

A Study on Selling Price of Luxury Apartments in Hanoi, Vietnam

Huu Cuong Nguyen¹, Duc Tai Do²

¹Phd Candidate of course's 35, National Economics University, Vietnam - Chairman of Hanoi Real Estate Club

²University of Labor and Social Affairs, Vietnam

Corresponding Author : Duc Tai Do

ABSTRACT: The main purpose of this study is to empirically test the selling price of luxury apartments in Hanoi, Vietnam. The authors collected secondary data from previous studies, real estate firms in Hanoi. For this purpose, in this study we evaluated and analyzed selling prices of luxury apartments of real estate firms. The results of the research show that there are many differences in the selling price of luxury apartments. Based on the findings, some recommendations are given for real estate firms in Hanoi to improve the selling price of luxury apartments. This study will benefit the real estate firms in Hanoi in the improvement of their performance.

KEYWORDS: selling price, luxury apartments, real estate firms

JEL CODES: L80, L85, G12, G13, G14

1. INTRODUCTION

The high-end apartment segment is a model of concentrated housing with high quality living standards to serve the needs of the high-income people who become increasingly indispensable in urban areas potentially. The process of developing high-rise buildings not only ensures a new supply for the national housing fund, but also directly contributes to the strategy of attracting social resources to develop investment in the construction of roads and technical infrastructure, social infrastructure necessary for social security in the locality and the region. The real estate market in general and the investment sector in this high-end commercial apartment segment also have strong impacts on the overall development of all related industries in the economy. The more economic life develops, the more investors are choosing the high-end Apartment segment to invest - business is their business development strategy. More and more high-end apartment projects have been started construction in big cities. That represents economic growth, rapid urbanization and the segment of high-income people with good quality. High living is increasingly spreading.

In the past decade, the income and demand for material life of people has been increasing, the number and scale of housing in inner cities and new urban areas has exploded rapidly. The condominiums are reasonably planned and designed, synchronized with technical infrastructure, beautiful environment, integrated with many public utilities and most importantly that connecting high-rise apartments with convenient transportation system.

Luxury apartments are the combination of the architectural planning class, technical factors, financial management quality and service fee of each apartment building. Each apartment is independently used and is a separately proprietary property, be connected with traffic and common space of the apartment; Many derivative services are free of charge, feeling safe, civilized and clean, creating the unique values of apartment buildings. As a result, condominiums are increasingly tied to the lives of urban communities and become common housing needs for those with financially wealthy savings. The development trend of various housing projects in the real estate market in Vietnam in general and Hanoi city has fundamentally changed the scale of the project, the structure of apartments, the way of communication, the manner of mobilizing capital, selling methods, house price strategies and after-sales commitments. The outstanding features of the real estate market in the past few years are: the lack of transparent information, state management agencies and the lack of market orientation and stabilization policies, the demand far beyond the ability to supply, virtual fever, local prices still occur in many places, buyers wishing to use in real life are lacking much information about similar projects in the region, bewildering about prices and construction quality as well as legally.

The trend of increasing selling prices for the mid-end apartment segment and decreasing prices for the high-end apartment segment is increasingly evident. The spontaneous market dues to many reasons, so the inventory is mainly in the high-

A study on selling price of luxury apartments in Hanoi, Vietnam

end apartment segment which causing heavy economic losses for investors, confusing for high-income people who want to improve the living environment, the State suffers tax losses and social security instability.

This study analyzed and evaluated the current status of the selling price of luxury apartments in Hanoi, Vietnam. From that, proposing management and administration solutions for parties related to the real estate market to improve selling price of high-class apartments scientifically, in accordance with the actual situation and achieving business goals.

2. LITERATURE REVIEW

Households value the appropriate use characteristics of their accommodation rather than the sleek but inconvenient nature of the product itself. Because real estate is an asset that meets all living needs and fixed in space, every customer chooses many positive factors about the living environment and the quality of utility services for housing (Malpezzi, 2003).

In general, customers want to choose a place that is convenient for their living and working place (Tu& Goldfinch, 1996). The real estate has a convenient location such as retail Stores, public transport stations, etc. are always considered the top important factor to be considered in buying a home. Levine (1998) has shown that travel time from residence to the center can be a major factor in the choice of a family apartment, especially for low and medium income households. According to Friedman (1981), the choice of location factors for accommodation is considered very importantly when close to workplaces, health services, shopping, schools, parks, etc. He found that the first time buyers in Montreal, Canada often considers the location closer to the workplace and public transport than the location near health centers, shopping and schools. Research of Kauko (2007) shows that a well-positioned real estate is an important factor related to the success or failure of housing development projects. According to Tan (2011), the distance from the residence to the area having many public facilities, meaning that the location from the residence is very convenient to bring the children to school, retail stores and public transport. The distance from home to school is mainly related to households with children, so the location of the house to the nearest school is the number one customer priority (Clark et al., 2006). Similarly, the distance to retail centers can be one of the main considerations for homebuyers because the retail sector is one of the most important aspects of household life (Tan, 2011). However, according to some studies, The benefits from location near retail stores is a hindrance to the choice of apartments because this housing segment is crowded with people and noise pollution (Hurtubia et al., 2010).

Sirgy (2005) states that the value of an apartment will relate to the most scientifically appropriate and functional layout that the apartment is expected to have. A home of great value must be designed and constructed in such a way that the furnishings and decorations are installed to meet the needs related to daily life such as: sleeping (like in a hotel bedroom with other facilities), dining (like in the kitchen space, easy access to clean water and cooking processing areas), excretion of body waste and grooming (like in the bathroom and the toilet), living (as in the area and other living facilities). But the importance of these apartment features will differ in countries with different cultures; habits and customs will greatly influence the intentions of first-time buyers (Opoku&Muhmin, 2010). In Kauko's research (2007), the characteristics of apartments are more important than the location to people in Randstad of the Netherlands. According to Ariyawansa (2007), five characteristics of the apartment are: (i) Construction quality; (ii) design; (iii) area; (iv) legality; (v) resell ability. Apartment quality is technically a structure of floors, walls, and ceilings. And a well structured apartment meets the demand on the durability of bearing capacity, reasonable construction costs. Therefore, the quality of construction materials, construction technology is an important factor that first-time home buyers will be very interested (Ariyawansa 2007).

In addition to studies in the world on real estate in general and luxury apartments in particular, typical studies in Vietnam, such as: Nguyen (2009) proposed real estate valuation method using position - quality theory. According to this method, real estate prices are influenced by two groups of variables: (i) The group of variables reflects the quality of housing, campus area, number of floors and (ii) The group of variables reflects position location, distance to city center, location in house facade or in alley.

Pham (2013) affirmed that the base for calculating tax on houses and residential land is the market value and the comparative method is the key method in determining taxable prices. The dissertation sets up a set of 12 criteria to apply in the comparative method, including: (i) Legal characteristics; (ii) Shape of the land lot; (iii) Scale and size; (iv) Traffic advantage; (v) Business advantages; (vi) Social infrastructure; (vii) Technical infrastructure; (viii) Landscape, environment; (ix) Feng shui; (x) Time of transaction; (xi) Conditions and nature of transactions in the market; (xii) Planning.

Luc (2014) states that the prices of commercial housing constructed by housing construction and investment enterprises still have large differences between the time of valuation and comparison with the average transaction price on the market.

This study inherits from previous studies, continues to analyze and evaluate the selling price of luxury apartments in Hanoi, Vietnam.

A study on selling price of luxury apartments in Hanoi, Vietnam

3. METHODOLOGY

This study uses both research methods, including: qualitative research methods and quantitative research methods. Qualitative research methods: We used techniques of synthesis, analysis, comparison to evaluate the selling price of luxury apartments in Hanoi, Vietnam. In addition to collecting previous studies, we interviewed experts who are leading real estate investors and traders, real estate exchange managers, and real estate professionals working at real estate regulators.

Qualitative research methods orientated and refined the research results of previous studies; from there, this study inherited and applied.

Quantitative research methods are based on data collected. Data is collected from real estate firms, the real estate market. Then we evaluate and analyze.

4. RESEARCH RESULTS

4.1. Commercial apartment in Hanoi city

The 9-storey CT4B Building is the first commercial apartment building in Hanoi which was built by the developer HUD in 1998 in BacLinh Dam urban area, Dai Kim Ward, Hoang Mai District, Hanoi City. The trend of developing cheap commercial apartments from 15 million VND/m² to below 22 million VND/m² is an affordable housing segment which is warmly welcomed by a large number of customers. Compared with the quality of a hostel, the quality of construction of a commercial apartment is more superior than in all factors.

The apartment is of a higher quality than a community house in terms of the overall plan of the land, dividing the harmonious functional areas, bearing frames made of reinforced concrete that can build skyscrapers. Planning a convenient internal road system, entrances of the building, directions to the main traffic axis, transformer stations, community houses, technical infrastructure systems such as: electricity, electricity water, sewerage, fire prevention, communication ... The quality of professional and scientific building management is higher than that of community houses such as: public sanitation services, septic sanitation, reception areas often have large halls, nice and luxurious layout, large lobby waiting for elevators, basement parking, enjoy the benefits of the whole urban area such as children's play areas, parks, flower gardens, shopping centers and general services companion is a housing revolution that is reflected in modern apartments.

Next, many commercial apartments, resettlement apartments, cheap apartments and the type of apartment are built. Building and developing apartments is an indispensable trend in big cities, especially Hanoi capital.

4.2. Features of some typical apartment buildings in Hanoi area

Table 1: Summary of characteristics of some typical apartment buildings in Hanoi

Building name	Position	Investor	Building management unit	Number of basements	Total number of apartments	Swimming pool	Market	Kinder garden	Garden	Path	Distance to pool (km)	Original price (million/m ²)	Market price (million/m ²)
Some average commercial apartments have prices from 15 million to 22 million (VND)													
The Vesta	Phu Lam, Ha Dong District	HaiPhat Investment JSC	HaiPhat PSP Urban Service JSC	1	1,902	Yes	Yes	Yes	Yes	Yes	15	14.2	15.5
New Skyline Van Quan	Lot CC2 New Urban Area Van Quan, Ha Dong District	HUD3 Construction Investment JSC	HUD Housing and Urban Management Board	2	383	Yes	Yes	No	No	No	12	19	26-28
Hoanh Son Complex	282 Nguyen HuyTuong Road	Hoanh Son Group Joint Stock Company	General Department of Logistics - Technology The Ministry of Public Security	1	612	No	Yes	No	No	No	10	16	20-22
Dong Mo - Dai Kim social housing area	Dong Mo Area, Dai Kim Ward, Hoang	Handico 5	Hoanh Son Group Joint Stock Company	1	630	No	Yes	No	No	No	6	14.95	19.5

A study on selling price of luxury apartments in Hanoi, Vietnam

Building name	Position	Investor	Building management unit	Number of basements	Total number of apartments	Swimming pool	Market	Kinder garden	Garden	Path	Distance to pool (km)	Original price (million/m ²)	Market price (million/m ²)
	Mai District												
Social and commercial housing of officers of High Command of Tank Armor	My Dinh 1 - Nam TuLiem District	Ministry of Defense Housing and Urban Development and Investment Corporation	Ministry of Defense Housing and Urban Development and Investment Corporation	0	299	No	No	No	No	No	11	14-19.5	22
X2 Đai Kim	Dai Kim Ward - Hoang Mai District	Ministry of Defense Housing and Urban Development and Investment Corporation	MHDI Housing and Urban Development Investment Company 3	3	990	No	No	No	No	No	9	13.5-14.95	16
Housing for police officers and soldiers	Lot B1 (H2-1) Co Nhue - BacTuLiem District	Constrexim 1 - Thai Ha Venture	Constrexim 1 - Thai Ha Venture	1	1814	No	No	No	No	No	13	14.5-17	20
Eco Green Tower	No1 GiapNhi - ThinkLiet - Hoang Mai District	Song Da 1.01 JSC	UDIC Urban Development Company	1	280	Yes	Yes	Yes	Yes	Yes	4.5	21.5	23
XPHOMES - HHA Building	XP Homes is located in Tan Tay Do urban area	Xuan Phuong Co.,LTD	Project Management Board of Xuan Phuong Company Limited	1	252	Yes	Yes	Yes	Yes	Yes	20	13-15	
Combination of social housing and commercial services AZ Thang Long	Lai Xa Village, Kim Chung, HoaiDuc District	Thang Long Confectionery Co. Ltd.	Project Management Board of Thang Long Confectionery Co. Ltd.	3	1,496	Yes	Yes	Yes	Yes	Yes	16	14	21.9
Some high-end condominiums have prices ranging from 22 million VND to 32 million VND													

A study on selling price of luxury apartments in Hanoi, Vietnam

Building name	Position	Investor	Building management unit	Number of basements	Total number of apartments	Swimming pool	Market	Kinder garden	Garden	Path	Distance to pool (km)	Original price (million/m ²)	Market price (million/m ²)
VC2 GOLDEN HEART – TOWER B	Nghiem Xuan Yen, Dai Kim, Hoang Mai District	Construction JSC No. 2	Project Management Board of Construction JSC No. 2	3	576	Yes	Yes	Yes	Yes	Yes	11	22	22.3
Vinata Tower Project	289 Khuat Duy Tien	Vietnam Construction & Export Construction Corporation - VINACONEX	Construction JSC No. 2 - Vinaconex	3	216	Yes	Yes	Yes	Yes	Yes	9	31	32
The Zen Residence	Gamuda Gardens - Hoang Mai, Ha Noi	Gamuda Land Viet Nam Co.,LTD	Project Management Board of Gamuda Land Viet Nam Co.,LTD	1	907	Yes	Yes	Yes	Yes	Yes	10	28	30
The EMERALD My Dinh	My Dinh, TuLiem District	My Dinh Real Estate JSC	VIMEFULL Land	3	1,344	Yes	Yes	Yes	Yes	Yes	9	30	31
Roman Plaza Ha Dong	To Hua, Ha Dong District	HaiPhat Investment JSC	Homecare - HMS Property	3	804	Yes	Yes	Yes	Yes	Yes	9	27	29
Goldmart city	Ho Tung Mau, CauGiay District	Viet Han Trading - Advertising - Construction - Real Estate Co. Ltd.	TNR HOLDING	18	4,000	Yes	Yes	Yes	Yes	Yes	10.5	25	27
Sun square 21 Le DucTho	21 Le DucTho, CauGiay District	Thang Long Urban Development Investment JSC	WMC Group)	3	420	Yes	Yes	Yes	No	No	10	26	32
Florence My Dinh	My Dinh, TuLiem District	Hanoi My Xuan Housing Development Joint Stock Company	Phuc Hung Holdings	3	480	Yes	Yes	Yes	Yes	Yes	13	26	28
The Garden Hill	99 Tran Binh, Nam TuLiem District	Duc Phuong Co., LTD	BIDHOMES	2	375	Yes	Yes	Yes	No	No	9	25	27
An Binh City	Pham Van Dong, CauGiay district	Hanoi General Import-Export JSC (Group GELEXI MCO	Vinhomes PMC Building Management & Exploitation Joint Stock Company	2	390	Yes	Yes	Yes	Yes	Yes	9	25	28

A study on selling price of luxury apartments in Hanoi, Vietnam

Building name	Position	Investor	Building management unit	Number of basements	Total number of apartments	Swimming pool	Market	Kinder garden	Garden	Path	Distance to pool (km)	Original price (million/m ²)	Market price (million/m ²)
Some high-end apartments have prices of 32 million VND or more than													
D' Capitale	Tran Duy Hung, Cau Giay district	Tan Hoang Minh		3	420	Yes	Yes	Yes	Yes	Yes	10	≥45	47-50
Royal City R1	72A Nguyen Trai road	Vin group	Vinhomes	4	720	Yes	Yes	Yes	Yes	Yes	5	44-48	≥40- 50
Times City T1	Hoang Mai district	Vin group	Vinhomes	3	448	Yes	Yes	Yes	Yes	Yes	5	38-40	40-43
LanCaster Nui Truc	20 Nui Truc, Ba Dinh district	TrungThuy Group	TrungThuy Group	2	240	Yes	Yes	Yes	Yes	No	3	70-75	≥70-75
Metropolis	Lieu Giai, Kim Ma road	Vin group	Vinhomes	3	600	Yes	Yes	Yes	Yes	No	5	60-80	≥ 90
D' Le Roi Soleil	D' Le Roi Soleil Quang An, Tay Ho district	Tan Hoang Minh	Pan Pacific	5	498	Yes	Yes	Yes	Yes	No	3	60-90 (primitive)	≥60-90 (Quite full)
Artemis	No 3 Le Trong Tan, Truong Chinh road	ACC Thang Long	Artelia Co., LTD	3	360	Yes	Yes	Yes	No	No	7	40-45	≥ 38-45
Sunshine city	Nam Thang Long road	Sunshine	Sunshine	3	1,790	Yes	Yes	Yes	Yes	Yes	10	40-45	40-45
Hanoi Aqua Center	44 Yen Phu, Truc Bach, Ba Dinh district	Hanoi Water Tower Joint Stock Company	Coninco 3C	3	238	Yes	Yes	Yes	Yes	No	3	60-70	≥70-90
Skylake	50 Pham Hung, My Dinh 1, Nam TuLiem district	Vin group	Vinhomes	3	1,844	Yes	Yes	Yes	Yes	Yes	10	≥ 42- 50	≥ 50

Sources: Authors synthesis

4.3. Overview of some outstanding features of the high-end apartment segment

The highest selling price compared to the commercial apartment segment;

The most complete range of internal utilities and surrounding public works;

The quality of artificial landscapes and high-class living environment;

Quality of service and prestigious building management unit;

The position of buildings and apartments with many hidden values increases their value and prices; customers of the affluent segment.

5. DISCUSSION AND IMPLICATIONS

The limitation of local state management agencies is that they do not collect market and sociological information such as enterprises themselves, so they are always dependent on information channels from grassroots levels and propagation on social networks. Increasing work pressure, the increase in personnel and personnel do not lead to the actual penetration of social life

A study on selling price of luxury apartments in Hanoi, Vietnam

and businesses, as well as exchange and sharing of multi-dimensional information from professional organizations of construction, real estate professionals, building management units and residents are customers in high-end apartment buildings is very rare. The professional qualifications of state experts who are responsible for appraising project documents, methods of calculation and technical drawings are usually very good in theory, but have little experience in space and practical operating models in businesses. Therefore, the information from the reports on the basis is often corrected for beautiful data before sending it on.

Experts responsible for consulting / advising for leaders at all levels and departments often rely on information from the grassroots level so they are often weak and lack updated information as well as objective parameters and practical materials, leading to huge negative consequences to the preparation of construction investment of investor. Professional qualifications and ideological ideas of some experts have reduced the effectiveness of the quality of state management in documents when issued. The content is often far from reality and not objective, there are many "signals of policy corruption" to benefit groups / industries / industries; adversely affecting the development of the private and state economies, forming a barrier on investment procedures, reducing the attractiveness to attract investment capital from abroad.

Governmental experts often skim through the Pre-feasibility study reports, which are often revised data so it feels very beautiful and effective. But the reality is that there is a lack and a great deal of actual sociological information in the locality and a lack of infrastructure / public facilities for the residential area, a lack of geographical, economic and sociological investigation ... Therefore, many apartments have quickly revealed the degradation of technical infrastructure system, loss of exterior appearance, overloaded parking space for cars and motorcycles; incidents of fire and explosion, fire prevention and fighting, children falling through windows, throwing rubbish from above, drying clothes of unsightly views ... Moreover, there is a conflict of interest between residents and management / between the management board and the investor / between the authorities at all levels and the stakeholders resulting from the weakness and lack of managerial manpower and the qualifications of local state management experts has contributed to distorting modern urban areas, ignoring the investors to self-classify apartments and claiming the name of "high-class apartment building".

The insecurity order is more and more serious in apartment buildings in general and in luxury apartment buildings. The chaos and conflict of interest escalated and eventually the damage was still on the customers that most of the state government stood out as if the miniature society had no social management mark of the departments and unions representing the state in the area where the dispute is litigation. One of the factors affecting the real estate market and luxury apartment's selling price is the state management element in the field of investment planning - construction - management - exploitation and operation of apartments; The lack of practical experience and dignity attitude, monopoly of judgment, corporate corruption always negatively affects the project development process of investors, negatively affecting mental values and quality of life accommodation; reduce customer confidence with investors and state agencies, unreasonably to the price and quality of life in luxury apartments.

Solution: state management professionals need to undergo a practical working phase at economic enterprises and site. The State issues a clear reward, Punish policy/ clearly separates responsibilities among experts assigned to appraise, approve projects, Approve prices and mechanisms of business, exploitation and management of works with investor. The experts are relieved by the state who are responsible for appraising legal documents of the project must have at least 5 years' working time at the construction site or enterprises: investment - construction / finance / law; Trade, services / design / planning consultancy ... etc to gain experience when coming to work, indirectly consider and appraise legal documents in air-conditioned rooms that have gone through reality such as planning drawings, technical drawings, construction drawings, construction methods, unit prices, financial options, environmental impacts, electricity, water, fire alarm, communication or building management, etc. Having many years of work from reality, it will be easy to understand and sympathize with businesses in the process of applying for appraisal and approval of legal documents of the project as prescribed. This group of experts will cause less harassment for businesses - helping to speed up legal procedures, further improve personal responsibility and reputation in local state management expertise when checking records the project. When recommending or advising leaders at all levels to issue macro management policies that are close to reality - also contributes to reducing the conflicts of the parties, reducing the time to review applications for approval, contribute to reducing input costs, reducing lubrication costs and reducing prices for customers.

6. REFERENCES

- 1) Ariyawansa, R. G. (2007). An empirical study of consumer behavior in housing. *Built-Environment - Sri Lanka*, 8(1), 11-19.
- 2) Clark, T., Floyd, S. W., & Wrigh, M. (2006). On the Review Process and Journal Development. *Journal of management studies*, 43(3), 655-664, <https://doi.org/10.1111/j.1467-6486.2006.00617>.
- 3) Freidman, J. (1981). A conditional logit model of the role of local public services in residential choice. *Urban Studies*, 18(3), 347-358.

A study on selling price of luxury apartments in Hanoi, Vietnam

- 4) Hurtubia, R., Galloway, O., Bierlaire, M. (2010). Attributes of Households, Locations and Real-Estate Markets for Land Use Modeling. EPFL, Lausanne. SustainCity. 1-30.
- 5) Kauko, T. (2007). An analysis of housing location attributes in the inner city of Budapest, Hungary, using expert judgements. *International Journal of Strategic Property Management*, 11(4), 209-225. DOI: 10.1080/1648715X.2007.9637570
- 6) Levine, J. (1998). Rethinking accessibility and jobs-housing balance. *Journal of the American Planning Association*, 64(2), 133-149.
- 7) Luc, M. H. (2014). Valuation of newly built commercial housing in housing construction and trading firms. PhD thesis, National Economics University, Vietnamese.
- 8) Malpezzi, S. (2003). Hedonic Pricing Models: A Selective and Applied Review, in: *Housing Economics: Essays in Honour of Duncan MacLennan*, T. O. Sullivan and K. Gibbs (Eds.), Blackwell.
- 9) Nguyen, M. H. (2009). Real estate valuation method, applying position-quality theory. PhD thesis, University of Economics Ho Chi Minh City, Vietnamese.
- 10) Opoku, R. A., & Muhmin, A. G. A. (2010). Housing preferences and attribute importance among low-income consumers in Saudi Arabia. *Habitat International* 34(2), 219-227. DOI: 10.1016/j.habitatint.2009.09.006.
- 11) Pham, V. B. (2013). Housing and residential land tax policies in Vietnam. PhD thesis, National Economics University, Vietnamese.
- 12) Sirgy, M., Grzeskowiak, S., & Su, C. (2005). Explaining housing preference and choice: the role of self-congruity and functional congruity. *Journal of Housing and the Built Environment*, 20(4), 329-347.
- 13) Tan, T. H. (2011). Neighborhood preferences of house buyers: the case of Klang Valley, Malaysia. *International Journal of Housing Markets and Analysis*, 4(1), 58 - 69.
- 14) Tu, Y., & Goldfinch, J. (1996). A two-stage housing choice forecasting model. *Urban Studies*, 33(3), 517-537.