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State Policy and Enterprise Readiness to Co-Invest in Urban Regeneration Projects in Vietnam

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Abstract

Vietnam has legislated continuously for urban regeneration since 2007 and has almost nothing to show for it. Hanoi completed nineteen reconstruction projects between 2005 and 2020, about 1.2 per cent of its 1,579 old apartment buildings, while the national stock reached 2,930 buildings by November 2025. The usual explanation is that enterprises are insufficiently willing to participate, and the usual evidence is a survey asking managers how willing they feel. This paper argues that readiness is not a disposition to be surveyed but an arithmetic outcome of the policy stock, and measures it accordingly from the public record. Two results follow. The normed profit of 10 per cent of total investment cost, fixed by regulation, yields an annualised return of 1.92 per cent over a five-year project cycle and 1.37 per cent over seven, against commercial lending rates of 8 to 10 per cent; meeting a 12 per cent hurdle over five years would require a normed profit of 76.2 per cent, seven and a half times what

the regulation permits. No rational investor participates, and none has. Second, the instrument that historically made co-investment viable, the build-transfer contract settled in land, was withdrawn by the 2020 public-private partnership law and unavailable for four and a half years before being reinstated with effect from July 2025, a withdrawal that coincided exactly with the period in which the regulatory framework for regeneration was otherwise being expanded. The state added instruments while removing the one that paid for participation. At Hanoi's realised rate of 1.27 buildings a year, clearing the remaining stock would take more than twelve centuries; the 2035 target implies 173 buildings a year, an acceleration of 137 times. The paper concludes that enterprise readiness is a policy parameter rather than a behavioural variable, and identifies the three parameters that determine it.

Keywords: Urban Regeneration, Public-Private Co-Investment, Build-Transfer Contracts, Normed Profit, Old Apartment Reconstruction, Policy Coherence, Vietnam

1. Introduction

Urban regeneration in a rapidly urbanising middle-income country is a problem of finance before it is a problem of design. The buildings that need replacing sit on land that is valuable, occupied by households with legal rights to remain, and governed by planning limits that constrain what can be built in their place. Whether regeneration happens at all turns on whether the difference between what the site can yield and what the occupants must be compensated is large enough to attract someone willing to bear the risk of realising it.

Vietnam has been attempting this since at least 2007 and the record is stark. Hanoi held 1,579 old apartment buildings as at 2020, housing roughly 250,000 people, and completed nineteen reconstruction projects across the fifteen years from 2005, about 1.2 per cent of the stock. Ho Chi Minh City holds 474 buildings constructed before 1975. By November 2025 the national stock recorded by the Ministry of Construction stood at 2,930 buildings. The policy has not worked, and it has not worked for long enough that the failure is structural rather than transitional.

The explanation most often offered is that enterprises are not ready. That proposition is usually operationalised by surveying managers about their willingness to participate and regressing the resulting scores on perceived policy support, and it produces moderate scores and predictable determinants. The approach has an obvious difficulty. Willingness expressed on a seven-point scale is not the quantity that determines whether a firm commits capital; the quantity that determines that is whether the project clears the firm's cost of capital under the rules as written.

This paper takes the second view and measures readiness from the public record. Two measures are used. Revealed readiness

is the observed participation of enterprises in regeneration projects, taken from official reporting on project completions against the building stock. Structural readiness is the return the policy stock permits, computed from the return parameters fixed in regulation and compared against the cost of capital an investor actually faces.

Three contributions follow. The first is the computation at the centre of the paper. The regulation governing old apartment reconstruction fixes the investor's profit at 10 per cent of total investment cost. Expressed as an annual return over realistic project durations, that parameter is shown to place the projects below the risk-free alternative available to any firm holding the same capital, which resolves the participation puzzle without reference to attitudes.

The second is an account of the policy stock that distinguishes accumulation from coherence. Vietnam issued eleven major instruments bearing on urban regeneration between 2007 and 2025, and the count is routinely presented as evidence of commitment. Classifying each instrument by whether it expands or narrows the investor's scope shows that the framework was being elaborated during precisely the years in which its principal payment mechanism was unavailable.

The third is a reframing of what readiness means for research and for policy. If readiness is an arithmetic consequence of three regulatory parameters, then studying it as a psychological disposition misidentifies the object, and improving it through information campaigns or investor engagement misidentifies the instrument.

Section 2 sets out the context and the project types, Section 3 reviews the literature and develops the framework, and Section 4 presents the method. Section 5 reports results, Section 6 discusses them, and Section 7 draws policy implications. Sections 8 and 9 state limitations and conclude.

2. Context

2.1 What urban regeneration means in Vietnam

The term covers three project types that differ enough in their economics that treating them as one obscures more than it reveals.

Reconstruction of old apartment buildings is the type with the most complete legal and statistical record, and it is the measurement domain used here. The buildings were constructed largely between 1960 and 1994, are held under mixed ownership following privatisation, and must be replaced rather than repaired where condition grading places them in the lowest category. The investor's return comes from the additional floor area created, which planning limits on height, density and population constrain.

Relocation of housing on and along canals is a second type, concentrated in Ho Chi Minh City. It differs because the occupants frequently lack formal title, which changes the compensation problem, and because the land released is linear and often unsuitable for the commercial development that would fund the work.

Corridor development, in which an investor builds a trunk road and recovers its cost by developing the land the road opens up, is the third and historically the most successful. The Nguyen Van Linh boulevard and the Phu My Hung urban area in Ho Chi Minh City are the canonical instance, and the Chi Linh central area in Vung Tau a further one. The model worked because the investor was paid in land rather

than in a regulated margin, which is the mechanism whose withdrawal Section 5.3 examines.

The three types share a structure. In each, a private party is asked to finance a public outcome and is repaid from the development value the outcome creates. What differs is the instrument through which repayment occurs, and that instrument is set by policy.

2.2 The stock to be regenerated

Ministry of Construction reporting to the end of November 2025 records approximately 2,930 old apartment buildings in Vietnamese cities, of which Hanoi accounts for 2,160, Ho Chi Minh City for 474 and Hai Phong for 178. Condition assessment had covered 1,782 buildings by mid-2024, around 71 per cent of the then-recorded stock, identifying 196 buildings in the most dangerous grade.

The two largest cities present different profiles. Of Hanoi's 1,579 buildings recorded as at 2020, 1,273 sit within 76 estates and 306 stand independently; of those inspected, 137 were graded B, 200 graded C and 7 graded D. In Ho Chi Minh City, of the 474 buildings constructed before 1975, 332 were graded B, 116 graded C and 16 graded D. Hanoi's problem is one of scale and estate-level coordination; Ho Chi Minh City's is a higher concentration of buildings in the most dangerous grade relative to its stock. Fig 6 presents both distributions.

Two features of these figures matter for what follows. The stock is growing as inspection proceeds, so the denominator against which progress is measured has been rising while the numerator has not. And the buildings are overwhelmingly in central districts, where planning limits on height and population are tightest, which is the same place the investor's return must be found.

3. Literature and conceptual framework

3.1 International research

Research on private participation in urban regeneration divides along a line that is useful here. One tradition treats the problem as one of collective action and institutional design, asking how parties with divergent interests in a shared resource can be brought to cooperate, and what rules make cooperation self-sustaining. Its concern is with the allocation of decision rights and the credibility of commitments rather than with the disposition of any individual party.

A second tradition, associated with collaborative planning, treats regeneration as a process of negotiated order among stakeholders and directs attention to the quality of deliberation, the inclusiveness of the process and the construction of shared understanding. Its contribution is to establish that outcomes depend on relational and procedural factors and not on formal authority alone.

A third body of work, largely from public economics and infrastructure finance, examines the contractual forms through which private capital is brought into public projects, the allocation of construction, demand and residual value risk between the parties, and the conditions under which land-based instruments transfer value efficiently. This literature is the one most directly applicable to the Vietnamese case and the one least represented in Vietnamese scholarship on the subject.

Comparative experience with land-value capture in East and Southeast Asia is instructive because it shows the same

instrument producing very different outcomes depending on how the transfer is priced. Where the value of the land conveyed is established competitively, the mechanism is efficient; where it is established administratively, the mechanism transfers rent and invites the criticisms that led Vietnam to suspend it.

3.2 Vietnamese research

Vietnamese scholarship on urban regeneration is concentrated in three areas. Legal commentary examines successive instruments and identifies inconsistencies between them, and is the strongest of the three. Planning research addresses the spatial and density problems of reconstructing central-district estates. And a growing body of survey work examines the willingness of households to relocate and, less frequently, the willingness of enterprises to invest.

The survey strand is where the gap lies. Studies operationalise enterprise willingness as a perceptual construct and estimate its determinants from manager responses, which establishes correlations among perceptions but cannot establish whether participation is financially possible under the rules. No published study known to the author computes the return the regulatory parameters permit and compares it against the cost of capital, which is the calculation any investment committee performs before willingness becomes relevant.

The consequence is a literature that can explain variation in expressed attitudes while leaving the central fact unexplained. A finding that perceived policy support predicts expressed willingness is consistent with a world in which participation is profitable and firms differ in their perception of it, and equally consistent with one in which participation is unprofitable for everyone and firms differ only in how politely they say so. Distinguishing the two requires the arithmetic rather than the survey.

3.3 Framework

The framework used here treats enterprise readiness as the output of a chain running from the policy stock through project investability to observed participation, and finally to the regeneration outcome. Fig 1 sets it out.

Policy determines four things that jointly fix investability: the payment mechanism through which the investor is repaid, the regulated return where one applies, the consent threshold that determines whether a project can proceed and when, and the planning procedure that determines how long closure takes. Investability is then the permitted return compared against the cost of capital, adjusted for the risk the investor bears and the time to closure. Participation follows from investability, and the regeneration outcome follows from participation.

Three conditions moderate the chain and are treated as such rather than as determinants. Household consent and the compensation coefficient set the floor cost of the site. Plot ratio, height and population limits set the ceiling on what can be built. Local administrative capacity determines how

quickly detailed planning, inspection and investor selection are completed.

The framework yields the measurement strategy directly. Structural readiness is computed from the first link, revealed readiness observed at the third, and the two are compared. Where structural readiness is negative and revealed readiness is near zero, the chain is explained without reference to disposition, and Section 6 examines whether that is what the data show.

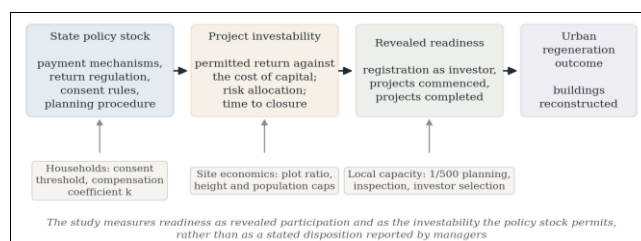


Fig 1: Framework linking the policy stock to enterprise participation in urban regeneration

4. Method and Data

4.1 Design

The study is a documentary and techno-economic assessment. Every input is a published legal instrument or an official statistic, and every derived figure is arithmetic on those inputs, reported in full so that it can be recomputed. No survey instrument is used and no survey response is simulated.

The choice is deliberate and follows from Section 3.3. If investability is determined by parameters fixed in regulation, those parameters are observable and the return they permit is computable. A survey would add information about how managers perceive that return, which is a different and secondary question.

Three limits of the design are stated at the outset. It cannot establish what any individual firm would do at a given return, since firms differ in cost of capital and risk appetite. It cannot observe projects that were considered and abandoned, since those leave no public record. And it treats the regulated parameters as binding, whereas in practice negotiated departures may occur that are not published; Section 8 returns to this.

4.2 Documentary base

Instruments are drawn from the body of law and subordinate legislation bearing on old apartment reconstruction and on public-private investment between 2007 and 2025. Statistics on the building stock, condition grading and project completions are drawn from Ministry of Construction reporting and from the reconstruction schemes of Hanoi and Ho Chi Minh City. Table 1 lists the primary sources and what each establishes.

Consistent with the evidentiary standard adopted for this study, no general-interest press reporting is used as a source of fact. Where a figure is attributable to a ministry or a city authority, it is cited to that body.

Table 1: Primary sources and their analytical use

Instrument or source	Date	Used to establish
Resolution No. 34/2007/NQ-CP	2007	First national programme on old apartment reconstruction
Decree No. 101/2015/ND-CP	2015	Renovation framework; build-transfer available as a payment mechanism
Law on Investment under the PPP Model No. 64/2020/QH14	2020	Discontinuation of build-transfer contracts for new projects from 2021
Decree No. 69/2021/ND-CP	2021	Renovation regime; normed profit of 10 per cent of total investment cost
Housing Law No. 27/2023/QH15	2023	Dedicated chapter on renovation and reconstruction of apartment buildings
Land Law No. 31/2024/QH15	2024	Land valuation, recovery and compensation
Capital Law No. 39/2024/QH15	2024	Whole-estate renovation; departure from absolute consent for Hanoi
Decree No. 98/2024/ND-CP	2024	Implementation of the 2023 Housing Law on reconstruction
Law No. 57/2024/QH15	2024	Reinstatement of build-transfer contracts; effective 1 July 2025
Urban and Rural Planning Law No. 47/2024/QH15	2024	Planning procedure, including detailed planning at 1:500
Resolution No. 258/2025/QH15	2025	Pilot mechanisms for major projects in the Capital
Ministry of Construction reporting	2024–2025	National building stock, condition grading, inspection coverage
Hanoi reconstruction scheme and Department of Construction reporting	2020–2023	City stock, grading, completed and ongoing projects

Source: Compiled by the author.

4.3 Measuring structural readiness

Structural readiness is the return the policy stock permits, expressed on a basis comparable with the cost of capital. The regulated parameter is a normed profit of 10 per cent of total investment cost, which is a return on the whole project rather than an annual rate. Converting it to an annual basis over a project cycle of T years gives:

$$r_{\text{permitted}} = (1 + 0.10)^{\{1/T\}} - 1$$

The inverse question, what normed profit would be required to deliver a target annual return r over the same cycle, is:

$$c_{\text{required}} = (1 + r)^{\{T\}} - 1$$

And the maximum project duration for which the permitted profit clears a hurdle rate r follows from setting the two equal:

$$T_{\text{max}} = \ln(1.10) / \ln(1 + r)$$

Project cycles of three, five, seven and ten years are evaluated. The range is chosen to span from an unusually rapid single-building reconstruction to an estate-level project requiring detailed planning, inspection, consent, compensation, relocation, construction and handover. Hurdle rates of 8, 10, 12 and 15 per cent are evaluated, spanning commercial lending rates and the equity returns a developer would require.

The computation is conservative in three respects, each of which strengthens the conclusion. It ignores the time value of compensation paid before revenue is received. It treats the normed profit as realised in full, whereas it is calculated on approved cost and is subject to audit. And it excludes the cost of capital tied up during the consent and planning phases, which in the Vietnamese case has historically been the longest phase.

4.4 Measuring revealed readiness

Revealed readiness is measured as completed reconstruction projects against the building stock, and as the implied annual completion rate. Hanoi is used because it holds the largest stock and because its reconstruction scheme reports completions against a defined base. Completions are those reported for the period 2005 to 2020. The realised rate is completions divided by elapsed years; the rate required to

meet the stated 2035 target is the remaining stock divided by the years remaining; and the ratio of the two is the acceleration the target implies.

One caution applies to these figures and is carried through the analysis. Reported completions are counted as projects, while the stock is counted as buildings, and a project may cover more than one building. The city's own reporting equates nineteen completed projects with approximately 1.2 per cent of the stock, which implies a near one-to-one correspondence, and that equivalence is adopted here. Where it does not hold, the realised rate is understated and the acceleration factor overstated.

4.5 Classifying the policy stock

Each instrument is classified by its effect on the scope available to a private investor. An instrument is coded as expanding where it adds a payment mechanism, relaxes a consent requirement or removes a procedural obstacle; as narrowing where it removes a mechanism or adds a binding constraint; and as mixed where it does both. The classification is reported instrument by instrument in Table 4 so that it can be contested item by item. Instruments are then arrayed chronologically against the period during which build-transfer contracts were unavailable, which is the analysis in Section 5.3.

5. Results

5.1 Revealed readiness

Hanoi completed 19 reconstruction projects between 2005 and 2020 against a stock of 1,579 old apartment buildings, approximately 1.2 per cent. The city's Department of Construction reported progress against plan at 1.14 per cent to the end of 2023, with 14 further projects under way. Fig 3 presents the position.

Expressed as a rate, this is 1.27 buildings a year over the fifteen-year window. Applied to the 1,560 buildings remaining, that rate would clear the stock in approximately 1,232 years. The comparison is absurd on its face, which is the point of making it: a rate that produces an answer of that order is not a slow rate but a rate at which the activity is effectively not occurring.

The forward target sharpens this. Hanoi has stated an objective of substantially completing reconstruction by 2035. From 2026 that allows nine years for the remaining stock, requiring 173.3 buildings a year, an acceleration of 136.8 times the realised rate. No plausible improvement in

administrative efficiency spans that gap; only a change in the economics of participation could.

Revealed readiness is therefore not low. It is, to the precision the data permit, absent. Any explanation must account for near-total non-participation over two decades rather than for reluctance at the margin, and explanations couched in terms of attitudes are poorly suited to that task.

Table 2: Revealed participation in old apartment reconstruction, Hanoi

Indicator	Value	Basis
Old apartment buildings (2020)	1,579	1,273 within 76 estates; 306 independent
Residents	approx. 250,000	City reporting
Projects completed, 2005–2020	19	Approximately 1.2 per cent of stock
Progress against plan to end-2023	1.14 per cent	Department of Construction reporting
Projects under way	14	City reporting
Realised completion rate	1.27 per year	19 projects over 15 years
Remaining stock	1,560	1,579 less 19
Years to clear at the realised rate	1,232	Remaining stock divided by realised rate
Rate required for the 2035 target	173.3 per year	Remaining stock over nine years from 2026
Implied acceleration	136.8 times	Required rate divided by realised rate

Notes: Completions are reported as projects and the stock as buildings; the equivalence adopted follows the city's own reporting, as explained in Section 4.4. Source: author's calculation from Hanoi reconstruction scheme and Department of Construction reporting.

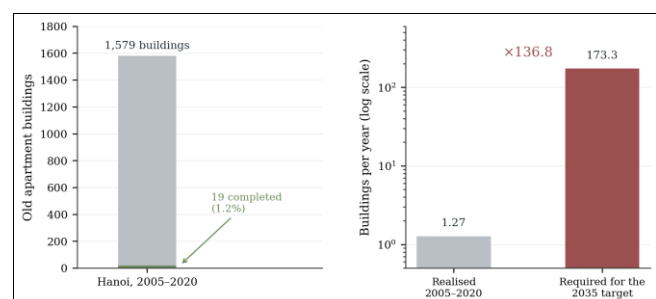


Fig 2: Reconstruction progress in Hanoi and the acceleration implied by the 2035 target

5.2 Structural readiness: the return the policy permits

The normed profit of 10 per cent of total investment cost, converted to an annual basis, yields 3.23 per cent over a three-year cycle, 1.92 per cent over five years, 1.37 per cent over seven and 0.96 per cent over ten. Fig 4 plots the relationship against the bands within which commercial lending rates and developer hurdle rates fall.

The comparison is not close. At a five-year cycle the permitted return is 1.92 per cent a year against commercial lending of 8 to 10 per cent, so a firm that borrowed to finance the project would lose money on the interest alone, and a firm that used its own capital would do better leaving it on deposit. At the durations these projects actually take, the permitted return approaches zero.

Inverting the calculation makes the magnitude of the shortfall explicit. To deliver 12 per cent a year over five years, the normed profit would need to be 76.2 per cent of total investment cost rather than 10, a gap of 66.2

percentage points and a ratio of 7.6. At 15 per cent over seven years the requirement rises to 166.0 per cent. Table 3 and Fig 5 report the full grid.

The most compact statement of the result is the maximum duration for which the permitted profit clears a given hurdle. At an 8 per cent hurdle it is 1.24 years; at 10 per cent exactly 1.00 year; at 12 per cent 0.84 years; at 15 per cent 0.68 years. Only a project completed within roughly a year of commitment is viable under the regulated return, and no reconstruction project involving consent, compensation, relocation and construction has ever been completed in a year.

Structural readiness, on this measure, is not merely low. It is negative across the entire realistic parameter space. Revealed non-participation is the expected consequence, and no appeal to attitudes, information or trust is required to explain it.

Table 3: Investability under the regulated normed profit

Project cycle	Annualised return permitted	Normed profit required at 8%	at 10%	at 12%	at 15%
3 years	3.23%	26.0%	33.1%	40.5%	52.1%
5 years	1.92%	46.9%	61.1%	76.2%	101.1%
7 years	1.37%	71.4%	94.9%	121.1%	166.0%
10 years	0.96%	115.9%	159.4%	210.6%	304.6%
Permitted by regulation		10.0%	10.0%	10.0%	10.0%
Maximum viable duration		1.24 years	1.00 years	0.84 years	0.68 years

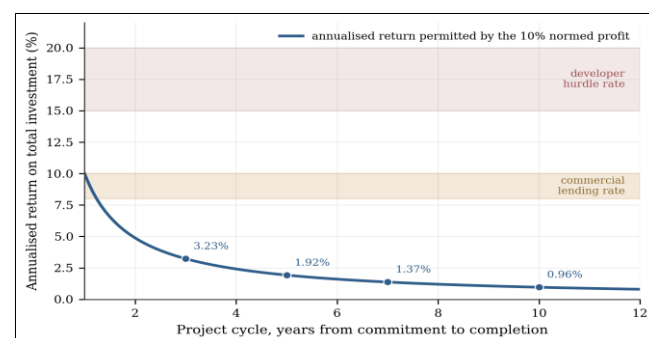


Fig 3: Annualised return permitted by the 10 per cent normed profit, by project duration

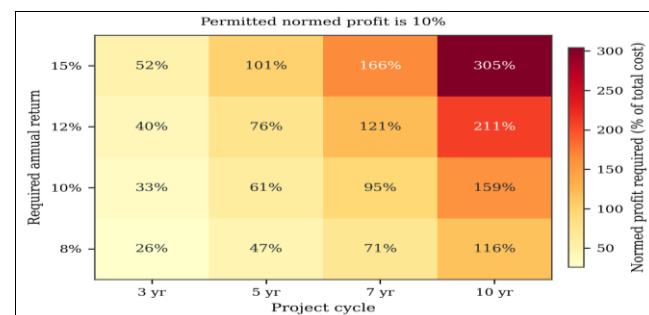


Fig 4: Normed profit that would be required to meet alternative hurdle rates

5.3 Accumulation without coherence: the build-transfer gap

Eleven major instruments bearing on urban regeneration were adopted between 2007 and 2025. Counted, they suggest sustained legislative attention. Classified by their

effect on the investor's scope, they tell a different story, set out in Table 4 and arrayed chronologically in Fig 5. The decisive instrument is the one that removed something. Build-transfer contracts, under which an investor constructs a public work and is repaid with land, were the mechanism through which the corridor projects of the 1990s and 2000s were financed and were available for apartment reconstruction under the 2015 decree. The 2020 public-private partnership law discontinued them for new projects from 2021, on grounds that the value of the works was imprecisely established, that investment rates exceeded those of publicly funded equivalents, that investor selection was predominantly by direct appointment rather than competition, and that supervision was weak. Those grounds are sound and the criticisms well documented. The consequence, however, was that the principal payment mechanism for private participation in urban regeneration was unavailable from 2021 until Law No. 57/2024/QH15 reinstated it with effect from 1 July 2025, a period of four and a half years. During exactly that period the state issued the 2021 renovation decree, the 2023 Housing Law with its

dedicated reconstruction chapter, the 2024 Land Law, the 2024 Capital Law, the 2024 implementing decree and the 2024 planning law. The regulatory framework for regeneration was being elaborated while the means of paying for it was closed. This is the central finding on policy design. The instruments adopted in those years addressed consent thresholds, planning procedure, whole-estate treatment and compensation, all of which are real constraints. None addressed the return. A framework can be improved indefinitely along every dimension except the one that determines whether anyone participates, and the count of instruments will rise while participation does not. That the reinstatement of build-transfer was accompanied, in the 2025 draft revision of the Housing Law, by a proposal to extend the mechanism specifically to apartment reconstruction indicates that the diagnosis is now shared. The observation that follows is about sequencing rather than direction: the mechanism was withdrawn in 2020 and restored in 2025, and the intervening period is the period in which the reconstruction targets were set.

Table 4: Policy instruments classified by effect on investor scope

Year	Instrument	Effect	What it changed for the investor
2007	Resolution No. 34/2007/NQ-CP	expands	Established reconstruction as a national programme
2015	Decree No. 101/2015/ND-CP	expands	Renovation framework with build-transfer available as payment
2020	PPP Law No. 64/2020/QH14	narrows	Discontinued build-transfer for new projects from 2021
2021	Decree No. 69/2021/ND-CP	mixed	Clarified the regime; fixed normed profit at 10 per cent of total cost
2023	Housing Law No. 27/2023/QH15	expands	Dedicated chapter raising reconstruction to primary legislation
2024	Land Law No. 31/2024/QH15	mixed	Reformed valuation and recovery; raised compensation reference prices
2024	Capital Law No. 39/2024/QH15	expands	Whole-estate renovation; departure from absolute consent in Hanoi
2024	Decree No. 98/2024/ND-CP	expands	Implementing detail for the 2023 Housing Law
2024	Law No. 57/2024/QH15	expands	Reinstated build-transfer, effective 1 July 2025
2024	Planning Law No. 47/2024/QH15	mixed	Recast planning procedure including detailed planning at 1:500
2025	Resolution No. 258/2025/QH15	expands	Pilot mechanisms for major projects in the Capital

Notes: Classification is by effect on the scope available to a private investor, as defined in Section 4.5. Instruments coded mixed both add and remove scope. Source: author's classification from the instruments cited in Table 1.

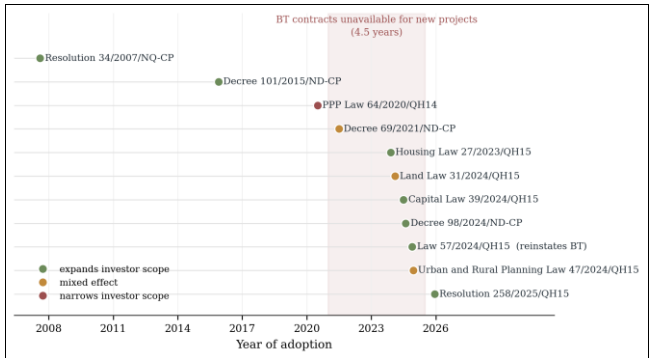


Fig 5: Policy instruments and the period during which build-transfer contracts were unavailable

5.4 The stock against which participation is measured

Two features of the stock data bear on the interpretation of the participation figures. The recorded national stock rose to 2,930 buildings by November 2025 as inspection proceeded, from a base that earlier reporting placed lower, so the denominator has been growing. And condition grading concentrates the urgent cases: 196 buildings nationally were in the most dangerous grade at mid-2024, including 7 in Hanoi and 16 in Ho Chi Minh City among those inspected.

The grade distribution has a consequence that the aggregate figures conceal. Buildings in the most dangerous grade must be vacated and replaced, and for those the consent requirement is least binding, which should make them the easiest cases. They are also the smallest category, so a policy that succeeds only on grade D buildings addresses a few per cent of the problem. The large majority sit in grades B and C, where consent is required and where the return calculation in Section 5.2 governs. Fig 6 presents both distributions.

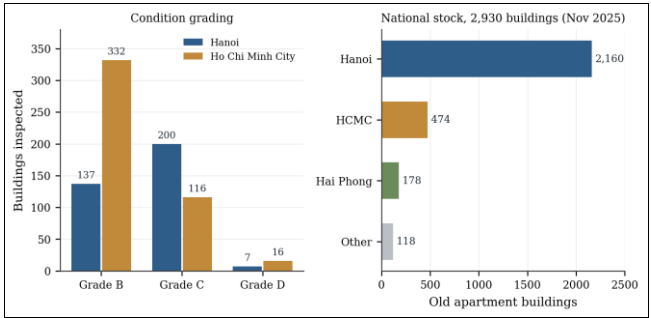


Fig 6: Condition grading in the two largest cities and the composition of the national stock

Table 5: Building stock and condition grading

Indicator	Hanoi	Ho Chi Minh City	National
Old apartment buildings	1,579 (2020); 2,160 (Nov 2025)	474 (pre-1975)	2,930 (Nov 2025)
Within estates	1,273 in 76 estates	n.r.	n.r.
Independent buildings	306	n.r.	n.r.
Graded B	137	332	n.r.
Graded C	200	116	n.r.
Graded D	7	16	196 (mid-2024)
Buildings inspected	n.r.	n.r.	1,782 (approx. 71%, mid-2024)
Hai Phong			178

6. Discussion

6.1 Readiness is a parameter, not a disposition

The two measures converge on the same conclusion from independent directions. Structural readiness is negative across every realistic combination of project duration and cost of capital, and revealed readiness is indistinguishable from zero across two decades. When a calculation predicts non-participation and the record shows non-participation, the parsimonious reading is that the calculation is the explanation.

That reading has an implication for research practice. A survey that asked Vietnamese developers how ready they are to invest in apartment reconstruction would return scores, and those scores would correlate with perceived policy support, institutional trust and firm characteristics. None of those correlations would be false, and none would explain the phenomenon, because the variance they describe sits within a range where every firm's answer is constrained by the same arithmetic. Studying variation in expressed willingness under a binding constraint measures the texture of the constraint rather than the behaviour.

The broader point concerns how readiness constructs travel. Willingness to participate is a meaningful behavioural variable where participation is feasible and firms differ in whether they choose it. Where feasibility is foreclosed by a regulated return, the construct loses its referent in much the way that a capability construct loses its referent in a firm too small to have organisational routines. Establishing feasibility is logically prior to measuring disposition, and it is cheaper.

6.2 Why the normed profit is set where it is

A 10 per cent ceiling on developer profit is not an oversight, and understanding why it exists is necessary to judging what should replace it. Reconstruction projects involve households surrendering property rights under a degree of compulsion, in central locations where land values are high, to private parties selected administratively. A cap on the investor's margin is a direct answer to the concern that such a transaction transfers public and household value to a private party, and it is the same concern that led to the suspension of build-transfer contracts in 2020.

The difficulty is that the cap is expressed as a share of total project cost rather than as an annual rate, so its stringency varies inversely with project duration in a way the drafting appears not to have anticipated. A 10 per cent margin on a project completed in a year is a defensible return. The same 10 per cent on a project that takes seven years is 1.37 per cent a year, which is not a constrained return but a prohibited one. The instrument does not distinguish between

limiting excess profit and eliminating the possibility of profit, and at the durations these projects take it does the latter.

This suggests that the policy problem is less a conflict between protecting households and attracting investors than a technical defect in how the protection is specified. A time-adjusted cap would achieve the protective purpose without the prohibitive effect, and Section 7 develops the point.

6.3 The cost of removing an instrument without replacing it

The build-transfer episode illustrates a failure mode worth naming, because it is not specific to Vietnam. An instrument that is being abused is withdrawn on sound evidence of the abuse. The function the instrument performed is not reassigned, because the withdrawal is framed as removing a problem rather than as removing a capability. Activity that depended on the function then stops, and because the framework around it continues to be elaborated, the stoppage is attributed to implementation weakness rather than to the withdrawal.

In this case the function was paying an investor in land for delivering a public outcome, which is the only mechanism by which the value created by regeneration can be transferred to the party that creates it when the regulated cash return is capped at a prohibitive level. Withdrawing it while capping the cash return closed both routes simultaneously. The four and a half years that followed produced six major instruments and negligible participation, which is the pattern the framework in Section 3.3 predicts when the first link in the chain is broken.

The reinstatement from July 2025 reopens the mechanism, and the 2025 draft revision of the Housing Law proposes extending it explicitly to apartment reconstruction. Whether that produces participation depends on the pricing of the land conveyed, which is the issue that discredited the instrument originally. Reinstating build-transfer without a competitive or transparent basis for valuing the land would reproduce the earlier problem; reinstating it with one would make the mechanism work. The design of that valuation rule is now the decisive question and is largely unexamined in the Vietnamese literature.

6.4 What the corridor projects show

The Nguyen Van Linh boulevard and Phu My Hung development is the counter-example that confirms the argument. A private investor financed a major trunk road and was repaid through development rights over the land the road opened, at a scale that transformed a peripheral district. The project was not successful because its investor was unusually willing; it was successful because the payment mechanism transferred to the investor a share of the value the investment created, without a cap that made the transfer nominal.

The Chi Linh central area in Vung Tau and the corridor projects that followed the same template repeat the pattern. What distinguishes them from apartment reconstruction is not the willingness of the parties, the quality of the planning or the sophistication of the administration, but the instrument through which the investor was paid. Where regeneration has worked in Vietnam, it has worked through land-based payment; where it has been attempted through a capped cash return, it has not worked at all.

That comparison also indicates why the Ma Lang site and

similar central-district sites have remained unresolved for decades. They combine the compensation cost of a dense central location with the return regime of apartment reconstruction, which is the least favourable combination the policy stock produces.

7. Policy implications

Four implications follow, ordered by the size of the effect the analysis attributes to them.

The normed profit should be expressed on a time-adjusted basis. The present cap is a share of total cost and therefore becomes more restrictive the longer a project takes, which penalises exactly the projects that are most difficult and most needed. Replacing it with a ceiling on the annual return, or equivalently with a cap that scales with approved project duration, would preserve the protective purpose while removing the prohibitive effect. On the figures in Table 3, a cap permitting an annual return in the region of commercial lending rates would require a normed profit near 47 per cent over five years, which sounds large only because the total-cost basis makes it look like a margin rather than a return over time.

The valuation rule for land conveyed under build-transfer should be settled before the mechanism is used at scale. The instrument has been reinstated with effect from July 2025 and is proposed for extension to apartment reconstruction.

Its earlier failure was a valuation and selection failure rather than a conceptual one, and reinstating it without addressing valuation would repeat the outcome that justified its suspension. Competitive selection of the investor and an independent basis for valuing the land conveyed are the two conditions, and both should be in place before the first projects proceed.

Policy monitoring should report participation rather than instruments. The count of legal instruments adopted is currently the visible measure of effort, and it rose steadily through a period of negligible activity. A published series reporting projects registered, investors selected, projects commenced and buildings completed, by city and by condition grade, would make the outcome visible at the same frequency as the input and would have identified the build-transfer gap while it was open.

Targets should be reconciled with rates. Hanoi's objective of substantially completing reconstruction by 2035 implies 173.3 buildings a year against a realised 1.27. A target at that distance from the trajectory does not direct effort, because no allocation of administrative attention closes a gap of 137 times. Either the target should be restated against what the reformed instruments can plausibly deliver, or the instruments should be changed by enough to make the target arithmetically reachable, and Table 6 sets out which parameter does the most work.

Table 6: Constraints identified and corresponding instruments

Constraint	Evidence in this study	Instrument	Expected effect on participation
Normed profit is prohibitive at realistic durations	1.92% annualised over five years against 8–10% lending (Table 3)	Express the cap as an annual return or scale it with approved duration	decisive
Payment in land was unavailable 2021 to mid-2025	Four and a half year gap coinciding with six major instruments (Table 4)	Complete the reinstatement of build-transfer for reconstruction projects	decisive
Land valuation under build-transfer is unsettled	Grounds for the 2020 suspension (Section 6.3)	Competitive investor selection and independent land valuation	enabling
Consent requirements delay closure	Departure from absolute consent so far limited to the Capital	Extend the whole-estate and qualified-consent approach beyond Hanoi	supporting
Planning limits cap recoverable value	Central-district height, density and population limits (Section 2.2)	Site-specific planning parameters for approved reconstruction areas	supporting
Progress is not monitored against participation	Instrument counts reported; participation not (Section 7)	Publish a quarterly participation series by city and grade	diagnostic

Source: Compiled by the author from the analysis in Sections 5 and 6.

8. Limitations

The study assesses the environment in which enterprises decide, not the decisions of any enterprise. It cannot establish what return a particular firm requires, and firms with lower costs of capital, longer horizons or non-financial motives may participate on terms this analysis treats as unviable. The finding is that the regulated return falls below any plausible threshold, not that no firm anywhere would accept it.

The instability computation treats the normed profit as the whole of the investor's return. Where a project yields additional commercial floor area beyond the resettlement obligation, the developer's position may be better than the computation implies, and the magnitude of that additional area is site-specific and not published in a form permitting systematic assessment. A project-level study of approved reconstruction schemes, examining the full revenue structure rather than the regulated margin alone, would refine the estimate and is the most valuable extension of this work.

The participation data have two weaknesses. Completions

are reported as projects and the stock as buildings, and the equivalence adopted in Section 4.4 follows the city's own reporting rather than an independent reconciliation. And Hanoi's stock figure rose between the 2020 and 2025 reporting exercises as inspection and administrative reorganisation proceeded, so the two are not directly comparable; the analysis uses the 2020 base consistently for rate calculations and reports the later figure separately.

The policy classification in Table 4 is the author's coding of each instrument's effect on investor scope. It is reported instrument by instrument so that it can be contested, and the central finding does not depend on marginal cases: the build-transfer gap is a matter of record rather than of coding. Finally, the analysis covers apartment reconstruction in detail and the other regeneration types only in outline, because the statistical record for canal-side relocation and corridor development does not support equivalent measurement. Extending the same method to those types would require project-level financial data that is not currently public.

9. Conclusion

Vietnam has spent nearly two decades legislating for urban regeneration and has reconstructed about one per cent of the apartment stock that prompted the effort. This paper asked why enterprises have not participated and answered from the public record rather than from their stated dispositions.

The answer is arithmetic. A normed profit fixed at 10 per cent of total investment cost yields 1.92 per cent a year over a five-year project and 1.37 per cent over seven, against commercial lending of 8 to 10 per cent. Meeting a 12 per cent hurdle over five years would require a normed profit of 76.2 per cent, seven and a half times what the regulation allows. Only a project completed within about a year clears any realistic hurdle, and no reconstruction project has ever been completed in a year. Non-participation is what the rules prescribe.

Compounding this, the mechanism that historically made private participation in Vietnamese urban development viable, payment in land under build-transfer contracts, was withdrawn in 2020 for reasons that were well founded and left unreplaced for four and a half years. Six major instruments were adopted during that window, none of them addressing the return. The policy stock grew while the policy became less capable of producing the outcome it described.

Two things follow for policy. The profit cap should be expressed on a time-adjusted basis, which preserves its protective purpose and removes its prohibitive effect. And the reinstated build-transfer mechanism should be completed with a competitive selection rule and an independent land valuation basis before it is used at scale, since the absence of both is what discredited it the first time. One thing follows for research. Enterprise readiness in this domain is not a psychological variable awaiting measurement but a quantity fixed by three regulatory parameters. Where feasibility is foreclosed, surveying disposition describes the shape of a constraint rather than the behaviour of the constrained, and the more useful study computes the constraint first.

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