortgaged or guaranteed, and this property includes buildings and land use rights. The decree states that transactions using these types of security have to be registered with an agency for the registration of secured transactions.

In March 2000, the Decree 08 on the registration of pledges, mortgages and guarantees was issued. This decree identifies local departments of land administration or departments of house and land administration as the authorities responsible for registering securities over land and/or buildings. No secured transaction registration agencies have yet been established for the registration of mortgages over land use rights or buildings, and it is therefore not clear how secured transactions are to be registered. Since the parties are not presently able to register the security, the question arises whether such a transaction is valid.

Another shortcoming in the Decree 165 is that the registration of a security is valid only for five years; after that, it is renewable for another five years. This means if the mortgagee forgets to renew the registration of a mortgage, it will be invalid. In all probability, this fact makes the credit institutions more reluctant to give loans.

---

<sup>43</sup> Vietnam Economic Times, December 2000

<sup>44</sup> Summary from seminar, Private Sector Forum, Hanoi, 14/12/00

## 4 Real estate valuation according to the present regulations

### 4.1 Introduction

The main purposes for real estate valuation by the authorities in Vietnam are

- Administrative taxation
- Estimate compensation at compulsory purchases
- Support transactions in the real estate market, such as, mortgages

Introducing new models and methods for real estate valuation is a process that will take a very long time. In spite of the fact that Vietnam has undergone many changes during the last years and today applies a market economy, real estate in many ways is still not valued according to the principles of a market economy.

When properties are appraised, the value of the land and of the building is estimated separately. Which authority that carries out the valuation, depends on if the valuation concerns the land or the building. The Housing Department, under the Ministry of Finance, handles valuation of buildings. This authority keeps records of all buildings and information about these. They value the buildings by using the cost approach method, and they also set up a framework of value depreciation of buildings. Land is valued by three different authorities: the Government Pricing Committee, the Ministry of Finance and the General Department of Land Administration.

### 4.2 Responsibilities and functions

One of the problems when it comes to real estate valuation in Vietnam is that the responsibilities and functions among the different authorities are not clear.

When the reforms started, it was not clear which authority should have the main responsibility for valuation of land. Since the Pricing Committee had been dealing with pricing issues for a long time, they took initiative in handling these issues. Later on, the GDLA was established to handle land administration issues, and this authority is also involved in the valuation work. This means that today several organisations deal with valuation issues, but the responsibilities are not clear. To clarify these, and the problems regarding the responsibilities, the Government Pricing Committee has carried out studies about real estate valuation. But even after these studies, there is no clear assignment for the task of valuation. The three main authorities involved in the valuation work today are the Government Pricing Committee, the Ministry of Finance and the GDLA. These organisations all work together with the valuation task by getting together for meetings a couple of times every year.<sup>45</sup>

---

<sup>45</sup> Bui Ngoc Tuan, GDLA, 03/10/00

- *The Government Pricing Committee* was established in 1960. The main function of the Government Pricing Committee is to support the Government in establishing good macro economic development in Vietnam based on an open market. The purpose of the Government Pricing Committee is to value goods of property. Especially during the period of the state-planned economy, the Government Pricing Committee had an important role, when they decided the prices on almost everything.<sup>46</sup>

The Government Pricing Committee is divided into nine departments:<sup>47</sup>

- Capital goods
- Consumer goods
- Agricultural and fishing products
- General affairs
- Inspection, checking, investigation
- Valuation centre
- Personnel department
- International cooperation department
- Institute for research on macro economy

There are also Pricing departments in all of the 61 provinces, of which the main function is to determine land prices.

- *The Public Property Department* under the Ministry of Finance, was assigned by the Government in 1984, to decide on prices for compensation when the state recovers land. This authority sets up legal documents for taxation, but is not responsible for the valuation. The Taxation Department is a special unit under the Ministry of Finance, which also is involved in the valuation work.
- *The General Department of Land Administration* was established in 1994 through a merger and reorganisation of the former General Department of Land Management and State Department of Geodesy and Cartography. The main responsibilities of this department are to deal with map production, cartographic and land administration issues.

There are different opinions about which authority should handle the land valuation in the future. Some are of the opinion that if one single authority should have the main responsibility for the valuation issues, this should be the GDLA. The GDLA think they are the most suitable organisation because of the close link between valuation and cadastre, mapping, land use planning, etc. On the other hand, the General Pricing Committee think they should handle the valuation issues. In their defence, they point out that pricing of land depends on financial issues; for example, investments in new infrastructure have a great impact on the price of land. They think the authority which best knows what kind of investments are planned, should handle the valuation issues; therefore, these issues should be kept within the Pricing Committee.<sup>48</sup>

---

<sup>46</sup> Sandgren U., Summary from seminars 04/12/00 – 07/12/00

<sup>47</sup> Ngo Xuan Tuyen, Government Pricing Committee, 10/11/00

<sup>48</sup> Sandgren U., Summary from seminars 04/12/00 – 07/12/00

The coming Communist Party Congress in May 2001 will be discussing the land law regulation. After this, it is hoped that definitions of the property market will be more clearly defined.

### 4.3 Valuation of land and price policy

The value of the land is stipulated by using the price frame, which is set up by the Government. The regulations on the price frame for land categories are found in Decree 87, dated 17 August 1994, issued by the Government.

When it comes to land prices, the land is categorised depending on the main use purpose. According to Decree 87, Article 2, these are the following:

- Agricultural and forestry land
- Rural residential land
- Residential land adjacent to urban areas
- Urban land

Decree 87, Article 4, lists four cases when the Provincial Government shall stipulate a land price for different land categories:

- When calculating the fee that is to be paid when land is allocated. The fee equals the land price multiplied by the area of the land. Some users are exempted from paying the fee, for example, users of agricultural land and users of land for public purpose.
- When calculating transfer tax, which is paid when land use rights are transferred.
- When calculating the land rent (lease). Land rent is paid by the domestic and foreign organisations which lease the land.
- When calculating compensation for land that is recovered by the State.

When the land price is to be stipulated, the four categories of land are divided into different classes.

The Government stipulates the price frames for the land categories, expressed as an interval with a maximum and a minimum price; where after the Government of the Province sets the land price in their province. In each province cadastral, taxation and construction staff work together to determine the price. Approximately, the decided price equals 60 % of the market value.<sup>49</sup> Especially in the bigger cities, the decided price is much lower than the market value. The price frame tables are found in the appendix of Decree 87.

When the province stipulates the land price, the factors that the prices are usually based on are location, land use and infrastructure, as well as position, which usually means the distance from the main street.<sup>50</sup>

### 4.4 Taxation of land

Today there is no special law about land valuation for taxation. Among the legal documents in the decrees, there are regulations on the land and housing tax. The

---

<sup>49</sup> Bui Ngoc Tuan, 03/10/00

<sup>50</sup> Mattsson K, Andersson U, Findings and recommendations Land valuation, Hanoi 1997

decrees state what the bases for tax calculations are, but there are no regulations about the connection to the market value. The transfer tax is regulated in "Law on tax for transfer of land use right". This law has been in force since 1994.

The transfer tax is based on the land price (see above). Historically, the transfer tax has always been very high in Vietnam. This has led to registration problems; people tend not to register their real estate transfers to avoid paying transfer tax. In an attempt to reduce these problems, the transfer tax was dramatically lowered not long ago. In the first chapter of "Law on tax for transfer of land use right", there are details about who is exempted from paying tax when land use rights are transferred.

Since many do not register their land use rights, it is common that properties are owned without a LUC. In the cities, it is not unusual that up to 40% of the real estate is owned without a LUC. If the property is illegally possessed, there are some specific rules concerning transfer tax. These are, if the house on the land was built before 1980, the buyer and the seller have to pay 1% of the Government set price, and if it was built between 1980-1992, the buyer and the seller have to pay 21% of the Government set price. If the house was built after 1992, the buyer and the seller have to pay 100% of the Government set price. Mostly they will not pay this; they will owe the Government 100% of the Government set price.<sup>51</sup>

The land use tax is different depending on if it is agricultural land, residential land in rural areas or urban land.<sup>52</sup> Land use tax for *agricultural land* is based on yield. There are six classes of the land; each one of them corresponds to a certain yield. The harvest, if it is one or two harvests, is also taken into consideration. The tax, expressed in kilograms of rice per hectare, ranges from 650 kg/hectare for class one, to 80 kg/hectare for class six. The tax is paid in the Vietnamese currency, VND, and depends on the market price of rice at the time of the tax collection. The rate is changed every tenth year. Land users that belong to ethnic minorities, users of new land and users whose harvests are destroyed by more than 40% are exempted from this land use tax.<sup>53</sup> Land use tax for *residential land* will be 1.5-2.5 times the tax of agricultural land use tax of the highest land category. This is stated in Decree 94, dated 25 August 1994, Article 5. Land use tax for *residential land in rural areas* equals the tax level of the average class of agricultural land in the commune. This is stated in Decree 94, dated 25 August 1994, Article 5. Land use tax for *urban land* is directly linked to the classification of agricultural land. The tax will be 3-32 times the tax for class one of agricultural land depending on the location. This is stated in Decree 94, dated 25 August 1994, Article 5. To adapt the taxation for urban land to the market economy, new methods have been developed, (see Chapter 8).

---

<sup>51</sup> Thanh, ACB Real Estate Trading Centre, 13/11/00

<sup>52</sup> Mattsson K, Andersson U, Findings and recommendations Land valuation

<sup>53</sup> Mattsson K, Andersson U, Findings and recommendations Land valuation



## 5 Implementation of new valuation methods by the authorities

### 5.1 Description of CPLAR

Valuation methods and other issues related to land administration are at the moment considered in international cooperation programmes. One of these programmes is the Vietnam-Sweden Cooperation Programme on Land Administration Reform, CPLAR, which was commenced in 1997. The programme is carried out in cooperation between the GDLA and SIDA. The objective of CPLAR is to strengthen and modernize the public land administration sector in Vietnam, by increasing the pace of land reforms as well as by introducing new and modern methods and techniques into the land administration sector.

CPLAR consists of six projects:<sup>54</sup>

1. *Land legislation.* This project deals with revising the land law and the rights of LUC holders and ethnic minorities.
2. *Cadastral mapping.* In the cadastral mapping project, cost-effective methods of cadastral surveying and mapping are analysed.
3. *Land use planning and mapping.* In this project, a land use planning system appropriate for state management of the land resource is developed, as well as a GIS-based mapping tool.
4. 1. *Land valuation.* The project produces market-based valuation methods for taxation and compulsory acquisition. Also the functions of the real estate market are examined in this programme.  
2. *Land registration.* The project establishes a land registration system and procedures for the issuance of LUCs.
5. *Land information system.* In this project a national computerised land information system is created.
6. *Programme management.* The project is responsible for specific issues, for example, gender, information and Human Resources Development.

### 5.2 Summary of the Land valuation project within CPLAR

The Land valuation project includes six pilot projects. The GDLA has not officially got the assignment to carry out new valuation methods; but since the GDLA deals with land issues, the opinion within CPLAR is that the GDLA is the most suitable organisation to do this.

In the pilot projects, valuation methods for taxation, compensation and industrial zones have been developed. The taxation and compensation models are based on the comparison method.

The objective for a new valuation model for compensation is to find a model that can be used for compulsory purchases. A new model must not, like the one existing today, prevent or slow down the development process, and the new model also needs to treat the land users equally. When it comes to land valuation for taxation, the objective is to find an equitable system for valuation and taxation of residential land in urban areas.

---

<sup>54</sup> [www.cplar.vnn.vn](http://www.cplar.vnn.vn), 16/02/01

In both the pilot projects for compensation and for taxation, market data was collected from advertisements and interviews (see below). So far, one valuation model for compensation has been developed in a project in Hanoi, and taxation models have been developed in projects in Ho Chi Minh City (HCMC) and in Tam Ky (see Chapter 8).

Pilot projects on land valuation in industrial zones have been carried out in Haiphong and HCMC. The purpose of these projects was to find a model for calculating the land lease. In this model the cost approach method is used; therefore, the cost the Government pays for developing and maintaining the industrial land, as well as the costs for the land user (investments and future costs), have been calculated. These calculations must be adjusted to the conditions in the market. Because of this, prices on industrial land have been collected from Thailand, the Philippines and Indonesia, as well as from similar areas in Vietnam. The result from the pilot project in Haiphong is that, in theory, it would be possible to develop a model to estimate the land lease, but it was not possible to test the valuation model within this project.

The last of the six pilot projects was recently finished. This project was carried out in Dong Nai province, situated close to HCMC. The purpose was to develop a valuation method for agricultural land. This valuation method is based on the yield.

There is a need to educate and train people working at the authorities about market-based valuation methods. These pilot projects, mentioned above, have been a good way to get people working with these issues more acquainted with new valuation methods. Furthermore, within CPLAR, training courses in valuation have been given for people working at the GDLA and Land Administration offices at local levels.

### 5.2.1 Market data collection

Different methods for collection of market data were used in the valuation project. The two most efficient methods are collection through interviews and collection from advertisements. The method that is most suitable depends on the size of the city or town where the market data is to be collected.

In HCMC, collection of market data from advertisements in newspapers was very successful. By comparing the collected data with the paid price, they found that on average, this price equals approximately 90 % of the advertised price.<sup>55</sup>

In smaller towns, where the activities and the structure of the real estate market are different compared to those in HCMC, it was not possible to collect market data through advertisements. Here, interviewing the seller and the buyer was the most efficient method. In some cases, the seller or the buyer did not give the correct price. In those cases, when the price the seller or the buyer gave did not seem to be correct, it needed to be verified at the authorities. To avoid the high transfer tax, it is not unusual that the price declared by the buyer is 30% lower than the actual price.<sup>56</sup> The fact that the seller and the buyer declare false information is one of the disadvantages about

---

<sup>55</sup> Nguyen Darg Giai, Registration and statistics, HCMC DLA, 25/10/00

<sup>56</sup> Bui Van Ba, Registration and Statistics, Quang Nam Department of Land Administration, 04/12/00

this method for collecting market data. Another disadvantage is that the interviews are very time-consuming.

All the market data collection made by interviews needed to be completed with information from authorities, such as, the Stamp Duty Office and the Department of Taxation. Since far from all the real estate transfers are registered, the information held at these authorities is very defective. To bring about efficient methods for market data collection, the system for registration needs to be improved. Improvements of the registration system imply changes that emphasize and increase the benefits of registering the transfer. Today, the buyer finds more disadvantages than advantages by registering the transfer.

## 6 The character of the houses and land in Vietnam<sup>57</sup>

### 6.1 Introduction

The design of the houses in Vietnam is different from the design in western countries, which is to be expected, since the country has its own culture, history and religion.

One thing that crosses one's mind, when studying a Vietnamese house, is that it seems to be long in the "wrong" direction. The front facing the street is often the shorter side, while the side facing the neighbour is the longer one. A house can have a ground area of 4\*20 m with the shorter side towards the street. In the city, this can be explained by the shape of the lot, but in the countryside, where houses like this can be found in areas which do not seem to be very crowded, the design has to be explained by the traditional way of building.

Vietnam was occupied by another country during two periods. The first period was between 111 BC and 938 AD when Vietnam was captured by China, and the second period was during the French colonial period from 1859 to 1945. These periods have influenced the Vietnamese culture as well as the architecture. The architecture in Vietnam is also influenced by the former Soviet Union, and in the last few years by western countries.

### 6.2 Historic development of housing in Vietnam

The character of the houses in Vietnam is very much explained by the type of houses and housing policy during these three historical periods. These are the feudal period before 1887, the colonial period 1888–1954 and the period from 1954–1980.

#### 6.2.1 The feudal period before 1887

During this period religions like Buddhism and Taoism, and the ideology Confucianism, had tremendous influence on people's lives. These religious traditions greatly influenced the Vietnamese concept of building and building practice. One example of this is the practice of geomancy. An important principle in geomancy is "khi" (natural breath, energy). For the individual, the flow of "khi" can be either beneficial or pernicious. In traditional Vietnam, a geomancer was consulted when a house was about to be built. He helped to find the direction and location of the house, where good energy could be accumulated to support the inhabitants. According to this principle, there is no absolute bad, or good, site or direction. A site or direction is good or bad in relation to the specific individual.

The long and narrow lots commonly seen in Vietnam can be explained by the way the urban land was developed during this period. Craftsmen and tradesmen from the countryside set up their business in town, and their small shop stalls were located next to each other. Thereafter the early urban houses were developed from these shop stalls. The shop owners occupied the space behind the shop stalls, and the dwelling space was built backwards from the street. The house was finally made up of separate buildings attached to each other, running the length of a narrow and deep plot. The

---

<sup>57</sup> Tran Hoai Anh, *Another Modernism? Form, Content and Meaning of the new housing architecture of Hanoi*, Department of Architecture and Development Studies, Lund University 1999

frontage towards the street was narrow, not more than three to five meters, while the depth of the house was from 20 to 70 meters. Houses similar to these shop houses can often be seen in cities in Vietnam.

### **6.2.2 French colonial period 1888-1920**

During the period of French colonialism, the Vietnamese people were expected to adopt French behaviour, use the French language and build in the French architectural style. Many of the Vietnamese historical monuments were replaced, and some of the temples and pagodas were demolished and replaced by administration buildings and churches belonging to the French inhabitants' culture and religion.

The buildings and houses during the first part of this period followed models brought straight from France. They had no connection with Vietnamese culture and were ill-suited to the local climate. During the latter part of the period, the policy changed to become more tolerant towards indigenous cultures and traditions. In architectural projects, there were efforts to combine Vietnamese and French architecture; these buildings were more adapted to the local climate. The houses and the planning were quite different from the feudal period; the new areas looked like parks with big streets and villas under green trees.

### **6.2.3 The centrally-planned period**

After independence from the French, the Government in North Vietnam started its own modernisation project that aimed at building a modern socialist society. During this period private companies were not encouraged, and even suppressed. It was expected that production based on state-owned, large-scale industry would replace all existing private, small-scale production.

Building activities, like other economic activities, were to be centrally-planned in five-year programs. Individuals were not allowed to build their own houses, and private ownership of land and house construction was no longer permitted. Possession of a private house was considered antisocial.

New materials were introduced, mostly imported from the Soviet Union and other countries in the Eastern block. In the early 1960's, the first apartment buildings were introduced, and these four-to-five-storey buildings were considered to be an ideal solution. The socialist way of living did not encourage religion, and the opinion was that "backward habits and customs need to be renovated or eliminated". Because of this, there was neither space in the apartment buildings for worshipping nor places for family activities during ceremonial days.

By the end of the 1980's, there were many problems with these apartment buildings. There was a lack of maintenance, and the common utility spaces often became a conflict between the private and the collective. Also, the apartment buildings were built in new living areas without services, such as, shops and cycle repairs. The inhabitants responded to this by opening private services, operated from the apartments. Those who lived on the ground floor often extended the front room and made it into a shop.

### 6.3 The residential houses of today

Since the idea with the apartment buildings collapsed in the mid-1980's, due to lack of resources, the current modernisation gave birth to another type of house, the private street house. This type of house has a deep and narrow form, like the traditional shop house. But the new houses have four or five storeys and are richly decorated and built of modern materials.

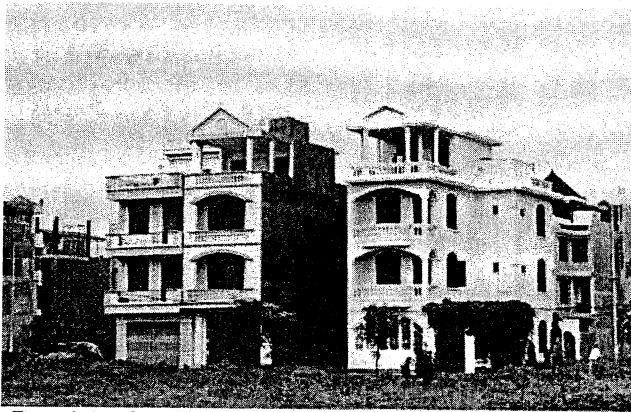


Figure 3: Residential houses in Hanoi. (Photo: Marie-Louise Svensson)

This modernisation also has signs of a revival of traditions. Religion and reverence ceremonies, not encouraged during the last thirty years, are undergoing a revival in the new wave of modernisation. Many temples and pagodas have been renovated, and also a growing number of private temples have been built on top of small private houses.

The private street houses are, as the traditional shop houses, built on narrow and long plots. The owner of the house decides the design, and in general, it can be very different, in height, colour and style, from the houses adjacent to it.

Comparing Hanoi to HCMC, many striking characteristics are different. In Hanoi there are not many high buildings, except for a few new hotels built in the recent years. In contrast, HCMC looks more like a modern city with considerably more skyscrapers than in Hanoi.

In the book "Another modernism?" written by Tran Hoai Anh, the author carried out a study of a number of houses in Hanoi and interviewed the owners of the houses. Some of the interviewed people's views are of great interest, even when it comes to real estate valuation, especially where the owners explain why they have chosen this way of living and where they express their vision and dreams for the future.

The interviewed house owners belong to the middle class according to the author. They are people who have chosen to live in private street houses. This type of house is the middle economic alternative, in comparison to, on the one hand, the more luxurious house types, such as, the villa or detached house, and on the other hand, to continue to live in the state-provided apartment buildings or to share houses with their parents.

The study shows that the owners are optimistic about a new and better future, and this spirit is reflected in the design of the house. One example is that many of the interviewed have a garage in their new house, although they were not an owner of a car. For Vietnamese people, having a car has symbolic value as it represents achievement. Another dream of the house owners was that if they could afford it, they would like to buy, or build, a villa with a garden, on a bigger lot outside the city.

The study also reveals that the shift to a market economy opens up new commercial use of the houses. Lots of people see the opportunity to earn extra income through the house ownership, by running a private business or renting it out; therefore, the location close to a street and preferably, close to a main road is important.

## **7 Description of the real estate market in Vietnam**

### **7.1 Introduction**

A number of operators are acting on the Vietnamese real estate market. These operators are, for example, brokers, developers and banks, as well as ministries, departments and local authorities responsible for land and planning issues.

The real estate market in Vietnam consists of two different markets of which one is made up of foreign investors, referred to in the discussion below as “foreign market”, and another, which is made up of Vietnamese citizens, below referred to as “local market”.

The structure and activity on the Vietnamese real estate market is different in the larger cities compared to the smaller ones. In the larger cities, there is a higher activity as regards mediating real estate for rent and lease to foreign enterprises and individuals.

### **7.2 The progress of the real estate market in Vietnam**

When the market was opened in Vietnam in the beginning of the 1990's, the real estate market, as well as the economy in general, started to speed up. The first couple of years after the reforms began, the economy increased a lot, which led to a big activity on the real estate market. Shortly after, the Asian crisis followed, which also affected the real estate market in Vietnam.

When it comes to the real estate market that involves foreign investors, it is more dependent on the general economic climate prevailing in the rest of Asia than on the local market, which means that this market needs to be dealt with separately from the local market. Another important reason for dealing with this market separately, is the fact that regulations and legislation for foreign investors are different in comparison to the regulations and legislation issued for Vietnamese citizens. For example, it is not possible for foreign investors to receive land use rights; they are only allowed to lease land, and this fact has resulted in many joint-venture companies in Vietnam. This business constellation makes it possible for the Vietnamese partner to be the land use holder. The foreign market had a few propitious years between 1995 and 1997; thereafter, the Asian crisis caused a decline in the market. This crisis is still affecting the market, from which, for example, Hanoi has not completely recovered.

One reason why the foreign investments have not further increased during the last years, is that the legislation concerning foreign investments is still very complicated and strict. Recently many rules and regulations were relaxed, since the Government realized this was needed.<sup>58</sup>

The local market has not been affected as much as the foreign market by the Asian crisis. The local market is managing quite well at the moment and will probably stay at the same level for the near future. There are two reasons for this: the first one is the opening of the legislation allowing overseas Vietnamese to buy a property in their

---

<sup>58</sup> Pham Trung Tien, Business Manager, David's Housing Agency Vietnam, 16/10/00



former home country, and the second reason is that a new law allows land use rights as a security for a loan from a bank.<sup>59</sup> The Vietnamese people living abroad and now returning to Vietnam often look for a property for business; therefore, real estate located close to a main road is preferable. Hence, prices on real estate with this location have increased considerably.<sup>60</sup>

Foreigners who wish to lease a property in Hanoi for residential use often prefer areas like West Lake, which is an area in the outer parts of the city, since they prefer more quiet surroundings for their living. However, the price trend in these areas is hard to assess. The last two years have shown an increase in the prices; this might be just a bubble that will burst.<sup>61</sup>

Since the occupancy rates were too low, rents on the foreign market have fallen dramatically and because of this, the occupancy rates are now rising.<sup>62</sup>

#### **7.2.1 The real estate market in the future**

What the Vietnamese real estate market will look like in the future depends very much on the attitude of the Government, if they in the future will issue laws and regulations that will support the real estate market. As the situation is today, an investor often thinks the bureaucracy is all too complicated. The situation on the local market in the future depends very much on the individuals' financial situations and in what way the size of the households will develop.

### **7.3 Real estate agencies - local customers**

Most local brokers work as middlemen between the seller and the buyer; sometimes even the local police officer can act as a middleman for a small commission.

The only license the broker needs for setting up a real estate agency is the business license, issued by the People's Committee. Apart from this, the real estate brokers do not belong to any specific association issuing rules and regulations for this kind of business.

Most of the local brokers were established five to six years ago, in the beginning of the opening of the market. These brokers probably only deal with a small number of all the conveyances that take place. Most of the transactions take place only between the seller and the buyer, with no middleman involved.

It is not common for the employees at the real estate agencies to have a university education. In their daily work they use their experience and knowledge about the market, which they receive by working with these tasks. The local brokers do not have the legal responsibility for the transfer; they only act as an intermediary. People who would like to sell their property, decide themselves how much the property should be advertised for, and only get in contact with a broker to get help introducing the real estate to interested buyers, who are registered at the broker. However, if the seller asks

---

<sup>59</sup> Ewing A O, General Director Chesterton Petty 08/11/00

<sup>60</sup> Ngo Pheong Lien, Cong Ty Co Phan Kinh Doanh Bat Dong San Dat Viet (Real Estate Trading Company) 08/11/00

<sup>61</sup> Vietnam Economic Times, Issue 80, October 2000

<sup>62</sup> Ewing A O, 08/11/00

for advice about the price, the broker will be helpful by using his former knowledge about prices for properties sold in the same area. Hence, the method they are using is a kind of comparison method, even though they never received theoretical knowledge about this method.

*Mua Ban*, a paper with advertisements where houses for sale can be found, is often used by the local real estate agencies to find their clients. This paper is published in 22 000 prints, three times a week.

The broker does not need to contact any authority when transferring a real estate; this is the buyer's and the seller's responsibility. A local broker said that if there was any sort of dispute, he would rather not bring the case to the People's Committee, since this authority would probably then increase their public control of the company.

The broker will act as a middleman between the seller and the buyer, even if the seller does not have any LUC. This is often the case in Hanoi, where only 20-30% of the land use holders received the LUC, in comparison to HCMC, where the number of legal land use holders is larger.<sup>63</sup>

Usually the buyer does not bother if the seller has the LUC or not. Possibly it could cause some problems for him, if he later would like to be registered as the land use holder. A local broker claimed that if the seller has the LUC, the seller and the buyer prefer to handle the purchase themselves.

The local broker charges approximately VND 50 000 (USD 3.5) as a registration fee. For this fee, the broker will present the real estate to potential buyers and solve any disputes between the seller and the buyer. When the real estate is sold, the broker charges a commission, 1% of the purchase sum.

#### **7.4 Real estate agencies - foreign customers**

As mentioned above, foreigners are not yet allowed to receive land use rights in Vietnam. This has resulted in many real estate agencies serving foreigners by specialising in mediating real estate for lease and rent. One of the most well-known agencies of this kind is Chesterton Petty, a British company, which also deals with many other businesses within the field of real estate, such as, real estate valuation. Besides Chesterton Petty, there is a large number of other real estate agencies turning to foreign customers, for example, Tai Tam Company and David's Housing Agency in Hanoi.

Chesterton Petty is represented all over the world, and in Vietnam, there are offices both in Hanoi and in HCMC. In principle, the businesses of Chesterton Petty represent almost every field regarding real estate, for example, management, investments, evaluation and guidance to tenants who lease. Chesterton Petty consider themselves to be a well-known company and seem to have good cooperation from the Government.

The Tai Tam Company, which opened in 1992, has business both in Hanoi and in HCMC. The Tai Tam Company intermediates real estate both for office and

---

<sup>63</sup> Ngo Pheong Lien, 08/11/00

residential use. Approximately 80% of their customers are foreigners. The Tai Tam Company also owns some real estate, which this company rents out, for example, to embassies and foreign enterprises.

David's Housing Agency opened in 1994 and intermediates apartments, villas, offices and warehouses for rent.

Agents like Tai Tam Company and David's housing agency intermediate between the landlord and the tenant. They do not have any legal responsibilities, and they are not involved in the decision of the rent, even though they advise their customers about these kinds of questions.

### **7.5 Operators valuing real estate**

So far the real estate market does not contain any company that only works with valuation. Many companies, as for example, local real estate agencies, do a kind of valuation work when they give advice to their customers.

The Government authorities value real estate, but only by using the price frames set up by the Pricing Committee. Also the state-owned company Hanoi Urbanization Architecture Consulting Company, which does valuation work for authorities and private companies, uses the price frames.<sup>64</sup>

Chesterton Petty has approval from the Government to do valuation work. This company has also been giving courses in real estate valuation for the Pricing Committee in HCMC. To find out the market value, this company uses valuation methods, such as, the comparison method, income capitalisation approach and the cost approach method.<sup>65</sup>

### **7.6 Banks**

Most of the banks in Vietnam are local joint-stock banks, for example, Asia Commercial Bank, ACB and Togi. Besides these, there are some state-owned banks, as well as some joint-venture banks, for example, Indovina Bank.

In the last few years, agents have opened in Vietnam whose businesses are principally real estate, while others are banking, which do the real estate agent business just to find their borrowers.

#### **7.6.1 ACB credit department**

In 1999, the total outstanding loans of ACB were VND 1.393 billion, which is equivalent to approximately USD 100 000. During 1999, the ACB loan portfolio changed considerably in comparison to previous years. Loans to the non-state sector grew from 67% in 1998 to 78% in 1999. Loans to individuals were 40% in relation to the total outstanding loans.<sup>66</sup>

---

<sup>64</sup> Nguyen Mai Huong, Hanoi Urbanization Architecture Consulting Company, 17/11/00

<sup>65</sup> Ewing A O, 08/11/00

<sup>66</sup> Asia Commercial Bank, Annual Report 1999

ACB gives both medium and long-term loans, as well as short-term loans. The long-term loans run for six years and carry an interest of 1% per month, compared to 0.95% per month for the short-term loans, which run for only one year. During 1999, the structure of the outstanding loans changed. The medium and long-term loans grew from 30% in 1998 to 43% in 1999.<sup>67</sup>

As a pledge, the ACB accepts, for example, a car or real property. If the security is real property, they will lend the customer up to 50% of its value, and if the security is a car, they will lend up to 70%. When estimating the value of the real estate, they base the land value on the prices set by the Government, according to Decree 87. They use this value since they do not think the market in Hanoi is balanced, even though the price set by the Government is often a much lower value than the market value. They also consider the technical construction of the house when valuing the real estate.<sup>68</sup>

The fact that ACB uses the prices set by the Government when estimating the value of the real estate, will lead to the amount of money the customer will be able to borrow being much lower than it would be if they had based the value on the market price.

To use the real property as collateral, the customer needs to have the land use certificate in his possession. Since it is very common that the owner does not have this, the ACB offers the service of helping their customers through the procedure by organising this. The customers borrowing money at the ACB for buying a house also need to be registered in Hanoi.

If the purpose of borrowing money is to build a house, the ACB will accept the land without a building as a security. In this case, the customer needs to show plans or the equivalent from an architect, to confirm the planned construction.

#### **7.6.2 ACB Real Estate Trading Centre<sup>69</sup>**

ACB's main business is banking, but they also intermediate real estate as a way of finding their bank customers. ACB has real estate trading centres both in Hanoi and in HCMC. The real estate trading centre in Hanoi was opened 22 April 2000. Within a year, the ACB will open another branch in Hanoi, and also this branch will have a real estate trading centre, though not as big as the one existing today. By opening another branch, they believe more people will become familiar with the ACB and its services.

The ACB Real Estate Trading Centre works as a real estate broker. The seller of the real estate contacts the ACB Real Estate Trading Centre, and by paying VND 150 000 (approximately USD 11) the real estate will be advertised in the bank. The person who is interested in buying the real estate will have to contact the seller himself. ACB will give the seller advice about what price should be advertised, but in the end, this is the seller's decision. Almost always, the advertised price is higher than the price the buyer will finally pay.

---

<sup>67</sup> Asia Commercial Bank, Annual Report 1999

<sup>68</sup> Mai Tiuong Quih, ACB Credit Department, 06/11/00

<sup>69</sup> Thanh, ACB Real Estate Trading Centre, 13/11/00

ACB Real Estate Trading Centre also offers some other services. For example, the ACB will act as a third party help if the seller is doubtful whether the buyer will pay the purchase sum or not. For this service, ACB charges 2% of the price of the real estate.

Since the ACB Real Estate Trading Centre was opened, both deposits and lending have increased. Noticeable is also that more people are borrowing for consumption.

Since the opening of ACB Real Estate Trading Centre in Hanoi, 722 properties have been advertised there, of which 220 have been sold. During this time, they have had 949 registered customers interested in buying real estate.<sup>70</sup>

### 7.6.3 Indovina Bank<sup>71</sup>

Indovina Bank is a joint-venture bank, between Indonesia and Vietnam, with offices in cities, such as, Hanoi, Haiphong and HCMC. Indovina Bank was opened in 1991, and was therefore the first joint-venture bank in Vietnam.

This bank also gives, like ACB, medium, short-term and long-term loans. The interest rate is based on the State bank interest, which is 0.75% per month. For the long-term loans, they add 0.5% to the State bank interest and for the short-term loans, 0.3% per month.

Most of Indovina Bank's customers are Vietnamese. The customers need to be registered in the same city as they have the intention of borrowing money in.

Since joint-venture banks in Vietnam are not allowed to use real property as a pledge, Indovina Bank only uses buildings for this. They will lend the customer up to 70% of the value of the security. Because of the fact that they only use the building as a security, they need to separate the construction and the land when valuing a real estate. The construction is usually equivalent to approximately one-third of the total value.

Indovina Bank has their own appraisal team, and the valuation is mostly based on square meter prices of the land, taking into consideration the location. Of course, the appraisal team also consider the construction/standard of the building. This bank bases its valuation on advertisements collected from newspapers; the value they estimate is usually equivalent to approximately 80% of the market value. Also this bank is using the Government price frames as references.

### 7.6.4 Togi Real Estate Corporation<sup>72</sup>

Togi is a joint stock company with offices both in Hanoi and in HCMC. This is a real estate company dealing with several issues within the field of real estate, and their customers are both foreigners and locals.

---

<sup>70</sup> Thanh, ACB Real Estate Trading Centre, 13/11/00

<sup>71</sup> Vinh Hoanh, Indovina bank Ltd, 30/11/00

<sup>72</sup> Le Thi Minh Thanh, Togi Real Estate Corporation, 09/11/00

One of Togi's businesses is brokerage. Within this business, they help the sellers to advertise their real estate. Togi advertises at their office, in newspapers and on the Internet. Besides acting as a broker, they also own real estate.

Togi helps their customers deal with legal administrative procedures. For example, they help their customers legalise housing ownership rights, they organise construction certificates, and they deal with payment procedures through banks. Furthermore, Togi resolves housing and land disputes, as well as value real estate.



The seven wards in the project are divided into three different regions. Region One consists of the densely built-up areas in the central parts of Tam Ky. In the residential area in Region Two, people mainly live by agricultural production, and therefore, the value of the land is very low. In Region Three there are yet no sold properties, since this is newly planned. Below, only the factors affecting the value and the value zones in Region One are described, since the profound study is based only on data in this region.

#### **8.1.2 The Swedish valuation model for property taxation**

The pilot project is carried out in cooperation between Vietnam and Sweden. The valuation model is based on the Swedish model for property taxation, which is in turn, based on the comparison method. To be able to understand the way they have been working in Tam Ky, a description of the Swedish taxation model follows below.

In the Swedish taxation model used for single-family properties, residential use, the rateable value should represent 75% of the market value of the land as a vacant lot. The value of the building should represent 75% of the difference between the market value of the property (land and building) and the market value of the same property as a vacant lot. In this model, different factors affect the value. For land, these factors are the kind of building (e.g. semidetached or row house), size of area, access to water and sewage system, and distance to seashore. The rateable value of the building depends on different factors, such as, size of the building, age, standard and type of building.

The location is considered by dividing up the land into different value zones. The stipulated values in these zones are valid for combinations of value affecting factors.

#### **8.1.3 The valuation model in the pilot project**

In the pilot project carried out in Tam Ky, the land and the building are separately appraised, in the same way as in the Swedish taxation model. To find out the value of the land, the price of the property needs to be reduced by the value of the building. When the value of the building is estimated, the Government's stipulated standard price is used as a base. To adapt the value to the market value, the standard price is multiplied with a coefficient. This coefficient is calculated by comparing purchase sums from a number of sold properties with the standard price, stipulated by the Government. The value is also depreciated because of the age.

Also in the pilot project in Tam Ky, factors affecting the value that can be used in the model have been developed, as well as how much each of these factors affects the value has been estimated, that is to say, the coefficient of each factor. In the pilot project, the coefficients were worked out in the following way. By comparing properties in one area with exactly the same attributes, except for one, the attribute's influence on the value was calculated. For example, if two sold properties are exactly the same except for "size of land", the two purchase sums could be compared, and the coefficient of the factor "size of land" could be decided.



The factors used in the pilot project are adapted to the appraisal situation in Vietnam. The factors affecting the value used in Region One are as below.

- Direction: If the front is directed towards the southeast and northeast, it means the direction is considered to be good and if the front faces west, northwest or southwest it means the direction is considered to be not so good.
- Land size: <math>100\text{ m}^2</math>, <math>100\text{-}200\text{ m}^2</math> (normal size) or <math>>200\text{ m}^2</math>.
- Position: The properties are classified into six different classes depending on if the property is located next to the main road or if it is located in a lane. The first class is on the main road; thereafter, the classification is done depending on the distance to the main road.
- Shape of the lot: Good, bad or very bad.
- Road classification: With or without surface material.
- Legal status: Illegal or legal.

To take the location factor into consideration, the land is divided up into 26 value zones. In each of these zones, a standard price is elaborated. The standard price in a zone is the average market price of a property having the standard factors, as for example, a land size of <math>100\text{-}200\text{ m}^2</math>, good shape of the lot (rectangular), good direction (east, southeast or northeast) and situated on the main road. If the property differs from the standard, the value is adjusted.

## 8.2 Market analysis of Tam Ky

Tam Ky is located 70 kilometres south of Danang and consists of seven wards and ten communes, with a total land area of 34 348 ha. A map of Tam Ky is shown in Appendix 2. In 1997 Quang Nam-Danang province was divided into two administrative units, and Tam Ky became the provincial capital of Quang Nam. The dividing of the former province gave Danang and Tam Ky further opportunities to develop, even if so far it has been Danang that has derived most of the advantages from the division.<sup>75</sup>

Tam Ky is nevertheless characterized as being a booming town, which has been developed in a short period of time. Tam Ky has many stable and developing residential areas, as well as agricultural land mixed with residential areas.<sup>76</sup>

### Facts about Tam Ky

Total land area:	2 276 ha
Urban land area:	27 ha
Total population:	49 000
Number of households:	9 988
Average height above sea level:	10 m

At the moment, a lot of construction work is going on in Tam Ky. There are several reasons for this. One reason is all the new buildings for the administrative authorities that have moved from Danang because of the division of the province. Another reason is a newly built road. The house owners that had to move were compensated and are now building new residential houses.<sup>77</sup> In the future this new road might cause an increase in value on the real estate close to the road.

<sup>75</sup> Bui Van Ba, 04/12/00

<sup>76</sup> People's Committee, DLA, Report on Pilot Project of Land Price Valuation for Taxation in inner town of Tam Ky, Quang Nam Province, 2000

<sup>77</sup> Bui Van Ba, 04/12/00

The total area of Tam Ky is 2 276 ha, and the population totals 49 000 inhabitants consisting of 9 988 households.<sup>78</sup> One problem for Tam Ky is that the younger people who move to HCMC for studying will stay there and not move back to Tam Ky.

The main employment in Tam Ky is to work at a state organisation. A lot of people still live in Danang, but work in Tam Ky. Tam Ky is trying to get these people to move to Tam Ky. One way of attracting people from Danang, is to give people working in the province authorities in Tam Ky discounts of VND 22 500 000 (USD 1610), when buying a piece of land.<sup>79</sup>

Officials in Tam Ky believe it has potential to become more attractive to tourists. Situated along the Highway No 1, near the coast, Tam Ky will probably get new opportunities in the future. Already, the property prices along the road to the beach, located eight kilometres from Tam Ky, have increased. They also think that the large dam reservoir, located eight kilometres from the city, has potential to attract tourists for activities like boating and fishing.

Last year, Tam Ky was hit by floods that caused heavy losses in a big area in central Vietnam. The consequence of this is that the prices of the land that was flooded have stayed at the same level, while the prices of the land situated in more upland areas have increased.

Yet, there is no real estate broker in Tam Ky; only people who have knowledge about this area advise people when buying or selling their house. The Department of Land Administration, DLA, in Tam Ky, thinks there is a possibility to open a real estate agency here, like the one recently opened by the provincial Government in Danang.



*Figur 5: Residential houses in urban area, Tam Ky.  
(Photo: Marie- Louise Svensson)*

Most of the buildings located in the centre of Tam Ky are owned by the family living in the house. The property often contains a business on the ground floor, run by the family, and then the second and third floors are for the family's residential use.

When it comes to LUCs, 100% of the land use holders in the new residential areas have received the certificate, while only 40-50% in the old town have LUCs.<sup>80</sup>

<sup>78</sup> Report on Pilot Project of Land Price Valuation for Taxation in inner town of Tam Ky, Quang Nam Province

<sup>79</sup> Bui Van Ba, 04/12/00

<sup>80</sup> Bui Van Ba, 04/12/00

### 8.3 Aim

The aim of the profound study is to investigate whether it is suitable to use statistical tools when developing new valuation models. This is done by analysing properties and attributes that were developed during the pilot project. Not all the factors included in the pilot project are studied, but only those factors that a sufficient number of properties holding information about them.

The original aim of the profound study was to analyse the factors affecting the value and the coefficients related to each factor, calculated in the pilot project, by using statistical tools. By using regression analyses, the coefficients could be determined, and after this, it would be possible to compare these to the coefficients calculated in the pilot project. Also, the intention was to analyse if there were some factors that could be excluded from the model, as well as to analyse whether the model should include other factors not already considered.

The original aim was impossible to obtain. Even though the Tam Ky pilot project was based on as many as 1449 properties, many of these had to be excluded because of insufficient information. When using statistical tools, a large number of observations are needed to reach a satisfactory result, and therefore it was not possible to obtain this original aim. Sometimes even the fluctuation of the factor was very low, which is another limitation from obtaining a good result when using regression analyses.

### 8.4 Regression analyses

#### 8.4.1 Theory

Regression analysis is a statistical tool, which can be used to analyse the extent of influence of attributes on the price of a real estate. By studying the relations between one or among several independent variables,  $x_i$ , and the dependent variable,  $y$ , which is the price, the extent of influence of attributes can be analysed.

There are two different kinds of regression analysis, which should be differentiated, simple linear regression analysis and multiple regression analysis. Both of them are based on a mathematical method, and according to this method, the squared sum of all the deviation of the observations from the equation plan should be minimized. This means that the expression  $Q = \sum (y_i - \hat{y}_i)^2$  is reduced to a minimum.<sup>81</sup>

In the simple linear regression analysis, the model to be studied looks like  $y = a + bx$ ; it contains only one independent variable. For analysis in real estate valuation, multiple regression analysis is used, since this makes an analysis of more than one independent variable possible. The model for multiple regression analysis will, for example, look like  $y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$ , where  $\varepsilon$  is the theoretical term of random.

#### 8.4.2 Data

The data used in the regression analyses was collected in the pilot project. This material contains data from a total of 1449 land parcels, including data from three

---

<sup>81</sup> Andersson G. et al., *Regressions- och tidsserieanalys med och utan datorstöd*, Lund 1983

different regions. The regression analyses are based on the real estate belonging to Region One, which is the old town. The properties belonging to Region One is in urban land and consists of a total of 848 land parcels.

#### 8.4.3 Results

In the regression analyses, we have studied attributes e.g. size of land and age of the building. The attribute of location has been considered by dividing up Tam Ky in different zones. Since the value zones in the pilot project are very small and contain a small number of sold properties, the regression analyses could not be based on these; therefore, the zones below are used in the regression analyses.

- Properties close to the main road, Phan Chu Trinh, in Tam Ky. Since Vietnamese people generally run a business in their residence, and most of the businesses in Tam Ky are located along Phan Chu Trinh, we believe the properties along this road have a homogeneous value.
- Properties belonging to class one according to the classification in the Government price frame. This classification is based on the distance to the street and infrastructure.
- Properties in An Son ward, belonging to class one according to the classification in the Government price frame.
- Properties in An Son ward, belonging to class five according to the classification in the Government price frame.
- Properties in Phuoc Hoa ward, belonging to class one according to the classification in the Government price frame.

The reason for choosing these areas is that they contain a sufficient number of properties with the information needed. In all the regression analyses below, the attributes are size of land, main building area, auxiliary building area and age of building.

Properties close to the main road Phan Chu Trinh

This regression analysis contains 37 observations (see Appendix 3), which is a sufficiently large number to give a satisfactory result. This model has an adjusted R square<sup>82</sup> of 0.75, and the significance F<sup>83</sup> is 5.87 E -10. Only the attribute, size of land, is significant.

Multiple R	0.880222
R Square	0.77479
Adjusted R Square	0.746639
Standard Error	61.17073
Observations	37
Significance F	5.87E-10

	Coefficients	P-value	Lower 95%	Upper 95%
Intercept	-24.2127	0.562295	-108.443	60.01729
Size of land	0.998421	6.86E-08	0.706435	1.290406
Main building area	0.499281	0.188999	-0.25847	1.257032
Auxiliary building area	0.627782	0.214765	-0.38254	1.638107
Age of building	-0.70549	0.590234	-3.34726	1.936281

$$y = -24.2127 + 0.998421x_1 + 0.499281x_2 + 0.627782x_3 - 0.70549x_4$$

Properties belonging to class one

This regression analysis contains 48 observations (see Appendix 3), which is a sufficiently large number to give a satisfactory result. This model has an adjusted R square of 0.35, and the significance F is 0.000147. All the attributes, except auxiliary area, are significant.

Multiple R	0.634923
R Square	0.403127
Adjusted R Square	0.347604
Standard Error	64.91444
Observations	48
Significance F	0.000147

	Coefficients	P-value	Lower 95%	Upper 95%
Intercept	8.582209	0.825673	-69.5205	86.68496
Size of land	0.436252	0.043912	0.012453	0.860052
Main building area	1.652047	0.000585	0.754746	2.549347
Auxiliary building area	-0.00842	0.987116	-1.05339	1.036561
Age of building	-2.80435	0.017553	-5.09396	-0.51474

$$y = 8.582209 + 0.436252x_1 + 1.652047x_2 - 0.00842x_3 - 2.80435x_4$$

<sup>82</sup> The R square, coefficient of determination, is the same as the degree of explanation of the model, and therefore, the results of the regression analyses are better the higher the value of the R square is.

<sup>83</sup> In the analyses, the significance on the 95% level is studied, which means that the attributes are significant if the P-value is lower than 0.05.

Properties in An Son ward, belonging to class one

This regression analysis contains 30 observations (see Appendix 3), which is a sufficiently large number to give a satisfactory result. This model has an adjusted R square of 0.47, and the significance F is 0.000483. Only the attribute, size of land, is significant.

Multiple R	0.734219
R Square	0.539078
Adjusted R Square	0.46533
Standard Error	22.34546
Observations	30
Significance F	0.000483

	Coefficients	P-value	Lower 95%	Upper 95%
Intercept	13.09861	0.414908	-19.4402	45.63739
Size of land	0.294874	0.001795	0.121031	0.468718
Main building area	0.361398	0.179644	-0.17775	0.90055
Auxiliary building area	0.669539	0.05793	-0.02428	1.363356
Age of building	-0.11153	0.800601	-1.01137	0.788304

$$y=13.09861+0.294874x_1+0.361398x_2+0.669539x_3-0.11153x_4$$

Properties in An Son ward, belonging to class five

This regression analysis contains 17 observations (see Appendix 3), which we consider to be a sufficiently large number to give a satisfactory result, since the analysis includes only three attributes. This model has an adjusted R square of 0.69, and the significance F is 0.00080961. All the attributes are significant.

Multiple R	0.87811491
R Square	0.77108579
Adjusted R Square	0.69478106
Standard Error	4.55951971
Observations	17
Significance F	0.00080961

	Coefficients	P-value	Lower 95%	Upper 95%
Intercept	24.20588198	0.001022	11.9561644	36.4556
Size of land	0.1632015	0.000552	0.08687922	0.239524
Main building area	0.269422189	0.025971	0.03824999	0.500594
Auxiliary building area	-0.450937786	0.015435	-0.79923593	-0.10264
Age of building	-0.622431963	0.013125	-1.08875956	-0.1561

$$y=24.20588198+0.1632015x_1+0.269422189x_2-0.450937786x_3-0.622431963x_4$$

Properties in Phuoc Hoa, belonging to class one

This regression analysis contains 36 observations (see Appendix 3), which we consider to be a sufficiently large number to give a satisfactory result. This model has an adjusted R square of 0.47, and the significance F is 7.72E-05. Only the attribute, size of land, is significant.

Multiple R	0.727742
R Square	0.529608
Adjusted R Square	0.468912
Standard Error	95.69581
Observations	36
Significance F	7.72E-05

	Coefficients	P-value	Lower 95%	Upper 95%
Intercept	87.94555	0.068672	-7.15027	183.0414
Size of land	1.856624	0.010902	0.458596	3.254652
Main building area	-0.97085	0.343205	-3.02787	1.086174
Auxiliary building area	-0.24615	0.761855	-1.88819	1.395896
Age of building	-2.9447	0.078185	-6.24174	0.352351

$$y=87.94555+1.856624x_1-0.97085x_2-0.24615x_3-2.9447x_4$$

## 8.5 Conclusions

### 8.5.1 Regression analyses

In the regression analyses shown above, the results vary in quality. Only in one of the analyses, all the attributes are significant, and only in two analyses, the coefficient of determination is high.

One possible reason why the coefficient of determination in some cases is low is that the analysed properties are located in an area where other factors, not considered in the model, are affecting the value.

The attribute "size of land" is significant in all the analyses, which confirms this is a value-affecting factor.

### 8.5.2 The suitability of statistical tools when developing new valuation methods

Based on the regression analyses we have carried out, we consider it difficult to obtain good results using regression analysis when working out new valuation methods. However, from the results it is clear that the factor "size of land", which strongly affects the value, and for which we also had access to satisfying data, shows a high significance. Because of this, we do believe that regression analysis in a greater extent could be used when developing new valuation methods, if other ways of collecting market data are used. Having in mind already that the data will be used for regression analysis when collecting it, could be one way to improve the market data. It is important, that the information of the properties is complete for all properties included in the analysis. Furthermore, the properties should represent an area where the buildings are homogeneous.

We consider it to be difficult to find a homogenous value zone, when it comes to the location factor, since the value to a large degree is affected by the possibilities of running a business.

The difficulties using regression analysis also depend on some of the factors being the same for almost all the properties, and only a few of the properties differing from the whole. Because of this, it is difficult to find the degree to which the attribute affects the value. One of the attributes where this is the case is the "shape of the land", which is bad for only a couple of properties.



## 9 SWOT-analysis

### Strengths

- There is a desire to obtain a good result. Within the authorities involved in the valuation work, there is a consciousness that real estate valuation is new to Vietnam, and the authorities are aware of the need for increased knowledge. In addition, these authorities are working hard to obtain a good result.
- Recently education in real estate valuation has started at the university level.
- Many operators on the real estate market possess a lot of knowledge about issues within the valuation field.

### Weaknesses

- The fact that buildings and land are valued separately, means that different authorities hold necessary information depending on if the information is related to the land or the building.
- Legislation is falling behind, and the implementation of the legislation is improper. Often, legislation is not instituted at the pace needed to get a working system. Also, in some cases, laws are instituted without any practical measures that support the laws.
- Many people are still influenced by the price frames set up by the Government. For example, when banks give mortgages, some of them still base the value on the Government's price frames.
- The public administration is unorganised. Many different authorities are involved in the real estate valuation, and there is no decision made regarding which of them is responsible for valuation.
- There is a lack of satisfactory cooperation among the different authorities involved in the valuation work. Because of this, valuable experience is not made use of.

### Opportunities

- By further cooperation between authorities and companies on the private market, experience and knowledge could be exchanged, and the valuation work would be improved. In HCMC such cooperation work has already started, where the Land-Housing Department is working together with the bank ACB.
- Further cooperation among authorities would improve the valuation work.
- The use of the Internet for collecting market data. Within a short time, ACB will open a website on the Internet, where they plan to advertise houses for sale. If it was possible to collect most of the market data on the Internet, time spent on market data collection would be remarkably lowered.

### **Threats**

- Withholders of official positions prioritising their own political careers, as a consequence, the best alternative for the country will sometimes come second. Many authorities pursue the responsibility for the valuation issues, since this new responsibility might give them a higher position, and this fact might have an impact on the coordination of the valuation work.
- The corruption is increasing rather than decreasing in Vietnam. If this continues it will probably cause problems in the future valuation work. In an earlier pilot project, this was a problem when collecting market data.

## 10 Concluding remarks

### 10.1 The profound study

#### 10.1.1 Comments on the model used in the pilot project

We are of the opinion that the coefficients calculated by using the model in the pilot project are very uncertain. The reason for this is that the coefficients are, as mentioned before, based on only a few properties. It is difficult to determine if these properties, which the coefficient is based on, actually represent typical properties and if the price of these properties corresponds to the market value.

Today, there is no more accurate data accessible, and therefore, as the situation is at the moment, we think this method is still the most suitable.

#### 10.1.2 Future use of the model carried out in the pilot project

Today, there is an interest in Tam Ky to start using the method carried out in the pilot project, but they are prevented from doing this, since there is no legislation supporting the use of the model in practice.

On the whole, we find it very uncertain whether the valuation models within CPLAR will be used in the future or not. The authority working with developing the new methods, the GDLA, has not officially been given the task to do this, and therefore, does not have the right to decide if the methods are to be used in the future or not. The Government Pricing Committee is the organisation which has the ultimate responsibility; this organisation is, therefore, the one to decide if the models should be used or not. In an interview with the Government Pricing Committee, they say they will need to consider whether the models are suitable or not. Today, within each of these authorities, there is a strong will to handle the valuation issues, and because of this, there is a risk that this desire will be prioritised before the question of whether the models are suitable or not.

#### 10.1.3 The suitability of statistical tools when working out valuation methods

Based on the regression analyses we have carried out, we consider it difficult to obtain good results using regression analysis when working out new valuation methods. We believe regression analysis could be used in a greater extent when working out new valuation models, if other ways of collecting market data are also used.

#### 10.1.4 Discussion about the attribute “direction”

In the Tam Ky project, the direction is estimated to be good if the building faces east, southeast, south, north, or northeast and bad if the building faces west, southwest or northwest. According to many real estate agents and Dr. Hoang Huu Phe<sup>84</sup>, you cannot assess if the real estate has a bad direction only by looking at the real estate; this also depends on the buyer. The direction is something that is important for Asian people, since they believe in Confucianism. To be able to decide if the direction of the house is good or bad, you also need to take the year of birth of the buyer into consideration. One direction might be good for one person, but bad for another; therefore, it is very difficult to use this factor as a value-affecting factor. The house facing a certain

---

<sup>84</sup> Dr. Hoang Huu Phe has been working with regression analyses in real estate valuation, for example, in Hanoi.

direction is also more important to older people, since Confucianism is more common among the older generation. There is still one possibility that might make this a value-affecting factor. In the south of Vietnam, people prefer to live in a house facing a certain direction because of the heat.

## **10.2 Improving the implementation of new valuation methods**

### **10.2.1 Market data collection**

We believe that collecting market data from advertisements is the method that gives the best result today. In the future, this method should be useful not only in HCMC, but also in smaller towns like Tam Ky. The reason for this is that we are of the opinion that transfers of real estate will be done in a similar way in Tam Ky as in HCMC within a few years.

This method of collecting market data should, within a short time, be able to be developed. More real estate centers are planning to open websites on the Internet, where they plan to advertise houses for sale. Using this method for collection of market data would lower the time spent on market data collection remarkably.

All kinds of market data collection need to be documented. This could be done either manually or, preferably, by using software. Either way the documentation is made, it is very important to be aware of the accuracy. One needs to have in mind that someone who is not familiar with the data and the studied area should also be able to understand and use the information. In the questionnaires used in the Tam Ky project, a lot of information was not filled in. Because of this, it might be necessary to consider if the questionnaires could be designed in a way that makes them easier to fill in, as well as to understand, for a person not acquainted with the project and the particular area.

### **10.2.2 Registration system**

One of the deficiencies within land valuation in Vietnam today, is the insufficient system for registration. An efficient registration system is a necessity in land valuation work, and an invaluable help for receiving market data. One of the deficiencies in the present registration system is that people do not register their transfers. Therefore, further proceedings that will increase and emphasize the benefits of registering the transfers should be done.

The problem with the insufficient registration system is inter alia caused by the lack of cooperation between construction bodies and financial bodies; therefore, it would probably be preferable to have only one authority responsible for registration of both land and construction.

An attempt to get people more inclined to register their properties was made by reducing the land use fee. Since this attempt did not seem to obtain its purpose, we believe that people need more information about the system, so that they can fully understand the advantages with a well-working registration system, not only for themselves, but also for the whole society. The registration procedure also needs to be simplified, since it is a complicated procedure today. Additionally, if it was possible

to borrow a larger amount of money from the bank (see section 3.6), it might get people more inclined to register their land use rights.

To obtain a more efficient registration system, where all the land use holders/house owners are recorded, it is necessary that all the information about the property are stored and updated at one particular authority. As it is today, a number of authorities hold different information about the same property. Registration of land use rights and transfers ought to be done at authorities on local levels. To obtain a uniform way of working in the whole country, rules and regulations how to handle the registration process ought to be drawn up. This duty would advisably be given to the central authority, holding the complete information about the property; this authority should also have the main responsibility.

Continuous information about how the registration work is proceeding, such as, if there is any problem or if there is a suggestion how the work could be done more efficiently, needs to be reported to the central level. Hereby, rules and regulations can be reappraised, and experiences can be exchanged among the different authorities. In this way, continuous improvement can be obtained.

The Decree 38 issued by the Government in August 2000 (see section 3.6), in which people who have financial difficulties are allowed to be in debt to the Government until they transfer their land use rights, will probably make people more inclined to register their land use rights; but on the other hand, they might not register their transfers.

### **10.2.3 Improving the cooperation**

We think the valuation work, as well as the administration of real estate, would be considerably improved, if cooperation were established between companies on the private market e.g. real estate agencies and authorities working with valuation and other matters of real estate.

During our stay in Vietnam, a number of interviews with authorities and private companies on the real estate market were carried out. The people we interviewed gave us a lot of information, and we frequently noticed that these people hold a lot of knowledge. If all this knowledge could be collected and made use of, many of the existing problems today, when it comes to land valuation in Vietnam, could be reduced. It would be possible to make use of this knowledge, if the cooperation between authorities and companies on the market was increased. An exchange of knowledge, information and experiences, between the authorities and the companies on the market, would be of mutual interest. In addition, it is hoped that an exchange of this kind would increase the companies' confidence in the authorities.

By establishing organisations and associations for companies, such as, real estate agencies, a network of knowledge would be created, from which both companies and authorities could derive advantages. As mentioned above, there is a problem implementing a well-working registration system. We believe one solution to this problem is to increase the cooperation with the actors on the private market. If real estate brokers were informed about the advantages of having a well-working

registration system, they could pass on this information to their clients and make them more inclined to register their transfers.

As described in section 4.2, several authorities like the Government Pricing Committee, GDLA and Ministry of Finance are responsible for real estate issues and particularly for real estate valuation. As in the matters of registration, it might be advisable to have only one authority responsible for valuation issues. But to be able to work more efficiently, when developing new valuation methods, we believe that all these authorities ought to be working together, towards a mutual aim. Hereby, they would be able to derive advantages from every authority's experience and knowledge.

A further cooperation problem, we feel, is the inability to coordinate help and assistance from other countries. As it is today, a number of countries are involved in the work with developing valuation methods in Vietnam. These consultants are cooperating with different authorities and are using experience and knowledge, which they received, from their home country. We are of the opinion that if all this knowledge were coordinated and integrated with internal expertise, it would facilitate the opportunity to develop a valuation method adapted to the situation in Vietnam.

## 11 List of abbreviations

ASEAN	South East Asian Nations
Comecon	Council for Mutual Economic Aid
CPI	Consumer Price Index
CPLAR	Cooperation Programme on Land Administration Reform
DLA	Department of Land Administration
GDLA	General Department of Land Administration
GDP	Gross Domestic Product
GNP	Gross National Product
HCMC	Ho Chi Minh City
LUC	Land Use Certificate
SIDA	Swedish International Cooperation Development Agency
SOE	State-Owned Enterprise

## 12 References

### Published references

#### Books and printed papers

Andersson G. et al., Regressions- och tidsserieanalys med och utan datorstöd, Lund 1983

Asia Commercial Bank, Annual Report 1999

Bring O. et al., Vietnam-demokrati och mänskliga rättigheter, Utrikespolitiska institutet 1998

Central Institute for Economic Management, Vietnam's economy in 1999, Statistical Publishing House 2000

Florence M., Storey R., Lonely Planet, Singapore 1999

Framtid med Asien, Förslag till en svensk Asienstrategi, Utrikesdepartementet Ds 1998:8

Holmertz G., Vietnam, Länder i fickformat nr 807, Utrikespolitiska Institutet, Stockholm 1994

Institutet för värdering av fastigheter, Fastighetsnomenklatur, AB svensk Byggtjänst, Stockholm 1995

Karlsson L., Vietnam, Utrikespolitiska institutet, Stockholm 1998

Kokko A., Vietnam and the Asian Crisis, causes, consequences and cures, SIDA, Country Economic Report 1998:8

Liljeström R. et al., Profit and Poverty in Rural Vietnam, Winners and Losers of a Dismantled Revolution, Curzon Press 1998

Lundahl M., Regleringar, marknader och ekonomisk utveckling, SNS förlag 1995  
Semi-Annual Report, Embassy of Sweden, Hanoi 1999

SIDA rapport, Landanalys Vietnam, Embassy of Sweden Hanoi, May 1998

Tran Hoai Anh, Another Modernism? Form, Content and Meaning of the new housing architecture of Hanoi, Department of Architecture and Development Studies, Lund University 1999

Wilhelmsson M., Kvantitativa metoder I och II: Prisindex och regressionsanalys, Avd för bygg- och fastighetsekonomi, Kungliga Tekniska Högskolan 1998



**Journal and newspaper articles**

Vietnam Economic Times, Issue 80, October 2000

Vietnam Economic Times, December 2000

Vietnam News, Volume X, Number 3320, November 10, 2000

**Legislation**

Construction Publishing House, Legal Documents on Investment Construction and Urban Management, Hanoi 1996

**Internet addresses**

[www.cplar.vnn.vn](http://www.cplar.vnn.vn), 16/02/01

**Unpublished references**

Mattsson K., Andersson U., Findings and recommendations Land valuation, Hanoi 1997

People's Committee, DLA, Report on Pilot Project of Land Price Valuation for Taxation in inner town of Tam Ky, Quang Nam Province, 2000

Pham Minh De, Land Policy & Land Reform Implementation in Vietnam

Professor Dr. Sc. Dang Hung Vo, Land Administration Reform in Vietnam, GDLA  
Ton Gia Huyen, Land Policy and Land Administration

Sandgren U., Summary from seminars 04/12/00 – 07/12/00

Summary from seminar, Private Sector Forum, Hanoi 14/12/00

**Interviews and people met during the field study**

Bui Ngoc Tuan, Deputy Director, GDLA, seminar 03/10/00

Pham Trung Tien, Business Manager, David's Housing Agency Vietnam, interview 16/10/00

Do Le Quan, Managing Director Tai Tam Company Limited, interview 18/10/00

Bui Van Ba, Registration and statistics, Quang Nam DLA, interviews 25/10/00,  
04/12/00

Nguyen Darg Giai, Registration and statistics, HCMC DLA, interview 25/10/00

12 References

---

Luu Thi Mai Huong, Registration and statistics, Dong Nai DLA, interview 26/10/00

Tran Viet Hoa, Teacher of Cadastral Faculty, Agro- Forestry University of Thu Duc, interview 26/10/00

Doan Anh Hung, Senior Manager, International Centre, interview 31/10/00

Mai Tiuong Quih, ACB Credit Department

Ngo Pheong Lien, Cong Ty co Phan Kinh Doanh Bat Dong San Dat Viet (Real Estate Trading Company), interview 08/11/00

Alastair Orr Ewing, General Director, Chesterton Petty, interview 08/11/00

Le Thi Minh Thanh, Chief of Organisation -Administration Department, Togi Real Estate Corporation, interview 09/11/00

Ngo Xuan Tuyen, Government Pricing Committee, interview 10/11/00

Thanh, Director, ACB Real Estate Trading Centre, interview 13/11/00

Dr. Hoang Huu Phe, Assistant to General Director, Vinaconex Vietnam Construction & Import-Export Corporation, interview 16/11/00

Nguyen Mai Huong, Hanoi Urbanisation Architecture Consulting Company, 17/11/00

Morris S. J, Property Manager, Chesterton Petty, interview 27/11/00

Vinh Hoanh, Head, Credit & Marketing Department, Indovina Bank Ltd, interview 30/11/00

Nguyen Van Hong, Chief, Ho Chi Minh City Land- Housing Department, interview 30/11/00

Nguyen Ngoc Chuong, Quang Nam DLA, 04/12/00

Pham Minh De, Land valuer, GDLA

Palmkvist Gösta, Chief Advisor, Swedesurvey

Noreus Staffan, Legislation expert, Swedesurvey

Sandberg Jan, Valuation expert, Swedesurvey

Sandgren Ulf, Organisation expert, Swedesurvey

## 13 Appendix 1: Questionnaire

No:

Province:

District:

Ward/commune:

### QUESTIONNAIRE

#### 1.

- Address:
- Street:
- Land user:
- Year of allocation or sale:
- Ownership record:
- Decision of allocation:.....date.....authority
- Sale paper:
- Use purpose:

#### 2. Description of land parcel

- |              |                                  |                          |
|--------------|----------------------------------|--------------------------|
| -Parcel No:  |                                  | No of map sheet:         |
| -Area (m2):  |                                  | Shape:                   |
| -Width (m):  | Front (m):                       | Back (m):                |
| -Length (m): |                                  |                          |
| -Location:   | Street side:                     | Street back:             |
| -Street:     | Distance to street edge: (m)     | Street width: <25 m....; |
|              | 25-50m.....;50-75m.....; 75-100m |                          |
| -Direction:  |                                  |                          |

#### 3. Standard of building

- |   |   |
|---|---|
| -Type of building:  | +Concrete, plain roof:                                |
|   | +Brick, falling roof:                                 |
|   | +No of floors:  |
|   | +Short-lived shelter:                                 |
| -Area of main residence:                                      | -Area of auxiliary residence (toilet, kitchen, etc.): |
| -Construction year:   |   |
| -Age (according to design):                                   |   |
| Standard 1:....., concrete, brick, insulated, unlimited       | No of floors  |
| Standard 2:....., concrete, brick, maximum 3 floors           |   |
| Standard 3:....., concrete, brick, maximum 2 floors           |   |
| Standard 4:....., semi-solid, brick, tiled or iron sheet roof |   |
| Shelter:....., planked or thatched                            |   |
| -Construction cost (VND):                                     |   |
| -Building value minus depreciation (VND):                     |   |

#### 4. Technical specifications

- Power system: Yes:.....; No:.....

- Water supply: Yes:.....; No:.....  
 -Telephone: Yes:.....; No:.....  
 -Road system: High way Condition: Good Bad  
 Provincial road Condition: Good Bad  
 Regional road: Asphalt:.....; Stone.....; Soil.....  
 Residential road: Asphalt:.....; Stone.....; Soil.....  
 -Road width: (m)  
 -Drainage system: Yes.....; No.....  
 -Topography: Very high.....; High.....; Plain.....; Low.....; Very low.....  
 Environment: Good.....; Bad.....

#### 5. Social infrastructure

- Distance to closest school (m):  
 -Distance to closest post office (m):  
 -Distance to closest hospital (m):  
 -Distance to closest inter-province bus station (m):

#### 6. Land for lease and building for rent

- Leased land area (m2):  
 -Rented building area (m2):  
 -Rent/lease:  
 -Duration: From.....to.....

#### 7. Planned or newly urbanized areas:

- Price of sale or compensation:  
 -Former using purpose:  
 -Increase due to using purpose change /m2:

#### 8. Legal status

- In accordance with planning purpose:  
 -Not in accordance with planning purpose:  
 -In recovered area:  
 -Not in recovered area:  
 -Origin of land parcel:  
 +Land allocation decision no:..... Date of issue.....Authority  
 +Date of buying:..... Date of using  
 +Reference book no:..... From (date)  
 +Illegal construction:

#### 9. Data collected in 1997, 1998 and 1999

- \*Date of buying, selling or transfer:  
 \*Price:  
 Estimated market price:  
 \*Price of land:  
 Price per m2:  
 \*Land and housing tax:  
 \*Standard price according to Decree 87 CPL:  
 Price regulated by the People's Committee according to Decision 1185/QD/UB:

**10. Conclusion:**

\*Location of land parcel:..... Street:.....Ward/Commune

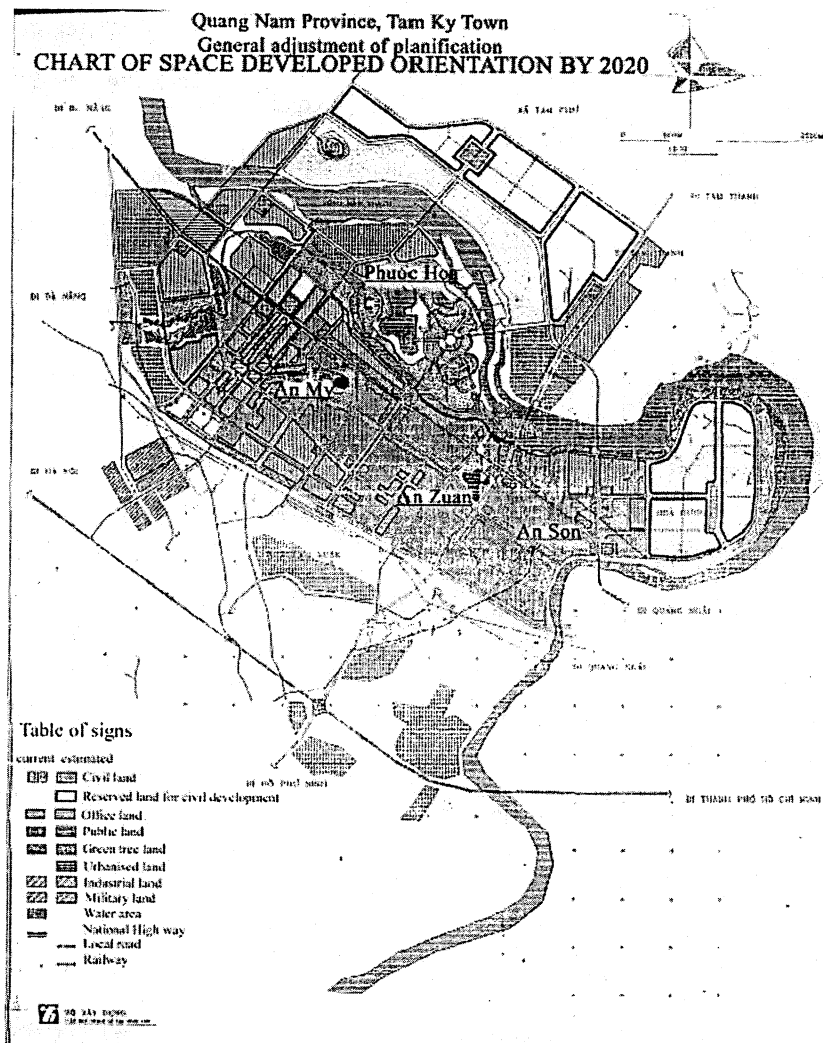
Price/m2:

(Method used:.....)

Date:

Investigator and valuer:

14 Appendix 2: Map of Tam Ky



### 15 Appendix 3: Data which the regression analyses are based on

#### Properties located close to the main road Phan Chu Trinh

No.	Ward	Size of land	Main building area	Auxiliary building area	Age of building	Price, milj VND
1	An My	74,8	30	10	25	100
4	An My	133,4	98,6	34,8	40	35
11	An My	240,0	84	30	25	173,9
12	An My	210,0	30	10	25	178,6
13	An My	210,0	30	10	25	173,9
14	An My	150,0	54	30	25	173,9
19	An My	200,0	24	30	25	150
20	An My	140,0	42	35	30	117,5
96	An My	240,0	42	60	31	188
157	An My	180	42	36	28	188
158	An My	120	42	18	20	159,8
3	An Xuan	103,8	77,84	22,4	35	180
4	An Xuan	144,1	40	45	39	170
28	An Xuan	104,0	40	24	25	151
45	An Xuan	91,0	28,5	10	25	117,5
46	An Xuan	145,2	50	30	25	176,682
2	An son	34,5	34,5	0	13	60
3	An son	40,0	40	0	10	32
12	An son	120,0	60	60	25	125
25	An son	125,0	48	24	25	141
85	An son	85,0	55	40	11	20
89	An son	67,0	40	27	25	18
3	Phuoc Hoa	164	58,8	45,2	33	179,9
4	Phuoc Hoa	178	88	70	18	182,94
42	Phuoc Hoa	401,1	80	40	25	470
55	Phuoc Hoa	192,5	100	90	8	282
60	Phuoc Hoa	227,1	150	60	30	206,8
61	Phuoc Hoa	327,6	120	100	25	564
64	Phuoc Hoa	109,6	100	9,6	17	164,5
72	Phuoc Hoa	252,1	150	50	9	376
118	Phuoc Hoa	333,5	120	10	9	372
121	Phuoc Hoa	325,5	140	60	19	350
122	Phuoc Hoa	336,7	112	10	17	386
124	Phuoc Hoa	197,2	120	34	8	252
126	Phuoc Hoa	188,4	110	16	18	270
130	Phuoc Hoa	230,5	66	14,5	7	107,6
133	Phuoc Hoa	163,2	100	63,2	22	217

**Properties belonging to class one**

No.	Ward	Size of land	Main building area	Auxiliary building area	Age of building	Price, milj VND
12	An son	120,0	60	60	25	125
20	An son	180,0	42	21	23	81
21	An son	108,0	36	24	9	80,1
24	An son	49,5	27	2,5	20	22,522
27	An son	150,0	100	50	25	90
30	An son	50,0	50	0	21	32
31	An son	130,0	100	30	23	102
32	An son	68,0	50	10	25	47
34	An son	220,0	70	20	37	120
36	An son	95,0	70	25	15	84
41	An son	90,0	60	30	28	80
43	An son	150,0	40	20	25	34
44	An son	52,0	30	22	5	46
46	An son	85,0	45	40	13	76
47	An son	80,0	65	15	14	72
48	An son	58,5	40	18,5	15	52
49	An son	100,0	40	25	15	72
50	An son	115,0	50	20	24	82
51	An son	160,0	70	20	24	112,5
52	An son	110,0	45	25	55	76
53	An son	300,0	40	40	32	126
54	An son	90,0	50	40	15	80
56	An son	64,0	40	24	14	56,8
57	An son	90,0	50	40	13	81
92	An son	100,0	50	30	12	90
103	An son	90,0	50	40	24	81
1	An My	74,8	30	10	25	100
50	Phuoc Hoa	133,6	60	40	20	117,5
56	Phuoc Hoa	109,5	60	40	18	61,1
57	Phuoc Hoa	96,3	60	30	25	47
58	Phuoc Hoa	134,1	100	34	20	70,5
63	Phuoc Hoa	171,6	80	40	19	94
65	Phuoc Hoa	112,3	80	23	19	65,8
66	Phuoc Hoa	106,2	80	20,6	8	94
74	Phuoc Hoa	133,8	100	23,8	10	470
80	Phuoc Hoa	174,5	100	34	6	423
83	Phuoc Hoa	120,4	60	60,4	26	103,4
84	Phuoc Hoa	96,2	60	36,2	27	47
7	An Xuan	68,8	55	30	25	48
8	An Xuan	61,0	40	21	25	42,3
13	An Xuan	48,8	27,6	21,12	17	65,8
14	An Xuan	78,0	26,4	50,54	26	42,3
19	An Xuan	120,0	32	88	4	87
20	An Xuan	91,4	24	67,4	14	25
21	An Xuan	57,6	20	44	11	86,95
24	An Xuan	220,0	19,35	18,45	25	8,5
29	An Xuan	130,0	32,5	97,5	25	65,8
111	An Xuan	164	36	40	18	106,16



**Properties in An Son ward, belonging to class one**

No.	Ward	Size of land	Main building area	Auxiliary building area	Age of building	Price, milj VND
12	An son	120,0	60	60	25	125
20	An son	180,0	42	21	23	81
21	An son	108,0	36	24	9	80,1
24	An son	49,5	27	2,5	20	22,522
25	An son	125,0	48	24	25	164,5
27	An son	150,0	100	50	25	90
28	An son	180,0	60	20	1	110
30	An son	50,0	50	0	21	32
31	An son	130,0	100	30	23	102
32	An son	68,0	50	10	25	47
34	An son	220,0	70	20	37	120
36	An son	95,0	70	25	15	84
41	An son	90,0	60	30	28	80
43	An son	150,0	40	20	25	34
44	An son	52,0	30	22	5	46
45	An son	126,0	45	15	14	84
46	An son	85,0	45	40	13	76
47	An son	80,0	65	15	14	72
48	An son	58,5	40	18,5	15	52
49	An son	100,0	40	25	15	72
50	An son	115,0	50	20	24	82
51	An son	160,0	70	20	24	112,5
52	An son	110,0	45	25	55	76
53	An son	300,0	40	40	32	126
54	An son	90,0	50	40	15	80
56	An son	64,0	40	24	14	56,8
57	An son	90,0	50	40	13	81
92	An son	100,0	50	30	12	90
98	An son	84,0	44	40	18	70
103	An son	90,0	50	40	24	81

**Properties in An Son ward, belonging to class five**

No.	Ward	Size of land	Main building area	Auxiliary building area	Age of building	Price, milj VND
58	An son	125,0	55	25	29	31,5
59	An son	203,0	50	25	18	43,7
60	An son	63,0	20	20	11	20
61	An son	140,0	30	25	19	31
62	An son	48,0	30	18	13	23,6
64	An son	52,5	30	22,5	11	26,25
66	An son	112,0	40	30	11	37
67	An son	91,0	50	11	8	45,45
68	An son	75,0	60	15	4	44
69	An son	168,0	30	25	25	33,2
70	An son	56,0	30	26	9	27,9
71	An son	105,0	40	15	25	30
75	An son	84,0	35	15	19	27
78	An son	119,0	40	30	18	37,5
79	An son	64,0	46	18	14	32
81	An son	40,0	30	10	14	20
85	An son	85,0	55	40	11	20

**Properties in Phuoc Hoa ward, belonging to class one**

No.	Ward	Size of land	Main building area	Auxiliary building area	Age of building	Price, milj VND
2	Phuoc Hoa	103	63	40	26	150,4
3	Phuoc Hoa	164	58,8	45,2	33	188
4	Phuoc Hoa	178	88	70	18	225,6
5	Phuoc Hoa	106	56	50	24	366,6
6	Phuoc Hoa	117	100	17	16	188
8	Phuoc Hoa	125	25	50	1	310,2
9	Phuoc Hoa	216	108	108	33	282
10	Phuoc Hoa	336	136	200	20	423
11	Phuoc Hoa	153	93	60	36	197,4
12	Phuoc Hoa	80	63	17	11	169,2
13	Phuoc Hoa	88	44	54	20	131,6
16	Phuoc Hoa	166	66	100	36	225,6
18	Phuoc Hoa	286	103	183	34	408,9
20	Phuoc Hoa	54	30	24	30	245
21	Phuoc Hoa	94,5	54	40	1	189
22	Phuoc Hoa	101	60	41	1	202
23	Phuoc Hoa	106,5	60	46,5	1	213
24	Phuoc Hoa	63,2	53,2	10	1	114
26	Phuoc Hoa	54	32	22	9	122,2
27	Phuoc Hoa	54	32	22	9	101,05
50	Phuoc Hoa	133,6	60	40	20	117,5
55	Phuoc Hoa	192,5	100	90	8	282
56	Phuoc Hoa	109,5	60	40	18	61,1
57	Phuoc Hoa	96,3	60	30	25	47
58	Phuoc Hoa	134,1	100	34	20	70,5
60	Phuoc Hoa	227,1	150	60	30	206,8
61	Phuoc Hoa	327,6	120	100	25	564
63	Phuoc Hoa	171,6	80	40	19	94
64	Phuoc Hoa	109,6	100	9,6	17	164,5
65	Phuoc Hoa	112,3	80	23	19	65,8
66	Phuoc Hoa	106,2	80	20,6	8	94
72	Phuoc Hoa	252,1	150	50	9	376
74	Phuoc Hoa	133,8	100	23,8	10	470
80	Phuoc Hoa	174,5	100	34	6	423
83	Phuoc Hoa	120,4	60	60,4	26	103,4
84	Phuoc Hoa	96,2	60	36,2	27	47