

# VIETNAM FACES SOARING HOUSING PRICES AND SUPPLY SHORTAGES —GROWTH POTENTIAL OF THE SUBURBAN HOUSING MARKET—

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## SUMMARY

- Vietnam's real estate market has developed on the premise of state ownership of land. Following its accession to the WTO in 2007, foreign capital began flowing into the real estate sector in earnest. By 2024, real estate ranked second after manufacturing in terms of foreign direct investment.
- Since the COVID-19 pandemic, housing prices in Ho Chi Minh City and Hanoi have soared, making home purchases increasingly difficult for low- and middle-income households and turning the issue into a social concern. The primary cause is a supply shortage, with investment demand driven by inflation hedging and expectations of capital gains also playing a role.
- While seeking to curb speculative investment, the government has set a target of constructing 1 million social housing units by 2030 as part of efforts to expand supply. Although delays in administrative procedures for real estate development remain a risk, the property market is expected to expand rapidly. Growth is likely to be particularly strong in suburban areas where land prices are lower than in city centers, supported by economic growth and rising urban populations.

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## 1. OVERVIEW OF THE VIETNAMESE REAL ESTATE MARKET

### 1-1. FORMATION OF THE REAL ESTATE MARKET

In Vietnam, land is owned by the state, while individuals and companies obtain land use rights. During the period of agricultural collectivism, cooperatives held these rights, but under the Doi Moi reforms in 1986, land use rights were transferred to farming households. The 1993 Land Law subsequently permitted the transfer and leasing of land use rights by individuals, leading to the emergence of a real estate market. Following Vietnam's accession to the WTO in 2007, demand for housing and commercial properties in urban areas surged, triggering a full-scale influx of foreign capital into property development.

In recent years, the gap between government-published land prices and market prices has complicated negotiations over land transactions. To address these challenges and enhance transparency in real estate transactions, three related legal amendments took effect in August 2024 (Figure 1). The revised Land Law abolished the land price framework, under which the government set upper and lower land price limits every

five years<sup>1</sup>. It introduced a system of publishing land prices annually in line with market values. As a result, from 2026 onward, land prices reflecting prevailing market prices are expected to be announced, reducing the burden of price negotiations.

**Figure 1: Overview of real estate law amendments**

	Amended Land Law	Amended Housing Law	Amended Law on Real Estate Business
Purpose	Modernize land administration and establish a <b>system aligned with market principles</b> .	Enhance transparency in housing development and transactions, and establish a sustainable and comprehensive legal framework.	Modernize the legal framework governing real estate transactions.
Main provisions	<ul style="list-style-type: none"> <li>• <b>Abolishes the land price framework, under which the government set upper and lower land price limits every five years, and introduces annual publication of land prices in line with market prices.</b></li> <li>• Clarifies the definition of foreign-invested enterprises. <b>Companies with foreign ownership of 50% or less are treated as domestic entities, expanding the scope of business activities available to foreign-invested enterprises.</b></li> <li>• <b>Stipulates diverse compensation methods</b> for government land expropriation, <b>including monetary compensation and housing</b>, in addition to land-only compensation.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduces greater flexibility in obligations related to social housing development. Previously, developers were required to allocate 20% of project land for social housing, <b>but provincial People's Committees are now permitted to set requirements more flexibly.</b></li> <li>• Introduces new incentives to promote the renovation and reconstruction of apartment buildings that have reached the end of their service life.</li> </ul>	<ul style="list-style-type: none"> <li>• Limits deposits for pre-completion property purchases to 5% of the purchase price to prevent excessive advance payments.</li> <li>• Clarifies the definition of foreign-invested enterprises, consistent with the amended Land Law. <b>Companies with foreign ownership of 50% or less are treated as domestic entities, expanding the scope of business activities available to foreign-invested enterprises.</b></li> <li>• Allows buyers to choose whether to require a bank guarantee in transactions involving the sale or lease-purchase of properties under construction.</li> </ul>

Source: Compiled by MGSSI based on various announcements and news reports

## 1-2. MAJOR DEVELOPERS

Major local developers include Vinhomes, Becamex, and Nam Long Investment Corporation (Figure 2). Foreign investment in the sector is robust. In 2024, real estate ranked second after manufacturing in terms of inward foreign direct investment. Since relationships with the government are important for acquiring land use rights and development permits, foreign developers often enter the market through joint ventures with local firms. For example, Nomura Real Estate is participating in a condominium housing project led by the local developer, Ecopark, in the suburbs of Hanoi (Figure 3).

<sup>1</sup> However, if during the applicable period of a given land price framework, the prevailing market land price rises by more than 20% above the upper limit of the framework, or falls by more than 20% below the lower limit, the government is required to adjust the land price framework accordingly.

**Figure 2: Major local developers**

Company	Characteristics	Revenue (2024)	Net profit (2024)
Vinhomes	Developer under Vingroup, Vietnam's largest conglomerate. Mitsubishi Corporation and Nomura Real Estate participate in its projects.	USD 3,877.22 M	USD 1,333.80 M
Becamex	Developer with strengths in industrial park development. Developing a garden city project in the suburbs of Ho Chi Minh City with Tokyu.	USD 201.9 M	USD 77.50 M
Nam Long Investment Corporation	Has experience collaborating with Japanese companies such as Nishitetsu, Hankyu Hanshin Properties, and Tokyu in urban development.	USD 273.44 M	USD 52.70 M
Dat Xanh	Conducts real estate development primarily in Ho Chi Minh City. Also engages in construction and construction materials businesses.	USD 182.22 M	USD 17.22 M
Phat Dat	Develops real estate mainly in Ho Chi Minh City and Quang Ngai Province.	USD 31.22 M	USD 5.89 M
Novaland	Strong presence in real estate development in Ho Chi Minh City. Illegal corporate bond issuance was uncovered in 2022, worsening its business environment.	USD 345.02 M	USD -0.16 M
Ecopark	Promotes environmentally focused urban development through the Ecopark Project in suburban Hanoi. Nomura Real Estate is also participating.	-	-

Source: Compiled by MGSSI based on announcements from the companies.

**Figure 3: A housing subdivision at "Ecopark," developed in Hung Yen Province on the outskirts of Hanoi**

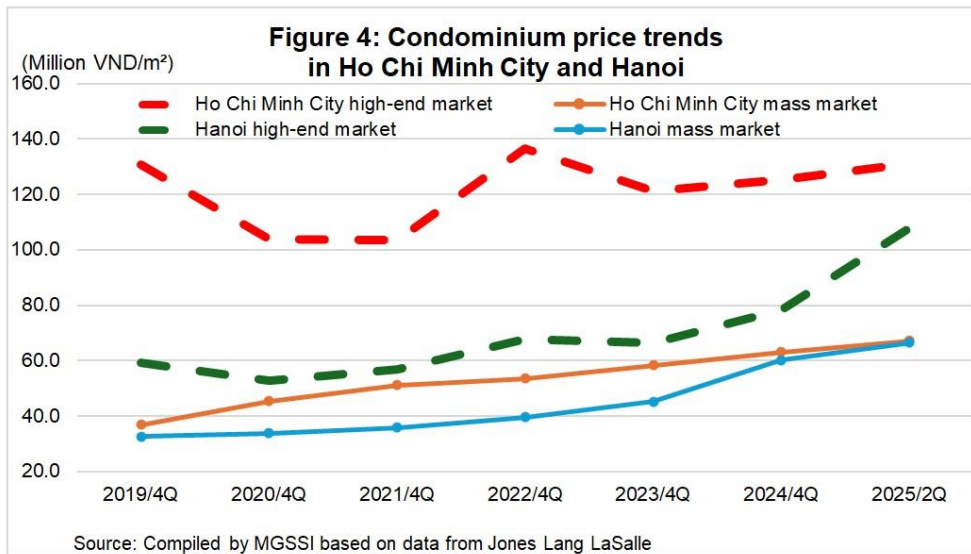
Source: Photo taken by MGSSI

## 2. BACKGROUND TO THE SURGE IN HOUSING PRICES

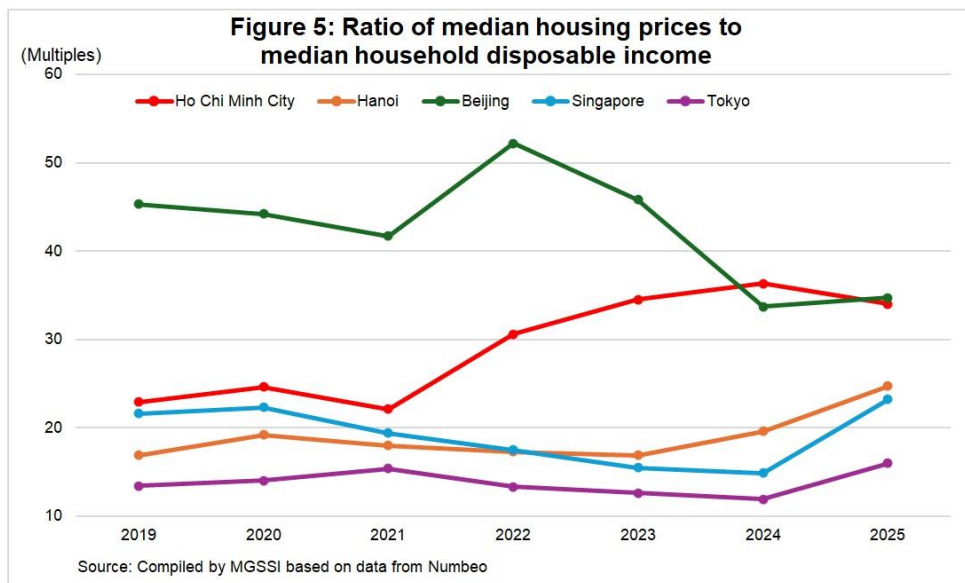
### 2-1. RISING HOUSING PRICES AS A SOCIAL ISSUE

In April–June 2025, condominium prices in Ho Chi Minh City and Hanoi reached record highs, with the average price per m<sup>2</sup> at VND 89 million (approximately JPY 521,000) in Ho Chi Minh City and VND 80 million (approximately JPY 469,000) in Hanoi. A 120 m<sup>2</sup> family-oriented condominium in Ho Chi Minh City would therefore cost about JPY 62.52 million. According to the US real estate services firm Jones Lang LaSalle, condominium prices are trending upward in both the mass market, where most units are priced below USD 3,000 per m<sup>2</sup>, and the high-end segment<sup>2</sup> (Figure 4).

<sup>2</sup> Most recently, prices in Hanoi's high-end segment have risen sharply. Inflows of investment capital are considered to be accelerating because price levels in Hanoi remain lower than in Ho Chi Minh City and are seen as having greater room for future appreciation.



According to the private research firm Numbeo, the ratio of median housing prices to median household disposable income is high in Vietnam. As of 2025, Ho Chi Minh City ranked 5th among 281 cities worldwide at 34 times, while Hanoi ranked 17th at 24.7 times, indicating the difficulty of home purchases (Figure 5). For comparison, Tokyo ranked 50th at 16 times.

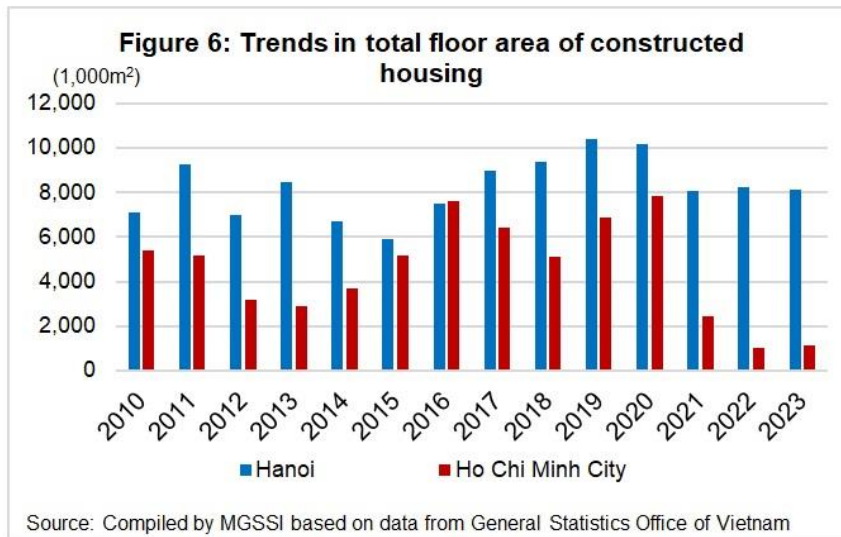


## 2-2. FACTORS BEHIND RISING HOUSING PRICES

The primary driver of rising housing prices in Vietnam’s urban areas is a supply shortage. On the supply side, the land ownership system plays a significant role. Developers must acquire land use rights from the government through bidding and other procedures before undertaking development. Various approvals are required, and since the COVID-19 pandemic, approval delays have become more pronounced, particularly following the exposure of misconduct by real estate companies in 2022<sup>3</sup>. As a result, housing supply has

<sup>3</sup> In 2022, illegal corporate bond issuances by numerous developers were uncovered. For example, Novaland issued corporate bonds ostensibly to strengthen the capital of a subsidiary, but in reality, routed the funds through intermediary companies and diverted them to support its own cash flow. Following the exposure of these irregularities, the government began exercising greater caution in granting approvals related to real estate development.

declined sharply, especially in Ho Chi Minh City (Figure 6). Delays in administrative approvals have constrained supply, prompting developers to focus on higher-priced segments with greater profitability. This shift has been the major factor behind the surge in housing prices.



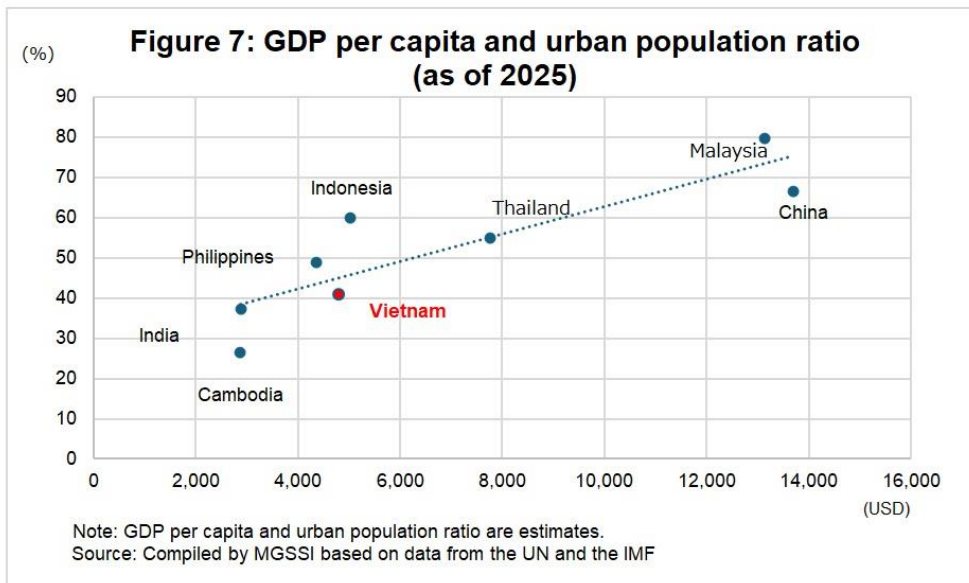
On the demand side, strong investment demand is a key factor. Vietnam's financial markets remain underdeveloped, and financial products have not become sufficiently established as investment vehicles. As a result, funds tend to concentrate in tangible assets such as real estate and gold. Low land taxes, equivalent to property taxes, and low capital gains taxes also contribute to real estate's appeal as an investment target.

In addition, rising prices have enhanced the appeal of real estate as an inflation hedge (a means of avoiding losses from currency depreciation). Condominium prices have increased over the long term, strengthening expectations of further appreciation and encouraging investment. Moreover, policy interest rates have remained at historically low levels since the COVID-19 pandemic, keeping mortgage rates low as a result. This interest rate environment has further supported real estate investment.

### 3. GOVERNMENT INITIATIVES AND CHALLENGES

#### 3-1. OUTLOOK FOR FUTURE DEMAND

In Vietnam, urban housing demand is expected to continue to grow, supported by strong economic growth and a low urbanization rate. Reflecting changes in the industrial structure, there is a positive correlation between GDP per capita and the urban population ratio (Figure 7). Vietnam's urban population ratio is estimated at 41% as of 2025, lower than that of neighboring countries with similar GDP per capita, such as the Philippines (49%) and Indonesia (60%), indicating a lower degree of urban population concentration. This suggests considerable scope for further urban population growth in Vietnam. Average annual economic growth was 6.6% in the 2010s and 5.2% from 2020 to 2024. With the government aiming to achieve high-income country status by 2045, continued strong growth is anticipated.



In particular, development in suburban areas located farther from city centers, where land prices are lower, has been delayed due to inadequate transport infrastructure. As infrastructure development progresses, the supply of housing in suburban areas is expected to expand, helping to meet demand from end users.

### 3-2. GOVERNMENT INITIATIVES

The government is promoting an expansion of housing supply. The primary initiative is the construction of for-sale social housing for low-income households. The government has set a goal of building one million social housing units between 2021 and 2030.

However, as of July 2025, 103,717 units had been completed, 111,622 units were under construction, and the construction plans of 418,220 units had received approval, for a total of 633,559 units. Achieving the target will therefore be difficult. Moreover, one million units would still be insufficient to meet demand. According to a government survey, as of 2022, only 50.3% of households lived in housing with pillars, roof, and walls constructed from durable materials, while the remaining 49.7% resided in housing in which at least one of these elements lacked durability. With an estimated 30.8 million households in 2025, approximately 15.3 million households may require replacement housing. Supply, therefore, remains limited relative to demand.

Real estate has a wide range of related industries, and the construction of social housing is expected to support growth in building materials, furniture, and equipment. According to estimates by Vietnam's Ministry of Construction, building 1 million social housing units would require 4 million tons of cement and 1 million tons of steel per year. This corresponds to approximately 6.6% of Vietnam's estimated annual cement consumption in 2025 (about 60 million tons), and roughly 4% of its estimated annual steel consumption (about 25 million tons). A certain level of additional demand can therefore be expected.

The government has indicated a policy of curbing overheating in the real estate market. In July 2025, Vietnam's Ministry of Finance (MOF) proposed revising the current 2% tax on transfer value by introducing a 20% tax on capital gains, or applying higher rates to short-term resales, specifically 10% of the transfer value for resales within two years and 6% for those within five years. The proposal was not adopted due to the difficulty of centrally verifying transaction prices. However, the MOF continues to study revisions to the real estate tax system, and the likelihood of stronger taxation in the future is high. As a preparatory step, the government is building a system to manage real estate transaction data.

### 3-3. CHALLENGES

Delays in administrative procedures and transport infrastructure development remain key challenges. Administrative approval delays have become routine. Unless this structural issue is addressed, housing development will be unlikely to advance. In addition, expanding housing supply for end users requires not only advancing development in suburban areas where land prices are lower, but also ensuring adequate transport infrastructure to enable commuting to city centers. Metro systems are currently under construction in Hanoi and Ho Chi Minh City. However, if transport infrastructure development is delayed, suburban development and migration will not progress, and housing shortages will persist.

Meanwhile, the government recognizes these challenges. General Secretary Lam has initiated top-down administrative reforms to improve efficiency, including the consolidation of local governments<sup>4</sup>. Under former General Secretary Trong, anti-corruption enforcement was pursued rigorously. This led to excessive risk avoidance, including the referral of ambiguous cases to the central government. However, the focus of administrative reform is now shifting from anti-corruption to efficiency, and the risk of administrative delays is expected to decline going forward.

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## 4. CONCLUSION

Vietnam's real estate market has developed on the premise of state ownership of land. Since the COVID-19 pandemic, however, housing prices have surged amid delays in approvals, supply shortages, low interest rates, and inflation hedging, making home purchases in urban areas difficult. In response, the government has announced measures to expand housing supply. Against the backdrop of economic growth and rising urban populations, a rapid expansion of the real estate market to meet end-user demand is expected, particularly in suburban areas where land prices are lower than in city centers. Growth in the property market is also likely to generate ripple effects in related sectors such as building materials, furniture, equipment, and transportation. This presents significant business opportunities for Japanese companies.

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<sup>4</sup> Vietnam reorganized its 63 provinces and municipalities into 34 on July 1, 2025. Although the transition to the new administrative system has caused temporary disruptions, including delays in administrative procedures, improvements in administrative efficiency are expected over the long term. In addition, the government plans to revise performance evaluation criteria and introduce assessments based on workload, quality, and speed of execution. Failure to meet the new standards may result in reassignment or dismissal.