Vietnam – Housing in An Emerging Tiger Economy

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General social and economic profile

Vietnam’s recent development is spectacular. Vietnam was one of the poorest five countries in the world in 1985 with GDP per capita at US$130 (which was only 61% of that of China) - a long decline since 1950 when her GDP per capita was then at 1.5 times that of China. Yet, it has been catching up fast - average GDP growth from 1995-2005 was 6.9% (5.6% for GDP per capita) and in 2005, it was even 8.4% (7.4% per capita growth). Vietnam has been transforming from a war-torn, centrally planned and relatively closed country to a dynamic nation with globalizing outlook.

Vietnam is the third largest ‘transitional’ (from socialism to capitalism) economy after China and Russia having 85 million population in 2007. Despite its rich natural resources of minerals, timber, petroleum, oil and marine products, Vietnam remains a poor country with per capita GDP at 375 USD in 2000. Recent history of Vietnam was turbulent - the war for independence against the French stretched from the late 1890s to early 1950s, which lead to the division of the country into North and South. It was soon followed by the war against the American started in early 1960s, until the country was reunited in 1975. Under the rule of the Vietnamese Communist Party, Vietnam’s economy has been built on a Soviet style central planning model. The state controls the means of productions by nationalizing nearly everything – from private industrial and commercial enterprises to collectivizing agriculture production, though an informal economy has always existed along the state sector. The centrally planned system proved to be disastrous for the economy, resulted in long periods of high inflation, chronic food shortages and widespread poverty. By mid 1980s, Vietnam was literally on the verge of bankruptcy, after the withdrawal of Soviet assistance, and several years of border conflicts with China. Yet despite its difficult economy in the war years, Vietnam was able to maintain high social indicators with life expectancy at 66 years for men and 71 years for women, near-universal literacy (over 90%) and an egalitarian distribution of land assets.

Economic reform (Doi Moi) was introduced in 1986, allegedly aimed to end economic stagnation, improve productivity, and to raise living standards. Under the general direction of moving towards a market economy, a multi-sector economy was established with the implementation of a series of economic, social and legal reforms. Under state supervision, private enterprises were encouraged. Prices were allowed to float, farmlands decollectivised, and foreign trade and investment liberalised. As a result, rapid economic growth was witnessed in the last two decades with remarkable rise in per capita incomes and an average GDP growth of between 6 and 7 per cents for most part of the 1990s and the 2000s. Per capita GDP has almost quadrupled in the same period and economic growth was not seriously affected by the Asian crisis. Absolute poverty has also been reduced rapidly, from 58% of the population in 1993 to 23% in 2004.

Parallel to the transition from central planning to market oriented economy, Vietnam is also undergoing a transition from a rural to an urban economy. By Asian standards, Vietnam is still relatively un-urbanised – only 25% urban population in 2001 (around 23 millions people), including unregistered migrants who were not included in official census data. The percentage of people in poverty is lower in urban areas than in rural areas, despite that the poverty density is greater in urban areas i.e. there are more poor people per square kilometer. Vietnam’s cities are under high pressures. Demand for land and housing is outpacing supply in most areas. The average floor area of urban housing has increased significantly in the last 10 years, from 8.2 to 10.4 square meters per person. Meanwhile, there is a serious housing shortage.
30% of the population still has less than 3 square meter per capita. Around 25% of housing is classified by the Government as substandard or temporary. Ostensibly, urban infrastructure in Vietnam still suffers from many years of neglect. According to a survey carried out in 2002, only 50% of urban residents had access to piped water according to national standards. Piped water coverage rates vary from an average 67% in the larger cities to only 11% in small towns. In the under development of public transport, Vietnam has the highest per capita motorbike ownership in the world. This leads to serious problems with congestion and air pollution. With 503 traffic fatality per year, Vietnam has the highest traffic accident rate in the world.

Urban and Housing Policy in Vietnam

Before the economic reform, Doi Moi, was introduced in 1986, housing and urban planning system were largely under a Soviet style central planning regime in which housing production was monopolized by the state and private households and enterprises were prohibited from being involved. Soviet influence is apparent in the construction of multi-storey apartment buildings in large scale self contained neighbourhoods (collective living quarters). State produced housing was distribution almost exclusively to state employees, via the work units, as a supplement to the low level of wages (together with food and clothing rations) at a very low rent level which was even not enough to cover the cost of maintenance. Yet, people outside the state sector were excluded. Owing to the lack of funding, state housing production could not catch up with demand. In late 1980s and early 1990s, it is estimated that only 30% of government employees stayed in state provided housing whilst the rest had to resort to their own means to solve the accommodation need.

Housing reform began in 1986 under the general premises of Doi Moi which began with a gradual withdrawal of state housing provision and subsidies to state employees. Physical provision of housing to state employees was terminated in 1992 and from 1993 onwards, rents of state owned housing were also raised which was partly offset by an adjustment of the salaries of state employees. Yet rent subsidies were then no longer a component of the wages. Production of housing by the private sector was facilitated by the introduction of a market for housing. Important moves to the creation of housing market include the establishment of the legal basis for land and housing ownership and transaction as well as the marketisation of the building materials industry.

Another significant move in the housing reform was the privatisation of state owned housing in 1994 to encourage sitting tenants to buy their dwellings from the local authorities. Officially described as the “socialisation of state housing” in Vietnamese, the scheme was well-received. For instance, the city of Hanoi sold about half of the state housing stock (159,000 units) in 10 years from the introduction of the scheme. Yet, interestingly, a revival of state involvement in the production of housing slips back into the policy agenda after twenty years of housing reform. This largely indicates the inadequacy of the market in meeting housing demand as speculation in the housing market has driven up house price in big cities to a level which is unaffordable by most common wage earners. The new Housing Law, which came into effect in 2006, clearly marks a renewed intention of the state to keep a significant amount of public housing for public servants. Two categories of public housing are specified: “social housing” and “service housing” in which the former, which can be rental or owner-occupied, is targeted at low-income state employees who do not have adequate housing (Article 53) whereas the latter are staff quarters for state/municipal employees.

From late 1990s to 2005 the housing ownership structure in the urban areas has clearly been shifted from predominant state sector to private ownership. Since the late 1980s, the share of private housing had increased from 47.3% in 1989 to an overwhelming proportion of 91.5% in 2005. (Table 1)
Table 1: Housing Ownership in Hanoi

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Privately owned</th>
<th>Rented from Government</th>
<th>Rented from others</th>
<th>Collectives or religious organisations</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Urban district</td>
<td>47.3</td>
<td>48.1</td>
<td>0.0</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>1999</td>
<td>Hanoi total</td>
<td>76.3</td>
<td>18.3</td>
<td>3.8</td>
<td>1.1</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Urban districts</td>
<td>63.1</td>
<td>29.7</td>
<td>5.0</td>
<td>1.6</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Rural districts</td>
<td>92.0</td>
<td>4.8</td>
<td>2.4</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td>2005</td>
<td>Hanoi total</td>
<td>91.5</td>
<td>3.8</td>
<td>0.4</td>
<td>2.8</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>Urban districts</td>
<td>91.3</td>
<td>4.4</td>
<td>0.3</td>
<td>3.2</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>Rural districts</td>
<td>95.5</td>
<td>1.7</td>
<td>0.4</td>
<td>2.1</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source:
Note: percentages sum to 100% across the row.

Housing market

The creation of the housing market began in the end of the 1980s when the ban on self-help building activity was lifted. Local governments began to allocate land to state employees for self-built activities via various state institutions. Yet households with land may not have the necessary capital for construction and many of them “sold” (which was illegal at that time) part of the land in exchange for the capital of construction. However, such houses need access to the street and this create the long strip houses (some of four to five storeys high) one may see in big cities of Vietnam. Hence, when the plot of land is further subdivided, it results in houses built on that plot of land getting narrower and narrower.

Housing production was further boosted in the late 1990s by a series of directives in encouraging investment by large developers, such as exemption of land premium and tax breaks. Investments of foreign developers were also encouraged. They were granted favourable land lease schemes, tax breaks, and an increased level of autonomy in running their projects.

On the legal foundation for housing market, a new Land Law came into effect in 1993 which consolidates the land use right of individuals as well as the right to sell and exchange. The housing reform triggered a housing boom in many cities of Vietnam. In Hanoi, for instance, an annual increase of floor areas from 300 000 to 400 000 square meters was witnessed in early 2000s and it jumps to an addition of more than one million square meters of floor area each year in 2003. The Real Estate Law, enacted in 2006, further boosted the housing market with the introduction of a comprehensive legal framework for land and housing transaction, leasing of land and property, real estate services and pricing of real estates.

Vietnam also welcome real estate investors from overseas and the law on land ownership for
foreigners has gradually been released, from 50 years lease of land to start with to a new decree in May 2008 allowing foreign property developers to lease lands in Vietnam for 70 years and no additional charge for the further extension. Economic boom, inflow of hot money as well as the high expectation for an accelerated growth has also fueled speculation in the real estate market. House price in big cities like Ho Chi Minh City and Hanoi has rocketed in the past few years, some even doubled in price in last year alone. A good quality apartment unit in Ho Chi Minh City can be sold at 1500 – 2000 USD per square meter which is well above the affordability of ordinary households.

Table 2: New Housing Floor Areas by Capital Source in Hanoi, 1999 – 2004

<table>
<thead>
<tr>
<th>M²</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Area</td>
<td>400</td>
<td>450</td>
<td>620</td>
<td>720</td>
<td>900</td>
</tr>
<tr>
<td>Completed Area</td>
<td>416</td>
<td>597</td>
<td>843</td>
<td>1036</td>
<td>1,284</td>
</tr>
<tr>
<td>Breakdown of completed area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central construction 1</td>
<td>36</td>
<td>82</td>
<td>155</td>
<td>335</td>
<td>541</td>
</tr>
<tr>
<td>Local construction 2</td>
<td>380</td>
<td>515</td>
<td>688</td>
<td>701</td>
<td>743</td>
</tr>
<tr>
<td>Breakdown of local construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local budget</td>
<td>3</td>
<td>-</td>
<td>85</td>
<td>111</td>
<td>162</td>
</tr>
<tr>
<td>Other capital</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joint venture capital</td>
<td>76</td>
<td>105</td>
<td>178</td>
<td>175</td>
<td>221</td>
</tr>
<tr>
<td>Self building by people</td>
<td>286</td>
<td>410</td>
<td>426</td>
<td>415</td>
<td>360</td>
</tr>
<tr>
<td>Achievement Ratio 3</td>
<td>104%</td>
<td>133%</td>
<td>136%</td>
<td>144%</td>
<td>143%</td>
</tr>
</tbody>
</table>

1) Housing construction by companies or institutions related to the central agencies.
2) Housing construction not related to central agencies
3) Achievement rate – completed area as a proportion of planned area

Problem of affordability and inequality

The quest for high profit has driven developers, private and public alike, to squeeze into the higher end market. For instance, in Hanoi, price of new apartments can reach US$100,000 to 200,000 per flat which is 10 to 20 times the annual income of an average worker. Hence, class are able to afford such apartments. At the same time, housing inequality has also worsened. Households can live in congested homes as low as 2 square meters per person and in sharp contrast, wealthier households can enjoy living space as big as 10 square meters per person and this gap is increasing. This has made low income workers out of reach for new flats.

To ease the problem of affordability, local authority required housing developer to surrender a proportion of their newly produced housing units to be sold at “priority price for state employees”. However, price for such houses (at 50,000 USD per unit) was still too high for most state employees. This was further exacerbated by the requirement of a down payment of 70%. Hence, more than one third of those who were offered to buy eventually did not take it.

Privatisation also fuels the problem of housing
inequality further. Privatisation policy, particularly the sale of public housing to sitting tenants at deep discount, benefited high ranking governmental officials and war veterans many of whom are well situated both economically and politically. With their social and political connection, they were often able to acquire better housing in the newly created housing market at a favourable price whilst at the same time earned windfall profit by reselling their old public housing. It was the younger households and low income workers, either not eligible for the home ownership incentives or unable to afford home ownership, who are left behind in the old housing as tenants.

**Housing Management**

Housing management is nearly unheard of in Vietnam even a few years ago. When housing was provided for by the state, there was no housing service at all and buildings were left to deteriorate. Housing privatisation represents a bold move of the state to shift the responsibility of repair and maintenance as well as management of the privately owned properties to their owners. The state also hoped that the new owners would invest in maintaining or even upgrading their properties and further stimulate private investment in housing. However, this expected outcome was only partially materialised. The new owners did invest to their new housing but such investment was only spent in improving the interior of their own flat but the common parts of the buildings were largely left to decay. This is due partly to incomplete privatisation of state housing in which the unsold units are still owned by the state and also partly owing to problems of shared ownership in which duties and rights of owners, tenants and landlords of the unsold flats (the local authorities) are inadequately specified.

After the housing reform, there was still no introduction of a condominium legislation nor the introduction of home owner organisations. Hence, there are no rules against which joint ownership of common areas can be realised. Nor is there any covenants and owner organisation with which organised management can be pursued. The installation of proper housing management service is also rare. Even for those who do, it often only involves sharing of responsibility of cleaning the public areas among residents, or to hire a person to take care of the common parking area (usually for motorbikes). More comprehensive housing management service is only available in office buildings or large scale gated communities for expatriate workers.

Yet, problem of housing management is very serious in the neighbourhood, particularly in old quarters in inner city areas where illegal construction or unauthorised extension from buildings are very common. Many of such structures are sophisticated and may impose immediate danger to the occupants. The control of illegal building structure, and in fact, the implementation of most housing related policies at the ward (neighbourhood) level, are being carried out by both the local office of the Department of Land and Housing Administration as well as the Ward People’s Committees (the lowest tier of public administration at the neighbourhood level). The latter is an establishment very similar to the resident committees in China, which is set up to oversee household registration, neighbourhood control as well as a range of other state functions. The ward branch of the Department of Land and Housing Administration is also subject to a dual command structure – vertically to the Municipal Land and Housing Administration Department whilst at the same time, horizontally to the Ward People’s Committee.

The reasons for the inability in discharging the control function for illegal construction and structure is complex. In fact, rules for construction and renovation as well as application procedures and penalty for non-compliance exist even in the pre-Doi Moi regime. Yet illegal constructions have always been a serious problem in Vietnam (particularly in a big city like Hanoi) and it has spouted in the post-reform era in some areas in Hanoi to a degree that can be described as out of control. For instance in 1988, the four inner city areas in Hanoi reported 1768 offences of illegal construction, which is twice the number of licensed construction.

Facing such appalling degree of defiance of construction regulations and largely unsuccessful measures to curb the growth (not to mention to rectify the problem), the city administration of Hanoi attempted to introduce more radical policies to curb illegal urban construction. It involves, firstly, by reducing the burden of enforcement by
reducing the number of illegal structure. This was achieved not by demolition but by legalizing those illegal structure on public lands that impose no immediate safety threat. The wards were then given more power to deal with illegal constructions and to strengthen the rule implementation capacity on the remaining unsafe building extension. Yet despite such bold moves and concessions, there is little evidence the problem is under control in the early 1990s. Strong push factor for illegal construction fuelled by rapid market liberation at that time has pushed many households to defy the rules to grab more space. Arbitrary intervention from authorities higher on the hierarchy also created uncertainty for ward officials to enforce the rules strictly. The rules also did not enhance administrative capacity as it did not reduce the possibility of manipulation of legal licence applications nor introduced any new measures to curb corruption.

Urban Redevelopment

An apparent contradiction in urban development is the conflict between social and economic needs. For instance the plan directive in Hanoi intends to control building height in the inner city in order to contain the growth of population density. However, this is obviously at odd with the financial viability of redevelopment in which developers need to build more units in high rises in order to offset the high cost of relocation and compensation. Constraints imposed by the plan directive thus held up many redevelopment projects on the drawing board. Pressing demand for an acceleration of urban development has pushed the central government to loosen the control by allowing local government the flexibility to adjust their planning directive for cases where there is burning need for redevelopment.

Yet by far the most controversial and baffled issue in urban redevelopment centred on the requests from ground floor occupants who often utilize their ground floor units for commercial activities. Under the redevelopment directive of Hanoi municipality, they will only be offered upper floor units as compensation, partly owing to the plan in reassigning the ground floor for open and communal space and partly because ground floor units are important income sources for the municipality. This triggers intense resistance from ground floor business operators who regard themselves losing out both in their investment of properties (big value difference between upper and ground floor units) as well as future income from their business. Complicating the issue further is whether public space they illegally enclosed previously for their business should be counted towards the assessment of compensation. Incidents of intensive protests did occur in some areas which held up the process of redevelopment. Yet unlike some cities in China in which resistance against redevelopment was brutally suppressed by the state, the Vietnamese state is more tolerant and the use of force for evacuation is nearly unheard of.

Recent Development

Benefiting from the high level of education and cheap labour cost, many international companies are moving or setting up new production base in Vietnam. This includes big names like Microsoft, Intel, Samsung and Hon Hai etc. Economic growth in recent years has also speeded up, at 7.9% in 2007 (compared with the average of 6.9% in the last decade). Vietnam’s entry into the WTO in 2007 boosts her international trade. At the same time, increased production cost in China also has driven some industrial production to shift to Vietnam. This further fuels economic growth and it is unsurprising that Vietnam is tipped to be the emerging Asian Tiger after China.

However, economic environment has rapidly deteriorated in early 2008, partly echoing the
worsening global financial crisis and partly reflecting Vietnam’s incapacity in macro-economic management. Inflation seems to be out of control, at 25% in mid 2008. Although such a level is still moderate compared with her worse years in the 1980s, it is still an alarming level since Vietnamese economy began to take off. Economic growth has slowed down to 6.5% in mid 2008 and the stock market has tumbled by over half since the beginning of the year.

Construction is the hardest-hit sector. New construction has practically come to a halt compared with its spectacular growth of 9.6% in 2007. Yet, this may not be bad for a healthy economy as it lets Vietnam’s overheated property and stock bubble to cool down. Slower economic growth may also curb inflation. Inflation is regarded by most commentators as the biggest threat to the economy, apparently with Vietnam’s notorious history of hyper inflation in the 1980s. Unless the global economy collapses in the near future, most forecasting of the Vietnamese economy is still optimistic. Though growth will inevitably slow down in 2008, but given the economic structure is in good shape and continual inflow of foreign investment (for instance, a few big Taiwanese manufacturing companies have announced their investment will be stepped up), economic growth will pick up again in 2009.

In fact, in terms of housing and property development, Vietnam bears a close resemblance with China. If China was able to engage in soft-landing in her economic turmoil in early 1990s, Vietnam’s prospect may not be that depressing if the lessons from China can be learnt.

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Bangkok’s Housing Market and Its Trend: A Slowdown from Recovery since 1997 Economic Crisis

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Thailand: An Overview

Located in Southeast Asia, Thailand has adopted a democratic regime under the constitutional monarchy since 1932. Head of the state is King Bhumibol Adulyadej and current head of the government is Prime Minister Samak Sundaravej. Classified as a medium-sized country with the area of about 514,000 square kilometers - similar size with France, approximately 64 million of population resides in the kingdom. Thailand had enjoyed a high growth rate from the 1980s until the middle of 1990s. In 1997, the country faced a massive economic downturn, triggering the Asian Economic Crisis. Currently, GDP growth rate is at around 5 per cent. With nominal GDP per capita of around 4,000 USD and around 10,000 USD at purchasing power parity (PPP), Thailand is classified as an upper-middle income country. As the capital and the centre of political and economic activities, Bangkok is the largest part of the country in terms of population. Around 6.5 million people are living in Bangkok itself. If including its surroundings, the area will account for the fifteenth largest urban area of the world, called Bangkok Metropolitan Region (BMR) with approximately 10 million of population.

Bangkok's housing sector has encountered challenging situations – from boom to bust and recovery during the past period. Bangkok – the capital of Thailand as the primate city where national economic activities are intensified has attracted people from all over the country to immigrate and settle down. Therefore it is the country’s core area that housing dynamism and activities have been occurring.

Before the Asian Financial Crisis in 1997, Bangkok had been enjoying the booming era in housing sector. When economy collapsed after the crisis, housing market in Bangkok had plunged its head down to a bust for a couple of years. However, light of recovery had shone thereafter thanks to the period of stabilisation. A new round of boom in Bangkok’s housing sector was followed from 2003 to 2005. During the last few years, sluggishness in housing sector has continuously been observed due to political and economic turmoil.

Before predicting the future trend of Bangkok’s housing sector, it is intended to present firstly in this article the past situations of housing phenomena in Bangkok in order to express the significant characteristics of each period for the sake of comparison with the current and future situations. Current conditions of Bangkok’s housing market according to phenomena having happened in 2007 will be investigated before moving towards the illustration of its future trend predicted based on related conditions.

Bangkok’s Housing Market: Boom, Bust and Recovery Cycles

According to the data collected by the Agency for Real Estate Affairs (AREA) from private housing market in the Bangkok Metropolitan Region (BMR) comprising Bangkok and the five suburban provinces, namely Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, and Samut Sakhon since 1994, boom, bust and recovery cycles of Bangkok’s housing market are classified into six main periods: the boom period from 1994 to 1995, the year of plunging down in 1996, the bust period from 1997 to 1999, the stabilisation period from 2000 to 2002, the new boom period in 2003 to 2005, and the slowdown
period since 2006 until the present.

1994 – 1995: Boom Period

The boom period of Bangkok’s housing market lasted from 1994 to 1996 before the Asian Financial Crisis in 1997. During this period, the housing sector was extremely booming due to annual sales of over 300,000 units counting as 66 per cent to 70 per cent of total housing stocks. A large amount of new housing units of over 470,000 units had also been launched (picture 1). Their total value had been recorded the highest of around 664,000 billion baht (picture 2). However, it had been found that 50 per cent of collapse in its history when the government under Major General Chavalit Yongchaiyut announced the depreciation of the baht currency under the managed float system, plunging the economic growth down to the negative side of minus 1.4 per cent in 1997 and triggering the Asian Financial Crisis. This massively affected real estate speculators as property value faced negative equity. There was a large amount of housing supply left unsold in the market. Real estate sector has also caused tons of non-performing loans in the economy.

During the bust period, the annual sales of housing stocks decreased to only 14 – 19 per cent, and the house price decreased to 19 -21 per cent. Launch of new housing loans for purchasers has been in

1996: Year of Plunging Down

In 1996, there were signs of collapse in Bangkok’s housing market. Annual sales in 1996 decreased to only 32 per cent of total housing stocks, and existing unsold housing supply had been surging to almost 150,000 units². Even worse, there were more new housing stocks launched in the market of 131,815 units (picture 1) accounting for 205,611 billion baht (picture 2). During the time, house price was pushed up to 1.560 million baht per unit due to jump of the land price index to 30.1 points (picture 3 and picture 4).

1997 – 1999: Bust Period

Thailand’s real estate sector faced the greatest

Source: Agency for Real Estate Affairs (AREA), 2007
Unit: billion baht   Source: Agency for Real Estate Affairs (AREA), 2007

Picture 2: Value of New Housing Units in the BMR, 1994-2007

Unit: million baht   Source: Agency for Real Estate Affairs (AREA), 2007

Picture 3: Average Price of BMR Housing Units, 1994-2007
the negative side of average minus 34.3 per cent per year (table 1). House price per unit decreased from 1.603 million baht in 1997 to 1.022 million baht in 1999 (picture 3). At the same time, the land price index decreased to 24.8 points in 1999, plunging from the highest point of 30.3 in 1997 (picture 4). New housing stocks and their value also decreased to only 4,000 units per year (picture 1) valued only 4,241 billion baht in 1999 (picture 2). According to a survey conducted by AREA, 350,000 housing units have already been vacant during the bust period.

2000 – 2002: Stabilisation Period
Total new housing stocks of around 54,000 units had been introduced to the market during the stabilisation period (picture 1). Meanwhile, the annual sales had adjusted to an increase of 20 to 32 per cent, accounting for 20,000 to 38,000 units per year thanks to the rebound of economic growth rate of an average of 4.1 per cent. House price has also significantly increased from 1.584 million baht to 2.667 million baht per unit (picture 3). Part of this effect was due to a steady increase in the land price index from 25.1 points in 2000 to 25.7 points in 2002 (picture 4). Average of new loans for house buyers also increased around 40.3 per cent in this period (table 1).

The new boom period of Bangkok’s housing market started in 2003. In this period, the annual sales had increased to 46 – 57 per cent, accounting for 50,000 – 75,000 units per year.

Table 1: New Housing Loan for Purchaser

<table>
<thead>
<tr>
<th>Year</th>
<th>Value(million baht)</th>
<th>Change(%)</th>
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<tbody>
<tr>
<td>1994</td>
<td>209,811</td>
<td>-</td>
</tr>
<tr>
<td>1995</td>
<td>223,408</td>
<td>6%</td>
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<tr>
<td>1996</td>
<td>241,172</td>
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</tr>
<tr>
<td>1997</td>
<td>202,720</td>
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</tr>
<tr>
<td>1998</td>
<td>103,733</td>
<td>-49%</td>
</tr>
<tr>
<td>1999</td>
<td>64,301</td>
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</tr>
<tr>
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<td>2006</td>
<td>262,993</td>
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<td>2007(P)</td>
<td>270,466</td>
<td>3%</td>
</tr>
</tbody>
</table>

P = projected
Source: Real Estate Information Center (REIC), 2008
As a consequence, unsold housing supply had decreased to only 56,000 – 77,000 units\textsuperscript{10} with an increase in the annual sales of 2 times when comparing with the stabilisation period. Also, measures initiated by the government such as the establishment of asset management companies to manage foreclosure sale of unsold and vacant housing stocks have been effective. There was an increase in new housing stocks of almost 184,000 units (picture 1) valued over 590,000 billion baht (picture 2). House price per unit also climbed to its peak at 3.738 million baht in 2004 (picture 3) partly caused by progressive rise of land price.

In this period, purchasing more expensive detached house was very popular. This was affected by a higher economic growth rate of average 6 per cent\textsuperscript{11} and low interest rate for house purchase at only 2 – 4 per cent. During this period, people could fulfill their housing dream of buying detached house albeit higher price due to these factors. Even a detached house or mansion valued almost 100 million baht could even be sold\textsuperscript{12}. People also were more aware of housing market situation than ever by means of studying market conditions and making use of information before any decision-making unlike the boom period in 1994 and 1995.

2006 – Present: Slowdown Period

Political militancy occurred for the first time since the recovery from 1997 crisis. Coup d’état in September 2006, including political and economic turmoil, have reduced people’s confidence in the economic conditions and have discouraged investment. In this period, the interest rate has increased from 2 – 4 per cent to 6 – 7 per cent. The economic growth of this period has decreased to around 4 – 5 per cent per year\textsuperscript{13}. Consequently, it is projected that these factors have affected housing activities and people’s purchasing power.

Total new housing stocks of 132,748 units have been launched in 2006 and 2007 (picture 1), and their value has decreased to 327,446 billion baht (picture 2). However, the point to concern is a continuous increase in accumulated unsold and vacant housing stocks from 50,000 – 60,000 units during the new boom period to 108,674 units in 2007\textsuperscript{14}. House price per unit has also decreased for 3 consecutive years from 3.086 million baht in 2005 to 2.152 million baht in 2007 (picture 3). In the meantime, the land price index has surged to higher than ever at 33.2 points. Thus the land price factor is one of the factors that have shifted the popularity from detached houses or townhouses to multi-storey condominiums for both buyers and developers.

Factors causing the shift of popularity from detached houses to condominiums are higher land price, rising inflation, increase of fuel price, traffic problems and improvement in mass transit network. People who need more convenience tend to purchase condominiums located along the mass transit routes – the BTS skytrain and the MRT underground system. Otherwise, they have to bear higher cost of living and inconvenience if they opt for buying detached houses or townhouses located in the suburb. This means that if people still want to live in more spacious dwellings such as detached houses or townhouses located in the suburb having similar price with condominiums, they have to bear transportation cost and inconvenience in turn. Therefore there has been a progressive increase in condominium projects in the market share from 22 per cent in 2004 to 59 per cent in 2007 (picture 5). Launch of new loans for condominium construction projects in 2007 increased to the value of 10,399 million baht, accounting for 56 per cent (table 2). These figures contradict to decreasing value of loans for construction of both detached house and townhouse projects in the same year.
Accumulated unsold housing supply in 2007 increased to 108,674 units. Based on the annual housing sales of 51,564 units in 2006 and 65,039 units in 2007, it is expected that it would take more than 2 years to sell out of these housing units. However, in reality, there must be more new housing units introduced to the market. In this year, there were 67,630 units registered (picture 1). Therefore it would take longer time than expected to sell out of this unsold supply. When considering accumulated unsold stocks of 108,674 units, the situation looked better than the pre-bust period where there were 150,000 of unsold housing units. However, the figure was worse than the new boom period from 2003 to 2005 where there were only 56,000 – 77,000 units of unsold housing supply. A major point to be taken into account is that how many of housing units are for the purpose of speculation.

Regarding housing loans and mortgage, notwithstanding a slowdown in housing sector, the situation has turned to be slightly better than that of...
the last few years. Launch of new housing mortgage for house purchasers in 2007 was projected to increase to 3 per cent with the total value of 270,446 million baht, comparing with negative percentage in the period between 2004 and 2006 (table 1). Similarly, new loans for housing construction for developers increased to 7 per cent with a value of 31,448 million baht, higher than that of 2005 and 2006 with 28,587 million baht and 29,404 million baht consecutively (table 2). In 2007, a large portion of new loans for developers are for condominium projects that significantly increased to 56 per cent while loans for construction projects of both detached houses and townhouses decreased to minus 7 per cent and minus 10 per cent. The situation of Bangkok’s housing market segregated by type of dwellings – condominiums, and detached houses and townhouses will be investigated as followed.

Condominiums

Mid-priced condominiums costing 65,000-80,000 baht per square metre located along the mass transit routes still attract especially the young generation. The ‘Skytrain Generation’ who prefers living in the condominiums located away from the city centre along the mass transit routes has emerged recently. Meanwhile, luxury condominiums attracting both Thais and foreign expatriates located in the city centre also yielded good opportunity. Annual sales of condominiums had steadily been increased since 2003. In 2003, only 12,148 units could be sold. They increased to 15,291 units in 2004, and skyrocketed to 28,903 units in 2005 and 30,995 units in 2006 consecutively. In 2007, annual sales climbed up to 39,580 units. At the end of 2007, unsold condominium units were accounted for only 25,662 units. If comparing with annual sale volume of the last few years, it is anticipated that these unsold stocks could be sold out within a half year excluding new condominium stocks to be launched. Rising fuel price is the major factor that is likely to contribute to continuous good sales of condominiums.

When pondering the speculation, the situation was not likely to be as severe as that of the per-boom period between 1994 and 1996. In 2004, the real demand of condominium was around 15,000 units per year. The speculation phenomenon was likely to happen since 2005. The explanation of the speculation will be as the following.

Total sales of condominiums between 2005 and 2007 were 99,478 units. If we take the real demand of 15,000 units per year as baseline, accumulated real demand from 2005 to 2007 should be 45,000 units. Thus maximum condominium units for speculation purpose should have been of 55,000 units as of 2007. However, the real demand of condominium, in reality, should be increasing due to popularity. Therefore condominium units for speculation purpose should have been lower than 55,000 units. To conclude, it can be anticipated that the speculation phenomenon of the condominium sector should not be harming the whole housing market very soon.

Detached Houses and Townhouses

While the condominium market is booming, the detached house and townhouse market had been deteriorated in 2007. Launch of new detached house decreased to 22.7 per cent accounting for 7,054 units in the first six months of 2007 and the accumulated unsold supply of 37,531 units had been left. The annual sales of detached houses were only 7,000 – 11,000 units per year. Therefore it is expected that it would take almost 4 years to sell out of this unsold detached house supply. In the same way, there was an accumulated unsold supply of 22,775 townhouses. Annual sales of townhouses during the last two years were 10,000 – 13,000 units. Thus the situation of townhouses does not look as severe as that of detached houses since the unsold townhouse supply is expected to be sold out within 2 years. Up to 2007, due to a decrease in new detached
house and townhouse stocks, including deteriorated situation, it is not likely that a significant speculation in the detached house and townhouse sector have been found at the present time.

**Future Trend of Bangkok’s Housing Market**

In general, two major factors that are likely to spill effect to the housing market in Bangkok in the future is the persistence of political situation, and the escalation in the economic turmoil. Consequently, Bangkok’s housing phenomena is projected to be pushed into limbo for some time. A continuous slowdown is expected to be seen in Bangkok’s housing market at least for another short to medium run.

**Political Turmoil**

After the general election in December 2007 as Thailand was liberated from the military rule, it was expected that there would be a smooth path paved for the newly-elected government. However, since the formation of the new government, the political situation has turned into the contrary. After the government has worked for only four months, political confrontations have been emerged between the pros and the cons. Political militancy has been escalated and tended to be intensified until the time of writing.

**Economic Turmoil**

Apart from the persistence of political turmoil, the principal condition that will cause a continuous slowdown in Bangkok’s housing market is from the economic issues. Main factors from the economic turmoil are high inflation, increase in construction materials price, rising fuel price, fluctuation in interest rate and decrease in new housing mortgage launch.

Therefore we can conclude the trends of Bangkok’s housing market in the future into several points as the following.

1) Stability of the present government under Mr. Samak Sundaravej has been questioned. This has affected the continuity of government policies relating to housing issues. One looming policy is the extension of mass transit systems that could spawn the development in detached house and townhouse in the lower-land-cost suburbs.

2) Uncertainty in mass transit development and rising fuel cost would make in-town condominiums to be the dominance in Bangkok’s housing sector.

3) Political and economic turmoil would continuously affect the confidence of both purchasers and developers. In this situation, the purchasers are reluctant to buy property while the developers are uncertain about introducing more housing stocks into the market. The evidence is reflected from the consumer confidence index that has continuously decreased from 80.7 points in March 2007 to 78 points in June 2008.

4) Inflation is rising and has reached the highest level for the first time for the decade at 7.8 per cent in May 2008. Consequently, it has affected the increase in the construction materials price index from 130.9 points in January 2007 to 136.9 points in October 2007. This has caused the construction materials price rising. It is anticipated that the house price per unit would be more expensive in the future. In the same time, rising construction cost could deter the developers from housing construction and decrease the overall housing stocks in the years to come.

5) Launch of new housing mortgage tends to be decreased due to volatility in financial sector. In the first three months of 2008, the value of new launch in housing mortgage was about 50,000 million baht, decreasing from the same period of 2006 and 2007 at around 59,000 – 60,000 million baht.

6) Fluctuation in interest rate would affect the housing sector. In the first ten months of 2007, the Bank of Thailand had decreased the interest rate for 5 times. However, in order to mitigate the inflation, the interest rate is projected to be increased for the first time since last year at 0.25 per cent in July 2008. Therefore this would affect people’s capacity in housing mortgage payback, especially for the low-income group. Non-performing loans from real estate sector is expected to be observed in the future.

7) Due to increase in accumulated unsold housing stocks since 2005, a point to be aware of in the future is the speculation phenomenon. However, it is expected that the speculation is not likely to be as severe as the period before 1997 economic crisis.
Conclusion

Bangkok's housing market has been experiencing all sorts of phenomena—the boom, the bust, and the recovery in its history. Even if housing situation had faced its toughest period in 1997 due to the Asian Financial Crisis, it could still be recovered to attain the era of the new boom again in 2003. However, a slowdown period has been observed since 2006. It is expected that a slowdown phenomenon has even been prolonged in the years to come due to political and economic factors. This has consequently affected the confidence of housing purchasers and developers in investment in housing sector. Main political factor that could affect Bangkok's housing market is the instability of the current government. Regarding looming economic condition, many factors—rising inflation, increase in construction materials price, rising oil price, interest rate fluctuation and decrease in value of new housing mortgage, all would unleash a continuous slowdown in the housing market in Bangkok. Therefore it is projected that, in the present time, a slowdown would still continue to be noticed unless the political and economic conditions have been improved in the near future.

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Development of Housing Policy in Indonesia

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1. Introduction

In 1997 Indonesia experienced radical changes in political, economic and social aspects, and was hit by severe economic and financial crisis followed by political crisis. This occurred just after the Istanbul Declaration on Habitat in 1996. Beside tsunami and earthquakes at the same time, urbanisation in Indonesia has a number of impasses influenced by the economic, social, and political condition of the country. A move towards a more democratic country began with fundamental political change in 1998 (Reform Era) followed by two elections. The Reform Era in 1998 marked the progress of democracy and Government has to build more participatory and new system of urban and housing development. Department of Human Settlements and Regional Infrastructure (DHSRI) from 2000 to 2004 initiated such coordination through involving not only the international agencies but also local institutions involved in urban management training such as research institutes and universities.


The political and economic changes do not automatically constrain housing and settlement condition. The latest social-economic survey of 1999 indicated that housing and settlement both in urban and rural keeps running. It is also important to note that in the last ten years after the crisis, public housing program was not able to provide more houses due to the shortage of fund. In practice, around 85 % of housing stock is still mainly delivered by the people sector. This mode of delivery system is so far only indirectly supported by public programs through the provision or improvement of its basic infrastructure and services.

2. Housing Problems and Characteristics in Indonesia

In general, housing and housing finance are relatively under performing in Indonesia compared to its neighbors such as Malaysia and Thailand. Housing investment in Indonesia is approximately 1.5 percent of GDP compared with a range of 2 to 8 percent in other comparable countries, whereas mortgage financing in Indonesia equaled only 3.1 percent of GDP, compared to 25 and 13 percent in Malaysia and Thailand. In the essence, housing is basically an important instrument in the development of social welfare and equity and in stimulating economic growth as well. Unfortunately, all these qualities have not been sufficiently recognized and institutionally developed in implementation.

Indonesia has a high rate of population growth and become the fourth populated country in the world with a total population of 225 million in 2006 45% of them resided in the urban areas. One unavoidable consequence of the rapid urbanization is the serious shortage of housing and infrastructure, especially for the predominant section of low-income households. Among the 1.2 million housing demand every year, 850,000 are from population growth and the other 350,000 from housing backlog. Yet, despite an intensive effort in offering 200,000 housing unit per year from 1994-2001, only around 17 % of the total housing demand can be met by the formal sector. The remaining 83 % are provided for by self-built activities. This results in around 47,000 hectares of slum areas. Hence, the most well-known characteristic of Indonesian housing is its informal supply mechanism (83%). Although Indonesia has a high rate of homeownership, only a small proportion of them have proper land title and house building permits.

In general, the housing market can be characterized by: 1. Acute housing shortage in urban areas (750,000 new housing units are needed in urban areas per year); 2. A divert of housing requirements in regions and local governments; 3. Poor income affordability; 4. Low level of housing finance provision; 5. Insufficient serviced land for moderate and low-income housing; and 6. Uneven enforcement of land and housing regulations.
5. The Development of Housing Programs

There are around 1.2 million new houses needs every year and around 10,000 hectares of slums and squatters distributed in all metropolitan and large cities to be cleared. From 1974 to 1998 there were several housing schemes developed.

KPR (Kredit Perumahan Rakyat) Housing Loan

KPR started in 1976, is a form of subsidized housing loan for low income groups. Financed by the state and managed by BTN Bank, the KPR program aims to increase the supply of housing finance to low income households. A total of 1.7 housing units have been completed with subsidies from KPP.

Kasiba-Lisiba (Ready to Build Area) scheme

It is basically a specific housing scheme for large-scale housing and urban development the public sectors to promote proper, healthy, harmonious and orderly development of housing and settlements which is regulated by Law. Two pilot projects have been set up, one in Driyorejo in Surabaya and the other one in Martubung in Medan. In order to implement Kasiba-Lisiba, Local Government designates one or more certain areas as a Kasiba area with regard to regional spatial plan on that area. It is expected that BAPPEDA or Local Authority Planning Agency would take initiative to lead a Kasiba preparation team. Management of Kasiba should be conducted by the Government in the form of Management Board that assigned by Central Government. Kasiba Management Board should be a State or Local Government Enterprise as non-profit organizations in order to prevent conflict of interests. Kasiba Management Board has responsibilities to plan and manage the development of Kasiba. They also have the task of obtaining the land within designated Kasiba area mainly through land consolidation by cooperation with the land owners. In its implementation, by subdividing a Kasiba into several Lisibas, a Kasiba Management Board will involve other parties whether from public or private organisations. A Kasiba is divided into a number of Lisibas. In each Lisiba a number of houses are built within a private-public partnership scheme between Kasiba Management Board and other organisations which could be a developer, cooperative, CBO, NPO, NGO or other organisations. In addition, there is Lisiba BS (Lisiba Berdiri Sendiri) which means Individual Lisiba. Lisiba BS is a smaller area (up to 50 ha) and could only be developed within a developed or urbanized area that already equipped with infrastructure. A private developer can manage a Lisiba BS alone under an assignment or approval from Local Government. A private developer can only develop any large scale housing development in a Lisiba within Kasiba or within a Lisiba BS and will not be allowed to sell undeveloped lots without houses on it. A Kasiba might contain 3,000 to 10,000 housing units while Lisiba BS might contain 1,000 to 3,000 housing units.

1-3-6 Rule

The rule is legally based on Mutual Decree between Minister of Internal Affairs, Minister of Public Works and State Minister of Social Housing which was enacted in 1992. The purpose of this rule is to guide housing development by private developers to develop harmonized mix settlements for various social and economic classes. According to the World Bank Report on Indonesian Cities (2003), the 1-3-6 Rule in housing is a regulation that requires private sector
developers to build low and middle standard housing in the ratio of 6 units of “simple” housing and 3 units of “mid-standard” housing for every unit of “luxury” housing. The 1-3-6 rule has been a failure for various reasons. With many loopholes and scant enforcement, developers have bypassed or ignored the rule. REI members develop low-cost housing in approximately the same ratio responding to market opportunities.

Kampong Improvement Program (KIP)

The programme enables Indonesia as a pioneer in addressing urban slums areas upgrading for its positive impact on informal areas. There has been strong external support for the Government's programs in urban housing which in line with its decentralization process. The program addresses issues of urban poverty including supporting city economic development and more participatory city planning processes. There were city-wide approach needs to be complimented with community-level support to urban poverty alleviation. In particular it is recognized that community-level support is needed which focuses on improvements to the neighborhood and the household assets of the poor including housing through housing sector institutions.

CoBILD (Community Based Initiatives for Housing and Local Development)

The project is the successor of KIP funded by Netherlands providing both finance for improved housing and a model of a neighborhood-based finance mechanism. This scheme was a local based finance delivery system that supports a decentralization process. However, those mechanisms had not addressed the structural problems of the sector and can not be sustainable after the economic and monetary crisis after 1997. In addition, international loan to Indonesia on such program has been evaluated since the sustainability were being questioned.

Rural Growth Center (DPP, Desa Pusat Pertumbuhan)

It is a project to improve shelter for the poor in rural area and is identified as the problem beginning not only from the city with its high urbanization rate, but in rural that also brings their own housing problems caused by its under developed economic opportunity. A distorted pattern of income distribution is a growing problem in Indonesia, with many Indonesians living in poverty, especially in rural areas where many young villagers continue to leave rural areas for the cities. A major rural problem is lack of employment opportunity that deliver poverty and low infrastructures service. The most noticeable differences between rural and urban housing and settlement characteristic are land, basic infrastructure and housing standard. So, it needs serious efforts to take intervention both for rural and urban comprehensively. In carrying out this program, the Government differentiates 3 categories of villages: fast growing villages, potentially grown villages, and under developed villages with remote location and limited resources.

As the summary of the program above the following table describes the aims, funding agencies and major actors involved in each housing programs.

6. Key Housing Actors

There have been five primary actors in public housing arena in Indonesia. The three earlier actors were State Ministry of Housing or MENPERA, National Housing and Urban Development Corporation or PERUMNAS and BTN Bank as housing bank. The two latter actors were coming from non-public sector, they are private developers gathered in their associations named REI, and Housing Associations or ASPEK.

State Ministry of Housing

Political change in Indonesia in late 1960s influenced the development of housing program nation-wide. In the beginning, public sector’s housing activity was the housing provision for civil servant and military under the jurisdiction of the Departments of Public Works. Housing management was then seen merely as a task of administrative allocation of public housing. As a result of the National Workshop on Housing Policy in 1972, National Housing Policy Agency or BKPN was established to undertake the responsibility of housing development coordination in a higher level in addition to the huge organization of DPUTL. In 1978 the Junior Ministry of Housing was established with responsibility to formulate housing policy in national level. Subsequently, the role of Ministry of Housing was scaled up to be the State Ministry of Housing in 1983. The Department of Public Works and the State Ministry of Housing were then merged to form the Department of Human Settlements and Regional Infrastructure (DHSRI).

National Housing Corporation or PERUMNAS

Established in 1974, the Corporation’s main role and responsibility are to serve the public need in housing sector and at the same time to build up the capital to support its development. It has to be a commercial business whilst at the time to serve public interests. Difficult in striking a balance between cost recovery and offering affordable housing at low cost, the performance of
Table 9. Housing Programs and Schemes in Indonesia

<table>
<thead>
<tr>
<th>Name of scheme</th>
<th>Aims</th>
<th>Funding agency</th>
<th>Major actors of development</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPR Housing Loan</td>
<td>Subsidized housing loan and is addressed particularly for moderate and low income groups.</td>
<td>Central Gov., Central Bank, BTN</td>
<td>PERUMNAS REI members (Developer Association)</td>
</tr>
<tr>
<td>Rumah Inti (core house) with sites and services schemes</td>
<td>Provision of developed sites rather than completed Housing. The aim was to provide plots with the necessary infra structure. They were to construct the building depending on their affordability. Incremental housing schemes</td>
<td>Central government, World Bank, Perumnas, the people</td>
<td>Central Government, Provincial Government, Local communities</td>
</tr>
<tr>
<td>Kasiba and Lisiba Scheme</td>
<td>Specific housing scheme for large-scale housing and urban dev. to facilitate the mass housing provision which is implemented whether by public or private sectors, and to promote proper, healthy, harmonious and orderly development housing and settlements</td>
<td>Central Government</td>
<td>State Enterprise, Local Government Enterprise, PERUMNAS, Private Developers.</td>
</tr>
<tr>
<td>Kampong Improvement Program (KIP)</td>
<td>Slum improvement responding to the diversity of needs of the urban poor which has adopted more comprehensive approaches to housing and neighborhood development.</td>
<td>Central Gov., Provinicial/Locare Government (Jakarta and Surabaya)</td>
<td>Central Government, Provincial Government.</td>
</tr>
<tr>
<td>CoBILD (Community Based Initiatives for Housing and Local Development)</td>
<td>Successor of KIP project. Designed to determine the most effective methods of comprehend sive upgrading program for the urban poor. Local based finance delivery system that supports a decentralization process.</td>
<td>SGHI (Stichting Garantiefonds Habitat Internationaal) from Netherland and channeled through UNDP</td>
<td>Central Government, Provincial Government, Local communities</td>
</tr>
<tr>
<td>Provision of infrastructure</td>
<td>Streamlining housing legislation, institutional finance, low-cost building materials Enabling environment by governments, self-help</td>
<td>Central government, Provinicial governments, private sector</td>
<td>Central government, Prov governments, private sector, voluntary associations, NGOs</td>
</tr>
<tr>
<td>Rural Growth Center (RGC)</td>
<td>Concentrate in rural areas. To implement other significant issues come out from the other side of its current urban settlement problem.</td>
<td>Central Government</td>
<td>Central Government, Provincial Government.</td>
</tr>
<tr>
<td>Enabling Housing Market to Work</td>
<td>Government would adopt the role of enabler rather than direct provider, and encourage the private and the cooperative sector to play a major role in the housing sector. Enabling environment by governments, self-help.</td>
<td>Central government, Provinicial governments, private sector and others</td>
<td>Central government, Prov governments, private sector, voluntary associations, NGOs</td>
</tr>
</tbody>
</table>

Notes: LIG: Low Income Group, MIG: Middle Income Group, HIG: High Income Group
PERUMNAS has been unstable. PERUMNAS, like BTN, was established at a time when developers were not interested to develop lower end of the housing market. Yet when private developers began to grow, the role of PERUMNAS to engage in direct competition with the private sector is beginning to be challenged.

**BTN Bank**

BTN is a housing bank since Indonesia's independency in 1945. Started as a Postal Saving Office, it was changed into a Postal Saving Bank and then in 1953 stipulated as the State Saving Bank or BTN. It is discharged with the role of channeling private funds for national economic development. In 1974, the Indonesian Government put up a new role for BTN as a housing bank to finance the development of housing for low income people, via the KPR Housing Ownership Loan scheme. There are two formal roles of BTN, as a saving bank and housing bank. In 1992, BTN was privatized to become a foreign exchange bank and refocuses on its core business – offers KPR loans, both subsidized and non-subsidized, to moderate income households.

**Cooperative Housing Association (ASPEK)**

Emerged in Bandung city in late 1980s, ASPEK is a voluntary housing movement in the form of housing association which employs the cooperative strategy in providing housing at affordable price for the low income groups. In 1990s ASPEK was involved in the new model of housing development which used P2BPK or Community Based Housing Development approach. ASPEK was initially established by scholars and NGO activists whose networks have played a significant part in the promotion of ASPEK. For example, in P2BPK there was close cooperation between ASPEK and State Ministry of Housing and BTN Bank. The role of housing associations represented by ASPEK has been expanded in 1992 by a Decree of State Minister of Social Housing.

**REI or Real Estate Indonesia**

The scheme entails only 33 housing developers as members but number is expected to grow as in the near future as economic growth speeds up. The real estate industry is characterized by two kinds of developers – big developers and the small developer firms. Big developers would likely have professional staffs and have a range of property portfolio and be associated with big business group which has established big business before they enter the real estate industry. Smaller developers came into the housing development business because of their special linkage with the industry, for instance, being land owners, or having forefront information on public infrastructure development. Yet, business of such smaller developer firms is unstable and take-over is not uncommon.

### 7. Conclusions

The evolution of Indonesian housing policy has not been smooth as it has to deal with a complicated array of government bureaucracy which involve land, housing development, housing finance, and residential infrastructure development etc, whose policies and programmes are not well co-ordinated. In addition, there are a large number of housing projects with fundamentally different or overlapping types of subsidies. Hence the inconsistency of housing policy orientation makes housing policy in Indonesia fragmented as well as loose. In a comprehensive perspective, those programs have been developed without appropriate policy framework. Furthermore, the programs were carried out without efficient resources management. As a result, there is a lack of sustained institutional commitment to support sustainable housing policies and programmes. The absence of consistent housing policies combined with unclear regulatory environment remains to be a constraint to an efficient housing markets in Indonesia.

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