Investment in residential property: taxonomy of home improvers in Central Hanoi

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Abstract

The advent of “Doi Moi” (renovation) in Vietnam has brought in a hitherto implicit residential property market. The dynamics of residential markets in Central Hanoi is a result of actions by groups trying to improve their properties following different investment strategies. A taxonomy of home improvers reveals three main types: the improver-consumerists, the improver-turned-dealers and the aspiring improvers. Their actions within the changing institutional framework is conceptualised in a dynamic model that could be a convenient tool for analysis of the residential property market. © 2002 Elsevier Science Ltd. All rights reserved.

Keywords: Residential property market; Home improvement; Housing perception; Housing status; Dwelling quality

1. Introduction

The residential property market in Vietnam was only officially established as recently as 1993 by the Land Law, and its legal existence was reinforced through amendments in 1998 and 2001. Its origin, however, was based on a long time existing system of unofficial exchanges. What the Land Law of 1993 does for the development of the property market is to recognise that land is a special asset and goods to be traded in the market. The Civil Law of 1995 then stipulated the conditions and content of the contract in property transactions. It is clearly stated by policy documents that the aim is to facilitate the establishment of new markets.

Due to the novelty of a formal property market in Vietnam, the implementation of the Land Law has encountered many ambiguities and contradictions. The interpretation of 500 or more legal documents related to property transactions is not always consistent, leading to confusions. All these lead to a situation where many property transactions are illicit, falling into an
“underground” market. According to some estimates, about 70% of the land transactions are informal. For this reason, instead of relying on official documents, an understanding of the property market in Vietnam can be achieved only through an analysis of the individual actors and their interactions with existing institutions which are supposed to ensure the conditions for an efficient market to operate. Among the elements serving as bases for social norms as well as cultural values within the institutional set-up, the changing perception of residential properties plays a special role.

2. Evolution in the perception of residential property

Since the Vietnam War ended in 1975, the country has been undergoing important and painful changes. Due to a combination of many factors—war devastation, economic mismanagement, political isolation, the embargo, to name just a few—the boom normally expected in the aftermath of a war did not happen, and Vietnam remains one of the poorest countries in the world (Thrift & Forbes, 1987). The crisis in the late 1970s and early 1980s prompted a call for reform. In 1986, a series of unprecedented changes in the political leadership led to the adoption of the reform policy, known as “Doi Moi”, or renewal. By the early 1990s, there appeared signals that the economy had overcome the worst, and had started to grow steadily. Since late 1993, when the restriction on the international lending was lifted, the economy has been growing at an average rate of 8.5% per year, until the Asian financial crisis of 1997.

Housing used to be very high on the priority list of a Vietnamese family. “Building a house, getting married, buying a buffalo” are the most important events in a man’s life, according to the well-known Vietnamese proverb. A house is not only a house; it is truly an “institution” (Rapoport, 1969). However, during turbulent times, the main concern was surviving physically. Houses were reduced to the role of a shelter. Indeed for many, houses were even physically demolished to construct bomb shelters during the raids of the US air forces. Furthermore, in the normal socialist hierarchy of importance, housing was ranked third or fourth in priority, after food, industry and infrastructure. In times of turbulence when Vietnam experienced for 30 years prior to 1975, the position of housing was further diminished.

Overall, the evolution of housing perception in urban Vietnam can roughly be divided into four periods as discussed in the following sections.

2.1. Housing as a shelter

This perception was widespread before the reform. In fact, a house was rarely anything more than a shelter during the early 1960s and the turbulent war years that followed. The earliest change in the perception of housing occurred in the middle of 1970s.

Residents of a Spartan lifestyle in the urban North were looking for a diverse urban living. The concept of self-contained flats emerged. Exposure to higher standards of living through studying or working in Eastern Europe of a substantial part of the workforce (white-collar as well as blue-collar workers), through the media, and through personal contacts with a better-off business class of the former capitalist South has changed people’s mind that housing is more than a shelter.
2.2. Housing as a means to generate income, an asset and financial security

Income may be generated either by trading activities or by cottage industry. During the late 1970s and early 1980s, when hyper-inflation conditions exerted strong pressures on the salaried people, it was not unusual for families of the state employees to be involved in producing small consumer items such as package boxes, postal envelopes, light garment and others on contract from state or private enterprises. Houses were turned into small workshops where workers were exclusively family members and relatives. To this type of income generated from dwelling, small-scale letting can also be added. Many inner city households could let some parts of their houses to businessmen for them to operate small book shops, cafes and other activities. During the difficult times, this sort of income could be more important in sustaining day-to-day expenses than the devalued salaries. As an asset with unlikely depreciation, housing can provide financial security in times of crises for the household and contribute to income generation by acting as collateral to secure mutual funds needed for home business.

2.3. Housing as an object of speculation

Beginning from 1976, when normal trading between cities in the two formerly divided parts of the country finally resumed, commerce was the first activity to bring considerable profits to households lucky enough to have their properties located on busy streets. A house located along a busy street was perceived as a powerful means of income generation. Many families were willing to sacrifice their comfort to live in over-crowded houses in order to take commercial advantages inherent in their location.

With the promulgation of the Land Law in 1993, houses have become—or rather have returned for the first time in a very long history as—a commodity, which quickly turned into objects for intense speculation. Many home-owners, especially those who have their properties located near the planned transport artery routes or commercial centres, have benefited hugely by selling part of their land, though the law banned buying and selling land. Plots for new development were often offered through building token structures on the land in order to sell it as usage right. This perception of housing as a commodity is characteristic of households which are very active in their search for profit from property dealings. Most of them were involved in property dealings by chance before becoming semi-professionals or professionals of the real estate sector. At first they were just typical serendipitous investors and the properties owned by them happened to be in the much sought after locations. Although these were few and they tended to stay only temporarily in the property business before moving to tourism or commerce, their de-facto business was perceived by the public as high-profiled.

2.4. Housing as a status-symbol

The advent of “Doi Moi” from 1986 onward has brought with it a flourishing private sector whose contribution to GNP was increasing at a very high pace, achieving the 60% mark by 1993. A number of successful entrepreneurs have started to invest large sums of money into their houses. To enjoy newly found respectability in an environment no longer dominated by the desire to mix, house owners begin to improve their houses in order to differ, and thus houses have
### Table 1

#### Housing development in Vietnam: A chronology

<table>
<thead>
<tr>
<th>Year</th>
<th>Main events</th>
<th>Urbanisation</th>
<th>Perceived nature of housing</th>
<th>Main mode of urban housing production</th>
<th>Prevailing urban housing forms produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>Independence</td>
<td>Low urbanisation</td>
<td>Consumption</td>
<td>Private</td>
<td>Detached houses, row houses</td>
</tr>
<tr>
<td>1946</td>
<td>Resistance war</td>
<td>Dislocation of population</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1954</td>
<td>Geneva peace talks, country divided</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1965</td>
<td>1965 American troops introduced to the south</td>
<td>North: Restrained, planned urbanisation, new industrial towns</td>
<td>North: Non-productive sector, social service</td>
<td>North: State subsidies</td>
<td>South: Private, Row houses + high-rise communal housing estates + detached houses</td>
</tr>
<tr>
<td>1975</td>
<td>1975 Vietnam war ended; economic embargo imposed</td>
<td>North: Evacuation, dispersion of settlements; zero or negative urbanisation</td>
<td>North: Shelter</td>
<td>North: Destruction of stock</td>
<td>South: Private, Row houses, detached houses</td>
</tr>
<tr>
<td>1985</td>
<td>1986 Reform of economic policy introduced</td>
<td></td>
<td>Non-productive sector, social service</td>
<td>State subsidies reduced, work-units housing production</td>
<td>South: Private, Row houses + high-rise communal housing estates + detached houses</td>
</tr>
<tr>
<td>1995</td>
<td>1995 Full integration into global economy; embargo lifted, joining ASEAN</td>
<td></td>
<td>Consumption, investment, speculative means, status-symbol</td>
<td>Private</td>
<td>Row houses + high-rise communal housing estates + detached houses + slums + squatters</td>
</tr>
<tr>
<td>1995</td>
<td>1996 Reform of economic policy introduced</td>
<td></td>
<td></td>
<td></td>
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</table>

**Source:** Phe (1998).
become a symbol of success. The willingness to buy houses not only for consumption but as status-symbols has changed considerably not only the pricing mechanism but the perception of desirability of specific sites. The preference before given to blocks of flats because of higher level of technical infrastructure services has switched quickly to detached private houses in the search for individual tastes and possibilities of extension.

This perception is among the well-to-do businessmen, officials and successful intellectuals and artists. Some of the owners are still staying in impressive properties built during the French era by their successful parents or grand-parents, and these properties are located largely in the Old Quarter and the French Quarter. Although housing perception has undergone a dramatic change in recent years, some old attitudes seem to have remained. In the popular perception of the people, what constitutes a desirable home seems to be surprisingly stable. Chronologically, the evolution of housing perception in urban Vietnam can be seen in Table 1.

3. Institutional responses: the five modes of housing provision

Institutional responses to the shortage of housing in Vietnam went through a route characterised by an increasing degree of pragmatism. The ideological concept of housing as a social service is gradually being replaced by elements of market. Nevertheless, from observation, the process would seem to be of “trial-and-error” type of responses rather than a well-designed course. Another feature of these responses is that they tend to overlap rather than fall within clearly defined boundaries.

3.1. Provision of housing as a social service (before 1989 and lasted until 1993)

In 1976, amid the euphoria of the newly gained independence and unification, ambitious plans were set up for industrialisation and standardisation of the construction industry. Large-scale technological production lines for prefabricated housing construction were imported from the former USSR and GDR, in anticipation of new master plans for every city in Vietnam. Housing policy at that time was seen in purely socialist terms, i.e. emphasis on the supply side, distribution of housing as social welfare and a determination to implement an universal housing provision for the urban population (Nhuan & Mathey, 1990). By the end of 1970s, however, it was clear that neither the construction industry nor the housing finance were even near the minimum capacity for housing the urban population. In the state-owned rental sector, serious financial pressure had been built up for the state housing management agencies. While the disrepair state of housing units had become alarming, there were no resources to finance improvements. The situation was ripe for experimental measures.

The changes in housing policy, mirroring those earlier changes in the agricultural policy, originated largely in a bottom-up fashion. In 1983, housing authorities in Nghia Binh province started to sell flats to sitting tenants. It triggered off a massive process of transfer in housing ownership from the state to the sitting tenants. During the following 10 years, about 3 million square metres were transferred. In fact, it was the beginning of a long process, during which different attempts were made in order to eliminate housing subsidisation (Hoa, 1993). The watershed came in 1990, when a Congress of the Vietnamese Communist Party (VCP) came to
recognise housing “as a commodity”. On 26 March 1991, the Housing Law was officially promulgated. This was made possible by the initial success of the counter-inflation measures introduced in 1989. These measures, including a reduction of state expenditure, reduction of consumer subsidies and relaxation of price control, were intended to make prices matter, as de Vylder (1995) pointed out in his study on government and market in Vietnam. It took another two years, until February 1993, for the Government to fully introduce the Housing Act 118-TTg. The Act covers the following aspects:

- elimination of fully subsidised housing distribution,
- recalculation of housing rent so that housing can be treated as a good in the market,
- transfer of housing subsidies to salaries paid to state employees, and
- identification of financial resources for this purpose.

The change in policy, of course, was responding to a serious situation in the state-owned housing sector. With most of the prices (including those of construction materials and services) liberalised, the very low rent for state-owned housing had created unbearable financial burdens for agencies managing the housing stock, as costs of repair and improvement vastly outweigh revenue from rent. The other more socially threatening phenomenon was the inequality created by the fact that those who were given subsidised housing were benefiting unfairly from this, especially when they tried to trade their surplus housing space in the illicit market.

The most important implication of this Act was that houses could be legally inherited and exchanged. It also meant that the questioned practice of free housing allocation had come to an end. Together with it, implicit, or indirect subsidised housing for the state sector employees (in the form of extremely low, nominal rents) had been made explicit by a form of “compensation”, or housing allowance paid to the salary of all employees to cover the state rent, which was increased by a factor of about 50, from 25 dong to 1350 dong per square metre. It was noted, however, that even this increased rent was only a fraction of the real market rent, which, if taking into account all necessary components, would reach approximately 10,000 dong per square metre (Hoa, 1993). The rent increase was intended explicitly as a measure to eliminate inequality in subsidisation and long housing queues. In effect, as shown by Minh (1993), it discouraged households holding more space than they were originally entitled to (as a result of favouritism in housing allocation or reduction in number of family members by whatever reasons), therefore freeing the surplus in floor space for other tenants. It also encouraged residents to buy private houses.

In the late 1980s, it was estimated that the private sector was responsible for over 80% of the volume of urban housing construction and improvement, up from <30% by the end of 1970s (Minh, 1993). Only a small quantity of housing, mostly pre-fabricated, was built during this period by the central and local governments, mostly for the purpose of rehousing residents from the few sites selected for development projects.

3.2. The work-unit housing (mid-1980s and 1990–1996)

By the middle of the 1980s, partial solutions for the housing shortages were sought in the form of work-unit housing. It was not unusual for ministries and large state-owned enterprises to set up
their own “funds” for the production of housing, which was distributed among the employees on the basis of needs and merits. The devaluation of the dong in 1985, however, dealt a heavy blow to these funds. As a result, numerous blueprints for the housing estates of ministries, local governments and work-units were abandoned overnight because of steeply increased costs of labour and construction materials. This mode of housing provision was only resumed as a favoured solution during the period 1990–1996.

3.3. Joint efforts by the state and the people (1989–1993)

Another innovation in the housing policy was tested, in the form of “joint action between the Government and residents”. In this mode of housing provision, the state supported the residents by giving policy incentives and by investing in infrastructure for the existing residential areas, while the residents were largely responsible for building or improving their own homes. This was a solution sought to bring about a gradual elimination of housing subsidisation.


This mode of housing provision had some similarities with the “site-and-services” approaches which were widely employed in other developing countries. Sub-divided plots with basic infrastructure are sold to financially capable residents to build their own homes. This largely experimental policy could have been an imported concept or it might simply have been another act of “fence-breaking” (pha rao) or grass-root reaction to general housing shortages.

3.5. Project-oriented housing development (1996 onward)

This mode of housing provision is aimed at comprehensive development of the whole new urban residential blocks including infrastructure. The task is given to powerful state-owned corporations with enough financial resources to ensure a smooth implementation of the projects. Although most of the projects are residential and deal with the shortage of quality dwellings, many of them are ambitious in scale and complex as mixed functions, bearing some of the hallmarks of the “mega projects” seen proliferating in Southeast Asia before the financial crisis of 1997. The biggest difference compared with the latter, however, is that the majority of these developments are funded by domestic sources. Currently in Hanoi there are a dozen projects in their implementation stage, and another 50 in the pipeline.

4. The emergence of a housing market

Among owner-occupiers in Central Hanoi, many housing transactions were known to have been carried out in the illicit market long before the reform in 1986, although it is impossible to extract any reliable historical information about the size of the demand and supply. Anecdotal information indicates that house prices in the late 1970s to the early 1980s seemed very low. It was not unusual to exchange a light motorbike for an inner city dwelling! Even for most urban
dwellers, this type of wealth was normally available only from the outside sources—largely in the form of remittance from relatives working abroad.

The view that before 1993, there was an emerging housing market functioning in Hanoi, is supported by both anecdotal evidence, mentioned elsewhere in this study, and opinions of expatriate researchers (UNDP, 1990; de Vylder, 1995). This is also confirmed by the data collected by the author, albeit indirectly. Only 26.8% of all the sampled households have had access to their existing dwellings without paying prices, that is, through inheritance or free provision by the Government. This means that the remaining 73.2% of the households have had to buy or make some sort of payment to get their current properties. Of the households who have occupied their current dwellings since 1986, the proportion of those which received housing without payment was only 23.3%.

There are, however, some reservations about the real nature of housing transactions before 1993, such as whether they should be considered barter exchanges rather than sales. At that time, most households had only one place to live in, irrespective of the ownership. There were very few absentee landlords, at least officially, and any incidence of home moving normally involved the transfer of the previous dwelling to family members, real or fictitious, as it was much easier to get urban registration. It was clear that there was no ban on private housing transactions, but there were restrictions to ensure that houses were for accommodation rather than profit. In reality, even in the public housing sector, houses did change hands often. The prospective buyers in the public sector would first negotiate the price of a property, and later add certain percentages of what was called “procedural fee”, which is unofficial. Thus, the rules of the dealing were quite explicit and predictable, as in a normal market transaction.

It was clear that transactions of housing units before 1993, though following the market logic, were much more volatile compared to those in a conventional market economy. It could swing wildly on the basis of just rumours about potential buyers or new urban development projects, which used to be decided bureaucratically without proper information made public. The transactions were sometimes illicit, which was not meant to avoid transfer taxes (which were almost negligible before 1993), but because transactions had to operate in an environment which was not unfriendly to profit-making. That was understandable, as housing had always been seen as a social service, and as such, it was thought that it should be fairly distributed rather than left to market dynamics.

Despite ideological uneasiness, the working of a housing market was nevertheless perceived as acceptable (or tolerated) at the practical level, even before 1993. The essence of the economic reform process in Vietnam, as pointed out by de Vylder (1995), was to make prices matter; in other words, to create a functioning market. While this was certainly the case for other goods, “Đoàn Moi” simply accelerates an on-going process in the private housing sector.

The Housing Act 1993 gave a huge boost to the property dealers, who quickly realised the enormous potentials of the newly legalised market. The home-owners benefited largely by the rapidly increased potential value of their properties. A popular way of improving housing conditions was to sell part of the property to finance a new, better quality home. This type of trade-offs and exchange was a trigger for much increased residential mobility, not only within the inner city areas, but in the suburbs as well.
4.1. Changes in housing demand

At the earlier periods of reform, housing demand was confined almost exclusively to the quantity of living floor space. The process was much exacerbated in the inner city areas due to the deterioration of the existing housing stock resulting from neglect, and great increases of immigrations. After 1986, when the economy showed clear signals of healthy improvements, demand for floor space continued to build up despite large-scale house building activities of the private sector, the reason being the severe shortage inherited from previous periods. But more importantly, the surge in demand for floor space was caused by the first wave of representative offices established by foreign corporations, as a result of the liberal investment law introduced in 1987. New construction and improvements of commercial properties had raised the price of usage rights (de facto price of land) to unprecedented high levels. The comparison was even made with the land price in New York. Later in the reform process, when an affluent middle class emerged, the demand for quality came to be emphasised. The affluent individuals looked for a high level of comfort, diversity of tastes and different ways of self-expression.

4.2. Changes in housing supply

Private housing construction is on the steady increase and accounts for the majority of newly produced dwellings. Most of the newly built houses are produced by small contractors (employed by state construction firms) who work outside their normal working hours to earn extra income. Work-units continue to provide housing for their employees, especially the joint-ventures, but their share of new housing is negligible. Commercial housing is developed both by state-owned housing development corporations and small private firms. The state rental sector remains at the previous level (30% of the state employees and the armed forces), despite a substantial part being sold to the sitting tenants. The big plants producing pre-cast components for housing construction have reduced their output due to tight budgets and the newly built housing stock entered the market on a commercial basis.

At present, private sector rental housing begins to emerge, mostly for foreigners and foreign firms. Rental housing for local residents is still very rare. The reason is that, in contrast with Eastern European countries, the privatisation of public housing is not (or will not) accompanied yet with denationalisation of a sizable stock; therefore no big landlords have emerged. Those who are able to do so would prefer a foreigner-tenant for much better rent revenue.

5. Taxonomy of home improvers in Central Hanoi

This section discusses the types of land and property investment and profiles the types of home improvers.

5.1. Types of investment in land and property

Whatever the level of realistic expectations, home improvements are generally seen as steps to the realisation of the opportunities to increase the wealth by all owner-occupiers. While the
observed pattern of home improvements show an overwhelming market-orientated character, the decision to improve would be reached differently by people with different positions on the social status ladder and different socio-cultural backgrounds. These differences lead to different motivations: while one group, under the influence of the recent past, sees income generation (in the form of trading place) as the main purpose in any housing action, the others are prepared to explore the new speculative opportunities or new ways to express the ability of personalisation in the residential environment. In the end, their different concepts of value will be translated to observable market prices. The distinction between these groups can easily be blurred or, rather, they make up a continuum with identifiable parts. To identify these groups, therefore, one should base judgement on their different responses to investing in home improvements.

It has been seen that the home improvement process, by its strong orientation to the outer market, has all the attributes of an investment activity, though in many cases the financial gains will never be realised. It can take many forms. It can be triggered and motivated differently, although the outcomes are always related to expected market gains. While there is a wide variety of contextual elements in different countries, there is also an agreement, at least in developed economies, on the similarity of the agents participating in the housing market in the role of investors. According to Haila (1991), there are generally four distinctive types of investments in land and property, described as: (1) investments for satisfying derived demand; (2) investments switched from production; (3) investments to meet conditions for restructuring and (4) investments that follow the estate sector’s intrinsic dynamics. Corresponding to these types of investment are the four types of investors:

*The serendipitous investors:* Those who acquire a property with no intention of speculation but can enjoy the increase in value when the property is sold. The serendipitous character is reflected in the accidental nature of profit. Although the customer is known, the decision-making process in this case is subjective, based mostly on use value. This role is played by owner-occupiers.

*The dealers:* Those who look for present exchange value by switching accumulated capital from productive sector. This role is played by institutional developers such as banks, building societies, etc.

*The planners:* Public authorities who plan and manage the built environment which they suppose to be rational and efficient.

*The speculators:* Those whose involvement in the built environment has the sole purpose of capital gains.

The taxonomy of investors presented above was used to describe the phases of urban development in Helsinki in a linear succession, from the construction of use value to the switching of investments by banks, followed by co-ordination by public authorities and ended up with manipulation by speculators. The process is thought to be more or less similar in developed economies, despite significant contextual differences (Haila, 1991). To some extent, the same analysis is true for non-socialist Third World countries. An explanation of this similarity can be found in the fact that in both cases, there has always been an established property market, with the financial institutions operating in it.

A substantially different picture can be seen in the context of an emerging property market as in Vietnam, which is characterised by a combination of factors, namely the specific perception of market potentials, the novelty of the market and the lack of financial institutions as well as market regulations. A proper taxonomy of investors who deal with property can be established by
looking at the situation in the city. In the following parts, an analysis is conducted on the action of these investors in the changing institutional framework of the housing market.

5.2. Characteristics of home improvers in Hanoi

In a liberalised economy, while the owner-occupiers are generally perceived as a comfortable middle class due to the market potentials inherent in their properties, the gap between those who can fully realise these opportunities and those who can only take marginal benefits from them, is probably not narrower, if not wider than that among the population at large. As such, they make up different groups in relation to their motivation of investment in home improvements. In this paper, home improvement is understood as any action that increases the value of the property, and as such it includes repair, enhancement and new construction.

The decades of the centrally planned economy had a very strong impact on homogenising the wealth level of the population. The presence of private property did not make any difference in income or social status of the households—a house was just a shelter. In fact, for the majority of the population, including owner-occupiers, a dream home would very much resemble a “self-sufficient flat” (can ho khep kin), rented from the government in a walk-up block of flats, which was the most popular type of public housing until very recently. At the early stage of reform, however, the gap was starting to show. Properties with direct access to main streets benefited hugely from commercial activities. The owners normally let front rooms of their houses to traders, or, in many cases, become traders themselves. The commercial boom happened in the Old City, famous for their trading streets known as the “36 Old Streets”. A few houses with complete papers certifying their ownership were transacted. At this stage, few people had enough money to increase their housing standards substantially.

The legalisation of the property market in 1993 coincided with, or rather was caused by, the influx of representative offices establishing their foothold in the capital. Instead of bustling trading streets, they sought respectable, relatively quiet, European-style properties, which were mostly found in the so-called French Quarter. Households owning properties of this type obtained a very strong bargaining power, as the rent is frequently paid 2 or 3 years in advance, the vast capital (by local standard) accumulated helped many owner-occupiers become first self-made entrepreneurs-developers and later professionals in this lucrative business. These dealers could rely on the rent paid in advance for their operations, without resorting to banks, which were still in their infancy stage within the new market economy.

This sort of activity, though isolated at first, fed the rumours of astronomical gains and is believed to have played a major role in triggering waves of home improvements hitherto unseen in the capital. Naturally, not all the owner-occupiers can enrich themselves in this way, either because their properties are not in right locations for letting or because they lack both the accumulated capital and access to financial institutions (both formal and informal) to fund the upgrading necessary for residential letting.

This majority would be content to improve their property with available financial resources, with the expectation of windfall opportunities, such as a sudden proximity to a newly planned road, or the return of Vietnamese contract workers abroad with strong purchasing power. In an attempt to search for taxonomy of home improvers in Hanoi, three main types can be identified as follows.
5.3. The aspiring improvers

These owner-occupiers have some of the characteristics of the serendipitous investors in Haila’s taxonomy, in the sense that their ownership of the property is historic. However, they differ markedly from the latter in their strategy of consciously adapting to market reality in planning their improvements. This is caused, on the one hand, by the high, if unrealistic, perception of market potentials, and on the other, by the band-wagon effect, in which the aspiring improvers would imitate the so-called trend-setters with higher social status. The aspiring improvers are the majority among the owner-occupiers. In terms of origin, they are largely long time local residents. In terms of occupation, they are as diverse as the urban population at large. A large proportion of aspiring improvers are the traditional home-owners (since 1954), but there are many people who came from other housing tenures. The latter are, as a rule, more ambitious but not necessarily better-off than the former. In general, this group of investors is strongly influenced by the past perception and experience of housing, and would prefer to see their houses used as a means of generating income.

5.4. The improvers turned self-made property dealers

These are the successful owner-occupiers who were able to benefit from the value of their property very early in the market reform through selling or renting mostly to foreigners. They become property dealers in a self-taught fashion, by using capital generated by rent-paid-in-advance to finance improvements in anticipation of more income of this type. Included in this group are business people (many of them, traditional home-owners) who actually switched capital from other businesses (not necessarily production, and including illegal ones). Home improvements for them are purely commercial activities; therefore they are very sensitive to the market. For this group, houses are mostly perceived as objects of speculation.

5.5. The improvers-consumerist

“Improvers-consumerists” is derived from the term “consumerists” used by Bell (1968) and quoted by Knox (1995). These are mostly well-educated and high-income people for whom improvements are required mainly to match their social status and aspirations. They are largely not interested in business opportunities because this is not the main source of their earning. Some of them are high-grade professionals or businessmen with national and international activities. They choose to stay or move a short distance within the central city area because they value the prestige and convenience attributed to down-town living. Their investment, directed to improving their living environment, is, however, closely related to the outer market in a specific way: They are the trend-setters in tastes and life-styles due to their cosmopolitan outlook and experience. The improvements made by them almost automatically command high market value and quickly become examples to be followed, although they rarely intend to sell the property, except in extraordinary situations. These are the first committed clients of professional architects and builders, instead of amateurish approach employed by improvers of other types. For this group, houses are objects of personalisation. In a society heavily influenced by Confucianist values, the
search for public image of dignity and aloofness has a lasting effect on the built environment. The habits of conspicuous consumption as an expression of social status, which was suppressed for quite a long time during the egalitarian period, have returned and are flourishing. All this happened under the cultural leadership of the newly formed urban elite, consisting mostly of the new rich, the businessmen and the professional class.

5.6. The matching of improvers groups and improvement categories

Overall, there is a clear match between the improver groups and the improvements they carry out. Each group prioritises certain elements which conform to their perception of the value of their property. It is noted that different types of improvements can be arranged in a continuum with one end orientated to the housing status content, and the other to the dwelling quality content. Housing status here is defined as the degree of compatibility of a residential environment to a given position in the socio-spatial hierarchy of a city. Dwelling quality refers to physical quality of the residential environment, i.e. the tangible factors such as number of bathrooms or floor area (see Table 2).

Table 2
Matching of improver groups and categories of improvements

<table>
<thead>
<tr>
<th>Categories of main improvements</th>
<th>Likely characteristics of the improvers</th>
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<tbody>
<tr>
<td>High-value, status-inducing improvements (&lt;sep&gt;separate glazed dining room, elaborate gate, cast iron fence, etc.)</td>
<td>High income, high level of education, long stay in the existing dwelling or short distance moving</td>
</tr>
<tr>
<td></td>
<td>Younger age group</td>
</tr>
<tr>
<td></td>
<td>Improvement expenditure: Highest</td>
</tr>
<tr>
<td></td>
<td>Nearest group: Improver-consumerists</td>
</tr>
<tr>
<td></td>
<td>Possible: Improvers-turned-dealers</td>
</tr>
<tr>
<td>Status-imitating improvements (decorative balcony, rooftop garden, false ceiling, etc.)</td>
<td>High to very high income, high level of education, shorter stay in the existing dwelling</td>
</tr>
<tr>
<td></td>
<td>Relatively young age group</td>
</tr>
<tr>
<td></td>
<td>Improvement expenditure: High Nearest group: Aspiring improvers</td>
</tr>
<tr>
<td></td>
<td>Possible: Improvers-turned-dealers</td>
</tr>
<tr>
<td>Neutral, structural improvements (roof, staircase, partitions, etc.)</td>
<td>Mixed to high and very high income, mixed level of education.</td>
</tr>
<tr>
<td></td>
<td>Mixed age group</td>
</tr>
<tr>
<td></td>
<td>Improvement expenditure: Mixed Nearest group: Aspiring improvers</td>
</tr>
<tr>
<td></td>
<td>Possible: Improvers-turned-dealers</td>
</tr>
<tr>
<td>Neutral, functional improvements (bathroom, water tap, mezzanine, etc.)</td>
<td>Mixed to low income</td>
</tr>
<tr>
<td></td>
<td>Mixed level of education</td>
</tr>
<tr>
<td></td>
<td>Older age group</td>
</tr>
<tr>
<td></td>
<td>Improvement expenditure: Mixed to low Nearest group: Aspiring improvers</td>
</tr>
</tbody>
</table>

6. A model of urban housing dynamics in Hanoi

Institutional analysis always stresses the dynamic characteristic of the property market. It advocates that value is defined by the interaction of the actors within an institutional structure and cannot be reduced to the sole working of the market. These propositions can be proved by observing home improvement activities in Central Hanoi.

Graphically, the process of home improvement can be seen in Fig. 1. It describes the dynamics of urban housing in Hanoi in which positions of the different groups of actors participating in the process are mapped. In this diagram, the vertical $OQ$-axis represents dwelling quality, while the horizontal $OS$-axis represents housing status. It is obvious that a high-quality dwelling can be located in a lower-status area, but a relatively low quality dwelling in a higher-status area (say, $C''''$) would be, in absolute measurement, of higher quality compared to its equivalents in other groups (i.e. $C$, $C'$, $C''$).

Before the policy reform in 1986, the whole quality range of dwellings (from $C$ to $A$) was assumed to be of the same housing status, at least officially. In fact, in the most prestigious housing estates before the reform, high ranked officials often shared their housing with ordinary people relocated from construction projects in the city. Thus on the $OS$-axis, $A$, $B$ and $C$ are assumed to have the same “housing status” value. The direction of the surge in housing dynamics is supposed to start around 1986 and is represented by $OF$ as a result of the new (renewed) perceptions of $OQ$, dwelling quality and $OS$, housing status.

Changes in housing can follow different routes going through three options: $m =$ moving, $n =$ improvement and $l =$ do-nothing (in this case, improvement includes any enhancement made to the home, i.e. maintenance, improvement and new building on the same site). The destinations of these routes are located in three intervals formed by vertical lines $P2a$ $p2a$, $P2b$ $p2b$, $P3$ $p3$ and $P4$ $p4$. These intervals represent correspondingly three “social status” groups: The aspiring improvers, the improvers-turned-dealer and the improvers-consumerists. The meanings of the routes are indicated on the legend to the right of the figure.

The vertical line-$OP2$ is of special interest. In terms of chronology, it represents the year the reform was introduced. As such, it is a watershed in changing the nature of housing from a social service (on the left) to a commodity (on the right). It shows the change of housing perception, from being a shelter to a means of income generation and object of speculation, to housing as a status-symbol. The base of the line $OP2$ on the “housing status” axis is also the origin of the improvement boom. The slope of $OF$ (angle alpha) denotes the relationship between an increase in dwelling quality and a corresponding change in housing status. As it is, a small change in dwelling quality causes a relatively larger change in housing status, and vice versa. It reflects the initial stage of transition, when housing status is more sensitive to changes in dwelling quality (Phe, 1998).

The graph shows that each group of the home improvers acts within a relatively well-defined segment of the residential property market, which is supposed to be characterised by a particular institutional set-up. In real life, the different groups of improvers are not always fixed and their roles can be interchangeable. The important thing is to discern the links between the roles (which could be played by more than one group of players) and the evolving institutions. It is interesting to note that according to this model, the differentiation of the home improvers could only happen after the economic policy reform, that is, when the land price started to matter. The model was
Fig. 1. A model of housing dynamics in Central Hanoi.
later developed into a generalised theory of residential location stressing the interaction between housing status and dwelling quality (Phe & Wakely, 2000). In this theory, the authors have shown that a form of social trade-off, rather than the market trade-off, was the main determinant of residential locations.

7. Conclusion

The residential property market in Hanoi has been shown to emerge from a social and institutional context that is changing rapidly. The peculiarities of the emerging market include a strong emphasis on the social perceptions of residential property which are based on the historical experience. The differences in perceptions in turn lead to the formation of distinctive groups of actors who are involved in home improvement activities with different strategies. These groups of actors interact with the mostly informal institutions which are represented by certain social habits and cultural values, to create a special residential and market dynamics that has shaped the spatial pattern of the city. In a dearth of formal financial and legal institutions that define the market, a proposed model of residential dynamics can be used to map out the complex interactions between the actors and the institutional framework. An analysis of these interactions may suggest new avenues of research into the property market in the institutional framework.

References