

**Czech University of Life Science**

**Faculty of Economic and Management**

**Department of Economics**



**Abstract of the bachelor thesis**

**HOUSING BUBBLE AND REAL ESTATE CONSUMER BEHAVIOR  
IN VIETNAM**

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## **Summary**

The housing bubble of 2008 is considered a dark milestone in the Vietnamese real estate market history. Caused by many domestic events, such as the rapid growth of capital and the dramatic increase in foreign investments, as well as the global financial crisis, it threw the country's housing market into disarray. Part of the issue was, however, consumer behavior. This paper aims to research the connection between these issues, exploring the matter both from the theoretical and empirical perspective.

The theoretical part provides a general overview of the current situation on the Vietnamese real estate market based on the research of various available information sources and explains the relationship between the housing bubble and consumer behavior in Vietnam by means of the PESTEL analysis. Subsequently, the general consumer psychology of Vietnamese buyers is outlined and examined closely from a practical point of view. To analyze the factors which affect the consumer behavior, the author conducted a survey, using a questionnaire which covered 12 areas related to decision-making process in property purchase. This is the practical part of the research. However, the limit of this survey is the number of respondents (105 people only); the result therefore reflects only a very small portion of reality.

In conclusion, this study shows that the Vietnamese real estate market currently contains many risks due to the fact that market demand and the real purchasing power are not properly reflected. At the same time, a housing bubble, being caused by multiple reasons, such as regulations and policies, economic factors, foreign investment etc., is hard to predict and the government's supervision therefore plays an important role in re-establishment of the market. However, please note that this thesis is meant for academic and reference purposes only and not recommended for investors in the real market.

**Key words:** Economic Evaluation, Real Estate, Vietnam, Consumer Behavior, Housing Bubble

## **OBJECTIVE**

The objective of this thesis is to draw a picture of the Vietnam residential market in the economic crisis period of 2008, known as the “Housing Bubble”. An important feature of an economic bubble is that it is to a certain degree influenced by consumers’ habits. This thesis therefore sets to determine the relationship between the Vietnamese housing bubble and the behavior and psychology of Vietnamese consumers.

It should provide some essential information about the housing bubble which has become a common term used by many people these days whenever they talk about speculation in the real estate market. Furthermore, it should provide an analysis of the current situation in the market as well as the state of the economy, both from a general and a personal point of view. The research paper consists of a theoretical and practical part. The theoretical part should provide a concise review of the real estate market situation in Vietnam and all the factors contributing to a potential risk of creating another bubble in the future. This review is based on available information from books, articles and electronic sources, and uses PESTEL analysis to put the different aspects in a broader context. The second part of the thesis should be a practical research to determine what factors in consumer behavior are crucial when it comes to the threat of housing bubbles and which patterns can be observed in the Vietnamese consumers at the present moment. A custom questionnaire should be distributed among a number of potential real estate buyers in Vietnam to provide some relevant data. Due to the scope of the study, the size of the pool of respondents was expected to be small but should offer some useful insight into the current state of the market nonetheless.

## **PROCESS**

The topic of this thesis, “Housing Bubble and Real Estate Consumer Behavior in Vietnam”, was chosen by the author, Nguyen Ngoc Thanh Nhan, in January 2016 after consultation with the thesis supervisor, Ing. Petr Procházka, MSc, Ph.D. The thesis will be submitted to the Department of Economics, Faculty of Economics and Management of Czech University of Life Science on March 15th, 2017.

The main focus was on the Vietnamese residential market, consumer behavior and the causes of the housing bubble of 2008. The scale of the research of this complex issue was somehow

limited by the number of pages of the bachelor thesis and the author had to collect information carefully to provide the readers with a clear but concise overview of the market. As a matter of fact, real estate is a very particular type of property and the local Vietnamese market has many specific characteristics and consists of many distinct market segments. Therefore, when it comes to the problematic of a housing bubble, the possible field of discussion and the consequent analysis had to be narrowed down considerably. Nevertheless, to achieve the best result, a multi-method research strategy including the PESTEL analysis was applied. This was subsequently followed by a practical quantitative approach in form of a questionnaire, which allowed for collection of some basic statistics related to consumer behavior in Vietnam.

Firstly, by using the PESTEL analysis tool, the author tried to approach all of the factors impacting the market, which covered policies, economic factors, social factors, technological factors, environmental factors and legal factors. One of the main issues in the current real estate market are housing prices in major cities of Vietnam which are generally too high compared to the income level, the development of the economy and real value of the property. This situation has a direct impact on the socio-economic development and hinders creation of housing for the majority of low-income people which already faces a lot of difficulties. There are many persisting issues that led to this problem; this thesis focuses on consumer behavior which is a major factor affecting the demand-side in the market economy.

Secondly, the author used the quantitative approach to analyze the relationship between the housing bubble and consumer behavior. The multiple-choice questionnaire was chosen as the best tool to collect the valuable data from respondents for a later analysis. It was created via a website [www.surveymonkey.com](http://www.surveymonkey.com) and sent to 534 people by means of email and social media 6 months before the deadline of this thesis. Initially there was no reply which was a serious issue. Nevertheless, a reminder email was sent out, and eventually 105 respondents answered the survey.

The process of collecting the data and analyzing all the answers was the most challenging part of the research, as it took a lot of effort to work through and give it the final form as presented.

## CONCLUSION

The real estate bubble in 2008 has had a great impact on the Vietnamese economy. When the housing bubble burst, property prices plunged sharply and bad debts soared. Having been directly caused by or related to a multitude of factors, researching this particular economic bubble makes a very good case study for whoever wants to obtain a deeper understanding of the real estate market in Vietnam. At the same time, it was a valuable lesson for the investors about the mechanisms in place.

The causes of the housing bubble in Vietnam were explored in detail, confirming that the particularities of consumer behavior played their role in its creation by affecting the demand-side of the market relationship. Having inspected the current state of the country's economy and the housing market in particular, it was noted that it experiences a new economic growth which is further stimulated by continuous incentives from the government. However, some problems can still be observed – among them bad debts which are still showing their negative effect on economy.

Thanks to the theoretical part of the survey, the paper manages to supply a glimpse into the consumer psychology of the Vietnamese buyers, revealing that their decision are now much more informed, and at the same time suggesting that their consumers' confidence in the market has not yet been fully restored.

By examining this complex issue from different perspectives, the influence of buying behavior of investors on the Vietnamese market is clearly indicated. However, since some positive changes in consumer behavior can be observed, there is stricter government supervision in place and Vietnam's current macroeconomic indicators remain relatively stable, it is concluded that the possibility of another bubble appears to be currently low.

Finally, it is worth noting that this thesis focuses primarily on the residential segment of the real estate market which is itself a very broad topic; due to the limitations in the scale of this work, it could not cover the remaining segments in order to provide a clear picture of the whole market. Hopefully, further research can be conducted in the future, broadening the scope and elaborating on the issues dealt with hereby, as well as offering an updated report on the progressive changes in consumer behavior in Vietnam.

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