

論文の内容の要旨

# Transaction Procedure for Real Estate Market in Hochiminh City

(ホーチミン市における不動産取引の手続き過程に関する研究)

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Although asymmetric information has been in discussion for a long time, comparison of its impacts on pricing and production between spot and forward sales has not been thoroughly investigated, especially in a transition economy like Vietnam where housing market has just shifted from state-controlled to market-oriented. The first objective of this study, therefore, is to model presale transaction in Vietnam in general and particularly in Hochiminh City (HCMC) to identify the most common presale risks, especially on asymmetric information. Second, it evaluates security of presale transaction from legal, organizational, and technical aspects. Finally, the research develops theoretical models to assess the impact of asymmetric information and risk diversification of the bank.

In this research, presale transaction procedure is modeled at three levels. This is done by breaking down the goal of the presale system, *“to provide transactional security to parties involving in a presale transaction”*, into four functions that need to be fulfilled to achieve such goal. The four functions are juridical, fiscal, regulatory, and information management. Each function is further broken down into tasks that will have to be performed to fulfill each function. The tasks are either mandatory or, optional but necessary for the transaction. To obtain necessary data and information, three surveys were performed in April-May and November-December of 2011, and in April 2012. In total, 42 presale purchasers of 13 residential projects, six interviewees from two local developers, three respondents from two international real estate service firms in HCMC, five interviewees from three banks, one notary, one deputy of City Land Registry, and lastly one respondent from City Department of Construction (CDC), joined the surveys.

The forward transaction is evaluated at three aforementioned levels from legal, organizational, and technical aspects. Also, the research extends benchmark model presented by Chan, Fang, and Yang in 2008, to investigate the impacts of market demand uncertainty, capital appropriation, and developers' reputation. First, the model shows that the higher level of asymmetric information, the more expensive the property, the bigger project size regardless of selling methods, and the greater wealth transferred from purchasers to developer. The property market bubble in 2008 in HCMC proves such argument where many forward purchasers were paying high cost to hedge against price appreciation in future (due to their belief in shortage of future supply) despite the fact of oversupply. However, asymmetric information problem is not effectively eliminated due to lack of CDC's legal liability for sharing residential project information to purchasers and CDC's paper-based information system that make information less accessible.

Second, it is found that the higher downpayment the bigger difference in project size between two selling methods, the more advantageous the forward sale market than the spot sale, but the greater possibility of project abandonment. It is consistent with observation in HCMC where payment progress is often faster than construction progress but the advanced capital can be easily spent for inappropriate purposes. Also, thanks to this, many developers pursue projects that are beyond their financial capability. Consequently, rate of project completion in HCMC from 1996 to 2006 is less than 6%. However, appropriation of forward buyers' capital by developers is ineffectively prevented because project expenditure and revenues are not strictly controlled and supervised by forward purchasers nor authorized persons. This is because either fixed-payment scheme is acceptable without developers' additional liability or progress certificate is not a prerequisite for payment. In addition, advanced payment is not required to be deposited into a single project account, and withdrawal of money from this account is not subject to supervision of buyers nor authorized persons (banks, real estate agent, or notaries). Moreover, information on project expenditure is surprisingly inaccessible to neither purchasers nor authorized person(s).

Regarding the effect of developer's reputation on borrowing interest rate, the higher the developer's reputation, the smaller the difference in project scale between forward sales and spot sales. This theoretical conclusion is supported by the fact that spot condominium market in HCMC is greatly concentrated by a small group of very reputable developers. On the other hand, in terms of reputation effect on buyers' willingness to pay, the model shows that the higher the developer's reputation the greater the difference in project scale and property price between two selling methods. It is because

forward purchasers, but not spot buyers, are willing to pay higher for reputable developers. In addition, the higher reputation, the more advantageous the forward contract than the spot sales contract for both developers and purchasers. Unfortunately, under the existing system, developer's reputation is little recognized by laws (e.g. in project approval, and approval of building permit) and by relevant parties. Specifically, banks do not share information on financial performance of developers to purchasers; and CDC does not share information on past/current projects of developers to purchasers.

The study also develops a model to examine the risk diversification of banks while they finance both development and forward sales of projects. The model shows that the banks have incentive to collude with developers in appropriating buyers' capital in order to have a better risk balance. It is observed in HCMC that banks usually retain a portion of advance payment to reduce the developers' debt without consent from forward buyers. Unfortunately, the collusion is not easily eliminated because banks are not liable on behalf of purchasers for correctness of presale installments, supervision of project expenditure, nor completion of the project.

Based on both international (Hong Kong, United Kingdom, and Netherland) and domestic experiences, the research recommends the followings. First, project revenues and expenditures should be strictly managed by application of a single account for each project. All project-related payments must be deposited into this account. Withdrawal of money in this account is subject to supervision of buyers or authorized person(s) (for example a trusted bank in presale or management board in operation), and only for strictly defined purposes. In addition, progress certificate and/or occupancy permit must be a prerequisite for installments or the final payment, respectively. Information on revenues and expenditures of the project must be accessible to responsible authorities and the purchasers.

Second, there is surgical need for the reallocation of responsibility among involving parties. The highest legal responsibility for evaluating the financial viability of the project should be shifted from the CDC to banks. The best solution is to require developers to show bank guarantee for the completion of projects. This reallocation of responsibility is also good to prevent the aforementioned collusive behaviors by banks. In addition, it is preferred that presale contracts are certified by civil notaries, similar to the certification of sale contracts between individuals, rather than by CDC and transaction floors to guarantee the quality and impartiality of the certification, respectively.

Third, the reputation should be recognized or rewarded while government interventions to regulate property price should be limited or gradually reduced. This is because the market is able to capitalize reputation into price. In the long run, disreputable developers will be forced out of the market naturally. However, as the forward market is still in its infancy and developer's reputation is not easily recognized, softening the market entrance barrier for new developers should be carefully examined.

Fourth, indexing system for recording, storing and updating information related to project development should be redesigned to ensure consistency and uniformity across different authorities. This can be done by reduction of conflict in legal classification systems and/or by standardization (e.g. presale contract, progress certificate, and information disclosure). In addition, information infrastructure is better designed as centrally-oriented, interoperable and user-friendly systems, rather than a combination of discrete, non-shareable, unfriendly and distributed systems which are managed by many authorities at different levels of administration to promote smooth communication among relevant stakeholders. This system should be built and maintained in principle of cost recovery by providing information services to users with an appropriate fee.

For developers, it is better to price the property and to decide the scale of a project according to market uncertainty, downpayment rate, and their reputation. Also, investment in reputation must be based on selling methods since it is more profitable for presale market than for spot sale market.

For developers, it is better to price properties and to decide scale of projects according to market uncertainty, downpayment, and their reputation. Also, investment in reputation must be based on selling methods since the reputation investment is more profitable in presale market than in spot sale market. Finally, property developers, regardless of selling method, must invest more in reputation because reputational effect is currently weak in HCMC.