

How to ease housing shortage for low income people?

Although there has been a considerable increase in housing area recent years, the housing shortage is still serious in Vietnam, especially to big cities like Hanoi and Ho Chi Minh City. In both biggest cities, the population have doubled over the past 20 years, but housing development failed to keep pace, just increasing at a rate of less than 1.8 times. The demand is really urgent for low income people, which is estimated at 2 million in the year 2000 and forecast to reach 3.2 million in 2010 all over the country.

Recognizing this problem, the government has undertaken several steps in urban housing, including rules to simplify planning and approval procedures for housing developers. Projects to build house for low income people now have benefited from tax remittances, land-use charges exemption, state budget has been allocated to technical infrastructure in residential areas... However, generally speaking, existing regulations and policies sometimes overlap, duplicate and even conflict. In some cases, retroactivity of new legal documents considerably damage housing investors who strictly comply with laws and regulations. Those explain why there are not many projects to develop housing for low income people. In Hanoi, for example, there are only 2 or 3 such projects. Our corporation, Housing and Urban Development Corporation (HUD), under the Ministry of Construction, has one of them, that is being constructed. Even Vietnam has not got specific appropriate technical criteria for apartment buildings for low income people, as to HUD's point of view, housing for low income people should meet criteria of modern living standard and suitable for Vietnamese families (a lot of which are extended ones) and at the same time, must be affordable to low income people. We have managed to save all the expenditures but, in fact, house price in our project is estimated to fetch around VND 120 million (8,000 USD) for a 60-square-metre apartment, still out of reach for many Vietnamese people.

Is there a light at the end of the tunnel? In my opinion, the Ministry of Construction should develop a comprehensive low income housing policy as part of our Orientation for Housing Development to 2010. Of which, capital sources for housing development through the national investment funds, housing development funds or urban development funds of the cities should be mobilized.

Banks also play a very key role. They should join in the effort more actively. In fact, the housing financial sector is relatively undeveloped in our country. According to an Asian Development Bank 's recent survey, less than 20% of housing finance credit is provided through the formal banking or government sectors. The main source of housing finance is household own savings or "loans" from family and friends. The mortgagee instrument and mortgagee market is largely undeveloped, count for less than 10% of housing credit finance. In order to be affordable to buy a house, low income people should be granted medium or long-term (of 10 years or more) loans with preferential interest rate. And as professional builders, HUD, like many other housing developing companies in Vietnam, are unable to recover installment capital during a long term that may last 10 years or more. In that case, the positive participation of banks involvement is indispensable.

Besides, the government should grant more preferential financial conditions to housing development projects for low income people, such as the exemption or reduction of VAT, corporate income tax... Certainly, in case of a developing country like Vietnam, which the state budget must share for so many purposes, government's efforts only are not enough. Employers with large workforces, labour unions... should also take part in low income housing development projects. To meet that target, favourable policies should be introduced to encourage foreign investors to provide housing accommodation for their employees, in parallel with investment in factory construction and manufacture/business. Housing accommodation for workers should be included in the detailed plans of industrial parks and export processing zones.

In a long term, appropriate technical criteria for apartment buildings for low income people (housing criteria, construction density, land use, co-efficient, criteria on technical infrastructure, sustainable housing types...) should be studied carefully to apply. Urban development master plans should include residential areas for low income people with criteria suitable with their living plans and financial affordability, integrated in a socially sympathetic way through varying lot sizes and level of service provision (that means full infrastructure provision, but a lesser standard and cost, consistent with affordability of low income people).

Last but not least, in Vietnam, there are many low income people who are still priced out of the residential market, so it's high time to set up projects to build houses for rent. Each large city should have at least one housing development company or real estate trading with strong capacity, technically and financially, in order to implement housing development projects for low income people to rent. And all economic sectors should be encouraged to construct accommodation for low income people to rent with reasonable cost.