

A large, semi-transparent yellow and orange graphic element is overlaid on the left side of the image. It contains the title text in a large, black, sans-serif font. The graphic has a diagonal split between yellow and orange, with a white diagonal line separating the two colors.

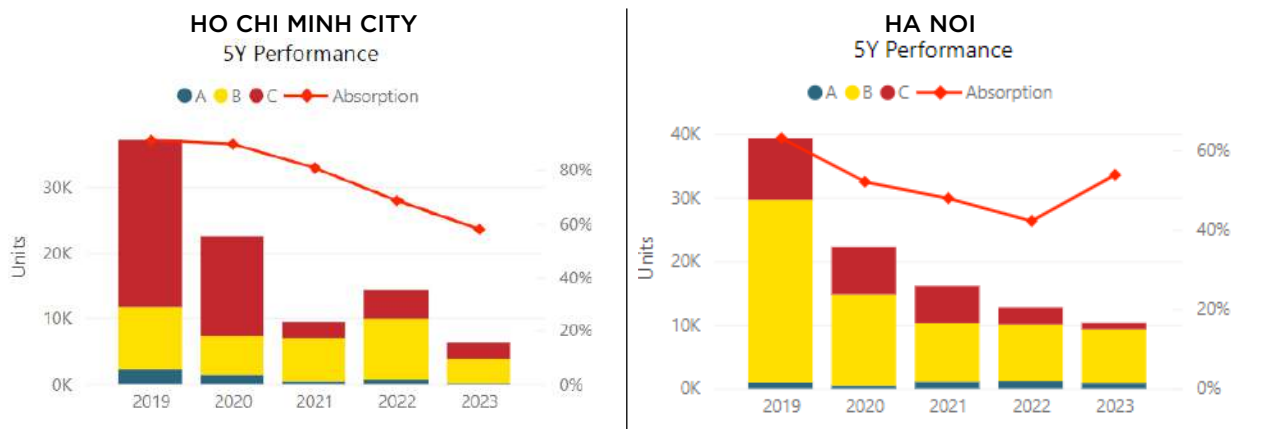
# Vietnam Affordable Housing



Commentary continues unabated on the lack of affordable housing for the mass market, and too much high end product. This needs to be understood in context.

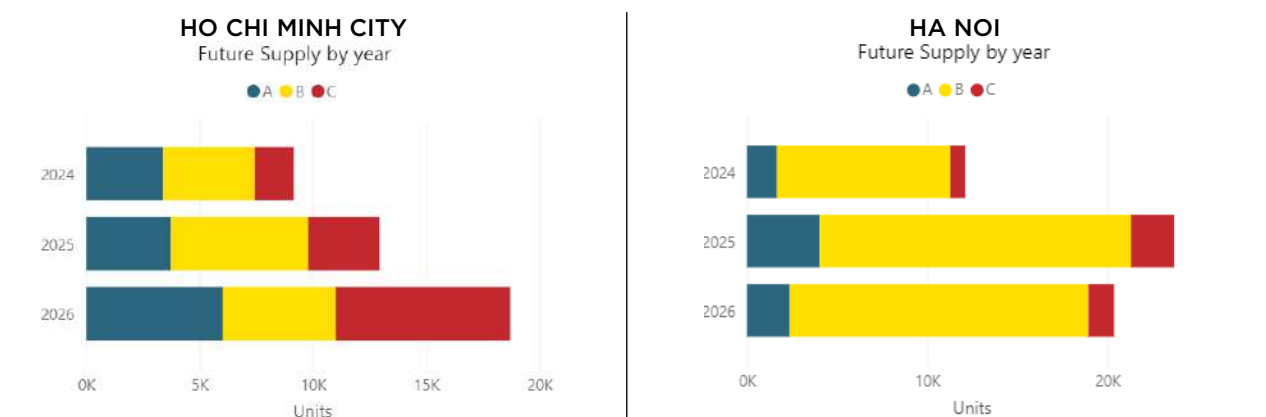
Residential supply has dwindled across all grades, however to say there is too much high end isn't correct. Certainly a healthy market has a dominant share of Grade C as can be seen in HCMC in 2019. Hanoi has always had greater affordability evident in the strong Grade B supply.

The drop off across all grades is severe, the effect of high deposit interest rates, low consumer confidence and a strong anti corruption drive that has resulted in short term administrative delays. Overall there is low liquidity and paralyzed primary residential markets. In both cities around 50,000 dwellings per annum is the natural demand generated from immigration, independent living and household occupancy declining. This hasn't been achieved for some time, resulting in pent up demand.



Future supply is also severely reduced across all grades, however it is noticeable that in the short term there will be more higher end product in HCMC, with affordable supply coming over the next two years. Hanoi maintains the B Grade bias. The reasons are;

- 1** The 'wealth effect' is occurring across the population, with rising incomes and increased equity. This means there is greater affordability or purchasing power. Responding to demand, developers can seek higher prices for better quality products.
- 2** Residential development land in both cities is increasingly scarce, and therefore more expensive, meaning developers must pursue higher selling prices to be viable.
- 3** A slow down in administration means that only developments with approvals in place will come to the market.

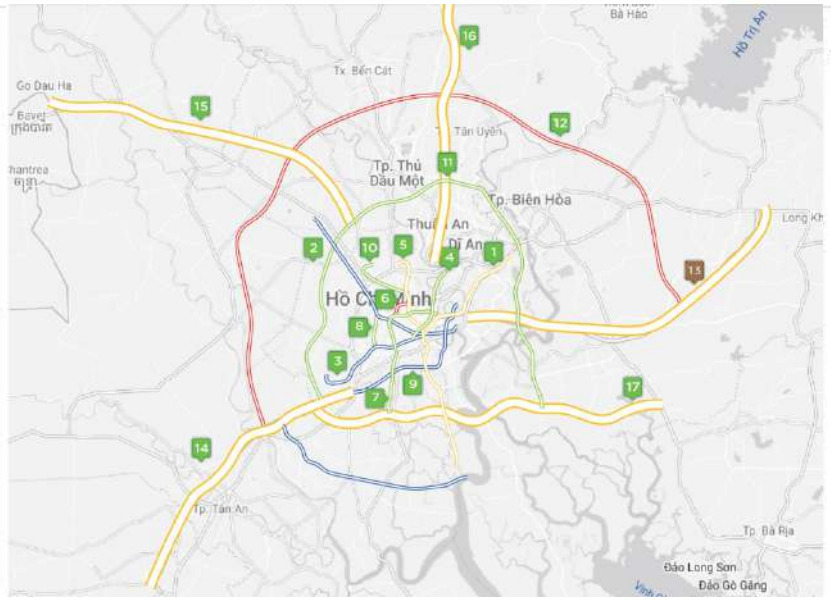


At around 6% of GDP, the national government spend on infrastructure delivery is ambitious. The disbursement is across a wide variety of typologies including roads, bridges, airports, ports and rail. The revised Land Law will hasten infrastructure delivery through utilizing market value frameworks. Importantly much of this infrastructure is improving connectivity through roads, highways, bridges and ring roads. This will better connect outlying areas with the CBD, its workspaces, facilities and amenities.

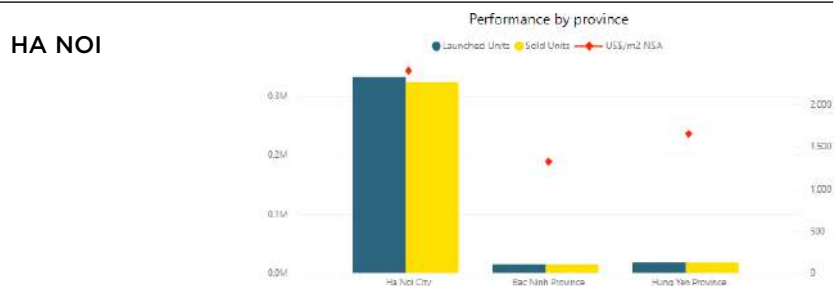
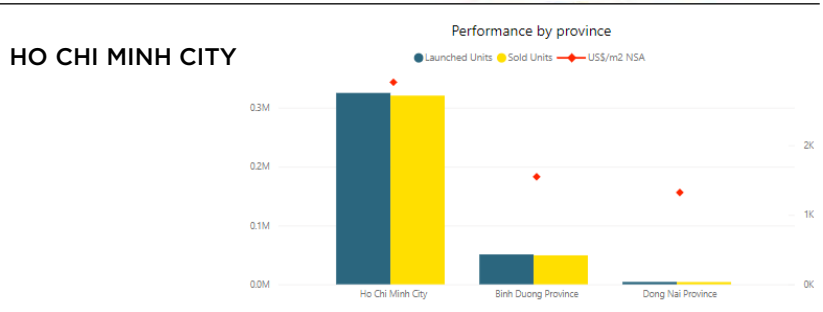
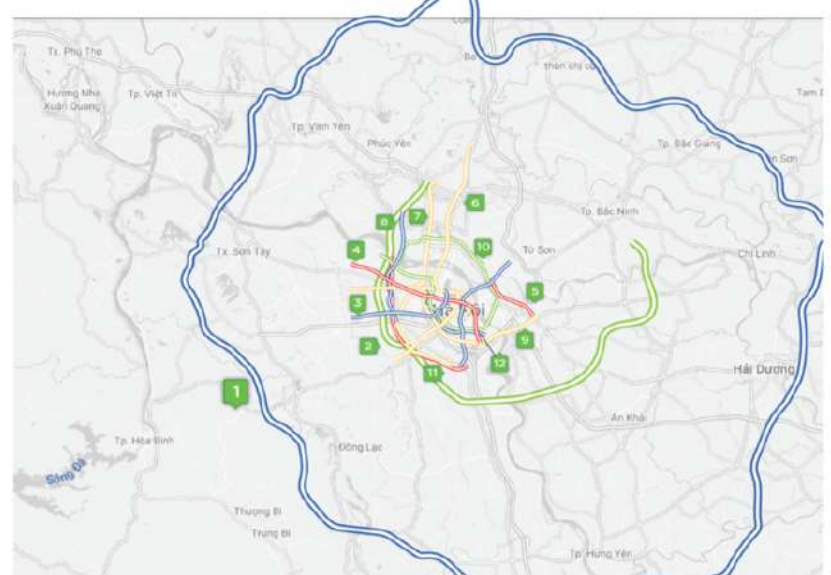
The infrastructure delivery brings the CBD 'closer' to the outlying areas, by reducing travel times. This is most noticeable with Transport Orientated Development (TODs) such as the Metro systems, that will enable large scale high density development along the route, and make commuting from outlying areas far more efficient. It also gives developers access to lower priced land that can deliver more affordable housing, as the land component is reduced.

And this is where the context bites. Hanoi and HCMC do not have overly restrictive geographies that neatly separate the adjoining conurbations. Nearby provinces are being effectively drawn into the major cities, that continue to extend their boundaries. With the infrastructure delivery, travel times are reduced giving outlying areas easier access to the heart of the cities. More affordable housing can also be created as the developers acquisition costs are lower. The price points of adjoining provinces are substantially lower and far more affordable than the 'proper' cities. Binh Duong and Bac Ninh show this clearly, both having average prices around \$1,500/sqm NSA that are 'affordable'.

### HO CHI MINH CITY INFRASTRUCTURE



### HA NOI INFRASTRUCTURE



The cycle of ownership and equity builds from a small affordable units, and then as family and equity are gathered, occupiers move to larger residences. A common aspiration over time would be from studio through to villa, then downsizing in later years. It is implausible that first home owners can afford the better locations. However infrastructure delivery is reducing travel times and allowing a greater choice of product in adjoining locations, satisfying affordable concerns. Infrastructure remains the greatest lever in changing value arrangement.

Certainly there is a lack of affordable housing in the major cities, however there should be, as this is not viable for developers nor 'appropriate' for first home owners. There is affordable housing available in nearby locations, that will be drawn closer to the CBD's with improved infrastructure. Globally infrastructure provision is vexed, often with long lead times and uncertainty in both delivery and patronage. Understanding urban planning policy and infrastructure priorities will help filter locations that stand to benefit the most.

Savills has the most advanced residential inventory in Vietnam, tracking most provinces performance metrics. If you would like further information on how we can accelerate your competitive edge please contact;



### Troy Griffiths

+84 933 276 663  
tgriffiths@savills.com.vn



### Giang Do

+84 909 088 276  
dthithugiang@savills.com.vn





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