

Factors affecting social housing development in Hanoi city

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ABSTRACT

The development of social housing is currently one of the top concerns both nationwide and in Hanoi City. A high demand for housing, coupled with a limited supply, has resulted in high prices for purchase, rent, and rent-to-own options. Hanoi's Urban Development Program aims for an urbanization rate of 55–65% by 2030 and 60–70% by 2035. With rapid urbanization comes increasing challenges related to living conditions. In practice, several factors continue to affect the development of social housing in Hanoi, both in terms of supply and target beneficiaries.

1. Introduction

Housing development is a vital component of the national socio-economic development policy and is emphasized in the National Housing Development Strategy for 2021–2030, with a vision to 2045. The strategy defines housing development as a shared responsibility of the State, society, and the people. The State encourages economic sectors to develop housing through market mechanisms to meet diverse housing demands while also implementing policies to support housing for social policy beneficiaries, low-income earners, and the poor facing housing difficulties. This contributes to political stability, social security, and the development of urban and rural areas in a modern and civilized direction. The strategy promotes a diversity of housing types, with a focus on social housing, apartment buildings, rental housing, and worker housing in industrial zones to essentially meet the housing needs of the people, especially in urban areas. [1]

According to the Housing Development Plan for Hanoi City, based on the targets set in the Housing Development Plan for Hanoi City for 2021–2030, the housing development goals for the 2021–2025 phase are as follows: the average housing area per capita across the city is targeted at 29.5 m²/person, with 31 m²/person in urban areas and 28 m²/person in rural areas. The minimum housing area per capita aims to reach 10.0 m²/person. The total housing floor area is projected at approximately 44 million m². Of this, newly developed social housing is expected to reach about 1.215 million m². The city will also prepare investments in 1–2 independent (concentrated) social housing projects and draft detailed plans for 2–3 such zones. The proportion of rental social housing must meet the minimum set by the central government, and rent-to-own housing must account for at least 10% of the total social housing area within a project. [2]

Hanoi City, being the political and administrative center, has seen strong development in industry, services, and high-tech sectors, attracting a large labor force. In 2024, the city's average population is estimated at 8.7 million, a 1.5% increase from 2023, with an estimated

average monthly income of 7.546 million VND per person. Amid rising housing prices, in 2024, the price growth rate for the affordable segment (below 45 million VND/m²), the mid-end segment (about 45 to 70 million VND/m²), and the high-end segment (about 70 to 100 million VND/m²) has continued to climb. Given the income levels of cadres, civil servants, and public employees, and industrial workers, whose wages are based on the minimum salary, the pressing question remains: when will they be able to “settle down and thrive” with a stable life and career focus? Therefore, developing social housing for low-income earners in Hanoi city is essential in the current context. Identifying the factors affecting social housing development will help address the challenges and obstacles in the process of promoting such development in Hanoi City.

2. Current status of social housing in Hanoi city

During the 2011–2020 period, Hanoi City achieved positive results in providing housing for low-income groups, offering stable and long-term accommodations for residents. According to statistics, the demand for social housing in Hanoi is estimated at approximately 110,000 units; however, by 2020, the number of completed and handed-over apartments only met about 30% of the planned target (see Table 1).

Table 1. Summary of social housing projects for low-income earners and industrial workers in Hanoi city (2011–2020) [3].

No.	Description	Number of Projects	Total Units	Total Floor Area (m ²)
1	Completed projects	32	28,357	1,417,835
2	Ongoing projects	43	70,300	3,514,989

Based on the National Housing Development Strategy for 2021–2030 with a vision to 2045 (Decision No. 2161/QĐ-TTg dated December 22, 2021), the Hanoi People's Committee approved the City's

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Housing Development Program for 2021–2030 (Decision No. 3627/QĐ-UBND dated October 03, 2022), which clearly outlines the orientation, goals, and solutions for developing social housing in the city for the 2021–2025 period. Relevant data are compiled in Tables 2 and 3.

Table 2. Social housing development targets for low-income people and industrial workers in Hanoi city (2021–2030) [3].

No.	Target Group	2021–2025 (Units)	2026–2030 (Units)
1	Low-income	17,800	35,700
2	Industrial workers	900	1,800
	Total	18,700	37,500

Table 3. Annual social housing development plan (2025–2030) in Hanoi city [5].

Year	2025	2026	2027	2028	2029	2030	Total
Number of Apartments	4,670	5,420	6,400	6,790	7,370	14,216	44,866

According to statistics, the social housing development target for low-income earners and industrial workers in Hanoi City for the 2021–2030 period is 56,200 units, including:

- During the 2021–2025 period: The target is 18,700 social housing units. Hanoi has completed 13 social housing projects (10 fully completed and 3 partially completed) with a total of 11,334 units, fulfilling 60.45% of the set target [5]. By the end of 2025, the city is expected to complete 19 social housing projects, delivering around 15,440 units, equivalent to about 78.3% of the city's planned target. Additionally, six newly approved investment projects, with a scale of approximately 10,500 units, will be added to the housing stock for subsequent years.

- During the 2026–2030 period: The target is 44,866 social housing units. Given the high demand for social housing in Hanoi, achieving the 2030 target will require careful consideration of factors that influence project implementation, such as investment procedures, site clearance, mobilizing construction investment resources for social housing, etc.

3. Factors affecting the development of social housing in Hanoi city

3.1. Legal framework and policies for social housing development

In recent years, legal regulations and policies related to social housing development have been continuously updated and issued to resolve difficulties and obstacles during implementation.

- Law on Housing No. 27/2023/QH15 dated November 27, 2023;
- Decree No. 100/2024/ND-CP dated July 26, 2024, detailing several articles of the Law on Housing on the development and management of social housing;

- Decree No. 95/2024/ND-CP dated July 24, 2024, detailing several articles of the Law on Housing;

- Circular No. 05/2024/TT-BXD dated July 31, 2024, detailing several articles of the Law on Housing;

- Resolution No. 33/NQ-CP dated March 11, 2023, providing solutions to remove difficulties and promote a safe, healthy, and sustainable real estate market;

- Guideline No. 4546/HD-NHCS dated August 1, 2024, from the Vietnam Bank for Social Policies guiding preferential lending procedures for purchasing, rent-to-owning social housing or housing for armed forces; constructing or renovating homes;

- Decision No. 2161/QĐ-TTg dated December 22, 2021, approving the National Housing Development Strategy for 2021–2030 with a vision to 2045;

- Decision No. 338/QĐ-TTg dated April 03, 2023, approving the project “Investment in the construction of at least 1 million social housing units for low-income earners and industrial workers during 2021–2030”;

- Decision No. 1186/QĐ-UBND dated February 23, 2023, approving the housing development plan for Hanoi City for 2021–2025;

- Decision No. 444/QĐ-TTg dated February 27, 2025, assigning the targets for the completion of social housing in 2025 and subsequent years up to 2030 for localities to include in their socio-economic development goals.

The legal framework governing the management and development of social housing, including guiding documents and procedural steps from investment to rental, rent-to-own, and sale, as well as the policies promoting social housing development issued by the State in general and Hanoi City in particular, has been relatively complete. These have created momentum for investors to participate in social housing development, while eligible beneficiaries find it easier to access these programs. However, in practice, several challenges remain, particularly in the lengthy waiting periods for investment approvals and difficulties accessing preferential credit sources.

According to Decree No. 31/2021/ND-CP dated March 26, 2021, detailing and guiding the implementation of the Investment Law: For projects requiring the Prime Minister's approval, the total time for investor approval and investment policy is up to 105 days; For projects requiring approval from the provincial People's Committee, the total time for investor approval and investment policy is up to 97 days; Investment registration certificates are issued within 5 days; On average, the waiting time is approximately 3.5 months, excluding time for zoning approval, document preparation, and supplementing documents during the process. From initial interest in a project to completing bidding procedures and officially becoming the project investor, the total time can take up to 2 years. Society, therefore, needs to wait at least 2.5 years from project planning to the official selection of an investor [6].

Investors participating in social housing projects are supported through incentives such as exemption or reduction of land lease fees for

social housing and access to preferential loans with low interest rates from the Vietnam Development Bank. However, conditions regarding loan eligibility, loan amounts, loan terms, and interest rates are governed by the State's investment credit regulations. The lack of specific guidance from the Vietnam Development Bank has limited investors' access to these preferential loan sources. In addition, the loan term for investors in cases of selling social housing is capped at no more than 10 years. Meanwhile, the loan term for homebuyers of social housing is determined through agreement between the bank and the customer, based on the customer's repayment capacity, but must not exceed 25 years.

3.2. Supply of Social Housing

Incentives for investors implementing social housing projects include:

- Exemption from land use and land lease fees; preferential treatment on value-added tax, corporate income tax; access to preferential loan interest rates; support from the provincial People's Committee in connecting the technical infrastructure of the project to the area's existing infrastructure system to ensure synchronization of social infrastructure both inside and outside the project area;
- Entitlement to a maximum profit margin of 10% of the total construction investment cost for the portion allocated to social housing; the right to use up to 20% of the total residential land area for the construction of commercial services, commercial housing, or up to 20% of the total housing floor area for such purposes; the ability to separately account for and fully enjoy profits from these commercial parts; and other incentives as stipulated by law (if any).

Although the State has updated, revised, and supplemented mechanisms and policies in line with socio-economic developments and addressed difficulties in implementing social housing projects, and although many projects have commenced construction, in reality, the supply of social housing remains limited. These projects have yet to truly attract investors, especially in large urban areas like Hanoi. Several reasons can be noted:

- Administrative procedures in construction investment: The processes for selecting investors, project approval, land allocation, and site clearance take a long time and require extensive legal documentation.
- Construction site and land fund availability: According to Decree No. 100/2024/ND-CP, commercial housing projects in cities classified as tier III or higher must allocate 20% of land for social housing. However, most social housing projects are located on the outskirts without adequate infrastructure and are far from city centers, such as projects in Kien Hung (Ha Dong District), AZ Thang Long (Hoai Duc District), and Dong Hoi (Dong Anh District). Many eligible buyers or tenants choose to sublet their allocated homes and find rentals closer to the city center with better infrastructure.

- Investment profitability: Social housing development projects cap the maximum profit for investors at 10%, which is relatively low compared to the average return on residential real estate investment. Rising costs of materials and labor, combined with the long project timelines from planning to operation, drive up expenses. Moreover, social housing projects are expected to meet both quantity and quality standards, including adequate technical infrastructure and commercial services. The absence of clear policy guidance on covering these costs may increase investment expenses and, in turn, the selling price of social housing. The 10% profit margin based on total construction investment allocated to the social housing portion is often insufficient for investors.

- Loan interest rates: Although the government has increased its support package from 120 trillion VND to 145 trillion VND to assist investors and homebuyers, accessing these funds is time-consuming. At the National Online Conference on resolving obstacles and promoting the development of social housing held on March 06, 2025, the latest report showed that as of that date, only 2,845 billion VND (or 2.37% of the total 145 trillion VND package) had been disbursed. Some investors have opted for regular bank loans at market interest rates to speed up project implementation, but when calculating the selling price of housing units, the loan interest rate must follow the preferential rate from the State Bank.

3.3. Conditions for purchasing, rent-to-owning, and renting social housing

According to the 2023 Law on Housing, in addition to previously eligible groups entitled to social housing support policies (such as cadres, civil servants, and public employees; officers, professional military personnel, and non-commissioned officers of the People's Armed Forces; public security personnel; and civil servants, workers, and public employees in national defense), new groups have been added. These include students at universities, academies, colleges, vocational schools, and specialized institutions as prescribed by law; students at public boarding schools for ethnic minorities; and enterprises, cooperatives, and cooperative unions located in industrial zones. Pursuant to Decree 100/2024/ND-CP, these groups must meet the following two conditions:

- Housing condition: The applicant must not own a house or must own a house where the average living space per person is less than 15 m² of floor area.
- Income condition: For single applicants, the actual monthly income must not exceed 15 million VND; for married applicants, the total actual monthly income must not exceed 30 million VND.

Eligible individuals who wish to purchase or rent-to-own social housing may receive preferential loans from the government through the Vietnam Bank for Social Policies or other designated financial institutions at low interest rates. However, in practice, there are still shortcomings in meeting the housing and income requirements:

First, regarding housing conditions: applicants wishing to purchase, rent-to-own, or rent social housing must obtain confirmation

from local authorities about their current housing status at the time of submitting their application. They are required to have at least one year of temporary residence or permanent residence registration in the locality where the project is located. Many workers who move from other areas and wish to purchase social housing are deemed ineligible because they already own land or housing in their hometown. To obtain confirmation regarding homeownership or average living space, applicants must go to district- or provincial-level authorities. The loan application process also involves long waiting times. Buyers must register with both the investor and the management agency, which is responsible for verifying the applicant's housing and income eligibility. In some cases, applicants may be approved to purchase or rent-to-own social housing but later fail to meet the criteria for loans.

Second, regarding income conditions: the prescribed income limits may be unrealistic, as income adequacy varies by location. In Hanoi, where the cost of living (food, education, healthcare, etc.) is higher, a family with a total monthly income of 30 million VND may find it sufficient to buy social housing if they have no children. However, families with one or two children would have to save extensively to be able to pay both principal and interest.

For example, the UDIC Ecotower social housing project located on lot N01 of the Ha Dinh New Urban Area in Tan Trieu commune, Thanh Tri district, Hanoi, is expected to begin accepting applications in Q4/2025. The smallest apartment size at the project is 70 m² with an estimated selling price of 25 million VND/m², resulting in a total cost of 1.75 billion VND. Assuming a buyer borrows 80% of the apartment value (1.4 billion VND) over 15 years at the 2024 regulated interest rate of 4.8%, they would need to pay about 160 million VND per year (around 13 million VND per month). This means around 50% of the household's income would go toward loan repayments, which is a high burden in Hanoi. While buyers may take loans of up to 25 years, they often avoid such long terms due to concerns over future interest rate fluctuations.

For individuals without labor contracts or fixed monthly income, it is difficult to prove their eligibility under the 2023 Law on Housing. Additionally, although social housing can be resold after five years, questions remain—who will purchase it? If the government buys it back, what price is appropriate, and will it include the interest the previous owner paid? For those renting social housing, if they become financially capable of purchasing after five years, will they still meet income criteria? Their application would also need to be re-evaluated.

Moreover, the lottery system for purchasing social housing is problematic. In 2023, at the NHS Trung Van social housing project in Nam Tu Liem District, more than 1,300 people participated in the lottery for just 149 units—a ratio of 1 in 9. Thus, access depends heavily on luck. There have also been instances where people pay extra to buy lottery slots. In favorable cases, such as projects located near the city center with well-developed infrastructure, the number of applications tends to be high. In contrast, for projects located in outlying suburban areas with inadequate infrastructure, demand for purchasing, rent-to-

owning, or renting social housing remains low.

4. Conclusion

Hanoi, as the capital city and a major urban center of the country, must urgently address housing issues to ensure social welfare in the current period of economic integration and development. Through research, it has been found that the development of social housing in Hanoi is influenced by three main groups of factors: (1) the legal framework and the State's policies on social housing development; (2) the supply of social housing; and (3) the conditions for purchasing, rent-to-owning, and renting social housing. To achieve the social housing development goals by 2030, Hanoi needs to concentrate resources on addressing challenges related to mobilizing private sector capital, and introduce dedicated policies that help stakeholders access preferential funding sources. The city should also study and propose solutions to shorten the approval process for investment procedures, ensure construction sites are integrated with appropriate infrastructure, and revise income thresholds in line with local living conditions. These efforts will help make social housing more accessible to the right target groups with genuine housing needs.

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