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DEVELOPING A SUSTAINABLE REAL ESTATE MARKET IN THE CONTEXT OF REAL ESTATE BUBBLES: INSIGHTS FROM VARIOUS COUNTRIES AND LESSONS FOR VIETNAM

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Abstract

Real estate plays a crucial role in the formation of substantial fixed assets for the economy. Since 2020, despite the market turbulence caused by the COVID-19 pandemic, real estate prices in Vietnam have consistently risen. Experts in Vietnam are concerned that at a certain point, real estate prices in Vietnam may become excessively high, leading to a liquidity crisis. At that juncture, the real estate bubble may burst, resulting in a significant decrease in transactions and a subsequent sharp decline in real estate prices, causing substantial repercussions for the economy. For these reasons, this article employs qualitative analysis methods to examine and evaluate the experiences in addressing real estate bubbles that have occurred in some developed countries. Additionally, this research aims to identify some strategies for handling real estate bubble situations and draw practical lessons for Vietnam in the current stage.

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1. Introduction

On December 22, 2021, the Prime Minister of the Government of Vietnam issued Decision No. 2161/QD-TTg approving the National Housing Development Strategy for the 2021-2030 period, with a vision to 2045. One of the objectives set forth is to construct affordable housing developments suitable for households with moderate to low incomes. The strategy aims to foster a sustainable real estate market with transparency, regulated and supervised by the state, aligning with land use planning, development strategies, programs, and housing plans. It also seeks to curb speculation and prevent the wasteful use of land resources in housing development.

In the summary report on the implementation of tasks in 2022 and the projection of tasks for 2023, the Ministry of Construction of Vietnam explicitly highlights that the real estate market in Vietnam still harbors destabilizing factors, with the risk of a potential transition from a speculative “bubble” to a state of economic recession[1]. Empirical evidence indicates that in the latter part of 2021 and the initial months of 2022, the real estate market in Vietnam experienced unpredictability, characterized by instances where land values in certain areas escalated by two to three times within a single year. During this period, project approvals were minimal, leading to an increase in speculative activities.

Fundamentally, housing should cater to the essential needs of each individual. However, the current real estate transactions in Vietnam primarily exhibit speculative characteristics, artificially driving prices through investor transactions rather than fulfilling the actual needs of end-users. Speculative activities contribute to the growing difficulty for individuals with lower incomes to access the real estate market. With a limited capital pool in the market, substantial amounts of funds diverted into land speculation hinder the flow of capital toward other productive business activities, posing a significant obstacle to the national economic recovery efforts.

At its core, when the demand for large-scale land and property exceeds the available supply, competition arises in both purchasing and selling transactions, creating conditions that drive up real estate market prices. In cases where transactions align with the fundamental principles of market economics regarding supply and demand, this may not necessitate economic regulation. However, following a pandemic, a portion of investors channeling funds into real estate can generate artificial value for real estate products, ultimately leading to a long-term real estate bubble. This phenomenon results in numerous

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[1] Leadership of the Ministry of Construction, Sustainable Development of the Real Estate Market in the New Context, Proceedings of the Scientific Seminar: Sustainable Development of the Real Estate Market in the New Context, Central Economic Commission in coordination with Ho Chi Minh City National University, March 11, 2022, p.457.

severe repercussions, such as the emergence of distressed debt and the presence of ghost properties. The bursting of the real estate bubble during the period from 2007 to 2011, stands out as a notable illustration of this phenomenon. Therefore, efforts should be made to limit the occurrence of such situations, and contingency plans and measures must be in place to address them if they indeed materialize. In a preventive approach to minimize the risk of a recurring real estate bubble, the government must support expanding the real estate supply in the market and provide assistance packages to facilitate low-income individuals' access to real estate in various business and production sectors[2]. Additionally, studying the experiences of some developed countries in preventing and coping with real estate bubble phenomena is a prerequisite for developing a sustainable real estate market in the future.

2. An overview of the real estate market and real estate bubble

2.1. Definitions of the real estate market

Real estate is a widely used concept across countries worldwide. In English, the term "Real estate" refers to immovable property. In French, the concept is expressed through the phrase "Immobilíe," while in China, the term "Fángchǎn" is used, emphasizing property attached to land to denote real estate[3]. According to Article 181 of the Vietnamese Civil Code, real estate is understood as immovable property, including land, residential houses, structures permanently attached to the land, along with properties attached to those residential houses and structures, and other properties as stipulated by law. In this context, the real estate market is established and developed to facilitate transactions related to immovable property using currency as the equivalent product. The real estate market encompasses various fields such as land planning, civil and industrial construction, architecture, environment, agricultural and non-agricultural land tax, property transfers, banking transactions (mortgages, collateral transactions, etc.), property leasing, and renting. In other words, the real estate market is a unique commodity, involving assets that cannot be easily moved, impacting state land management, as well as the long-term infrastructure development plans of each country. Therefore, the real estate market is regulated by the state through laws governing usage, transfers, land prices, and other relevant regulations related to transactions in the real estate market. Over different periods, the real estate market will be subject to varying development regulations based on specific

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[2] Anh Huy, Identifying the Causes of Real Estate Bubbles, https://laodong.vn/bat-dong-san/chi-ro-nguyen-nhan-gay-bong-bong-bat-dong-san-1137923.ldo, accessed on January 22, 2023.

[3] Thai Ba Can, Tran Nguyen Nam (2014), Real Estate Market: Theoretical Issues and Practicalities in Vietnam, Financial Publishing House.

geographical locations[4].

Due to real estate being classified as a special commodity, every transaction of buying and selling must be conducted on a legal basis, through transactions approved by state authorities. The value of contracts in these transactions depends on various factors such as the geographical area where the real estate is located, the market growth of real estate, the level of socio-economic development, population factors, foreign investment factors, etc. Transactions in the real estate market directly impact the financial and monetary market, creating fluctuations affecting other economic sectors and being subject to government management and regulation. From the above issues, ultimately, *"The real estate market can be understood as a place for trading real estate goods and services among real estate entities, real estate clients, and intermediaries (brokers) based on equivalent monetary relationships and influenced by specific space and time when real estate transactions occur."*[5]

2.2. Definitions of the real estate bubble

The concept of the real estate bubble (or housing bubble in the residential market) is a type of economic bubble that occurs periodically in local or global real estate markets, often following a land boom. Signs include rapid increases in market prices of real estate, such as housing, to a level unsustainable and subsequently declining. This period, just before the price drop, is also referred to as the bubble[6].

Some alternative perspectives suggest that the housing bubble, or real estate bubble, is the increase in land prices due to demand, speculation, and excessive spending leading to a collapse. Housing bubbles typically begin with an increase in demand against a backdrop of limited supply, requiring a relatively long period to replenish and increase. Consequently, speculators inject money into the market, further driving demand. At a certain stage, demand decreases or stagnates, leading to a sharp drop in product prices, causing the repercussions of a burst bubble. The common denominator of housing bubbles, or any other types of economic bubbles, is that they are temporary events, likely to occur

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[4] Nguyen Thanh Huyen - Nguyen Thi Ngoc Minh (2022), Experience in handling real estate bubbles in some countries and lessons learned for Vietnam, Proceedings of the Scientific Seminar: Sustainable Development of the Real Estate Market in the New Context, Central Economic Commission in coordination with Ho Chi Minh City National University, p.124.

[5] Mai Thu Phuong (2022), Real estate in the southern region continues to heat up - causes and some suggestions, discussion, Proceedings of the Scientific Seminar: Sustainable Development of the Real Estate Market in the New Context, Central Economic Commission in coordination with Ho Chi Minh City National University, p.78.

[6] "Defining a Real Estate Bubble - americanmonetaryassociation.org". Retrieved from americanmonetaryassociation.org on August 4, 2012. Accessed on November 28, 2018.

whenever market conditions permit[7].

According to assessments by experts, although it is just a temporary event, the consequences affecting the market economy can last for many years. Typically, this phenomenon is driven by issues beyond norms such as manipulated demand, speculation, unusually high levels of investment, excess liquidity, real estate financing markets being abandoned, or extreme forms of derivative products based on mortgages - all of which can render house prices unsustainable, leading to an excessive increase in demand compared to supply. Bubbles not only cause crises in the real estate sector but also have significant impacts on the overall economy. When this phenomenon occurs, owners of such assets are forced to seek liquidity by liquidating their mortgages through various programs or delving into retirement accounts to be able to afford mortgage payments. Real estate bubbles are one of the main reasons people lose their savings.

The causes of the real estate bubble, in essence, the real estate market is not as prone to bubbles as other financial markets due to the large transaction volumes and costs associated with homeownership. However, the rapid increase in credit supply, combined with very low interest rates and relaxed credit underwriting standards, creates conditions that encourage borrowers to enter the market, leading to increased consumer demand. Increasing interest rates and tightening credit standards can reduce real estate demand, leading to the bursting of the housing bubble. Additionally, supply-demand imbalances are also a major cause of the real estate bubble. When demand exceeds supply, and the supply is scarce, it leads to market imbalances. However, this increased demand is not primarily for purchasing properties for use but is largely speculative. When the demand for real estate for use is not as high as the supply available on the market, the value of real estate properties only increases artificially, and at some point, these bubbles will burst.

3. Experiences in handling real estate bubbles in some developed countries and lessons learned for Vietnam

3.1. In the United States

The phenomenon of the real estate bubble in the United States burst in the early 1990s, as real estate prices suddenly dropped, causing property holders and speculators to experience profit reductions and face bank debts. Unable to sell the properties held along with unpaid bank loans and mortgages, investors had to declare bankruptcy.

During the period from 2000 to 2005, there was a continuous increase in housing prices and land values in the United States. Within just five years, the monthly consumption of

[7] The Investopedia Team, "Housing Bubble," accessed on February 13, 2022, at https://www.investopedia.com/terms/h/housing_bubble.asp. Quoted from...

newly constructed houses grew from 907,907 units to 1,283,000 units, representing a growth rate of 41.14%. However, from the fourth quarter of 2005, signs of a slowdown in the real estate business market emerged. Specifically, in 2006, while real estate prices increased in many countries worldwide, the U.S. real estate market experienced a downturn. In February 2006, the number of newly constructed houses dropped from 882,000 units to 848,000 units, a 4% decrease from the previous month, marking the sharpest decline in six years in the United States.

In 2007, both house prices and the number of transactions on the market continued to decline, from 1,283,000 units to 776,000 units. From August 2007 to the end of August 2008, over 770,000 houses in the United States faced foreclosure due to families' inability to repay mortgage loans. Since 2006, subprime mortgages have accounted for 21% of total mortgage loans, a 9% increase from the period between 1996 and 2004. In 2006 alone, the total value of subprime loans reached $600 billion, equivalent to one-fifth of the U.S. housing loan market. The rapid development of subprime mortgages accompanied the booming U.S. real estate market, driven by the record-low interest rates of 0.25%. During this time, buying houses in the U.S. was relatively straightforward in terms of procedures, as buyers only needed to pay 20% of the house's value upfront, with the rest to be paid in installments over 20 years or longer.

In this favorable context, with low-interest rates, many investors simply bought real estate and rented it out, using rental income to cover bank loan interest payments. On the other hand, under favorable conditions, investors would directly engage in property transactions for profit.[8] However, with excessive debt, leading to the real estate bubble burst, to address the real estate crisis, the U.S. government implemented supportive policies such as economic stimulus packages and monetary policies like:

Firstly, many states in the United States began to pass anti-predatory lending laws aimed at reducing the debt-to-income ratio or increasing the costs of risky mortgage loans. Alongside these efforts, there were numerous legal policy changes, such as expanding the scope of protection under the Homeownership and Equity Protection Act (HOEPA) by reducing the annual percentage rate when purchasing homes and mortgages and encouraging through trigger thresholds for fees and points; prohibiting or restricting the use of balloon payments and prepayment penalties. Similarly, the efforts of the Federal Reserve to issue guidelines to limit banks' exposure to commercial real estate and the use

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[8] Nguyen Thanh Huyen - Nguyen Thi Ngoc Minh (2022), Experience in handling real estate bubbles in some countries and lessons learned for Vietnam, Proceedings of the Scientific Seminar: Sustainable Development of the Real Estate Market in the New Context, Central Economic Commission in coordination with Ho Chi Minh City National University, p. 125.

of foreign loans for this purpose.

Secondly, the U.S. government implemented an economic stimulus package in 2008, allocating over $900 billion for special loans aimed at carrying out rescues related to the housing "bubble" in the country. Over half of the funds were used to support two government mortgage companies, Fannie Mae and Freddie Mac, and the Federal Home Loan Management Agency. Also in 2008, the Troubled Asset Relief Program was launched. Specifically, the government's support package proposed new borrowing at a 4% interest rate, extending the repayment term to 40 years, and extending the repayment of overdue loans. This was a solution to stimulate demand in the real estate market. Borrowers were divided into two groups: those with good credit histories and those classified as subprime. For those with good credit histories, they had to be living in the house they intended to restructure the loan for, owe less than $729,750, and demonstrate financial hardship. For those in the subprime category, similar conditions would apply, but with the provision that after 5 years, the interest rates on new loans would increase but not exceed market rates at that time. Real estate investors wanting to buy a second home and those with debts over $729,750 were not eligible for this program.

Thirdly, the U.S. government implemented loose monetary policies in response to the 2008 global financial crisis. The Federal Reserve of the United States (FED) enforced a near-zero interest rate policy. The goal of the FED was to commit to keeping short-term interest rates near 0% until 2015 to stimulate lending and rescue real estate businesses, and the economy. Following this, to strengthen the economy, the FED continued to intervene in the monetary financial markets with three rounds of quantitative easing (QE) in 2008, 2010, and 2012. These were relief packages that the FED put forward to rescue the U.S. financial market amidst high unemployment and low GDP growth. Consequently, after a series of measures by the government and the FED to address the real estate crisis, the U.S. real estate market showed signs of recovery. In 2013, the U.S. real estate market showed signs of recovery at a stronger pace. The S&P/Case-Shiller composite index of home prices for 20 cities showed an increase of over 2.5% in April compared to March, marking the highest monthly increase since 2000. Home prices in all cities, except Detroit, rose in the fourth consecutive month, with 12 cities experiencing increases of over 20%, including San Francisco, Las Vegas, Phoenix, and Atlanta.[9]

2.2. In Japan

Japan has been facing a prolonged crisis and real estate bubble for up to 15 years. In fact, during the 1980s, real estate prices experienced a sharp increase but then plummeted

[9] Hai Linh, Global Real Estate Bubbles and Lessons for Vietnam, https://batdongsan.com.vn/bat-dong-san-the-gioi/bong-bong-bat-dong-san-the-gioi-va-bai-hoc-cho-viet-nam-ar95725, accessed on January 23, 2023.

continuously from 1989 to 2005. At one point, Japan had up to 56 banks, along with credit institutions, going bankrupt due to the bursting of the real estate bubble (the collapse of the real estate bubble led to a rapid deterioration in the value of mortgage assets and the financial capacity of borrowers, resulting in a surge in bad debts, causing lending to stagnate, and many credit institutions quickly went bankrupt, leading to a prolonged economic crisis).

The first reason given is the decline in stock prices, which in turn led to a deep decline in real estate prices. Specifically, the Nikkei 225 stock index peaked at 38,915 points at the end of 1989, then sharply dropped to 14,309 points in August 1992, a decrease of over 60% from its peak.[10] The stock market and real estate market have a close relationship with each other. When the stock market rises, a significant portion of the profits will be converted by stock traders into cash and then invested in real estate. Conversely, when stock prices fall, stock traders will incur losses, reducing their investment capital. At that time, real estate stock prices also declined, and land prices plummeted. To deal with "zombie" real estate companies in Japan, the government introduced supportive policies aimed at stimulating market liquidity and helping businesses out of the crisis through banking reforms by abolishing interest rate controls and non-bank lending barriers, banks began to expand risky lending such as consumer loans and real estate development loans.

Although most of these efforts were aimed at reviving the banking sector, they also allowed investors to create real estate investment trusts, essentially funds invested in commercial real estate. In the mid-1990s, the Bank of Japan set bank interest rates at below 1% to facilitate borrowing and thus stimulate the real estate market. In 1995, the Japanese Ministry of Finance issued an order to increase consumption tax from 3% to 5% and reduce individual income tax by 20% to stimulate the economy. Additionally, the Japanese government relaxed construction regulations, such as height limits and shortened construction permit approval times; debt management, and repurchasing bad real estate-related debts.[11]

The results achieved were that housing prices in Tokyo rose by 0.5% over the 12 months ending in July, the first increase in 15 years. Although land prices continued to decline, the rate of decline slowed down. According to the Financial Services Agency, from 2001 to

[10] Okina, Kunio and Shirakawa, Masaaki, The Asset Price Bubble and Monetary Policy: Japan's Experience in the Late 1980s and the Lessons, Institute for Monetary and Economic Studies at the Bank of Japan, February 2001, pp. 5

[11] Nguyen Thanh Huyen - Nguyen Thi Ngoc Minh (2022), Experience in handling real estate bubbles in some countries and lessons learned for Vietnam, Proceedings of the Scientific Seminar: Sustainable Development of the Real Estate Market in the New Context, Central Economic Commission in coordination with Ho Chi Minh City National University on March 11th, 2022, p.126.

2006, the government significantly evaluated the assets of major banks to substantially reduce bad debts, from a total debt ratio of 8.7% in 2002 to 1.4% in 2008 (Fackler, M, 2005). As a result, competition for loans also increased, especially in urban areas. The cost of home loans decreased, creating liquidity for the real estate market. However, the Japanese government's "rescue" of the real estate market faced some challenges, including the government's failure to resolve difficulties for struggling businesses, the economy falling into deflation, and the issue of public debt making the economic recovery even more difficult.[12]

3.3. In China

After more than 40 years of economic reform, the real estate market in China still faces inconsistent regulations, which are manifested in various issues. In many regions of China, investors have taken full advantage of demand-stimulating policies for residential housing through low-interest loans, directly engaging in borrowing to develop commercial residential areas, disregarding urban planning and actual societal needs. By early 1992, the number of real estate development companies in China had increased from 3,000 to over 12,000. The number of investors in real estate also rose by 117% compared to 1991, reaching 20,000 by mid-1993. The real estate frenzy first appeared in Hainan province, as well as in some cities in Guangdong (especially Huizhou) Guangxi (especially Beihai), and other coastal cities. According to statistics from the Chinese National Bureau of Statistics, Hainan province's GDP growth reached 41.5% in 1992, far exceeding the national growth rate of 14.2%.[13] Consequently, these real estate properties remained unsold, leading to a significant amount of illiquid debts for banks. Moreover, many interest groups from regulatory agencies, financial institutions, etc., took advantage of legal loopholes to profit from the real estate market, with local authorities implementing policies favorable to real estate investors by disclosing approved project information or providing false project information to boost real estate market prices. Additionally, taking advantage of favorable lending policies with low-interest rates and extended repayment periods led to the emergence of many bad debts, causing continuous price increases in the real estate market and creating real estate market bubbles. Due to weak national governance, lack of inspection, and supervision, many suspended projects and non-compliant constructions were observed, leading to urban blight.

During the Covid-19 pandemic, China continued to support economic recovery. Interest

[12] Nguyen Thi Tuong Anh - Nguyen Thi Bich Thuy, Experience in handling real estate bubbles in the United States and Japan, https://tapchitaichinh.vn/kinh-nghiem-xu-ly-bong-bong-bat-dong-san-cua-my-va-nhat-ban.html, accessed on January 23, 2023.

[13] Zarathustra, W. (2011). China: The Forgotten Real Estate Bubble of the 1990s. Business Insider

groups took advantage of market disruptions in the stock market, gold market, etc., leading to inflation and increased economic crisis risks. In response, China has taken measures to restore the real estate market, including:

Firstly, establishing a comprehensive legal framework in land-related fields such as: (i) specifying public tendering in land-related areas, (ii) the Ministry of Construction beginning to draft laws regulating real estate management for companies with real estate business rights, (iii) adjusting construction laws in the new context. Regarding planning, China has conducted comprehensive and detailed planning for over 100 central cities approved by the National Assembly. Among them, the task of protecting arable land until 2030 is 1.8 billion hectares, which is limited to permanent land use, and not convertible for other purposes such as real estate development.

Secondly, adjustments have been made to low-interest monetary policies aimed at real estate market development according to market supply and demand conditions, while issuing new policies to tighten credit for real estate companies to limit the risks of excessive borrowing leading to insolvency. Closer management of real estate companies with the function of issuing bonds that may cause real estate market crises.

Thirdly, concerning land management, the state strictly divides responsibilities among ministries. Accordingly, the Ministry of Construction will manage the order and organization of urban area land; rural land will be assigned to local state agencies for management, with mutual supervision. Real estate projects will not be classified as public interest groups. Regarding housing, China clearly defines the timing of transactions, transfers of various types of apartments, residential projects, commercial residential buildings, industrial residential buildings, and housing policies for low-income earners. Low-income housing is divided into three groups: low-rent housing, low-price housing, and cooperative housing (with this type of housing, the government and people contribute capital to complete it).

3.4. The suggestions for Vietnam to deal with real estate bubbles

The real estate market is one of the crucial markets in the economy, and when it experiences a bubble burst, it leads to severe consequences. Drawing from the experiences of several countries in handling real estate bubbles, there are specific lessons for Vietnam:

Firstly, the state needs measures to prevent real estate bubbles. One of the causes is the scarcity of supply while demand exceeds excessively. It is essential to decisively address key issues, especially when the average housing price is 25 times the average annual income of workers, yet real estate investors claim to face significant difficulties despite 80% of real estate companies being profitable. This indicates that the government needs to support expanding the housing supply into the market to prevent bubbles through stimulus packages for low-income housing construction. Additionally, relaxing legal regulations related to land procedures and extending the time for implementing procedures can also expand the real estate supply. Local authorities should monitor and respond to market information and take timely measures to prevent and address speculative activities and real estate bubbles in their localities.

Furthermore, the banking system plays a crucial role in restraining and resolving real estate bubbles. Therefore, regulatory agencies, financial institutions, and commercial banks need to enhance management capabilities in linking the financial market with the real estate market because the majority of the consequences of real estate bubbles stem from this link.[14] Lessons from the United States show that easy lending allowed many investors to access capital for real estate speculation, contributing to soaring real estate prices and the creation of bubbles. Hence, tightening credit is an effective solution to address real estate bubbles, significantly reducing real estate prices and freezing them for an extended period. Specific measures include restricting high-interest loans, offering low-interest loans, even at rates below 1% or 0%, expanding the borrower base to include low-income individuals, loosening lending conditions for those with poor credit scores, providing more opportunities for people to own real estate and consequently increasing real estate prices.

Secondly, Japan's experience shows that its government has implemented supportive policies to stimulate market liquidity and help businesses overcome crises. These policies include allowing investors to establish real estate investment trusts, essentially funds for investing in commercial real estate; managing debts, and repurchasing bad debts related to real estate. Additionally, to develop the real estate market sustainably, understanding the characteristics and signs of real estate bubbles is crucial. In Vietnam, there is a need to avoid excessive optimism, believing that the market always rises, leading to excessive borrowing for real estate speculation with hopes of continued price increases, while credit institutions set real estate prices too high compared to actual value.

Moreover, accurate assessment of cash flow from business activities is crucial as it is the most important source for repaying loans. In each credit institution, awareness and swift action to avoid real estate bubbles through a "bottom-up" approach are essential, and instructions and directives from the "top-down" are crucial. Japan's experience shows that setting low bad debt standards, and lacking effective supervision, and transparency are reasons that make these operations inefficient. Especially in the past, even when facing imminent difficulties, Japan adhered to the principle of not allowing bank bankruptcies, and the absence of regulations on bank bankruptcy mechanisms was one of the reasons for

[14] Bao Anh, Real Estate Bubble and Lessons from Japan, https://cafebiz.vn/thi-truong/bong-bong-bat-dong-san-va-bai-hoc-tu-nhat-ban-201408080708588606.chn, accessed on January 24, 2023.

exacerbating real estate bubbles and bank failures, as subjective confidence prevented the anticipation of bank bankruptcy issues, leading to unpreparedness. [15]

A critical lesson in coping with real estate bubbles in Japan is to address the scarcity of real estate supply leading to soaring real estate prices. The Japanese government relaxed construction rules, for example, limiting height and reducing approval time for construction permits. In Vietnam, the recent situation is also facing a scarcity of supply, resulting in high real estate prices. One of the significant reasons for the scarcity of supply is tightening real estate supply through legal regulations, significantly reducing the number of approved projects due to procedural obstacles or no longer being compatible with new regulations.

Thirdly, the real estate markets in China and Vietnam share many similarities, such as land ownership regimes, a focus on providing housing for low-income groups, and reliance on bank loans as the primary source of real estate development funding. In the current context, Vietnam needs to pay attention to some key issues:

Firstly, review factors hindering market liquidity to devise measures to unblock them. It is necessary to approve legal regulations for projects under capable investors, and banks will have flexible mechanisms in interest rates for market participants. Attention should be paid to developers and direct homebuyers instead of speculative buyers.

Secondly, regulatory agencies need to decisively handle land speculation and land hoarding. Create conditions for capable investors to address speculation and accumulate land reserves. Resolutely deal with interest groups connected to local authorities for improper gains from policies and project information.

Thirdly, in Vietnam, besides bank loans, real estate investors also owe bonds, with a dramatic increase of about 92.3 trillion VND during 2021-2022, accounting for 44.2% of the issued bonds market. This risk will directly affect the real estate market if companies lose their ability to repay. Therefore, the state needs to focus on the practical supply-demand situation of the real estate market, issuing appropriate monetary policies to stimulate sustainable development of this market, and avoiding the risks of bubbles, unsold housing, and difficult-to-recover debts.[16]

[15] Bao Anh, Real Estate Bubble and Lessons from Japan, https://cafebiz.vn/thi-truong/bong-bong-bat-dong-san-va-bai-hoc-tu-nhat-ban-201408080708588606.chn, accessed on January 24, 2023.

[16] Dinh Cong Hoang (2022), China's Response to the Real Estate Market Debt "Bubble" and Lessons Learned for Vietnam, Northeast Asian Studies Journal, Issue 5 (255), p.60-62.

4. Conclusion

Since 2020, due to the impact of the Covid pandemic, the real estate market has encountered various difficulties. Although it remains fundamentally stable and has not fallen into a state of stagnation or freeze, there has been deflation in some real estate segments and indices. Regarding the real estate supply: in 2021, the number of newly licensed real estate projects continued to decrease compared to 2020, resulting in a limited supply of real estate, especially for low-income housing. Despite economic deflation due to the pandemic's influence, real estate prices, residential properties, and land plots have continuously increased since the beginning of the year. By the end of 2021, the average prices of condominiums had increased by about 5–7%; prices of standalone houses within projects increased by 15-20%; land plot prices increased by 20-30% compared to the end of 2020. Particularly, at the end of the first quarter and beginning of the second quarter, there was a phenomenon of sudden price increases, even reaching a "price fever" for land plots in some locations in certain localities. Regarding credit debts: for real estate investment and business activities, as of December 31, 2021, it amounted to 728,842 billion VND (compared to 633,740 billion VND as of December 31, 2020).[17] Therefore, to regulate the real estate market towards sustainability, it is necessary to improve the legal framework within the Housing Law and the Real Estate Business Law to provide a legal framework for real estate business activities, enhance the effectiveness of market management by amending and supplementing policies and regulations on: trading in existing residential properties and construction projects; trading in residential properties and construction projects formed in the future; transferring real estate projects; brokerage services for real estate transactions; trading in land use rights with infrastructure in real estate projects; and regulation policies to ensure stable and healthy development of the real estate market.

[17] 17. Leadership of the Ministry of Construction, Sustainable Development of the Real Estate Market in the New Context, Proceedings of the Scientific Seminar: Sustainable Development of the Real Estate Market in the New Context, Central Economic Commission in coordination with Ho Chi Minh City National University, March 11, 2022, p.457.

COMPETING INTERESTS

The authors have no compting interest to declare.

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