

**Public-Interest Incorporated foundation**  
**Research Institute for High-Life**  
**Japan-Asia Collaborative Research Project**  
**Study report "The New Trends in Asian Urban Lifestyle"**

## **"The New Trends in Urban Lifestyle in Ho Chi Minh City"** **(serial in 4 parts)**

### **Part 3 : Distribution Trends and Development of Infrastructure to Deal With Expanding Urbanization.**

Principal Author DO My Hien



2002 Hanoi Foreign Trade University, International Economics Faculty,

Japanese Language Department, BA Joined Canon Vietnam, HR Department

2006 Shinshu University Graduate School, Division of Industrial and Social Studies, MA in economics

2007 ~ present Nagoya University, Graduate School of International Development, PhD program

2011~2013 Lecturer at Foreign Trade University, Ho Chi Minh City (History of Economic Thought)

Fields of Research: Rural Development, Development Economics, History of Economic Thought

Principal Author NGUYEN THI BICH THUY



1999 Ho Chi Minh City University of Social Sciences & Humanities, enter Department of Oriental Studies

2001 Kobe University, Faculty of Intercultural Studies

2003 Graduated from Ho Chi Minh City University of Social Sciences & Humanities

2009 Japanese Instructor at Ho Chi Minh City University of Social Sciences & Humanities

2011 Columbia Southern University in the US, Completed Master's program of Marketing

2011 Hanoi Foreign Trade University, Ho Chi Minh City, Japanese lecturer

2012 Bulacan State University, Doctor's program of Management

2013 Saigon Arts College Assistant to the Headmaster

Field of Research: Cross culture of Japan and Vietnam

Field of Business: 2009 Founded Lapis School of Japanese

2010 Founded Aqua Palace Wedding & Event Hall

Co-Researcher Furukawa Ichiro Hitotsubashi University Professor

Fukuda Hiroshi Joumon Communication Inc

## **Introduction**

Populations of Ho Chi Minh City, Hanoi City and their surrounding areas have been growing as the nation moved toward market-oriented economy. Until mid-80s, socialist policies promoted migration from urban areas to rural villages, but after "Doi Moi"(renovation, from '86) the reform and opening up of economy have accelerated population shift from rural areas to urban districts. As a result, comfortable urban lifestyle has become popular, while the cities that have ballooned in a short period of time have started to pose various problems. This part reports the current situation of urban infrastructure, distribution trend, and housing trend of the over-urbanizing Ho Chi Minh City.

## **Agendas**

### **1. Actual state of over-urbanization**

### **2. Pressing needs for better transportation infrastructure**

- 1) Convenience and challenges of motorcycle society
- 2) Preparation for motorization
- 3) Start of metropolitan railway construction in Ho Chi Minh City
- 4) Infrastructure development of road, railway, and air

### **3. Development of life infrastructure for creating a comfortable city**

- 1) Improvement of water supply and sewerage systems is an important issue
- 2) Evolution of mobile and internet environment
- 3) Population influx continues into urban area

### **4. Trends in traditional trade and modern trade**

- 1) Vietnamese retail market is expanding
- 2) Protective policy for traditional trades "Economic Needs Test"
- 3) Features of retailing businesses

### **5. Trend in housing development and serviced apartment**

- 1) Trend in housings in Ho Chi Minh City
- 2) Demands for exclusive serviced apartments
- 3) New movements after the collapse of real estate bubble

## **1. Actual state of over-urbanization**

After the Doi Moi in '86, Vietnam has taken active measures to invite foreign companies such as construction of industrial complex and preferential tax treatment, and accordingly a great number of foreign enterprises have branched into Ho Chi Minh City, Hanoi City, and their surrounding areas. The industrial concentration has increased employment and a large number of young workers have moved into the urban areas from rural villages; as such, the cities has rapidly urbanized. Consequently, Ho Chi Minh City and Hanoi City have become giant metropolises with populations of 7 million and 6 million respectively; at the same time, Danang City and Hue City in the central area attract a great number of migrant workers as industries concentrate into the cities. However, the cities have so rapidly developed and expanded in a brief period of 30 years that public transportation, housing, and other infrastructures could not improve quickly enough to support the increasing population and consequently brought about various problems of over-urbanization. Far from solving the problems, the cities still have population influx; while the citizens' life has become certainly rich, the urban problems of life and transportation infrastructure are getting worse and worse.

## **2. Pressing needs for better transportation infrastructure**

### **1) Convenience and challenges of motorcycle society.**

Firstly, let's see the transportation condition of Ho Chi Minh City. Although Ho Chi Minh City has a public bus system, the services and time tables are not conveniently designed. At the same time, the city has neither subway nor other transportation system, so the citizens' favorite means of transportation is motorcycle. Motorcycles are indispensable in citizens' daily life not only for journey to work or school but for shopping and picking up children at kindergarten or school. They often do shopping on a motorcycle without so much as removing their helmet. Motorcycles serve not only as a transportation means but an indispensable tool for dating couples. In hot Ho Chi Minh City, many couples enjoy driving motorcycle in wind and dating on riverside.

With as many as 35 million motorbikes being used, Vietnam is the fourth largest market of motorcycle sales in the world. The three Japanese manufacturers of Honda, Yamaha and Suzuki have about 80% of market share (except for Chinese bikes); the companies are investing in new plants and equipment for production increase to prepare for demand rise in future. The ownership rate of motorbikes per household is 124% in urban area and 84% in local area; the popularity is growing from "one bike per household" to "one bike per person". In 2011 the sales amount was 4 million, 18.9%

growth over the previous year (General Statistics Office), but the sales in 2012 showed unprecedented fall of 7% because of the consumers' recession. The recession had a significant effect even on the robust sales of motorcycles.

The convenient motorbikes have many problems at the same time. The most serious problem is traffic accident. With insufficient traffic light system, it is unsafe to drive a bike on a congested road or run side by side against lorries while taking aboard children both in front and in the rear. In evenings, arterial roads are at a standstill with the bikes on their way home. Because of the expanding city, housings are far out in the suburbs; the commuting time by bike is as long as 30 minutes to an hour and the risk of traffic accident is higher. Furthermore, there is a problem of parking area. Everywhere in the city from roads to vacant places are filled with parked motorcycles which block passage of cars and passersby. Such sight seriously ruins the beautiful scenery of Ho Chi Minh City.

Table 1. Vehicles and telephones per 100 Vietnamese households

	2004	2006	2008	2010
Automobiles	0.1	0.2	0.4	1.3
Motorcycles	55.3	68.6	89.4	96.1
Telephones	28.5	51.4	107.2	128.4

Sources: General Statistics Office



\* School front is crowded with pick-up bikes for children.



\* Family on a motorbike runs side by side against a lorry.

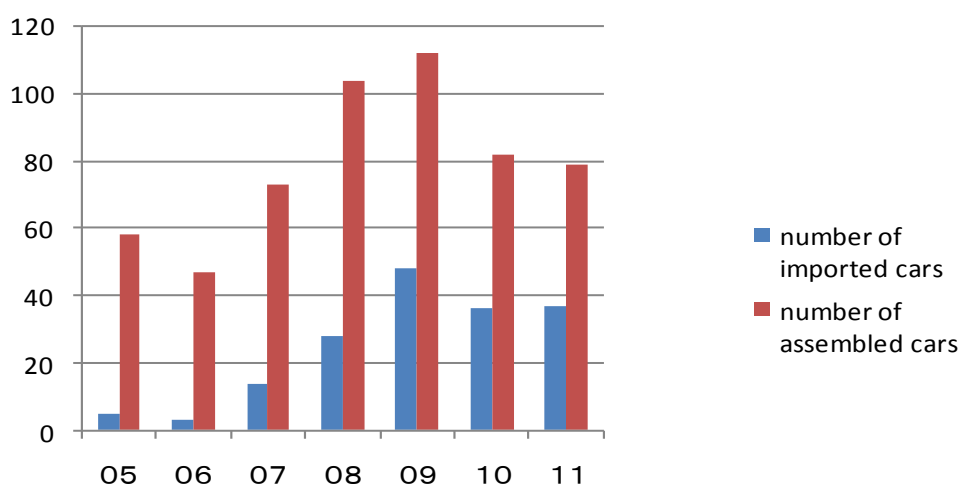
## 2) Preparation for motorization

It is generally said that motorization is triggered when GDP per capita exceeds 5000 dollars; as the GDP per capita in Ho Chi Minh City reached 3600 dollars in 2012, the city is on the eve of motorization. However, in Ho Chi Minh City or Hanoi City, the

developments of public transportation infrastructure of roads and subways are lagging behind. Given the circumstances, increase of automobiles is likely to bring about serious traffic jams in cities, to severely damage life and economic activities of citizens, and to seriously deteriorate the urban environment. From fear of these risks, the government is trying to delay the diffusion of automobiles by taxation (about 200% by customs duty etc) and various regulations.

When ASEAN Economic Community (AEC) takes effect in 2015, however, the tariff within the area will be zero and aggressive export of Japanese cars is expected from Thailand and other countries. Currently the sales of only 0.1million cars a year is causing traffic congestion along with motorbikes; when the domestic sales grow to 1.2million a year like in Thailand, the urban transportation would be just paralyzed. In this sense, construction of new roads both in city and suburban areas, expansion of roads, and development of scarce car parks are urgent issues.

Graph 1: Transition of Automobile production and import (unit x1000)



Source: Ministry of Industry and Trade, Vietnam

### 3) Start of metropolitan railway construction in Ho Chi Minh City.

Planning of metropolitan railway in Ho Chi Minh City comprises No.1 to No.6 subway lines, elevated railway, monorail, etc. The trouble is, the plan hardly moves forward. While expropriation of land is a key to urban redevelopment, the procedure in Ho Chi Minh City takes too much time because the administration doesn't carry out compulsory seizure although the rights of land-use are high-cost and complicated. As for construction itself, few contractors have been willing to make a bid for the projects because despite of the low budget the constructors were required to take all the risks of

bomb disposal or flooding typical in the delta area. Also there is a rule that different entities should be assigned to each of design, construction and administration in order to avoid injustice or cozy relationship in the project; however, the system doesn't work out owing to insufficient administrative ability and consequently delays the progress of construction.

Under such circumstances, bids for construction of Ho Chi Minh City metropolitan railway No.1 (subway and elevated railway, total length of 19.7 km) were called for in 2012. The construction is financed in yen loans and expected to complete in 2019, connecting city central Ben Thanh and northern east Suoi Tien. Japanese trading firm and general constructor have formed a consortium and bid for section in the city. In the natural course of events, the Japanese firms are supposed to receive the order in autumn 2013. As for 51 vehicles, signaling systems and other machines for the line, a Japanese company has received the order at 37 billion yen. Finally, the construction of Ho Chi Minh subway has started to move on.

#### **4) Infrastructure development of road, railway, and air**

With regard to domestic transportation in 10 years from 2000, the number of roadway users increased from 5.2% to 12%. On the other hand, the railway users decreased from 17.6% to 8.1%. The seaway users increased from 1.8% to 4.1%, while the number of airway users drastically rose from 8.4% to 30.8%. The economic development has been expanding the use of cars and airplanes.

Although Vietnam has numerous plans for road construction, they are not going on as scheduled. Since it takes about 3 hours to drive 100 km from Hanoi to Hai-Phong now, an inter-city highway is being constructed; however, owing to delayed expropriation of land, initial plan of final completion in 2011 has been delayed 2 years already. The construction is now said to be completed in 2015, but no one is sure. Also the ground transportation of 1700km between Hanoi and Ho Chi Minh takes as long as 3-4 days, which is a serious problem for the backbone distribution. Currently the north-south corridor is under construction, but there is no knowing how many years it will take to complete the highway. Furthermore, construction of the east-west corridor (connecting Ho Chi Minh, Phnom Penh, Bangkok, to Dawei in Myanmar), designed for economic development in Indochina Peninsula, also makes little progress and shows no sign of completion.

As for an international airport, Long Thanh International Airport in Dong Nai Province located 35 km northern east of Ho Chi Minh City is under development and scheduled to be first open in 2020, for the number of users of Tansonnhat International

Airport located 10km from Ho Chi Minh City has been increasing. As a hub airport equipped with four runways and four terminals, 70 million passengers are expected to get on and off the new airport annually. The old Tansonnhat airport is planned to become domestic flights only. Each of major cities in Vietnam has an international airport and each region and province has an air field; the situations of future improvements may differ, but domestic transport by air will be more convenient.

Regarding railways, the total length of railway in Vietnam is about 2600km. The main line connecting Hanoi and Ho Chi Minh covers 1726km with time distance being about 40 hours, which is not up to the speed of modern society. Since the whole railway system is old-fashioned and accidents often happen, passengers feel insecure about using the railway. In order to modernize the rail transport, the government has discussed introduction of Japanese Shinkansen system to the line between Hanoi and Ho Chi Minh, but owing to the enormous total cost of 0.2 billion yen, many insisted other important matters should come before and denied the bill in the National Assembly.

In the future, economic development is expected to increase of the amount of distribution and passengers internationally, among domestic cities, and within Hanoi and Ho Chi Minh Cities. Transportation infrastructure is indispensable for development of urban life and business environment; it is desirable to expedite the development plans.



\*Metropolitan highways financed by Japan's ODA



\*Developments of subways and roads in the city make little progress.



### **3. Development of life infrastructure for creating a comfortable city.**

#### **1) Improvement of water supply and sewerage systems is an important issue**

Except for the bountiful rivers of the Mekong in south and the Red River in north, Vietnam has few rivers suitable for drinking or industrial water supply. Owing to the short distance from mountainous region to sea, falling rain easily flow out to the ocean; currently the water is not effectively used in the country.

Ho Chi Minh City has been suffering from water shortage. For domestic and industrial waters, basically rainwater and ground water are used. The Mekong upriver district has multipurpose dams for power generation; although the sources send out clean water, the old-fashioned, poorly-maintained water pipes in the city contaminate the water with ground water and make it unsuitable for drink. What with 36% of water leakage and low water pressure, improvement of whole water supply system in the city including development of new water resources is called for.

The sewage system provides another big problem. The total length of sewer of 84 cities across the country is only about 1000km. Sewage treatment system has not been developed yet to deal with treatment of domestic, industrial, and hospital wastewaters of the expanding city. Both Hanoi and Ho Chi Minh Cities are located in Delta areas where floods are likely to happen in monsoon seasons. During rainy seasons, new industrial complexes and residential areas developed in marshland suffer from flood of filthy water in their urban districts and deteriorated life environment.

In order to eliminate the frequent floods in urban districts during wet seasons, the government decided to invest in sewage facilities, expanding the object areas for urban sewer systems from current 50-60% to 80-90%. Furthermore, for the big cities including Hanoi and Ho Chi Minh Cities, the object areas were expanded to 90-100% of the city area. As such, the urban districts are expected to be freed from water disasters.

#### **2) Evolution of mobile and internet environment**

In Vietnam, a mobile phone company Mobiphone started services on March 16, 1994. Initially the services were so expensive that only wealthy people could afford them, at the contract rate being 200 US\$ and rate for a call per minute being 0.3US\$. In March 2012 the number of telephone subscriptions across the country as of March 2012 reached 15.3 millions of landline and 118.7 millions of mobile, total of 134 million subscriptions (GSO). The charge for mobile 3G service is as moderate as 50 thousand dong (about 250 yen) that people not unusually own several mobile phones for private and business purposes separately. In the city the percentage of smartphone users is



rapidly increasing to about 30%. Smartphone costs 500 to 800 dollars, which is equivalent to two or three times of the starting salary for college graduates; however, the young people or business persons wish to purchase it even if they have to borrow money from their parents because the gadget is indispensable for their leisure or business activities.

Internet services started on November 19, 1997. Today the Internet is an essential communication medium for the citizens' daily life and business. As of the end of March 2013, 4.2 million households over the country subscribed to internet service and the number of users reached 32.1 millions (2012, GSO). In Ho Chi Minh City, most citizens use the Internet (95% of the 15-24 age group are net users). The charge per month is about 0.2 million dong (about 1000 yen). They can use wireless LAN everywhere within the city such as at cafes. The government is promoting optical fiber installation to offer broadband services to 70% of the whole households by 2020.

The citizens use the Internet and mobile terminals not only for information collecting but various purposes including online shopping, games and communication with friends via SNS. The Internet and mobiles are a part of life for children or adults, from which new lifestyle and businesses are being created.

As a socialist nation, Vietnam has banned Facebook (8.2million users) to avoid political disturbance; these days, however, Facebook seems to be given silent approval because of its greatly increasing users.

### **3) Population influx continues into urban areas**

Such cities as Ho Chi Minh, Hanoi, Binh Duong, Danang and Hue attract many young people from rural areas. As Vietnam is an education-conscious nation, youths who are financially ready try to enter famous university or professional school in major cities to get higher academic career. Since the big cities have various jobs, they can find more desirable jobs with higher incomes. Compared with rural or mountainous regions, urban areas have many retail stores, fashionable restaurants, and developed medical and housing services. Urban residents can enjoy a wide variety of commodities and various leisure activities. The adolescents can realize their dream of urban lifestyle.

On the other hand, excessive population inflow to the cities brings about various problems. Immigrants to urban areas are not always hired at factories or offices as regular workers, but are often engaged in miscellaneous jobs. In Ho Chi Minh City, the number of inhabitants without residence permissions amounts to a million, and half of which are likely to live in poverty. Poverty in urban area is more miserable than in rural area, entailing cycle of poverty. For their secured life, minimum level of housings

and life infrastructures need to be prepared as soon as possible, which is supposed to be a duty of a socialist nation.

Vietnam's rate of urbanization was about 20% in 1995, but ongoing population influx from rural area is expected to raise the rate to about 40% in 2030. Development of urban infrastructure and social security measures including welfare to deal with such population growth is a pressing challenge.

#### **4. Trends in traditional trade and modern trade**

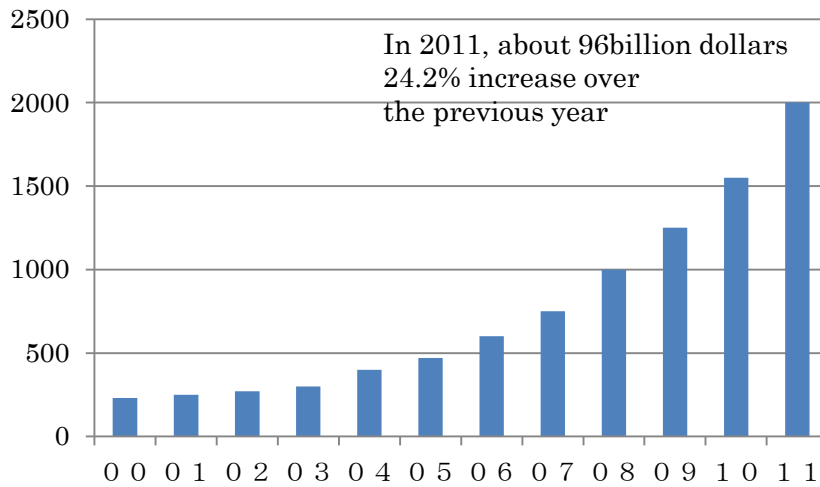
##### **1) Vietnamese retail market is expanding**

Vietnamese retail markets of both goods and services have been expanding year after year. Although high inflation continued with the rate of 23.1% in 2008 and 18.1% in 2011, growing consumption market supported increasing retail sales that exceeded the inflation rate, and the sales amounted to about 200 trillion dong (approximately 96 billion dollars) in 2011.

Compared with those in other ASEAN countries, the Vietnamese people are more likely to purchase foods, snacks and daily commodities at public markets, private shops, and other traditional trades (TT). From the viewpoint of retail sales value, the sales at TT accounts for 89% nationwide; even in urbanizing Ho Chi Minh City the TT sales accounts for more than 70%. The reasons are: personal shops are small-sized but conveniently located in residential areas, their fresh products of meat, vegetables and fish are moderately priced and very fresh, public markets have a variety of clothes and sundries, and each area's People's Committee controls opening of modern trades (MT) to protect the private shops.

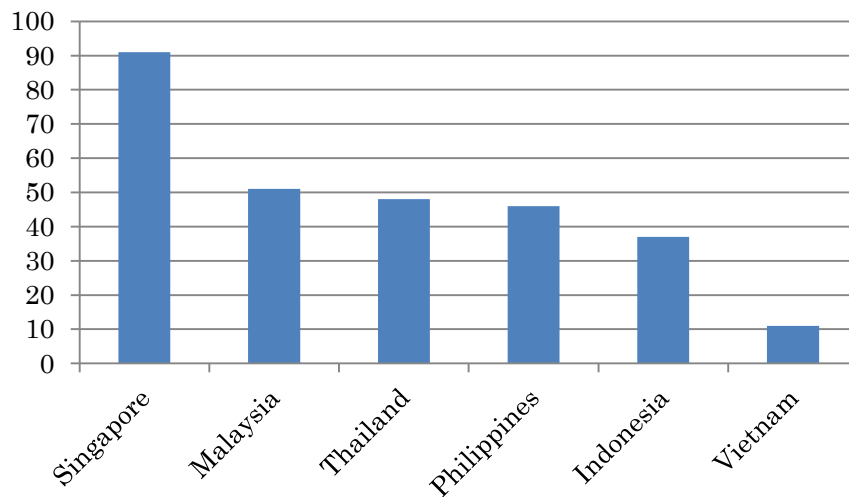
In Ho Chi Minh City, however, CVS, SM, GMS and other modern trades are supported mainly by the middle class and office working citizens, as their market share is increasing. For dual working couples and singles, modern trades are convenient because customers can save time by one-stop shopping without price negotiation. Also MT suits the growing consciousness for food security and safety, and has a large assortment of instant foods, frozen meals and other ready-to-eat foods. MT has become a distributor supporting the urban lifestyle.

Graph 2: Transition of retail sales amount (both of goods and services) (unit trillion dong)



Source: General Statistics Office

Graph 3: Percentage of modern trade (2009)



Source: The Nielsen Company Vietnam



\* Local private appliance store.



\* Traditional public market crowded with local citizens.

## 2) Protective policy for traditional trades "Economic Needs Test"

When Vietnam became a member of WTO in 2007, the nation partly liberalized foreign retail trade; in January 2009, it became possible to establish a local company of 100% foreign-owned retailer. Initially, the US consultancy Mckinsey estimated that Vietnamese retailing business had high potential for growth. In reality, however, there are many problems. According to the Global Retail Development Index (GRDI) by A.T. Kearney, the Vietnamese retail market was the most attractive market in 2008 after becoming a member of WTO, but the ranking fell to the 6th in 2009, 14th in 2010, and in 2012 Vietnam was not ranked among even the 30 most promising markets. The reasons include difficulty of land expropriation, high cost of real estates, high interest rate, and Economic Need Test (ENT), a great obstacle for foreign retail businesses.

When foreign distributors plan chain store expansion, their first store would be approved rather smoothly, but difficulty arises when they apply for the second store. A year after the opening of the first store, ENT is held in the area where the second store is planned regarding possible effect on the local private shops, market stability, and other factors, so that People's Committee of the Ministry of Industry and Trade should decide on approval. When the test result shows that the effect is significant, new stores won't be approved. The problem is that the unclear judgment standard of approval, the opaque screening process, and the discretionary administration make the ENT a substantial entry barrier against foreign businesses. As a matter of fact, even the local lawyers or consulting firms can't identify the contents of ENT clearly.

After opening the first shop in 2009, Family Mart was eager to expand their chain stores quickly, but it managed to have only just 40 stores in 2013. They can't take advantage of scale of CVS business nor make profit with such a small number of stores. Metro AG of Germany seems to apply for approval of every branch one by one. LOTTE mart seems to be able to expand their chain stores in a short period of time owing to their special relationship with the administration. As such, what is troubling is the ambiguity of the regulation criteria.

In the future, modern trade is expected to expand and traditional trade will be reduced as the lifestyle varies in urban areas. Under such circumstances, each area's People's Committee is required to redefine "foreign retailer"<sup>1</sup> and make transparent rules for a better entry barrier, not only for protection of traditional trade with ENT, but for future economic development and more sophisticated urban lifestyle.

---

<sup>1</sup> Even if the company has only 1% of a foreign retailer's financial contribution, it would be regarded as a foreign company and subject to ENT.



\*Among the middle class people CVS has established certain popularity.



\*An exclusive foreign department store popular among the middle and wealthy classes.

Table 2: Comparison of restrictions and problems of nations and sectors

Nation	Store opening restrictions	Foreign investment restriction	Items restriction	Other problems
Vietnam	ENT approval is required for opening second and more stores.	From January 2009, 100% foreign financed company can be organized.	Liquor, cigarette, home appliances, and other main items	<ul style="list-style-type: none"> <li>• Infrastructure of distribution and cold chain are undeveloped.</li> <li>• High cost of real estate (ground rent etc.)</li> <li>• Labor problems</li> <li>• Complicated procedure of appliance.</li> </ul>
India		Foreign multi-brand retailers can't enter the market (in Nov. 2011, the Cabinet endorsed alleviation of the restriction against foreign retailers, but the prospect after that is still dim).		<ul style="list-style-type: none"> <li>• Infrastructure of distribution and cold chain are undeveloped.</li> <li>• Problems of maintenance and control of merchandise information</li> <li>• Complicated taxation system</li> </ul>
China	A FC <sup>2</sup> needs two or more company stores and a year and more of management performance.	After 2004, wholesalers and retailers of wholly foreign owned enterprise can enter the market.	Foreign wholesaler or retailer can't deal with cigarette	<ul style="list-style-type: none"> <li>• Infrastructure of distribution and cold chain are undeveloped.</li> <li>• Custom clearance and other procedures are sometimes at the discretion of local officials.</li> </ul>

<sup>2</sup> FC: Franchise chain

Indonesia	Locations of store sites are restricted (stores can be opened in limited locations).	Department stores, shopping centers and supermarkets can enter as wholly foreign owned enterprise when they meet areal standards. • Note that convenience stores are not allowed.	A wide variety of items are restricted including rice, bread, other foods, clothes, shoes, stationary, commodities, and cars.	<ul style="list-style-type: none"> <li>• Labor problems (employees can't be fired, compensations are required for employees when the enterprise withdraws, wages can't be altered once they are decided).</li> <li>• Infrastructure of distribution and cold chain are undeveloped.</li> <li>• Commission-oriented society</li> <li>• Heavy tax burden</li> </ul>
Malaysia		<ul style="list-style-type: none"> <li>• Foreign convenience stores can't enter the market.</li> <li>• The companies need to fulfill each business's minimum capital conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• Entering companies are required to purchase a certain percentage of Bumiputera products<sup>3</sup></li> </ul>	Each business category has a floor area regulation.
Thailand	Locations of store sites are restricted (stores can be opened in limited locations).	By meeting the conditions, a foreign company can establish 100% foreign-capital retailer. However, they often form joint ventures with Thai companies because only Thai enterprises are allowed to deal with food and drink.	Sales of cigarette and liquor require licenses.	<ul style="list-style-type: none"> <li>• Infrastructure of distribution and cold chain are undeveloped.</li> <li>• Complicated taxation system</li> </ul>
Philippines		When the capital or the scale of parent company is above a certain level, it is possible to establish 100% foreign-capital retailer.		<ul style="list-style-type: none"> <li>• Infrastructure of distribution and cold chain are undeveloped.</li> <li>• Heavy tax burden</li> </ul>

*Source: Report by Ministry of Economy, Trade and Industry "Current International Expansion of Distributive Trades and Future Measures" p.17*

<sup>3</sup> Bumiputera: favorable policies for the Malay

### 3) Features of retailing businesses

The business categories of retailing in Vietnam include traditional trade of public market, private shop and wholesale dealer, and modern trade of super market, convenience store, department store and shopping center. The following table shows by categories the characteristics of articles, features of customer segment, and reasons why customers use the shop.

Table 3. Activities of customers concerning retailers

Category	Customer features	Items	Origins of products	Price	Reason of use
Public market	housewife, maid, elderly people	commodities	vegetables and meat, local, national, China, Thai	from low price	vicinity, convenience, fresh, low budget
Private shop	a wide variety of customers	clothes, cosmetics, shoes, brand goods, toys	local, foreign (Korea, China, Thai, Japan, the US, etc.)	a wide range of prices	product appeal price
Super market	female office worker, maid	commodities	various	from middle price	a wide of choice, guarantee of quality
Convenience store	foreign people, neighboring citizen, office worker	commodities	local, foreign	a bit of high priced	convenience
Department store	middle class people	clothes, shoes, cosmetics, brand goods	various (made in china are scarce)	a bit of high price, expensive	high price
	window shopping		preview before actual purchase at market or private shop		

*Source: Author's market visiting and observation*



Table 4: Transition of the number of retail stores unit/ number of stores %

	2005	2012	Annual rate of change (%)
Overall	553,310	631,208	1.9
Modern Trade	182	806	23.7
Convenience stores	14	362	59.1
Hyper markets	3	23	33.8
Super markets	165	421	14.3
Traditional Trade	553,128	630,402	1.9
Food specialty stores	6,028	7,805	3.8
Independent stores	206,784	216,865	0.7
Other retail stores	340,316	405,732	2.5

Source: : Creation of Daiwa Institute of Research Ltd. from Euromonitor

Table 5. Retailers in Ho Chi Minh City

Department stores	Hyper and Super markets	Convenience stores, specialty stores (appliances)
Parkson, Diamond plaza, Vincom center, Paragon, Crescent mall, Zen Plaza (Japanese))	Coop mart, City mart, Big C, Metro, Uni mart, Tax, Saigon super, Maximark, Lotte mart, Pandora	Shop&Go, Circle K, NguyenKim , G7 , Lotteria, Kentucky fried chicken, Pico plaza, Home one, Family mart

Source: Author's market visiting and observation

As the table indicates, the retailing business that is most likely to grow rapidly in future is a mass marketer of electric appliances because diffusion ratio of home appliances is still low in Vietnam. In Ho Chi Minh City many home appliance specialty stores have opened, and local chain-stores of Nguyen Kim, Cho Lon, Pico and Home one branch out one after another. These stores are greatly contributing to modernization of Vietnamese common family life through sales of home appliances.

Table 6. Adoption rate per household of consumer durables in major countries (2009)  
(unit: %)

	air conditioner	color TV	car	personal computer	refrigerator	washing machine	microwave oven
Vietnam	4.5	86.0	1.1	11.0	29.9	12.6	17.1
India	1.8	33.8	3.9	6.2	17.9	21.1	16.2
China	53.0	96.5	3.9	30.9	60.1	71.4	29.0
Indonesia	6.7	86.5	7.8	14.6	25.1	28.0	22.8
Malaysia	26.2	96.5	61.5	37.7	84.8	91.8	37.2
Thailand	13.6	96.6	13.3	27.5	87.3	50.8	61.0
Philippines	10.6	90.3	11.8	23.8	47.5	37.9	29.1

Source: excerpt from Euromonitor, JETRO research

Table 7. Number of branch stores of retailers

	Store name	North(Hanoi)	Central	South (HCMC)	total
Super market	Coopmart	4 (1)	14	43(25)	61
	Big C	9(4)	3	9(6)	21
	METRO Cash & Carry	5(3)	5	9(3)	19
	Lotte Mart		1	3(2)	4
	Fivimart	13(13)			13
	Maximark		2	4(2)	6
Convenience store	Family Mart			39(39)	39
	Ministop			12(12)	12
	Coopfood			64(64)	64
	New Cho			4(4)	(4)
	Shop & Go	7 (N.A.)		75(75)	82
	Circle K				
Department store	Diamond Plaza			1	
	Vincom Center			2	
	Parkson			4	
	Zen Plaza			1	
	Now Zone			1	
Brand specialty store				Rex Hotel	
				Sheraton Hotel	

Source: Author's market visiting and observation, each company's Web site (2013)

Table 8. Food service sales amount and percent distribution by category

category	Vietnam	Indonesia	Malaysia	Thailand	Philippines
Sales of food service industry (by millions, in 2011)	31,668	38,394	9,603	21,654	8,869
Expenditure per capita for dining out (dollars)	361	163	335	312	93
Categories of food services (%)	100	100	100	100	100
restaurant chain	1.2	7	31.9	24.5	39.8
independent restaurant	98.8	93	68.1	75.5	60.2
home delivery / take out	0	0	0.6	3.4	3.2
cafe/tavern	7.4	9.7	28.6	29.3	23.5
bar, pub	1.4	7.7	10.4	27.4	14.6
cafe	4	1.6	16.9	1	6.9
juice, smoothie	0.2	0	0	0	0
coffee specialty store	1.8	0.5	1.3	0.8	2
full service restaurant	54.9	82	34.7	22.1	25.3
fast food	1.3	4	13.8	10.8	27.3
self service restaurant	0	0.5	2	1.4	0
stall	36.4	3.8	20.3	33.1	20.7

Source: Survey of food market environment p16, (Creation of Daiwa Institute of Research Ltd. from Euromonitor IMR)

## 5. Trend in housing development and serviced apartment

### 1) Trend in housings in Ho Chi Minh City

Judging from the trend in housing construction in Vietnam, the percentage of collective housings (condominium etc) is expected to increase from current 4% to 15% in 2020. In Ho Chi Minh City, demands for collective housings have been increasing; in 2010, 21000 units were sold<sup>4</sup>, twice as many as in the previous year. Especially there is a great need for collective housings designed for young families and middle-class nuclear families working in a large city.

According to a report by the Ministry of Construction (MOC), the newly constructed floor area in 2011 was 80 million m<sup>2</sup>, average housing area per person was 18.3 m<sup>2</sup>, and in urban area 21.3 m<sup>2</sup>. Transition of construction investment shows 2.8 billion dollars

<sup>4</sup>According to the statistics by CB Richard Ellis, a real estate appraising firm

in 2004 increased to 6.5 billion dollars in 2009, 2.3 times of that in 2004; the construction market in Vietnam is growing greatly in line with the business concentration and population increase in urban areas. <sup>5</sup>

Table 9. Housing market (2010)

number of households (million)	22.6
urban area	6.9 (30.5%)
local area	15.7 (69.5%)
residential structure <sup>6</sup> :	
Permanent	47%
Semi-permanent	37.8%
Non-permanent	7.8%
Simple	7.4%
total number of housings	1,410,000,000 m <sup>2</sup>
urban area	476,000,000 m <sup>2</sup>
local area	939,000,000 m <sup>2</sup>
total occupation area per capita	16.7m <sup>2</sup>
urban area	19.2 m <sup>2</sup>
local area	15.7 m <sup>2</sup>

Table 10. Prospect of objective population

unit: thousand persons

year	statistic population	urban area	local area
2009	85,847	25,437	60,410
2015	91,583	30,763	60,820
2020	96,179	36,654	60,525
2025	100,129	40,743	59,387
2030	103,117	45,804	57,312

Source: Ministry of Construction, Vietnam in 2010

## 2) Demands for exclusive serviced apartments.

In Ho Chi Minh City, there are great needs for serviced apartments designed for

<sup>5</sup> <http://businesstimes.com.vn/vietnam-builds-80m-m2-of-housing-area-in-2011/>

<sup>6</sup>In Vietnam, the lives of housings are categorized according to their structures and materials.

resident officers of foreign companies or the affluent class. The foreign officers often prefer a serviced apartment near their office for safety and to avoid traffic jams in commuting. Serviced apartments are mainly located in central District 1, District 2, and District Binh Thanh next to District 1. The rent is around 3000 to 4000 dollars per month for a 2 bed room. Their main services include cleaning, laundry and other services and facilities for daily life. Serviced apartments are required to offer high-level hospitality and services; Ho Chi Minh City boasts as high-quality serviced apartments as those in any other foreign metropolitan cities.

Table 11. Comparison of luxury condominium's asset value by city

City	Fourth quarter of 2008, asset values (US\$/m <sup>2</sup> )
Hong Kong	20,595
Singapore	17,316
Ho Chi Minh	4,600
Beijing	4,240
Bangkok	3,068
Manila	2,409
Kuala Lumpur	2,277
Jakarta	1,804

*Source: Blue chip consulting, presentation on Vietnamese real estate market p.3 (creation from CB Richard Ellis).*

### 3) New movements after the collapse of real estate bubble

In metropolitan Hanoi City and Ho Chi Minh City, many detached houses and classy condominiums have been constructed. Apartments for the middle class were sold at about 1500\$/m<sup>2</sup>, but the prices of high-class condominiums have soared to 2000\$/m<sup>2</sup> to 4000\$/m<sup>2</sup>. However after 2007, the bubble burst and the real estate market went worse; currently stocks of unsold housings and bad debts are serious problems that require solutions.

A real estate seminar held by the Ministry of Home Affairs and parties concerned with real estate market held in May 2013 reported that there were about 15000 units of condominium stock and 58,748 m<sup>2</sup> of idle commercial facilities in Ho Chi Minh City. However in central District 1 (rent at 2000US\$ for 50 m<sup>2</sup>), District 3 (rent at 2500 to 3000US\$ for 50 m<sup>2</sup>), and Phu Nhuan District, the rent has not much decreased and still keeps high standard. The point is, the real estate market has started to be bipolarized

into bad properties and good properties with good location and high return to support comfortable urban lifestyle and business activities.

The government took steps to control inflation in 2011 by restricting loan to nonmanufacturing businesses including real estate and setting the bank loan rate at 20%. In 2012, the government alleviated the loan regulation against real estate businesses and lowered the interest rate to 15 to 17%. Nevertheless the rate is still too high for the real estate enterprises. Except for prime high-rise condominiums and some of the office buildings, many projects are suspended in the city for fund shortage.

Currently the real estate values are estimated to be half of their peak, but from viewpoint of profitability, the market has recovered its normal condition at last. In such circumstances, real estate and construction businesses have started to seek next steps of ventures.



\*The opposite bank of the Saigon River is a new development area.



\*Redevelopments of housings and roads are proceeding tentatively in the city.

The Vietnamese metropolitan cities of Ho Chi Minh City and Hanoi City have great potential for growth because they have relatively large populations and favorable geographical locations among the future ASEAN. Improvement of appropriate urban infrastructure for the future development will contribute to evolution of competitive and comfortable cities.

**Report by co-researcher**

\*\*\*\*\*

**Features of urbanization in Vietnam; development of urban infrastructure is a pressing issue**

The urbanization in Vietnam has different features when compared with that in other Asian countries. Bangkok or Manila have been urbanized through overconcentration of industries and population into single capital region; in case of Vietnam, after many twists and turns, the nation has developed with the two cities of northern Hanoi and southern Ho Chi Minh at its cores from the era of Southern and Northern Vietnams.

Soon after Doi Moi in 1986, many foreign companies focused their operations into Ho Chi Minh City and the surrounding area, where western lifestyle and business practice remained. In spite of being a capital city, Hanoi has significantly fallen behind Ho Chi Minh City for industrial concentration and population growth. This being the situation, the government has politically led foreign enterprises' advancement to Hanoi City by giving permission for establishment of their factory and research center in and around Hanoi City instead of Ho Chi Minh City, in an attempt to rehabilitate Hanoi and achieve balanced development of northern and southern areas. As a result, foreign companies have accelerated their movement into Hanoi that has enjoyed population growth from about 0.9 million at the beginning of 80s to 6 million today; as such relatively balanced growths of northern and southern parts has been realized with two major cities.

Vietnam is a socialist nation and the government policy has a significant power. In inviting businesses etc, the government can enforce powerful policy. When it comes to urban development, however, redevelopment makes very little progress because the government failed to expropriate lands with iron hand like Chinese dictatorial development.

In Vietnam all lands are basically owned by the nation and only use rights are subject to buying and selling. Under normal conditions, liberalization of use-right transaction would lead to advancement of urban development in the context of market principles; in case of Vietnam, however, land and building rights are complicated and land transactions are opaque, so the land expropriations are much more difficult compared with those in capitalist countries. This is why construction of public infrastructure is time consuming and significantly drags down the improvement of urban infrastructure and redevelopment in Vietnam.

Nonetheless, transportation infrastructure in cities calls for upgrade without any delay. Today Vietnam is on the eve of motorization. Ho Chi Minh City has already



been suffering from traffic jams caused by motorcycles; roads, subways and other public transportations are indispensable infrastructure for comfortable life and business activity. The Vietnamese government's highest priority is to facilitate the improvement of public transportation infrastructure such as roads and subways in line with urban planning so as to deal with the over-urbanization. To achieve this goal, new and effective urban development policies including land expropriation are desired.

\*\*\*\*\*

**List of references**

- General Statistics Office of Vietnam
- Iimi Jun, "Urbanization and Infrastructure Development in the East Asia Region" JBIC Institute, 2004
- Oizumi Keiichiro, "Changing Large Cities in Asian Developing Countries" Pacific-rim Business Information, RIM, 2010
- Daiwa Institute of Research, "Survey on Food Market Environment in Thailand, Vietnam and Myanmar" report, 2013
- JBIC Institute, "Current State and Issues of Vietnamese Urban Development Housing Sector" 2000
- Ministry of Economy, Trade and Industry, "Current International Expansion of Distributive Trades and Future Measures", 2012
- JETRO, "Developing Countries Market from Viewpoint of Distribution Structure" 2012
- JETRO, "Basic Research on Service Industry in Vietnam", 2011
- JETRO, "Ho Chi Minh Style", 2011
- JETRO, "Trade and Retail Situations of Each Country", 2010
- JETRO, "Fashion Trend in Vietnam Ho Chi Minh City", 2011
- "JETRO Sensor" November 2012, JETRO
- Takeuchi Ikuo, "An Essay on Migration from Farm Villages to Cities and Roles of Community in Vietnam under Doi Moi Policy" 2006
- Yoshida Hisashi, "Purchase Behavior of Middle-class Households in Vietnam", Deloitte Tohmatsu Consulting, Co. Ltd., 2013
- Wakamatsu Isamu, "Current Situation of Consumption and Distribution Market in Asia" JETRO, 2011
- Ikuta Masato, "Expanding Metropolitan Districts in Southeast Asia: Expanding regional integration", Kokon Shoin, 2011
- Imai Akio and Iwai Misaki "60 Chapters to Learn about Modern Vietnam" 2004