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Thesis for the Degree of Doctor of Philosophy

A Study on The Determinants of  
Purchase Behavior of Foreigners in  
Ho Chi Minh City Real Estate Market  
(Case of Korean Residents in Ho Chi Minh City)  
-Focusing on Thu Thiem New City Apartment-

By

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Department of International and Area Studies

The Graduate School

Pukyong National University

February, 2019

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관한 연구(호치민 거주 한국인 사례)

-THU THIEM 신도시 아파트를 중심으로-

Advisor: Prof. Sang Wuk Ahn

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February, 2019

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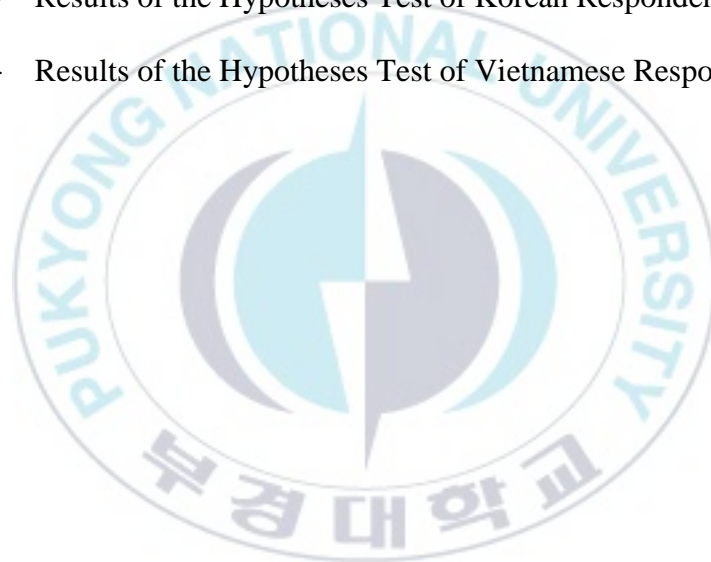
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## **- List of Abbreviations –**

### **Acronyms**



CBRE	Commercial Real Estate Services
CBBE	Customer Based Brand Equity
CPTPP	Comprehensive Agreement for trans-Pacific Partnership
DONRE	Department of Natural Resources and Environments
FDI	Foreign Direct Investment
GDLA	General Department of Land Administration
GSO	General Statistics Office
IC	Investment Certificate
IRC	Investment Registration Certificate
ERC	Enterprise Registration Certificate
LL	Land Law
LTL	Long Term Loans
LC	Loan Capital
LUCs	Land Use Certificates
LURC	Land Use Right Certificate
MARD	Ministry of Agriculture and Rural Development

MOF	Ministry of Finance
MONRE	Ministry of Natural Resources and Environments
MOPS	Ministry of Public Security
MOND	Ministry of National Defence
MOC	Ministry of Construction
MOJ	Ministry of Justice
MPI	Ministry of Planning and Investment
REA	Real Estate Auctioneering
REB	Real Estate Brokerage
REBS	Real Estate Business Services
REBA	Real Estate Business Act
REC	Real Estate Consultancy
REM	Real Estate Management
RETE	Real Estate Trading Exchange
REV	Real Estate Valuation
STL	Short Term Loans
VBF	Vietnam Business Forum
VNA	Vietnam's National Assembly
VREBA	Vietnam Real Estate Brokerage Association

## **Agencies' Name**

AMA	American Marketing Association
JLL	Joneslanglasalle.com
JIJI	Research Institute of Japan
JSC	Joint Stock Company
LLC	Limited Liability Company
MTC	Maeda-Thien Duc Company
OAK	Oak Investment Management Group
Savills	Savills.com (London Stock Exchange)
Sasaki	Sasaki Associates, Inc
SBV	State Bank of Vietnam
SEFZ	Southern Economic Focal Zone



# 호치민시 부동산시장에서 외국인의 구매행위 결정요인에 관한 연구(호치민 거주 한국인 사례)

-THU THIEM 신도시 아파트를 중심으로-

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## ABSTRACT

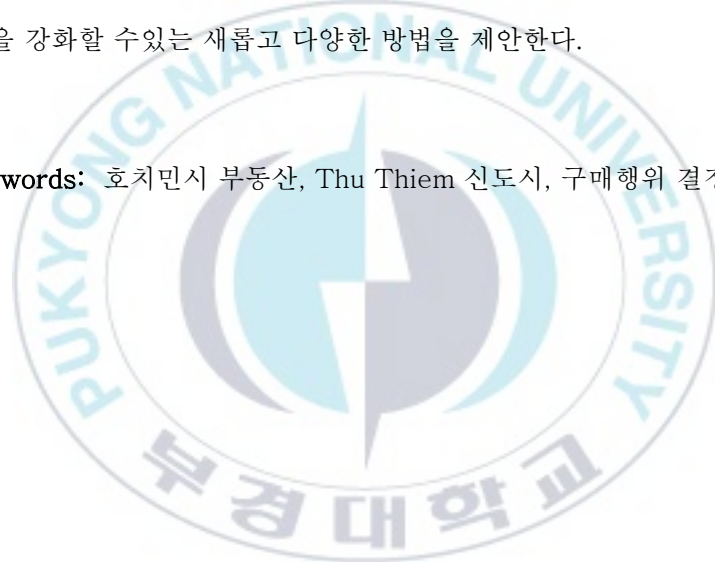
본 연구에서는 호치민 거주 한국인과 베트남인들을 대상으로 Thu Thiem 신도시 아파트를 중심으로 호치민시 부동산시장에서 구매행위 결정요인에 관한 연구를 살펴보았다. 본 연구의 주요 결과를 요약하면 호치민 거주 한국인과 베트남인간 인지적 반응과 감정적 반응의 구매의도에 있어 Thu Thiem 신도시 아파트에서 구매행위 결정요인을 유의미한 차이가 있다고 볼 수 있다.

본 연구에서 결과의 유사성은 Thu Thiem 신도시 아파트에 대한 호치민 거주 한국인 과 베트남인의 구매행위 결정요인의 투자 가치 모두 인지적 반응과 감정적 반응에 영향을 미치는 것으로 나타났다. 특히, 베트남인과 한국인의 경우는 결정요인의 거주 환경, 브랜드 이미지와 브랜드 신뢰성은 인지적 반응과 감정적 반응에 영향을 미치지 않는 것으로 나타났다.

연구 결과의 차이점은 호치민 거주 한국인의 경우는 감정적 반응의

매개변수를 통하여 결정 요인의 투자 가치가 구매의도에 유의한 영향을 미치는 것으로 나타난 반면, 호치민 거주 베트남인의 경우는 인지적 반응의 매개변수를 통하여 결정 요인의 투자 가치가 구매의도에 유의한 영향을 미치는 것으로 나타났다. 이러한 결과는 두 나라의 사회문화적 배경이 다른 가치의 차이에 의하여 인지적 반응과 감정적 반응과 아파트 구매의도간의 인과 관계에 대하여 느끼는 바가 다르고, 그에 따라 본 연구는 마케팅 매니저가 한국 고객 및 베트남 고객의 요구와 기대를 이해함으로써 Thu Thiem 신도시 아파트에 대한 감정적 마케팅 및 판촉 활동을 강화할 수 있는 새롭고 다양한 방법을 제안한다.

**Key words:** 호치민시 부동산, Thu Thiem 신도시, 구매행위 결정요인.



# **CHAPTER 1**

## **INTRODUCTION**

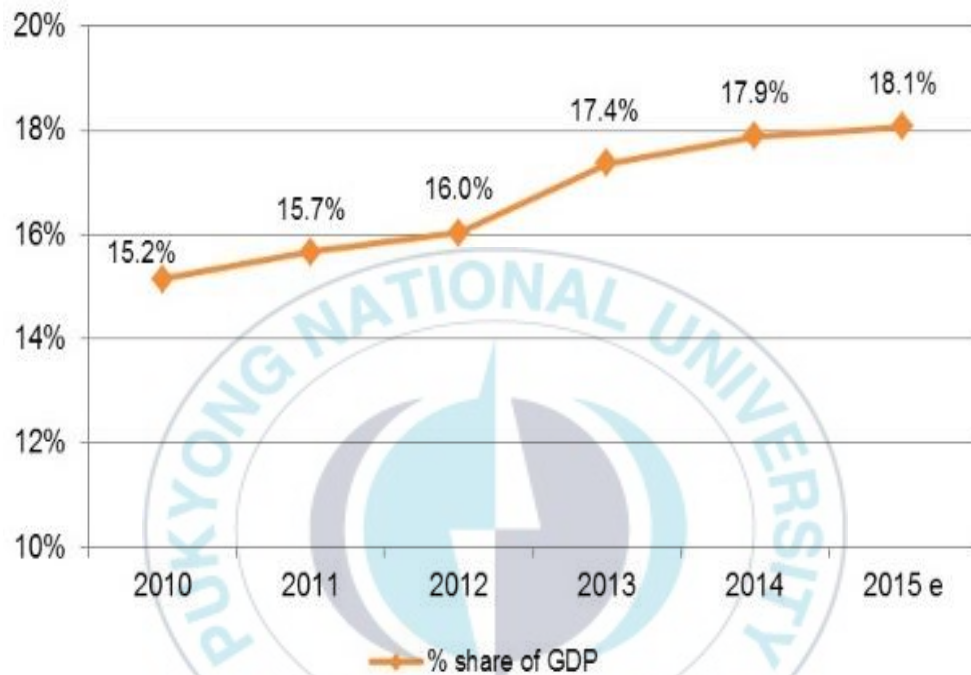
### **1.1 Research Background**

Before the economic reform in the 1980s, the Vietnamese government had controlled its economy with the policies based on the communism. Since 1986 after the application of innovative and “open door” policy, the Vietnamese economy has grown rapidly as one of the fastest economic growth countries in over the world.

Nowadays, Vietnam is a member-state of the United Nations, the World Trade Organization, International Monetary Fund, the World Bank Group, and the Asian Development Bank. Vietnam is also a member of Economic Cooperation forum Asia-Pacific region and ASEAN (Association of Southeast Asian Nations) economic community. Vietnam joined the multilateral free trade agreement (FTA) with ASEAN, Korea, Japan and China. Currently, Vietnam’s market is an attractive and potential market. Vietnam is expected to remain one of the world’s most attractive markets for foreign investment in 2018. The foreign direct investment (FDI) sector becomes an important part of Vietnam’s economy, with remarkable contribution to the country’s socio-economic development (Voice of Vietnam (VOV), 2018).

The foreign-invested sector contributed more than 18% of Vietnam's GDP in 2015 and the rate increased stably from 2010 (see Figure 1).

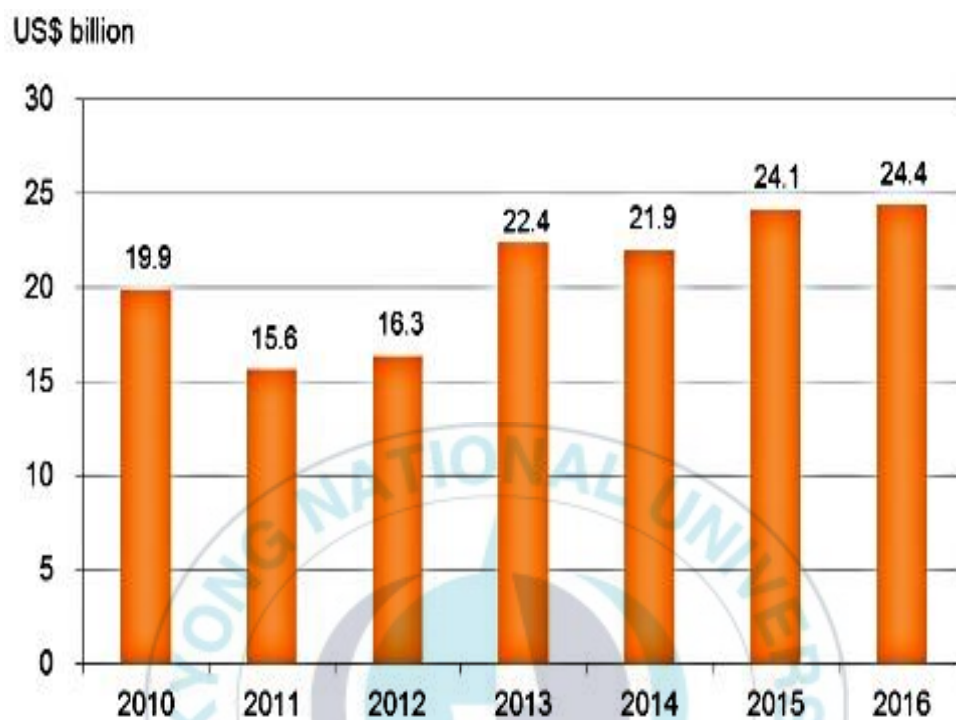
<Figure 1> Contribution of Foreign Investment Sector to Vietnam's Economy



\*Remark: e = estimate.

\*Source: General Statistics Office of Vietnam.

<Figure 2> FDI inflows into Vietnam



\*Remark: FDI inflows in terms of registered capital.

\*Source: General Statistics Office of Vietnam.

In terms of registered capital, FDI inflows into Vietnam more than US\$20 billion a year in the period 2013-2016.

Based on the report of Vietnam's Ministry of Planning and Investment in 2018, FDI accumulated to US\$15.1 billion from January to October. FDI to Vietnam averaged US\$6.21 billion from 1991 to 2018. A year record of FDI to Vietnam was US\$17.50 billion in 2017 (see Figure 3).

<Figure 3> Foreign Direct Investment in Vietnam (2018)

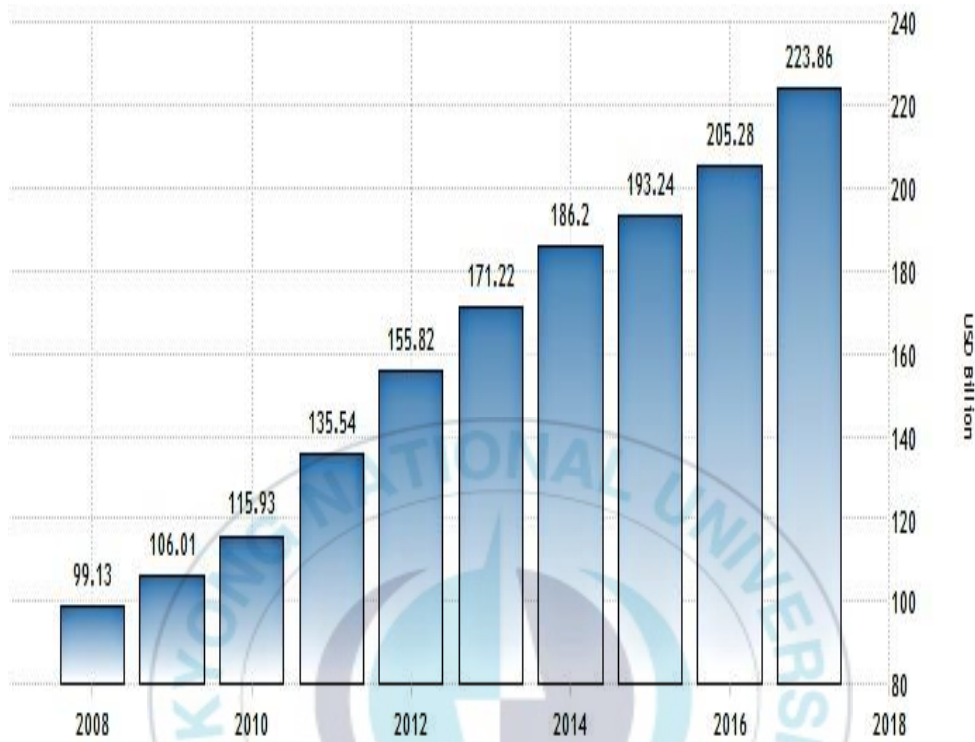


\*Source: Ministry of Planning and Investment, Vietnam.

Tradingeconomics.com.

The Gross Domestic Product (GDP) of Vietnam increased dramatically from US\$99 to US\$223 billion in the period 2008-2017 (see Figure 4). Before this period, the GDP of Vietnam was very low, and its average was US\$68.78 billion from 1985 to 2017. Currently, The GDP of Vietnam represented 0.36% of the world's economy.

<Figure 4> Vietnam's GDP (2008-2017)



\*Source: WORLD BANK; Tradingeconomic.com.

FDI in Vietnam mainly came from the developed Asian countries such as South Korea, Japan, Singapore, Hong Kong, and Taiwan. In the end period of 2016, South Korea became the largest foreign direct investor in Vietnam (see Table 1).



**<Table 1> Top 10 Countries and Territories with the highest FDI  
Into Vietnam in the end of 2016**

<b>Country</b>	<b>Registered FDI (US\$ billion)</b>
South Korea	50.7
Japan	42
Singapore	37.8
Taiwan	31.56
British Virgin Islands	21.15
Hong Kong	16.93
Malaysia	12.29
China	10.5
US	10.14
Thailand	7.8

\*Source: The Foreign Investment Agency (vietnamnet.vn).

The real estate sector is one of the biggest FDI recipients (see Table 2). Interestingly, after Vietnam's accession to the WTO in 2008, FDI inflows into real estate increased up to 37% of the total FDI.

During the period 1998-2014, real estate was the second-highest attractor of FDI with US\$50,075.35 billion of registered capital (see Table 2). The number of foreigners has increased twice in purchasing real estate since 2014 because Vietnam government introduced new laws to buy properties for foreigners in 2015. Compared to the boom of real estate in the period 2005-2008, the rise of this time was more stable than before because investors focused on land's development rather than pure speculation. Government policies also favored stable development making a good environment for investors in the long-term.



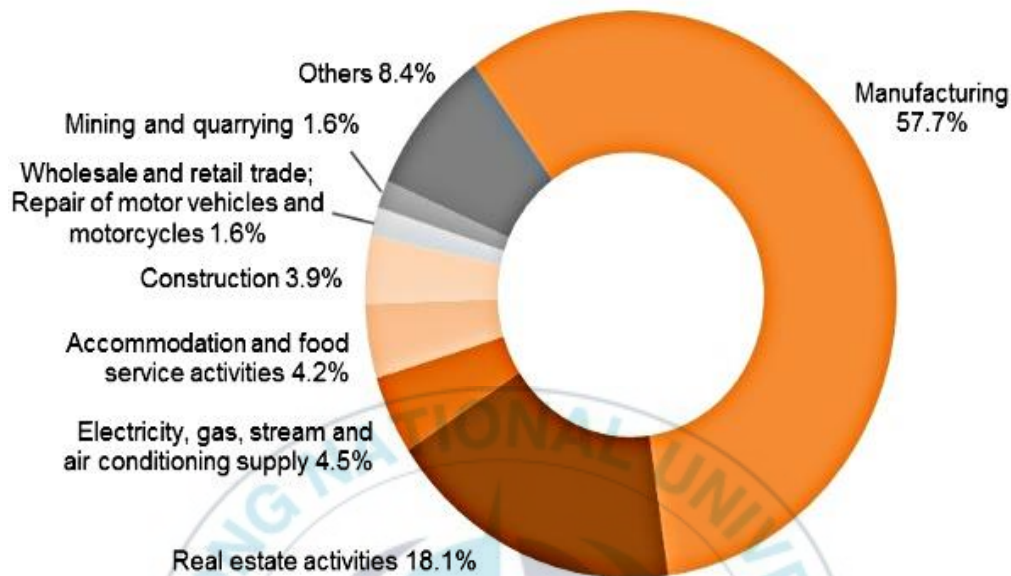
**<Table 2> FDI Sector in Vietnam from 1998 to 2014**

<b>No</b>	<b>Sector</b>	<b>Project</b>	<b>Registered Capital (US\$ billion)</b>
1	Manufacturing	9207	131,645.68
2	Real Estate	430	50,075.35
3	Accommodation and Restaurant Service	353	11,024.64
4	Construction	1119	10,843.48
5	Electricity, gas, steam and air-conditioner supply	96	9,748.60
6	Telecommunication and information	1024	4,072.34
7	Wholesale, Retail trade and repair	1245	3,741.92
8	Transportation and storage	417	3,659.18
9	Agriculture, Forestry and fishing	146	3,631.78
10	Mining and quarrying	512	3,430.25
11	Others	2361	11,164
	<b>Total</b>	<b>16910</b>	<b>243,037.22</b>

\*Source: Ministry of Planning and Investment; Pham Van Bo (2015).

Investing in real estate market is growing in Vietnam, it is usually the second or the third largest sector of FDI. Therefore, real estate is one of the major benefactors of FDI. In 2015, foreign groups invested US\$1.3 billion into real estate in Vietnam that accounted for 18.1% of total FDI (see Figure 5).

<Figure 5> Accumulated FDI inflows by Sector as at the end 2015



\*Source: General Statistics Office of Vietnam.

Foreign Investment Agency under the Ministry of Planning and Investment (MPI) has just announced the attracting foreign investments into Vietnam in the first nine months of 2018. Manufacturing sector attracted the most investment of 18 invested industries. It was invested US\$11.3 billion accounting for 44.6% of total registered capital. Real estate business ranked second with US\$5.8 billion accounting for 23% of total registered capital.

Foreign investors invested in almost whole Vietnam including 59 provinces and cities in the first 9 months of 2018. Hanoi attracted the most foreign investment capital of US\$5.8 billion accounting for 22.9% of total registered capital.

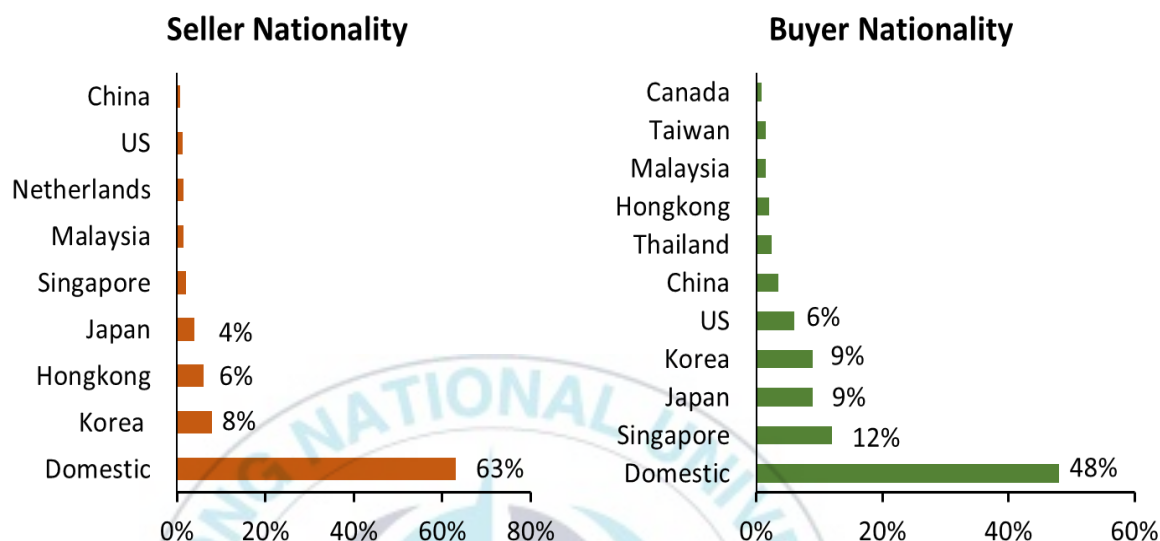
Ho Chi Minh City has been ranked the second with a capital of US\$4.2 billion accounting for 16.6% of total registered capital. Following is Ba Ria - Vung Tau province with US\$2.1 billion accounting for 8.5% of total registered capital.

In Ho Chi Minh City, real estate was attracted US\$1.01 billion of FDI equaling 43.4% of the total FDI inflows in 2017. The large amount of FDI in Ho Chi Minh City's real estate market was attributed to improving the infrastructure system, administrative procedures, a growing middle-class population, and a stable economy.

In a recent survey by Savills - a real estate consulting firm (2018), Ho Chi Minh City has been ranked the third of 50 cities worldwide for property rental growth and the fifth in terms of investment prospects. Due to the growing economy of Vietnam, the ongoing urbanization, and the steady population increase, the real estate market will grow and create more jobs. Also, the government policies promoting development and the rise of the middle class in looking for houses and business locations will impact on the real estate market. Therefore, the expansion of real estate is an integral part of Ho Chi Minh City's economy.

With the population growth and continuously migration from rural areas, the demand increases for commercial, industrial and living space in Ho Chi Minh City (Savills, 2018).

<Figure 6> Real Estate Market Share in Ho Chi Minh City (2016)



\*Source: Commercial Real Estate Services (CBRE Vietnam).

Recently, house price has slightly risen, and demand for quality housing has also increased. The biggest foreign investors in Ho Chi Minh City real estate market came from Japan, South Korea, Singapore, and Hong Kong (see Figure 6). They have aimed to buy projects at high prices and buildings under construction, then transferred to new investors.

The development of the real estate market in Ho Chi Minh City enhanced the expanding new satellite business cities. Thu Thiem, an urban area opposite of the city center through Saigon River, is a potential real estate market. This place is considered as Ho Chi Minh City's new business hub. In addition, Thu Thiem was established to become one of the largest development inner-cities in Southeast Asia. Therefore, a huge transportation

system will be built around Thu Thiem new city, and it also becomes a “hot” real estate location in Ho Chi Minh City.

There are many studies focusing on Ho Chi Minh City’s real estate market due to its potential. Previous studies mostly concentrated on analyzing real estate information, real estate price and comparing real estate market among cities in Vietnam. However, very few studies focused on analyzing the factors for purchasing real estate with respect to foreigners. In particular, the lack of the studies on purchasing behaviors of Korean customers in HCM City’s real estate market.

In this study, we will reveal the determinants on both Korean and Vietnamese customers with respect to Thu Thiem new city apartment project. Also, we focuses on the real estate laws and information providing from investors who are interested in the Vietnam real estate market.

Moreover, the completion of this study will provide the detail information on purchasing behaviors of Korean and Vietnamese customers in Thu Thiem new city’s real estate market. After that, investors can outline the strategies to widen and develop the real estate market in Vietnam, especially in Ho Chi Minh City for Vietnamese and Korean customers.

## 1.2 Research Objectives

Foreign investors are different with domestic investors due to the difference of culture, thinking and working. Also, foreign construction developers are different with domestic ones because of the different working style, vision and strategy. Foreigners normally do what they did in their home countries since people tend to imitate their behaviors (Sang Hoon-Jung & Lee Jae-Seung, 2017). For example, Korean customers imitate their behaviors and experience in purchasing HCM City's real estate as they did it before in Korea and other countries.

In order to explore purchase behavior of Korean customers with respect to HCM City's real estate market, this study aims to find out the determinants on purchasing the real estate of Thu Thiem new city. Hence, we select Korean residents in HCM City for our research objective. Moreover, Vietnamese residents in HCM City are also selected for comparison.

Currently, Korean big firms and individual Korean investors have directly joined a number of large-scale development projects around Ho Chi Minh City. In contrast to other countries, Korea's investment development projects have achieved fairly advanced steps in the construction process and more feasible in Vietnam. Indeed, overseas property development by Koreans firstly initiated in Vietnam with the Hanoi North project. Then different projects with similar scale and scope have subsequently taken place in other provinces and cities of Vietnam. In this study, we focus only on Korean Residents and projects in HCM City. Therefore, the research objectives of this study are as follows:

Firstly, this study explains details about real estate policies, the systems of legislation and law on property investment for the foreigners in Vietnam.

The second objective of this study is to figure out determinants of Korean and Vietnamese customers on Thu Thiem new city apartments in Ho Chi Minh City.

The third objective is to determine how the determinants impact on affective and cognitive responses of Korean and Vietnamese customers.

The fourth objective is to define the relationship among affective response, cognitive response and purchase intention of Korean and Vietnamese customers.

The fifth objective is to determine the relationship between the determinants and purchase intention through the mediating role of affective and cognitive responses.

The final objective of this study is to deeply understand the needs and attitudes of the customers in the real estate field. Therefore, investors and the marketers can contribute better solutions and strategies in the future.



### **1.3 Research Structure of the Dissertation**

This first chapter provides a brief explanation of the study including research background and the objectives.

Chapter 2 provides a review of literature pertinent to this study. Interestingly, it also provides a review of the changes in Vietnam real estate policies, and the systems of Vietnam legislation. In addition, it reviews the Laws on property investment for foreigners in Vietnam and foreign investors in HCM City' real estate market. In particular, it introduces Thu Thiem New City project. Finally, this chapter reviews the literature of determinants of customers, affective and cognitive responses followed by purchasing intention.

Chapter 3 presents the research model, the operational definitions and the research hypotheses.

Chapter 4 shows the research design of this study, the operation of the measures, the main experiment study sample, data collection procedures, and the results of the analysis.

The last chapter presents the discussion, the implication and the limitations of this study.



## **CHAPTER 2**

### **REVIEW OF LITERATURE**

#### **2.1 Changes in Vietnam Real Estate Policies**

In 1986, the Government of Vietnam started on a renovation process named "Doi Moi" to lead the country from a centrally-planned economy toward a market economy. Since Vietnam has opened up its economy and entered the process of trade liberalization, Vietnam has been successful in generating strong economic growth. But, it is necessary to take measures to protect and use the country's natural resources in a sustainable and efficient way. After decades of wars and being under a centrally-planned economy, all natural resources were considered as common property, they have been depleted and degraded quickly (Chung, 2002).

The land administration was overlooked in the following 1975-1986 period because of the centrally planned economy model (Que, 1999). In the first half of 80s' of the last century, Vietnam's economy had very low productivity in agriculture that caused a lack of food for social needs. In order to solve this problem, the solution was the allocation of agricultural land to individuals and households.

According to Vietnam's Constitution, land is the property of the entire people. Land can be allocated or leased by the State to organizations, households or individuals for long-term use. Depending on their situation, land users are fully or partly granted the rights of the land exchange, transfer,

inheritance, mortgage, lease and investment into joint-venture (Vo, 2002). The land policies in Vietnam have been centrally authorized in more than two decades from the early 1980s. They began with the 1980 Constitution, followed by the 1988 Land Law, then the 1993 Land Law and most recently the 2003 Land Law (Nhu, 2006).

The last one has advanced further the land management mechanism in Vietnam on the basis of supplementation and the improvement of a number of articles of the 1993 Land Law.

In early 1994, Vietnam Government decided to establish the General Department of Land Administration (GDLA) by merging and restructuring two state bodies including General Department of Land Management and National Department of Surveying and Mapping (Vo, 2002).

In 2002, the Ministry of Natural Resources and Environment (MONRE) was established by merging the General Department of Land Administration, General Department of Meteorology and Hydrology, National Environmental Agency (belonging to MOSTE), General Department of Geology and Minerals (belonging to MOI) and Department of Water Resource Management (belonging to MARD). Within MONRE, the Department of Land and the Department of Land Registration and Statistics have main functions to implement state management regarding land in Vietnam. Specifically, the Department of Land is responsible for state management of land policy and regulatory. While the Department of Land Registration and Statistics is in charge of managing land survey, assessment, valuation, classification, land use planning, land allocation, lease, land inspection and mapping.

According to the new Land Law in 2003, the land has initially been considered as a property in the trade market. However, a special commodity and special requirements will be needed to work out for the Vietnam market. It is an especially important step forward to help the developing a rational market mechanism, pushing a healthy socio-economic development.

Implementing the Decree on the Land Law, Decree 181/2004/ND-CP ("Decree 181") was issued by the Government on 29<sup>th</sup> October 2004. Decree 181 contains 186 articles and covers a wide range of land issues. It abolishes 9 Decrees and partly abolishes several other legal instruments. It deals with the planning of land use, allocation of land, lease of land, change of purposes of using land, land resumption and land requisition, land use right certificates, the real estate market, rights and obligations of land users. It also gives procedures for exchanges, transfers, leases, mortgages and inheritances of land and management on the settlement of allegations and conflicts in respect to land. Decree 181 was expected to issue prior to 1<sup>st</sup> July 2004, however, it was effective on 16<sup>th</sup> November 2004 (Nhu, 2006).

The land management system of Vietnam is a nationwide four-level including state, province, district and commune (Truong, 2007). Where the Ministry of Natural Resources and Environment (MONRE) is at the central level. Department of Natural Resources and Environment (DONRE) is at provincial level belonging to provincial People Committee (provincial government). Division of Natural Resources and Environment is at district level belonging to District People Committee. The last is one or two Land Officers in each commune (MONRE, 2007) (see Figure 7).



Based on the current policies, local governments remain in compulsory land acquisition for the construction of new towns or projects. Hence, investors as profit seekers can rightfully rely on the support of local governments, which have decisive power in land acquisition.

Decree on the Land Law with No. 181/2004/ND-CP ("Decree 181") amended important points that are summarized as follows:

### **1) Real Estate Market**

The Decree identifies the real estate market and defines the land as a special commodity. Permitted activities in the real estate market include conversion, assignment, lease, sublease, mortgage, inheritance of gifting land use rights, provision of guarantees secured by land use rights. They also include the contribution of capital by way of land use rights, investment in construction and development of residential property. However, not all land users are entitled to carry out all these activities. The activities are allowed depending on the legal situation of land users, whether the land is allocated or leased by the State.

### **2) Land Use Right Certificates**

A land use right certificate (LURC) is the form of registration of ownership of land conferring rights on the owner. However, most conferred rights drop short of the freehold permission to land recognized in many other jurisdictions. LURCs are issued in a standard form for all types of land. Decree 181 also deals with the issuance of LURCs in specific circumstances

including land users using land for construction of offices of administrative agencies and for construction of housing developments and apartment buildings.

### **3) Overseas Vietnamese and Foreigners**

Under the current land laws, foreign organizations and individuals including foreign-invested enterprises are permitted to lease Land from the State only. But, except for industrial zone's land or the place, where Vietnamese partner contributes land as an asset to the joint venture company. Decree 181 has incorporated a number of legal instruments dealing with the use of land by foreign-invested enterprises as well as providing new provisions.

### **4) Procedures for Allocation or Lease of Land**

After obtaining the agreement of the authority on the location of the project, the foreign investor must submit an application file for allocation or lease of land to the Department of Natural Resources and Environment (DNRE). The DNRE then will examine the application and submit documents to the provincial people's committee for the issuance of a land use right certificate. The timeframe for its issuance is stated to be 20 working days from the date of receipt of appropriate documents from the investors.



## **5) Rights and Obligations of Joint Ventures in Using Land**

Joint ventures among foreign organizations, foreign individuals and overseas Vietnamese with a domestic company in respect of which the Vietnamese partner contributes to land use rights to the joint venture. In which the land will not be required to turn the title to land lease in some circumstances. In such cases, joint venture companies will not be required to convert the contributed land to a leasehold title and will have rights and obligations similar to those of the Vietnamese company.

Remarkably, such joint ventures are entitled to assign, lease and contribute the land use rights and infrastructure attached to the land to establish a joint venture with Vietnamese organizations, overseas Vietnamese, foreign organizations or individuals. Besides these main legal documents, other important regulations declared for land management in Vietnam include:

- Prime Minister Decree No. 64/1993 on the enactment of regulations on the allocation of land to households and individuals for stability and long-term use for the purpose of agricultural production.
- Prime Minister Decree No. 02/1994 on the enactment of regulations on the allocation of forestry land to organizations, households and individuals for stability and long-term use for forestry purposes.
- Prime Minister Decree No. 61/1994 on buying, selling and trading in residential houses.

- Government Resolution No. 01/CP 1995 on the allocation and contracting of land to state enterprises for agriculture, forestry and aquaculture production.
- Government Decree No. 163/1999/ND-CP concerning the allocation and lease of forest land to organizations, households and individuals for long-term forestry purposes.
- Prime Minister Decision No. 178/2001/QD-TTG on the rights and obligations of households/individuals who have been allocated the forest land for benefit sharing.
- MONRE Circular 24/2004/QD-BTNMT on the certificate of land use rights.
- Prime Minister Decree No. 188/2004/ND-CP on the methods in valuing land prices and price frame for land categories.
- Ministry of Finance (MOF) Circular No. 114/2004/TT- BTC provides guidelines for the implementation of the Prime Minister Decree No. 188/2004/ND-CP on the methods in valuing land prices and price frame for land categories.
- Prime Minister Decree No. 198/2004/ND-CP on the collection of land use tax.
- MOF Circular No. 117/2004/TT- BTC provides guidelines for the implementation of the Prime Minister Decree No. 198/2004/ND-CP on the collection of land use tax.



- Prime Minister Decree No. 197/2004/ND-CP on the compensation and resettlement support in case of State land reclamation.
- MOF Circular No. 116/2004/TT- BTC provides guidelines for the implementation of the Prime Minister Decree No. 197/2004/ND-CP on the compensation and resettlement support in case of State land reclamation.
- Prime Minister Decree No. 17/2006/ND-CP on changes and amendments of some articles in Decrees guiding the implementation of Land Law.
- MONRE Decision No. 08/2006/QD-BTNMT about regulations on land use certificate.
- Prime Minister Decree No. 84/2007/ND-CP on amendments of the issue of land use certificate, land reclamation, the implementation of land use rights, procedures for land compensation, resettlement and denunciation.
- MONRE Circular No. 06/2007/BTNMT on the guidelines of Prime Minister Decree No. 84/2007/ND-CP on amendments of the issue of land use certificate, land reclamation, the implementation of land use rights, procedures for land compensation, resettlement and denunciation.

## 2.2 The System of Vietnamese Real Estate Law

According to the notification of the Ministry of Justice (Vietnam) on the government website, the No. 63/2006/QH11 Decree provided clearly about the law on real estate business as follows:

**Article 1 refers to governing scope** that this Law provides for real estate business activities; rights and obligations of organizations and individuals conducting real estate business activities and real estate transactions related to real estate business.

**Article 2 refers to subjects of application** that both organizations and individuals conduct real estate business activities in Vietnam. Organizations and individuals involve in real estate business activities in Vietnam.

**Article 8 refers to conditions for organizations and individuals conducting real estate business activities** when dealing with real estate, organizations and individuals are required to establish enterprises or cooperatives having legal capital and making real estate business registration in accordance with the provisions of law. Except for the case specified in Clause 3 of this Article, when dealing with real estate services, organizations and individuals are required to establish enterprises or cooperatives and register the real estate service dealing in accordance with law.

An organization or individual is required to have at least one person possessing a real estate brokerage certificate, if dealing with real estate brokerage service. In the same manner, at least two persons possess real estate valuation certificates if dealing with real estate valuation service. At least two persons possess real estate brokerage certificates if dealing with real estate transaction floor service. At least two persons possessing real estate valuation certificates if concurrently dealing with real estate valuation service. Individuals independently dealing with real estate brokerage services must make business registration in accordance with the provisions of law and possess real estate brokerage certificates. Moreover, foreign organization or individuals and overseas Vietnamese was pointed out from Article 10 of Vietnamese real estate law system as follows:

**Article 10 refers to scope of real estate business activities of foreign organizations or individuals and overseas Vietnamese that** may deal in real estate and real estate services within the following scopes: investing in the creation of houses or construction works for sale, lease or hire-purchase; investing in land reclamation and infrastructure works on the leased land for the lease of land with infrastructure; dealing with real estate services in accordance with Clause 2, Article 9 of this Law. Beyond the scope defined in Clause 1 of this Article, based on the provisions of this Law, the Land Law, the Housing Law, the Investment Law and relevant legal documents, the Government will specify other real estate business activities of foreign organizations and individuals and overseas Vietnamese in compatibility with socio-economic conditions in each period and the international economic integration roadmap.

**Article 12 refers to real estate business investment policies that** the State will encourage organizations and individuals of all economic sectors to invest in real estate business in line with the national and local socio-economic development objectives in each period. The State will encourage and adopt policies to support organizations and individuals. The support deal with real estate to invest in the setting up of housing funds for the sale of houses by deferred payment or installment payment, for lease or hire-purchase to persons with meritorious services to the revolution, to poor people or low-income earners; and to invest in infrastructure of industrial parks for the lease of grounds for production.

The State will invest in the building of technical infrastructures outside fences of projects; social infrastructures and head offices of state agencies within the scope of projects; support investment in the building of technical works inside fences of projects entitled to investment preferences.

The People's Committees of localities where exist real estate business investment projects will create conditions for project owners to conduct ground clearance. The State will exempt or reduce land use levies or land rents for land areas affixed with infrastructures to be transferred to the State, infrastructures for non-business purposes or condominiums for policy beneficiaries.

State credit institutions will provide preferential loans for investment projects on construction of houses for lease, hire-purchase or sale to persons with meritorious services to the revolution, to poor people, low-income earners, students and workers in industrial parks or export-processing zones. The State will adopt mechanisms and policies to stabilize the real estate

market in the case of fluctuations, thereby guaranteeing benefits of investors and clients.

Nowadays, Vietnam has been managing the land fully and attracting foreign investors. Vietnam is also continuously improving and supporting the system of the real estate law. The Land Law has been amended in 2013. The Construction Act was amended in July 2014. Since January 2015 the Housing Act has been amended and entered into force in July 2015. Then the Real Estate Business Act was amended in 2014 and entered into force in July 2015. Real estate and construction legislation were newly established and improved continuously.

In the present, Vietnamese government has to manage the Land Using by establishing the Land Law, Housing Act, the Real Estate Business Act, and Construction Act. The Land Law is enforced by the Ministry of Natural Resources and Environment. The Housing Act, the Construction Act, and the Real Estate Business Act are enforced by the Ministry of Construction. Land Law provides the rights of land users, land use plans, land acceptance, land use certificate, land price regulation, and other provisions by government judgments.

The Housing Law provides the issuance of home ownership, registration of owner name, housing ownership rights, and home ownership limits. In addition, the Act of the Real Estate Business provides the principles, scope or object, real estate business conditions, management on real estate business activities of the foreigner (group or individual), the form of payment, purchase, and transfer of real estate business (see Table 3).

<Table 3> Enforcement Decree and Decree of Real Estate Related in Vietnam

Division	Major Acts	Statute Number
<b>Land Law</b>	Prime Minister's Instructions on improving land use and investment business management	No. 09-2007-ND-CP
	Land value regulation	No. 44-2014-ND-CP
	Land use management rules, financial compensations, and support regulations, housing policies, clearing settlement process in the land sector	No. 47-2014-ND-CP
	Enforcement Decree of penalties for the administrative misdemeanor in the land field	No.102-2014-ND-CP
	No. 43/2014 / ND-CP, No. 44-2014-ND-CP, 47-2014-ND-CP added to the provisions of the Land Act	No. 01-2017-ND-CP
<b>Housing Law</b>	Enforcement Decree of the Housing Act	No. 90-2006-ND-CP
	Regulations on home ownership, development, management and use, and the sale and lease of companies are stipulated in the Real Estate Business Act	No. 65-2014-QH13
	In the case of foreigners, individuals or organizations may be required to provide housing, development, management, use, and sale	No. 99-2015-ND-CP
<b>Real Estate Business Act</b>	Enforcement Decree of Real Estate Business Act	No.153-2007-ND-CP
	Real estate business rules, the rights, and obligations of individuals and organizations of real estate business	No. 66-2014-QH13

\*Source: Ro, H. S, et al., (2008); Tran, P (2017).



## **2.3 Law on Property Investments for Foreigners in Vietnam**

### **1. Housing Law (No. 65/2014/QH13)**

The Housing Law No. 65/2014/QH13 dated 25 November 2014 ("2014 Housing Law") was launched more than three (3) years ago and took effect on 1 July 2015. The 2014 Housing Law was assigned to ease housing ownership rules of the foreigner in Vietnam. Although progress has been completed, obstacles have still remained. Currently, the biggest obstacle to housing ownership of foreigner in Vietnam is the limitation concerning to land areas considered sensitive to national defense and public security (Baker, M; Frederick R. B & Nguyen, G. L, 2018).

#### **i. Issuance of Pink Book to Foreigner**

"Pink Book" is the primary permit document for residential ownership in Vietnam. Foreigners are supposed to be able to obtain Pink Books for the residential properties they buy. But pursuant to Decree No. 99/2015/ND-CP ("Decree 99") dated 20<sup>th</sup> October 2015 providing guidance on the implementation of the 2014 Housing Law, foreigners are not allowed to own houses inland areas zoned for national defense and security. The Ministry of Public Security (MOP) and the Ministry of National Defense (MOND) have issued official dispatches to the Ministry of Construction (MOC) regarding this regulation.

On that basis, the MOC instructed provincial or city people's committees to identify projects where foreigners are not allowed to own houses based on the guidelines of the MOPS and MOND.

However, at the provincial level, departments of construction, natural resources and environment, planning and architecture, justice and police have so far been unable to finalize and publish their local list of projects where foreigners are not allowed to buy houses due to security issues. In such case, there is no legal basis for land registration offices under provincial departments of natural resources and environment to grant ownership certificates or Pink Book to foreigners.

In the Vietnam Business Forum (VBF) in December 2017, the representative of VBF's Investment & Trade Working Group reported this issue to the Prime Minister. However, it was unclear where foreign nationals are not allowed to buy houses in the respective provincial lists of projects.

Many people still expect Prime Minister will instruct the relevant ministries to accelerate the progress of this exceptional work at the provincial level to allow the issuance of Pink Book to foreigners in the near future.

## **ii. Long-term Lease Structures**

Given the aforementioned administrative difficulties, a trend is rising in which foreigners sign long-term lease agreements with developers of apartments that they eventually intend to buy, usually with the maximum legal lease term of 50 years.



This structure may cause a concern for foreigners because technically, they will be paying a lump sum amount for a long-term lease and still unable to receive any leasehold title. However, in most cases, such long-term lease agreements purport to offer a cost-free right of ownership conversion when the procedural obstacles will be removed.

As a mere tenant, the buyer may not have the same rights to sub-lease, mortgage, and transfer or inherit the property, depending on the lease terms. As such, this long-term lease structure occurs with certain pros and cons that foreigners should carefully consider if they plan to enter into such a settlement.

Amended Vietnam Housing Law to attract foreigners that was effective in July 1, 2015. Foreigners holding a valid visa and foreign companies will be allowed to acquire residential properties in Vietnam now.

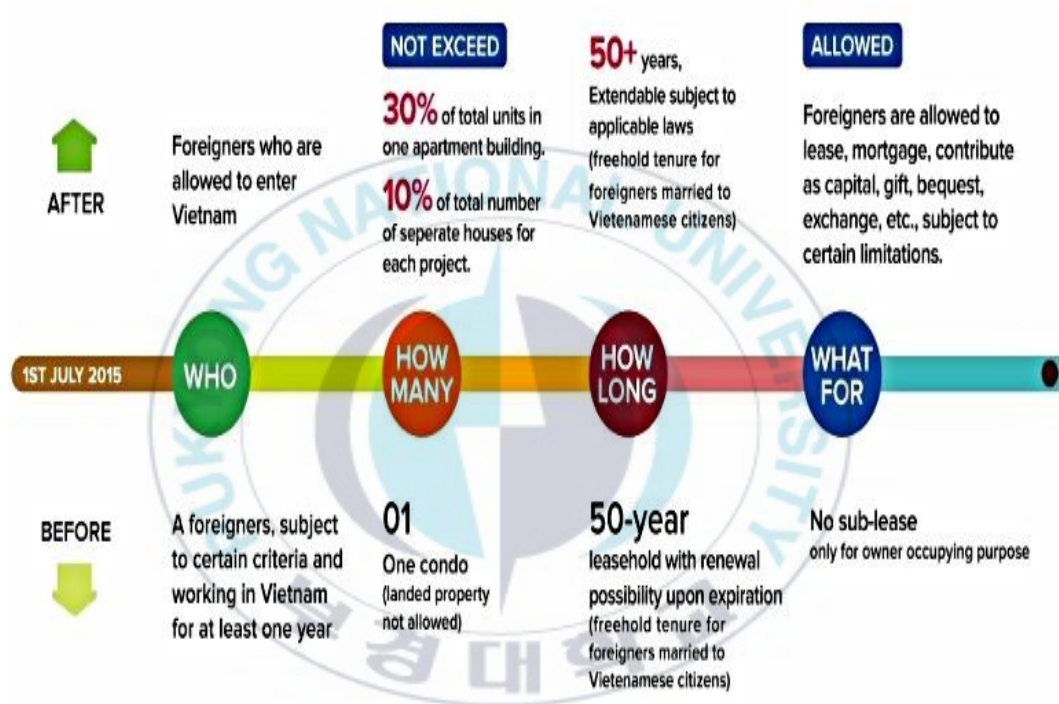
This law includes houses, apartments, condominiums, villas, and townhouses. Though there is no limit on the exact number of dwelling units a foreigner can buy the maximum ownership of 30% of an apartment building or condominium complex or 250 houses in a ward. Before this law, an eligible foreigner is only allowed to buy one condominium in Vietnam.

In contrast to the previous stipulation where purchased properties are only for owner occupancy. Now, properties owned by foreigners can sub-leased, traded, inherited and collateralized. Under Vietnam's constitution, all lands belong to the state. Land-lease certificates fit for a maximum of 50 years are granted in real-estate purchases.

Although this stays unchanged, foreigners who got married to Vietnamese citizens are entitled to freehold tenure. This new law is amended a version of the existing Housing Law, now is beneficial to non-

Vietnamese. In fact, this law was approved on November 25<sup>th</sup>, 2015 when Vietnam's National Assembly passed the amended Housing Law addressing issues on land ownership, including regulations on foreign ownership of properties in the country (see Figure 8).

<Figure 8> New Vietnam Housing Law



\*Source: Hawks, A. (2017).

According to government website, the Decree of the Vietnam National Assembly (No.56/2005/QH11) about Vietnam-based Houses of Overseas Vietnamese, foreign organizations or Individuals declares as follows:

## **Section 1: Rights to House Ownership**

**Article 125 refers to rights of foreign organizations and individuals to own houses in Vietnam.** Foreign organizations and individuals are investing in the construction of houses for lease in Vietnam shall be granted by competent state bodies' certificates of ownership rights to such houses. The duration of house ownership will be the duration stated in the investment certificates and specified in-house ownership right certificates.

Foreign organizations and individuals are investing in the construction of houses for sale, after the completion of construction under projects, investors may sell these houses to subjects entitled to own houses in Vietnam defined in Clause 2, Article 9 of this Law. Purchasers these houses from organizations or individuals defined in this Clause shall be granted by competent bodies a house ownership right certificate according to the provisions of this Law. Organizations or individuals investing in the construction of houses for sale shall have to pay for land use levies and fulfill other financial obligations as provided for by law.

**Article 126 refers to overseas Vietnamese's rights to own houses in Vietnam as follows:** Overseas Vietnamese returning to Vietnam for a long-term investment, being persons with merits of making contributions to the country, cultural activists, scientists wishing to conduct regular activities in Vietnam to serve the cause of national construction, persons permitted to lead a stable life in Vietnam and other subjects defined by the National Assembly Standing Committee, may own houses in Vietnam. Overseas Vietnamese other than those defined in Clause 1 of this Article, who has

returned to Vietnam for stay for more than six months may own a single house or an apartment.

**Article 127 refers to information about dossiers of application for house ownership right certificates.** Dossiers of application for house ownership right certificates of overseas Vietnamese, foreign organizations or individuals shall each comprise:

- (i) Application for house ownership right certificate;
- (ii) Copy of the investment certificate, for foreign organizations or individuals investing in the construction of houses for lease; the original of the contract on trading, donation of house, house inheritance papers as provided for by law, for overseas Vietnamese;
- (iii) Papers certifying the subject entitled to own houses in Vietnam under the provisions of Clause 1, Article 125 and Article 126 of this Law;
- (iv) Plan of the house, residential land.

**Article 128 refers to house ownership right certificate-granting order and procedures.** Foreign organizations and individuals, overseas Vietnamese investing in the construction of houses for lease, after the completion of investment construction, shall have to carry out procedures for being granted house ownership right certificates as provided for in Article 16 of this Law before leasing the houses.

In the case of investment in the construction of houses for sale, investors must carry out procedures for competent bodies to grant house ownership right certificates to house purchasers. Overseas Vietnamese trading in, donating, inheriting houses under the provisions of Chapter V of

this Law must compile dossiers for competent state bodies to grant house ownership right certificates.

**Article 129 refers to rights and obligations of house owners being overseas Vietnamese, foreign organizations or individuals.** House owners being overseas Vietnamese, foreign organizations or individuals shall hold the rights and obligations defined in Articles 21 and 22 of this Law but have to comply with the following provisions:

- (i) To mortgage houses at credit institutions licensed to operate in Vietnam;
- (ii) To sell, donate, bequeath houses to domestic organizations or individuals, overseas Vietnamese entitled to own houses in Vietnam.

In the case of donating or bequeathing houses to other subjects, such subjects can only enjoy the value of such houses. When their investment certificates expire, foreign organizations and individuals defined in Article 125 of this Law shall have the responsibility to hand over the houses for lease and the unsold houses not subject to demolition to the provincial-level People's Committees of the localities where such houses exist. The provincial-level People's Committee presidents shall inform decisions to establish state ownership over such houses and assign enterprises with the function of managing state-owned houses to manage the use of such houses according to provisions of law.

**Article 130 refers to other provisions applicable to house owners.** The procedures for the grant, change, re-grant of house ownership right certificates or certification of changes after the grant of certificates shall

comply with the provisions of Articles 12, 13, 14, 17, 18 and 19 of this Law applicable to overseas Vietnamese, foreign organizations and individuals.

## **Section 2. House Renting**

**Article 131 refers to house lessees and renting conditions.** Foreign organizations and individuals that are allowed to enter and stay in Vietnam for three or more consecutive months and overseas Vietnamese may rent houses in Vietnam.

**Article 132 refers to conditions on leased houses.** Houses in Vietnam, which are leased to overseas Vietnamese, foreign organizations or individuals, must fully satisfy the following conditions:

- (i) Being granted house ownership right certificates under the provisions of this Law;
- (ii) Being separate houses or enclosed apartments;
- (iii) Ensuring quality and safety for lessees;
- (iv) Ensuring electricity and water supply, environmental sanitation and other essential conditions;
- (v) Being free from disputes over ownership rights or use rights.

**Article 133 refers to other regulations on house leasing.** The provisions of Articles 92, 93, 99, 100, 102, 103 and 104 of this Law shall be applicable to overseas Vietnamese, foreign organizations and individuals that rent houses in Vietnam. Specifically, according to the document of The National



Assembly (No.56/2005/QH11) on the Vietnamese ministry of Justice website, this law was referred for both Vietnamese and foreigners.

**Article 92 refers to Conditions on participants in house-related transactions.** House sellers, lessors, lease-sellers, donors, exchangers, mortgagors, lenders, temporary stay perimeters and management authorizers must satisfy the following conditions:

- (i) Being house owners or representatives under the provisions of civil law.
- (ii) Having civil act capacity for individuals;
- (iii) Having housing business function, for organizations selling or leasing houses, except for cases where organizations sell houses, not for business purposes.
- (iv) House purchasers, renters, rent-purchasers, exchanges, domes, borrowers, temporary stayers, management authorized are organizations or individuals;
- (v) In the case of domestic individuals, they must have civil act capacity regardless of their places of permanent residence registration;
- (vi) In the case of overseas Vietnamese, there must be subjects entitled to own or lease houses in Vietnam under the provisions of this Law;
- (vii) In the case of organizations, they should not depend on their places of business registration.

**Article 93 refers to order and procedures for house-related transactions.**

The parties should be directly, or through their representatives, reach agreement on the sale and purchase, rent-purchase, donation, exchange, mortgage, lending, permitted temporary stay, authorized management of



houses (hereinafter referred collectively to house contracts). In cases where legal people donate houses, house-donation documents are required. House contracts, house-donation documents must have the following contents:

- (i) Names and addresses of the parties;
- (ii) Description of characteristics of the houses;
- (iii) Price and payment mode, if the contract contains the agreement on price;
- (iv) Time for hand-over and receipt of the house;
- (v) The warranty duration (if any);
- (vi) The duration of house leasing, lending, permitted temporary stay, authorized management;
- (vii) Rights and obligations of the parties;
- (viii) Commitments of the parties;
- (ix) Other commitments; Day, month, year of signing the contract or document;
- (x) Signatures of the parties (the seals and the positions of the signees, for organizations).

House contracts must be certified by public notaries or authenticated by district-level People's Committees for urban houses, authenticated by commune-level People's Committees for rural houses, excluding the following cases:

- (i) Individuals lease their houses for less than six months;
- (ii) The house sellers, lessors are organizations having the function to deal in houses,
- (iii) Rent-purchase of social houses; the house donors are organizations.

Either of the parties shall, according to their mutual agreement, pay for taxes and fees based on provisions of law. House purchasers, domes, exchanges, heirs shall have to submit dossiers for being granted house ownership right certificates according to the process provided for in Article 16 of this Law. Except the cases where the house sellers are organizations having the function to deal in houses or where the parties otherwise agree.

The house ownership rights shall be transferred to the purchasers, domes, rent-purchasers, exchanges as from the time the contracts are notarized. House-related transactions among individuals or the houses have been handed over and received as agreed in contracts.

The order of mortgaging houses shall comply with the provisions of civil law. Mortgagees may keep the house ownership right certificates in the mortgage duration, except for otherwise agreed upon by the parties.

**Article 100 refers to lease of houses under common ownership.** Lease of houses under common ownership must be consented in writing by all the owners of such houses. Except for the cases where owners of the houses under common ownership lease the house sections under their respective ownership. Owners of houses under common ownership may agree to nominate their representatives to sign house-leasing contracts.

In theory, the current rules allow foreign ownership for a set period. The most part banks have not been willing to assist expatriates with procedural aspects of buying property in Vietnam.

The document of Constance Johnson (August 30<sup>th</sup>, 2017) also refers to the real estate news about foreigners permitted to own homes for 99 years in Vietnam. Under a draft law now being considered in Vietnam, foreigners

will be allowed to own houses for 99 years. In addition, anyone will be able to mortgage assets associated with land-use rights at foreign credit institutions (M. Ha, 2017). But, Nguyen Manh Ha (2018), the chair of the Vietnam Real Estate Brokerage Association, noted that the 99-year term of ownership was not really a new rule. Foreigners can now own houses for 50 years, with a right of renewal of no more than 50 years, under Decree of Government No. 99/2015/ND-CP dated October 20<sup>th</sup>, 2015 on Guidelines for the Law on Housing.

### **iii. Land Law (No. 102/2014/ND-CP)**

Vinh Quoc Nguyen (2014) pointed out the latest incarnation of Vietnam's Land Law that was ratified by National Assembly on November 29, 2013, and came into force on July 1, 2014 (the 2014 Land Law). This new law replaced the previous Land Law of 2003 (the 2003 Land Law). Following the 2014 Land Law, the Vietnam Government issued Decrees No. 43, No. 44, and No. 47. They came into force on the same date as the 2014 Land Law. However, the new Land Law has brought with it mixed feelings for foreign developers in Vietnam.

### **Equal Footing for Domestic and Foreign Investors**

Under the 2003 Land Law, the most common form of a land acquisition by foreign investors was direct lease through the government. Foreign investors paid rent either on an annual or an upfront basis. On the other hand, local investors were allowed to acquire land via land allocation

through a land grant obtained from the government for agricultural, commercial, and residential land. They paid a land use fee such as the legal term for payment of the land allocation to the government on a definite or indefinite-term basis. In addition, local investors were also able to lease the land from the government and pay for rent on a yearly basis.

The 2014 Land Law eliminates all of the aforementioned differences between local and foreign investors. Now, both of them may lease land from the government and pay rent on an annual basis or as a lump-sum payment. They may also acquire land via land allocation. However, a land allocation is now only available for residential land.

#### **More Conditions for Land Acquisition**

The 2014 Land Law sets out new harsh requirements for both local and foreign developers, who want to lease or obtain a land allocation from the government. These new requirements include the following:

- (i) The lease (or allocation) of the land must be provided for in the annual land use plan (the plan for using each specific piece of land such as for commercial or residential purposes within the district) issued by the district-level People's Committee. In other words, foreign developers must ensure that the land they intend to acquire has been specified in the annual land use plan.
- (ii) The developers must meet a minimum level of statutory equity capital (pocket money). For example, for a project that has a land area of less than 20 hectares, the developer's equity capital must be at least 20% of

the total estimated investment capital of the project. A project of 20 hectares or more, the equity capital must be at least 15%.

(iii) The developers must pay for deposits to the government to ensure that they will pay for the land rent or land use fees and develop the projects in a timely manner.

### **Uncertainty Over Land Prices**

Under the 2003 Land Law, the land price such as the land rent or land use fees for a specific piece of land could be calculated based on the table of land prices annually published by the provincial People's Committee. However, the 2014 Land Law requires the land price to be determined on a case-by-case basis by the provincial People's Committee.

The government may hire land valuation firms to determine and advise on the land's value. This new determination method leaves much uncertainty about the land price and also the timing issue of the local government.

### **More Restrictions on Land Withdrawal**

Under the 2003 Land Law, the grounds for land withdrawal by the government for the development of a commercial or residential project were very broad. Developers were able to ask the government for land withdrawal from individual land users for their development of a three-star hotel or any residential project.

This is no longer permissible under the 2014 Land Law. Land withdrawal for a commercial or residential project must satisfy two conditions: it may only be for significant projects, such as the construction of a new township; and it must have prior approval for land withdrawal from the provincial People's Council.

### **More Options for Residential Projects**

For the first time, the 2014 Land Law allows a residential project developer to transfer part of the project (by dividing the land and transferring the divided plots of land and the assets constructed on them) to another developer. The conditions for such a transfer are fairly simple: the land price must be fully paid by the selling developer, and the land must issue a land use right certificate.

The 2014 Land Law also allows a residential project developer to transfer individual plots of land in a project without any houses constructed on them. Previously, this form of transfer was strictly prohibited, for fear that if the developer failed to construct the houses in the project in a timely manner.

The 2014 Land Law allows a developer to transfer bare land to buyers, so long as the following conditions are met:

- (i) The developer must fully pay for the land price for the project land;
- (ii) The developer has constructed the infrastructure of the project;
- (iii) The project is not located in the central districts of the city or province;
- (iv) The provincial People's Committee where the project land is situated agrees to the transfer.



According to the document of Grünkorn & Partner Law Co., Ltd (2016) refers to Land Law in Vietnam with two main issues as below:

### **Land Use Right (LUR)**

As mentioned before, land in Vietnam belongs to the people and is administered by the State. Therefore, land itself cannot be bought and sold. In practice, this means that the State grants or leases LUR to eligible individuals and organizations for a set period of time and purpose. These rights are evidenced by a LUR Certificate (LURC).

The registration for the LURC is compulsory for the land users. Thus, a foreign investor, who requires land for a factory, warehouse, must lease the LURs on the site to be used from the State. Foreigners who are not licensed to operate in Vietnam cannot obtain such a lease. When the lease expires, the right to use the land, and any infrastructure connected on the land, reverts to the State with no compensation.

A foreign investor can only be leased land directly from the State. A foreign investor cannot sub-lease land from a private individual or enterprise. In the case of the foreign investor implements investment projects for construction of residential housing for sale or for sale in association with leasing. The State will allocate land with a collection of land use fees. If a foreign investor only requires an existing building for their investment project such as office space, then this may be leased from the State or a private individual or enterprise.



Foreign-invested joint venture banks and branches of foreign banks in Vietnam are allowed to take Vietnamese land and buildings as security. It is common practice for the Vietnamese partner in a joint venture to contribute their capital in the form of LURs. Once the joint venture is established via the issuance of an IRC and ERC, the LURC will be issued under name of the JVC.

The LUR detailed above are only valid for a restricted period of time, in general, 50 years. In exceptional cases, the Prime Minister can extend the duration to a maximum of 70 years. Such an extension is usually granted (but not guaranteed) if upon expiry the investor wishes to continue to use the land and they must satisfy the following conditions: The lessee has complied with the land regulations during the period has used the land; and the use of land is consistent with the approved land plan (Grünkorn & Partner Law Co., Ltd, 2016).

### **Rights and Obligations under the LUR**

Foreign invested enterprises who have been granted the lease of LURs for their investment projects generally have rights and obligations similar to other land users allowed to be in Vietnam such as:

- (i) To be granted the LURC;
- (ii) To be compensated if the State has decided to recall the LURs;
- (iii) To complain in the case of any violation causing damages to their properties, business operations;
- (iv) To use the land only as the committed purpose is;

- (v) To pay for financial liabilities to the State like leasing rental, land use fee;
- (vi) To implement legal procedures concerning the lands' registration, transfer, lease.

Besides that, the foreign-invested enterprises shall have separate rights in several cases as follows: The foreign-invested enterprises having leased the land with annual leasing rental payment will have the right to mortgage, to lease or to sell their properties attached to the lands, or to use their properties for capital contributions into other enterprises. The foreign-invested enterprises using land located within an Industrial Zone with one-time rental payment for the entire leasing term will have the right to transfer, to lease, to give, to mortgage the LURs and their own properties attached to the lands, to use the LURs and properties attached to the lands for capital contributions into other companies.

#### **iv. Real Estate Business Act (No. 66/2014/QH13)**

Decree No. 76/2015/ND-CP dated 10<sup>th</sup> September, 2015 provides detailed regulations on the implementation of Law on Real Estate Business No. 66/2014/QH13 dated 25<sup>th</sup> November 2014 ("REB Law 2014"). Law on Real Estate Business No. 63/2006/QH11 dated 29<sup>th</sup> June 2006 ("REB Law 2006") which was replaced by REB Law 2014 from 1<sup>st</sup> July 2015.

According to Grünkorn & Partner Law Co., Ltd (2016), who analyzed in detail about Real Estate Business Law in Vietnam. From 1 July 2015, new regulations were applied. With the new legal framework,

investing in Real Estate Business is now more open to foreign investors. The Vietnamese market is a lot more attractive to these changes. For the foreign investor intending to invest into Vietnam market, especially the Real Estate Business, it is important to know how to obtain the LUR, housing ownership or ownership of other Real Estate.

Obviously, foreign investors recognize this to be the right time to invest and a great opportunity to enter the Real Estate market of Vietnam. It is very clear that the demand on Real Estate (like housing, office) is still very high and rising. The purchasing capability of Vietnamese citizens and companies is increasing for certain parts of the market.

The Vietnamese state reacted to the cooling period in the Real Estate market in many ways. One was to enact new laws in 2013 and 2014 bringing considerable changes to the Real Estate Business. The new Land Law 2013 effective from 01<sup>st</sup> July 2014 brought certain new essential provisions in comparison to the Law on Land No. 13/2003/QH11 dated 26<sup>th</sup> November 2003 (“Land Law 2003”). The REB Law 2014 and the Housing Law 2014, both took effect as of 1<sup>st</sup> July 2015.

This Decree has a positive impact on the Real Estate market by allowing foreigners to buy houses for the first time. There are two main fields of foreign investment relating to Real Estate: the first includes the investors having demand on land for their own projects which are not related to Real Estate but to other kinds of business lines like energy, agriculture, industrial productions, or their own office for their own use as working place, or residential place for their own employees. Secondly others want to invest in the Real Estate Business activities including Real

Estate Business and Real Estate Business Services with the purpose of their owner profits within Real Estate Business division.

Concerning the first group, owning the Real Estate is just supporting the main business. Using this Real Estate is strictly limited to the scope of business including the Investment Certificate (IC), in Investment Registration Certificate (IRC) and Enterprise Registration Certificate (ERC). Therefore, the main concern in this case is to have the investment in Real Estate match the needs of the main business in the best possible way. In addition, several legal and technical conditions have to be met.

#### **Activities of Real Estate Business under the REB Law 2006**

The activities of Real Estate Business were divided into 2 types: Real Estate Business and Real Estate Business Services.

Real Estate Business means spending investment capital in order to create, to purchase, to receive an assignment of, to lease or to purchase Real Estate in order to sell, assign, lease out or sublease out or to grant a purchase of such Real Estate for profit-making purposes.

Real Estate Business Services means activities assisting Real Estate Business and the Real Estate market, comprising services of Real Estate Brokerage, Real Estate Valuation, Real Estate Trading Exchange, Real Estate Consultancy, Real Estate Auctioneering, Real Estate Advertising, and Real Estate Management.

The new REB Law 2014 has given up the separation of Real Estate Business and Real Estate Services and combined both of them in one type. Real Estate Business means investment of capital in order to implement

construction, purchase, receipt of a transfer of in order to sell or transfer; to lease out or sub-lease out or grant a purchase of Real Estate; to carry Real Estate Brokerage Services; Real Estate Trading Exchange Services; Real Estate Consultancy or Real Estate Management Services for profit-making purposes. However, Real Estate Business can be divided into 3 types:

- (i) Business of existing Real Estate;
- (ii) Trading of Real Estate to be formed in the future;
- (iii) Real Estate Business Service including brokerage, trading exchange, consultancy, and management.

### **Conditions 3.2.1 General Conditions**

Vietnam did not agree on any commitment relating to the Real Estate Business in any international treaty, especially not under the WTO regime. For this reason, Vietnamese legislation on Real Estate Business does not have to match any international obligations. Similar to other business lines, foreign investors intending to invest into Vietnam for the Real Estate Business line must be licensed by relevant licensing authorities concerning their investment project and register the company. This is accomplished by granting the IRC and the ERC.

Except for several cases in which the transaction on Real Estate is on a small scale and not regular, establishing an enterprise is obligatory to do Real Estate Business. In the application filed for the IRC, the investors shall inform very clearly that they do satisfy required conditions on legal charter capital, form of company, location of project and company's head office,

scope of business or scale and target of project, practice certificate of managing personnel.

### **Percentage of Foreign Ownership**

The current legal provisions on Real Estate business of Vietnam only state that foreign-owned companies are allowed to perform Real Estate business. They also do not stipulate clearly if foreign investors are allowed to set up their 100% owned companies operating the permitted Real Estate Business activities in Vietnam. As the result, the licensing authorities shall have the power to consider and make final approval basing on the content of the specific application and the description of the project.

However, the experience so far is that applications for 100% foreign owned entities are allowed but there are some restrictions on the foreign-owned companies' scope of business in comparison to Vietnam companies.

### **Capital Structure under Vietnamese Laws**

There are different types of capital to be distinguished such as Charter Capital and Loan Capital. Charter Capital has to be paid after the company is licensed by issuing the ERC. The investor is liable to pay for this amount. Loan Capital is the amount of Long-Term Loans a foreign company may receive. Short-Term Loans having a duration of up to one year are not limited and do not have to be licensed and registered at the State Bank of Vietnam (SBV).



In the case of Long-Term Loans, they do have to be concerning the maximum amount of summed up including domestic loans, but not concerning the specific loans licensed in the IRC. Also, they have to be registered at the SBV if lent from overseas by a confirming registration of the specific foreign loan.

The investor has no obligation to pay for the loans. The loans may come from the investor or third parties. When Loan Capital is mentioned, usually it is only referred to the Long-Term Loan Capital which has to be registered in the IRC.

### **Business Capital**

This is the sum of Charter Capital and Long-Term Loan Capital. In general, a Limited Liability Company (LLC) or a Joint Stock Company (JSC) does not have to meet any fixed minimum capital requirements. Nevertheless, for a company having the license to operate Real Estate Business, the Charter Capital has to meet a special minimum requirement. In this case, the Charter Capital is also called “Legal Capital”.

In case a company is only providing Real Estate Business Services, Legal Capital is not required. The amount of the Legal Capital is 20 billion Vietnam Dong (VND) (~ US\$900,000). A confirmation on the capital contribution is not required anymore. The company conducting this business line is liable for the paying for the Charter Capital (as Legal Capital). The Charter Capital has to be paid for the account of the company within 90 days from the date issuing ERC. There is no limitation in using the Charter Capital (as Legal Capital), it is not blocked.



### **Limitations of the Scope of Business compared to Domestic Investors**

The permitted scope of real estate business activities applicable to the foreign invested companies is limited to certain activities. Under REB Law 2014, the scope of business of domestic investors is generally unchanged. For foreign investors and Vietnamese residing overseas, the scope of business is broadened in comparison with the former law.

However, foreign organizations are only permitted to conduct these following activities:

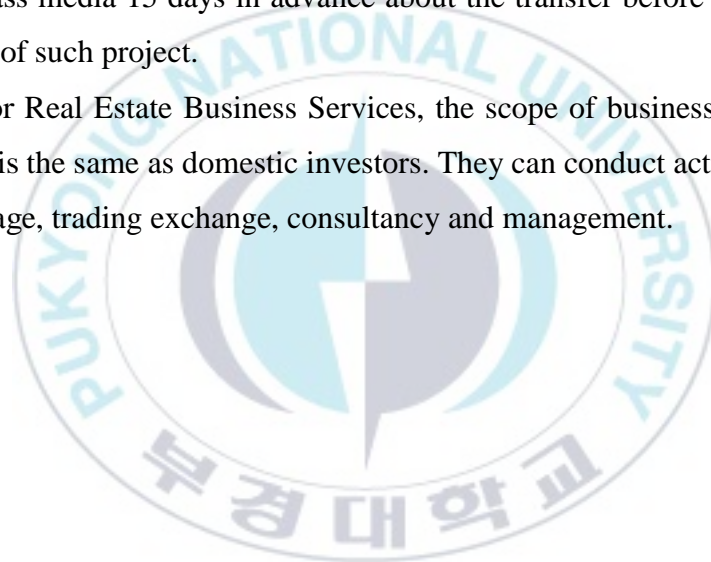
- (i) To lease houses and buildings for sub-leasing out;
- (ii) To invest in the construction of residential houses for leasing out and to invest in the constructions not being residential houses for sale, leasing out or grant of hire purchase in case the land leased from the State;
- (iii) To receive a part or entire Real Estate projects transferred from investors to construct houses and buildings for sale, leasing out or grant of purchase.
- (iv) To invest in the construction of residential house on land allocated by the State for sale, leasing out or grant of purchase;
- (v) To investment in the construction of houses and buildings on the leased land in industrial zones, industrial complexes, export processing zones, high tech zones or economic zones for trading in strict accordance with the land use purpose.

This limitation of course leads the foreign investors operate carefully the Real Estate business in Vietnam. In order to permit the transfer of a part or entire Real Estate projects mentioned above, an application must be sent to the People's Committee where the project is implemented for approval.

Depending on the project, the decision will be taken by that People's Committee or Prime Minister.

In case of the transfer is not permitted, a written notice specifying the reasons will be provided to the transferor investor. In case the transfer is permitted, the parties in the transfer transaction must complete signing the transfer contract and the handover of a part or entire project within 30 days from the date of the decision permitting the transfer. The transferor investor must also provide a written notice to all clients and make an announcement on the mass media 15 days in advance about the transfer before conducting handover of such project.

For Real Estate Business Services, the scope of business of foreign investors is the same as domestic investors. They can conduct activities such as brokerage, trading exchange, consultancy and management.



## **2.4 Foreign Investors in Ho Chi Minh City's Real Estate Market**

### **1. Ho Chi Minh City Tops Nation in FDI Attraction**

According to the notification of The Voice of Vietnam (2018), it refers to Ho Chi Minh City gained the top nation in terms of foreign direct investment (FDI) attraction. 30 years since the first foreign investor was allowed to operate in Vietnam on January 1<sup>st</sup>, 1988.

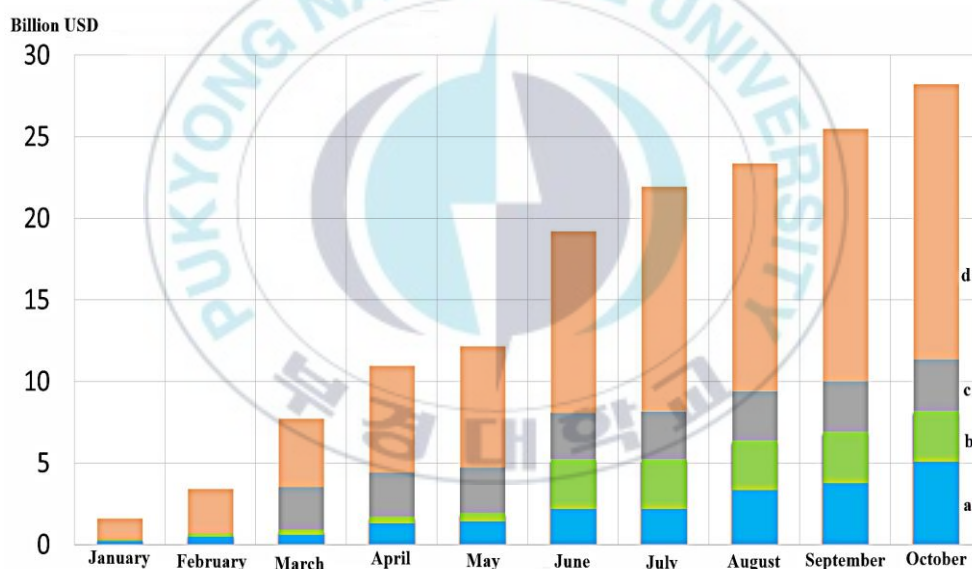
Foreign Investment Agency (FIA) under the Ministry of Planning and Investment also showed that over the three decades, this city has granted investment licenses to 7,494 projects with US\$44.5 billion, accounting for 13.9% of the nation's total FDI. During the period, the largest economic heart of Vietnam has sometimes lost its top position but was always in the top ten localities attracting the most foreign investment. Ho Chi Minh City also became the first locality to welcome big groups like Intel, Samsung, Toshiba, Mercedes, Isuzu, and Nidec, creating breakthroughs in production and development.

The FIA also reported that this city continued leading the nation in FDI attraction in the first quarter of this year, with a total of US\$1.7 billion with a fourfold increase compared with the same period last year. Mr. Su Ngoc Anh, Director of the municipal Department of Planning and Investment, announced that the number of projects and investment capital will continue to rise in the rest of this year. He emphasized share purchases, as this type of investment enjoyed a fivefold increase against

the same period last year, with a focus on real estate, science and technology, and tourism.

Therefore, in the future, this city will facilitate foreign investors, who want to contribute capital to or buy shares of Vietnamese businesses by offering online registration. Director of the municipal Department of Planning and Investment also added that the city will consider measures to attract more investment in real estate, science and technology, and tourism while seeking to create an equally competitive investment environment.

<Figure 9> 3 Tops Nation in FDI Attraction (2017)



\*Remark: a. Ho Chi Minh City; b. Thanh Hoa Province;  
c. Bac Ninh Province; d. Other Cities.

\*Source: General Statistics Office of Vietnam (2017).

Dang Hoa (2017) also pointed out that HCM City is the only developing market city to stand out in the top five cities of Asia-Pacific region having the biggest potential for real estate investment in 2018. The other four markets are Sydney, Melbourne, Singapore, and Shanghai. All of HCM City's property classes including office, houses, retail and industrial real estate are leading the buy ratings (see Table 4).

<Table 4> HCM City's Potential to Develop Real Estate in 2018

**City Investment Prospects**

	generally poor	fair	generally good
1 Sydney			5.97
2 Melbourne			5.96
3 Singapore			5.87
4 Shanghai			5.66
5 Ho Chi Minh City			5.66
6 Shenzhen			5.41
7 Tokyo			5.33
8 Guangzhou			5.28
9 Auckland			5.23
10 Osaka			5.12
11 Beijing			5.10
12 Mumbai			5.04
13 Hong Kong			5.04
14 Jakarta			5.01
15 Bangalore			4.96
16 Bangkok			4.90
17 China – second-tier cities			4.83
18 Manila			4.79
19 Seoul			4.78
20 New Delhi			4.75
21 Kuala Lumpur			4.52
22 Taipei			4.45

**City Development Prospects**

	generally poor	fair	generally good
1 Sydney			5.81
2 Ho Chi Minh City			5.76
3 Melbourne			5.68
4 Shanghai			5.48
5 Shenzhen			5.47
6 Singapore			5.42
7 Auckland			5.33
8 Mumbai			5.20
9 Bangalore			5.19
10 Guangzhou			5.19
11 China – second-tier cities			5.18
12 Jakarta			5.17
13 Tokyo			5.16
14 Hong Kong			5.01
15 Osaka			4.99
16 Bangkok			4.99
17 Beijing			4.94
18 New Delhi			4.92
19 Manila			4.89
20 Taipei			4.83
21 Kuala Lumpur			4.77
22 Seoul			4.75

\*Source: The Business Leaders Forum (2018).

Table 5 showed about average per square meter (sqm) prices in US dollar of the apartments located in the center of the most important city of each country.

**<Table 5> Purchase Prices, Yield and Taxation for Property**  
Across Asian key Cities

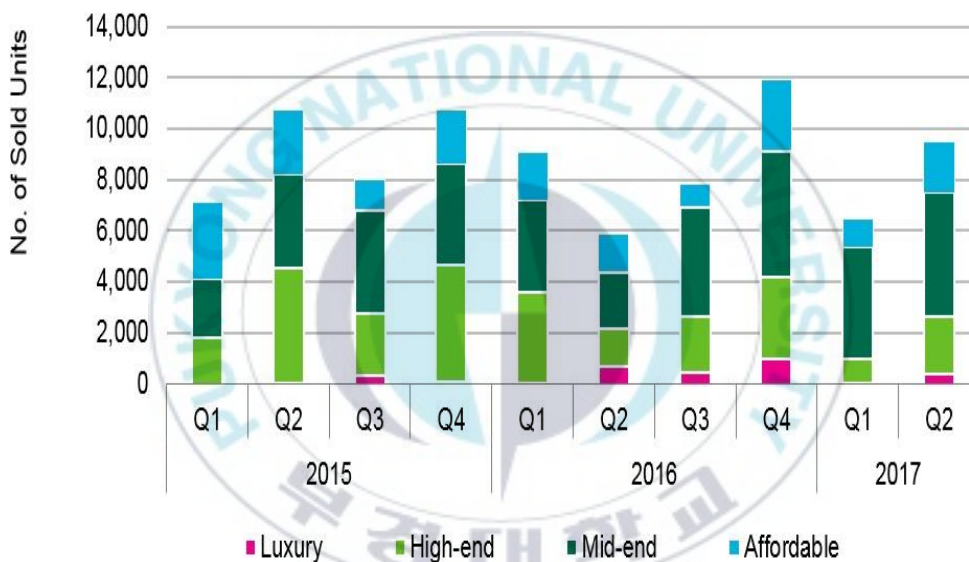
Country	Buying Price (USD/Sqm)	Gross Rental Yield	Rental Income Tax	Capital Gains Tax
Hong Kong	25,551	2.75%	11.4%	n.a
Japan	16,332	2.66%	3.4%	15%
Singapore	13,748	2.54%	15.1%	n.a
India	9,798	2.39%	8.3%	30%
Taiwan	7,112	1.57%	25%	20%
Thailand	3,952	5.13%	2.7%	35%
Philippines	3,952	6.13%	24.1%	32%
Cambodia	2,913	5.33%	14%	20%
Malaysia	1,827	4.53%	20%	5%
Vietnam	1,500	6-8%	10%	0%*

\*Source: The Business Leaders Forum (2018).



According to CBRE Vietnam, while the steep growth trajectory of Vietnamese consumer spending will doubtlessly continue with the retail sales growth of 11% year-on-year in the first nine months of 2017. Both Vietnam in general and HCM City in particular have an oversupply of retail assets (see Figure 10). HCM City also leads the rankings of retail asset buy recommendation for 2018.

<Figure 10> Condominiums for Sales Volume in Ho Chi Minh City



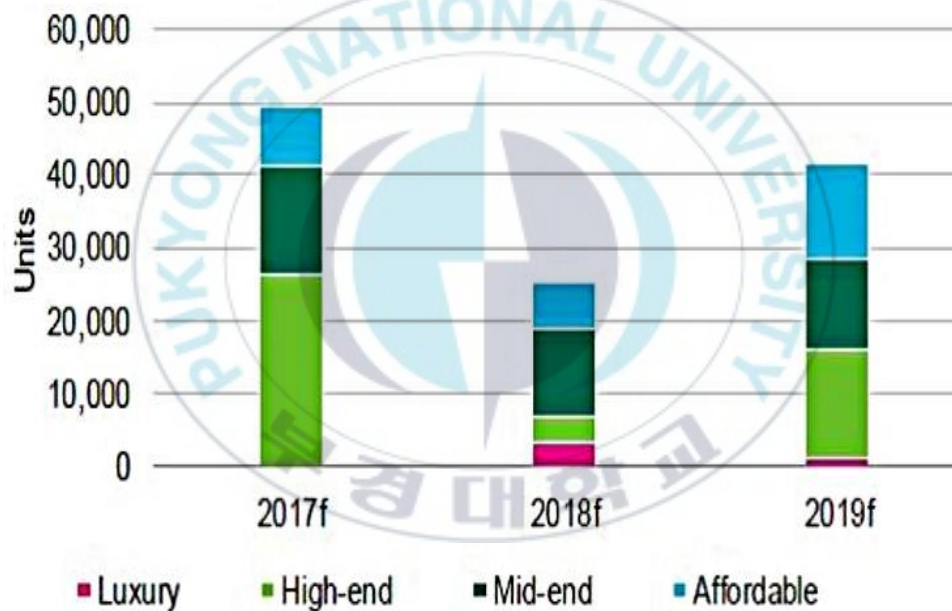
\*Source: CBRE Vietnam Q2 (2017).

Recent statistics from the Labor Department (LD) showed that approximately 48,000 foreigners were eligible to work in Ho Chi Minh City and the surrounding provinces, referred to as the metropolitan area of Ho Chi Minh City. They have big needs for looking for purchasing and renting luxury apartments for residential demand and invest demand.



According to CBRE Vietnam, the total supply of luxury apartments for sale in Ho Chi Minh City, a metropolis of over 10 million inhabitants, is just over 4,000 units, with only 700 units completed. This reflects actual market sentiment from those expats that have high budgets to spend on accommodation and scramble to find high-quality housing. This is a serious matter for overseas investors as one would typically purchase properties that are easier to rent out (see Figure 11).

<Figure 11> Condominiums for Sale, Forecast Completions in HCM City



\*Source: CBRE Vietnam.

## **2. Confidence of Foreign Investors in Vietnam Real Estate**

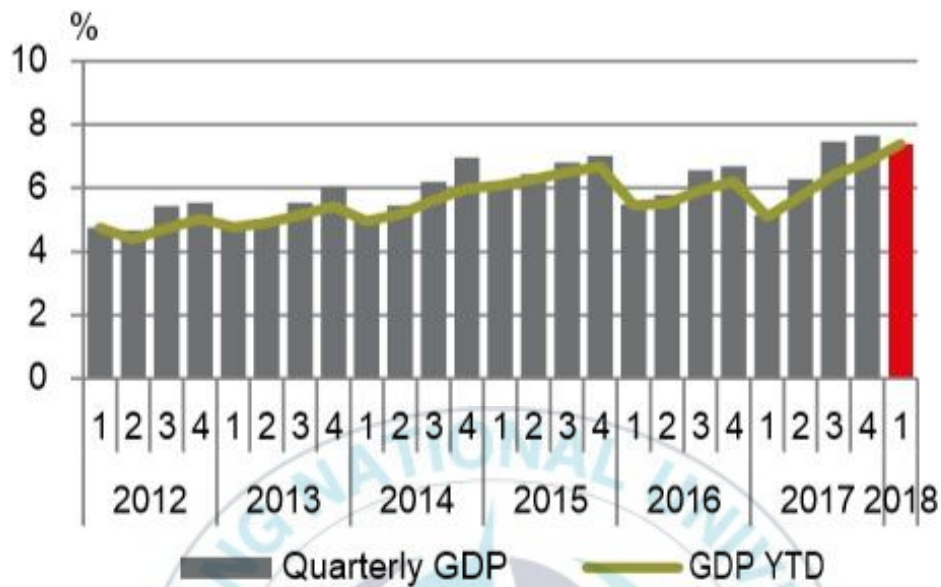
Mr. David Jackson, CEO of Colliers International (Vietnam Economic Times, 2018) stated that the foreign investment wave into Vietnam, particularly in the last year, is a testament to the potential of the country in general and its real estate industry specifically into the foreseeable future.

Key players are unlocking this potential are primarily from the Asian region, with South Korea and Japan accounting for nearly half of total FDI in 2017. Investments from Japan, South Korea, and Singapore reached \$35.6 billion, accounting to the highest rate since 2009.

International sentiment towards Vietnam seems to be warming, in part due to its emerging economy and in part due to the relaxation of government legislation towards foreign investment into the real estate sector. There has been growth in strategic partnerships among foreign and locally partnered developers and local governments for projects of Vietnam nationwide.

The Vietnam's market will continue to expand, driven primarily by well-told demographic story and GDP growth year to year (see Figure 12).

<Figure 12> Vietnam's Real GDP Growth (y-o-y)



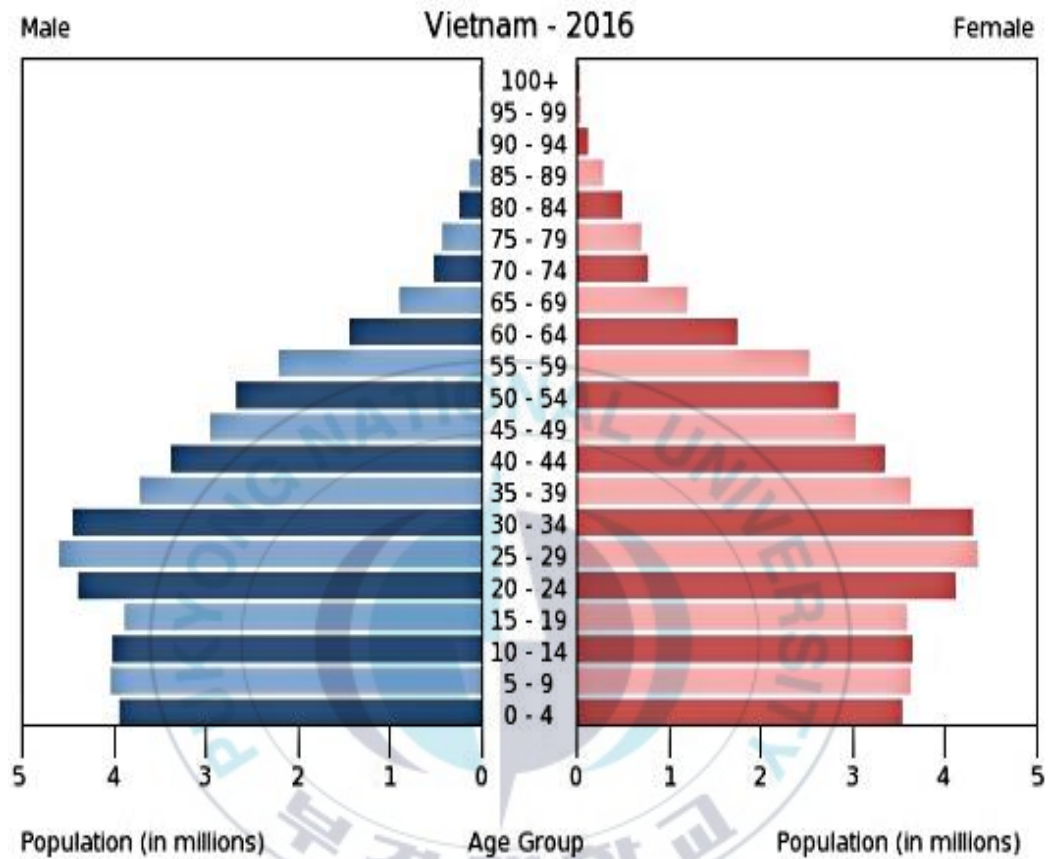
\*Source: JLL Research (2018).

The purchasing power of the middle class is increasing due to wage growth and job stability. So, the Vietnamese market needs greater transparency on land title, ownership, pricing and taxation.

Vietnam ended 2017 with a population of 95,540,800 million people, which represents an increase of 2,849,800 million people compared to 2016.

Population of Vietnam in 2016 was shown in <Figure 13>. Vietnam ranks number 14 among 196 countries on the world which published this information in [countryeconomy.com](http://countryeconomy.com). The female population is greater with 48,262,356 million women, representing 50.51% of the total, compared to 47,278,444 million men (49.49%).

<Figure 13> Vietnam Population



\*Source: CIA World (2018).

Dr. Kida Tetsuo, General Director of Maeda - Thien Duc Company Ltd., stated that demand for real estate in Ho Chi Minh City will continue in 2018 and following years. District 2 in HCM City, where foreign investors' projects are located, are being developed and made more convenient. One of the positive signs is improvements in infrastructure.

However, there are also some negative signs for the rapid growth of the real estate industry. The government requires banks reconsider financing to real estate projects by conducting deep screening (Vietnam Economic Times, 2018).

Vietnam's high-end real estate market will have the main role in the industry, because people chase quality of life with convenience along with an increase of urban population in big cities of Vietnam (see Figure 14).

<Figure 14> Population and Urban Proportion of Vietnam



\*Source: United Nations;

The Corporation for Financing and Promoting Technology (FPT Vietnam, 2018).

Meanwhile, Mr. Troy Griffiths, Deputy Managing Director of Savills Vietnam, also analyzed that a good macro-economy has supported positive domestic growth in Vietnam and FDI continues to be strong. It's been a very healthy start to 2018 with solid performances across all asset classes. The investors now are moving to the next part of the cycle, with lower entry-level investors actively engaging in residential markets. With primary residential stock being low, recent apartment launches have quickly filled their foreigner allocations. Challenges still remain such as the lack of liquidity and the opaqueness of the market. Greater transparency and better overall health in the market are key variables. Continued reform to the legal system for domestic and foreign investors have confidence and protection is critical (Savills Vietnam, 2018).

Dr. Vinh Quoc Nguyen, Partner of Tilleke & Gibbins (2018), also stated a strong GDP growth rate of 6.8% in 2017, helped Vietnam affirm its position as one of the fastest growing economies in Asia. While concerns remain over the stability of credit growth and imminent inflation, Vietnam's economy is still expected to grow in 2018. The real estate market in Vietnam also experienced a year of growth.

### **Condominium market**

Market sentiment in Vietnam's two biggest cities remained positive, with 23,000 and 32,905 units sold in Hanoi and Ho Chi Minh City, respectively. In 2018, the market is expected to focus more on the mid-range segment, which will make up nearly 53% of newly launched units.

## **Office market**

Ho Chi Minh City rents continued to show a slight increase. In 2018, the banking or insurance, manufacturing, and IT sectors are expected to drive demand, with co-working spaces showing particularly notable growth.

## **Retail market**

Many new projects in Ho Chi Minh City and in Hanoi helped bring about the market entry of new foreign retailers as well as the expansion of current players. Landlords are using flexible leasing strategies to lure tenants, especially at non-central business district locations, where there is more competition. Ho Chi Minh City is a relatively young property market. The majority of existing buildings is at least five to ten years old and therefore cannot compete with new supply that modern buyers favor in terms of quality, design and amenities. Meanwhile, the demand for high quality real estate here is continuing to expand.



### **3. Why Korea?**

The study of Jung Sang-Hoon and Lee Jae-Seung (2017), pointed out that private and government corporations in Korea recently have involved in over 30 large-scale property developments in diverse regions extending from the Middle East to Africa, Central Asia, and Southeast Asia. “Exporting Korean-style New Towns” has recently hit the columns of Korean newspapers. Phu My Hung town in District 7, HCM City is the one of the most developed Korean-style new towns overseas.

The number of large-scale overseas property developments by Koreans has increased rapidly since the early 2000s, and most of these projects are currently under development. There are several reasons for this phenomenon.

First, Korean companies have strong capability in the international construction market. In the early 1980s, Korea ranked second in the world in the number of orders from the international construction market, thanks to its success in the Middle East construction market. Although Korean firms stagnated in the international construction market due to rising labor wages and their failure to advance relevant techniques from the mid-1980s. They took off again from the mid-2000s after they secured technological competitiveness in plants and high-level building construction.

Since then, Korean firms’ engagement in the international construction market has evolved and expanded into property development. This evolution is related to circumstantial changes in the international construction market. International contractors who previously limited their role to construction have been increasingly required to develop, plan,

finance, and manage products, and cooperate with financial institutions and design firms by forming consortia. Therefore, away from their practices of contract-based construction work. So, Korean firms began to invest in and develop overseas properties from 1989.

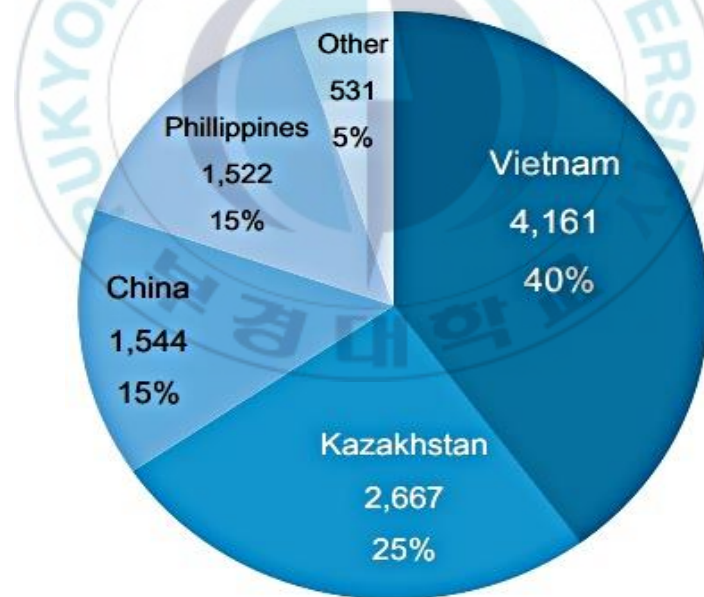
Second, Asian countries host almost three quarters of the total overseas property development investments made by Korean firms. Before the recession caused by the 1997 Asian financial crisis, investments were made in diverse locations, including India, Laos, Malaysia, and the Philippines. However, after the economic recovery, transition countries such as Vietnam, Kazakhstan, and China emerged as major destinations for Korean firms' property development investments.

Among them, Vietnam hosts the largest amount of property development investment by Korean firms. While most projects in other countries are smaller in scale, such as office buildings or apartment complexes, projects in Vietnam include some larger-scale efforts. Compared to Korean projects of a similar scale in other countries, projects in Vietnam have reached fairly advanced stages in the development (see Figure 15 & Table 6).

Finally, why Korean property development activities are so prevalent in Vietnam. Cultural similarities between Korea and Vietnam were the most frequently mentioned reason. For example, Confucian values are deeply ingrained in the two cultures, and two countries share a long history as vassal states of China. Korea and Vietnam also experienced civil wars in the past century due to political division and ideological conflicts.

Compared to projects based on contracts, property development projects require an intensive negotiation process and business relationships. One Korean developer commented on the similarities between Vietnamese and Koreans as follows: “Vietnamese are really similar to Koreans. Their business culture of heavy drinking and ways of thinking are similar to us. Therefore, their behaviors in business settings are somewhat predictable, which is really important in the negotiation process. I have worked in multiple countries, but the Vietnamese resemble Koreans the most” (Jung Sang-Hoon & Lee Jae-Seung, 2017).

**<Figure 15>** Overseas Prosperity Development Investment by Korean Firms in Asia from 2003 to 2012 (unit: million dollars)



\*Source: International Construction Information Service;  
Sang-Hoon, Jung & Jae-Seung, Lee, April (2017).  
([www.icak.or.kr](http://www.icak.or.kr)).

<Table 6> Overseas Prosperity Development Activities by Koreans by decade  
(unit: million US dollar)

Year/Region	1993-2002		2003-2012	
	Vietnam	Global Total	Vietnam	Global Total
Property Development	437	10,040	4161	14,180
Total Construction-Related Works	1848	75,035	17,256	370,673
Percentage	23.6%	13.4%	24.1%	3.8%

\*Source: International Construction Information Service;  
Sang-Hoon, Jung & Jae-Seung, Lee, April (2017).  
(www.icak.or.kr).

According to the report of South Korean Consulate General in HCM City, nearly 100,000 South Koreans are living in HCM City and neighboring provinces, such as Binh Duong and Dong Nai. More than 2,700 South Korean enterprises are operating in Viet Nam's southern region (Vietnam News, 2017).

The research of Hirotaka Yamakawa, JIJI Research Institute (September 29, 2017), analyzed that Korea is a growing business presence in Vietnam, Samsung Electronics and LG among them as well as direct investment. More than a production base, Vietnam also offers attractive consumer markets, which will see more Korean companies setting up there in the future.

Korea's presence in Vietnam is growing exponentially, with its direct investment in Vietnam topping national rankings this year for the third consecutive year since 2014. More than 4,000 Korean companies,

generally like electronics manufacturers Samsung Electronics and LG, now have operations there around double the number of Japanese firms. Samsung in particular has a major cell phone production complex in northern Vietnam, with the company's contribution taking cell phones to the top of the list in terms of Vietnam's individual product exports.

### **Korea tops direct investment in Vietnam for the third consecutive year**

There are a number of reasons for this growing Korean interest. First, soaring personnel costs in China have led Korean companies to shift their factories to Vietnam where personnel costs are comparatively cheap. Vietnamese worker wages are approximately half those of China.

As of 2014, Korea seized the lead and has retained the top position for the three years since. Korea has in fact recently been the source of around 30% of foreign direct investment in Vietnam. Among Korean companies with operations in Vietnam, Samsung Electronics is making the greatest contribution. In 2009, Samsung launched cell phone production in Bac Ninh in northern Vietnam and also started producing cell phones in Thai Nguyen in 2014.

### **Samsung's contribution sees cell phones top export value**

Up until 2012, garments were Vietnam's top export product, but in 2013, cell phones grabbed that spot and have held it ever since. Cell phones, most by Samsung, comprise around 20% of Vietnamese exports. The bulk

of Vietnam's cell phones are sent to the United States, the European Union and the United Arab Emirates.

Since Vietnam became a key Samsung production base, Samsung Display, Samsung Electro-Mechanics. A string of other Korean cell phone-related component manufacturers too have been setting up in Vietnam. In addition to cell phones, Samsung has also been making TVs, washing machines, fridges, and other electrical appliances in Ho Chi Minh City since 2016, evincing a clear focus on Vietnam.

The Samsung Group has created more than 100,000 jobs in Vietnam, and also has its own cargo terminal at Noi Bai International Airport, with Samsung's local influence absolutely massive. Samsung Electronics billboards are everywhere in Vietnam's international airports and major cities such as Hanoi and Ho Chi Minh City, penetrating deeply into the lives of Vietnamese citizens.

### **LG Electronics shifts its manufacturing from China**

Samsung is not the only Korean manufacturing major to establish operations in Vietnam. LG Electronics is also actively investing there, setting up a major production complex in the port city of Hai Phong in northern Vietnam in 2015 to make TVs, cell phones, washing machines, and air conditioners. LG is in the process of shifting the cell phones and washing machines, it formerly made in China. Now is in Hai Phong complex, which is also accelerating moves by parts manufacturers in the LG Electronics Group to develop their own bases there.



## **Numerous Lotte Group Operations**

Manufacturers are not the only Korean companies launching operations in Vietnam. Retailers, restaurants and hotel companies too are actively establishing local stores. Vietnam has a population of around 93 million, the third largest in the Association of Southeast Asian Nations (ASEAN) after Indonesia (around 240 million) and the Philippines (around 100 million). Vietnam's per capita GDP has topped US\$2,000, making the country an increasingly attractive consumer market. This is the second reason for Korean companies settling in Vietnam.

Ho Chi Minh City is the largest commercial city of Vietnam, its GDP is over US\$5,000, more than the double of the national level. The Lotte Group supermarket major Lotte Mart, the Lotte Department Store, the Lotteria restaurant and Lotte Hotel have multiple operations in Ho Chi Minh City and Hanoi capital.

Lotteria has the greatest number of stores, becoming a familiar presence in both cities. Bakery shop Tous les Jours, which is part of Korea's CJ Group, has a local presence in Vietnam. CJ Shopping has set up a joint venture in Ho Chi Minh City, running a 24-hour teleshopping operation.

## **Korean TV drama series prompt new operations**

Korean TV drama series popular in Vietnam have been helping Korean firms build markets there, with the Korean brands of clothes and cosmetics worn by the female characters attracting the eye of Vietnamese women in their 20s and 30s and spurring local sales. In other words, Korean



TV series are also helping local sales of Korean products. Flicking on the television in Vietnam, it is surprising how many Korean series are showing.

### **All three top skyscrapers backed by Korean capital**

The number of Korean real estate and construction companies is also marked. Many Vietnamese skyscrapers are backed by Korean capital including all of the top three. In 2017, Vietnam's tallest building was of 72-floors Keangnam Hanoi Landmark Tower in Hanoi. It contains serviced apartments along with a department store, offices and a hotel.

The second-highest building was of 68-floors Bitexco Financial Tower, which has even a heliport. The third is of 65-floors Lotte Center Hanoi, situated in the core of the city. This is said to be symbolic for the Lotte Group, and contains a Lotte department store, supermarket, hotel and other Group operations. With a range of Korean companies now active in Vietnam, a senior executive from one Korean manufacturer explained his company's reasons to choose Vietnam “Vietnam has a good public order, stable politics, and a large number of young workers.” It would be no exaggeration to say that Vietnam is the safest country in ASEAN (Hirotaka Yamakawa, JIJI Research Institute, 2017).

## **2.5 Thu Thiem New City Project in HCM City**

### **1. Urban Districts Structure of Ho Chi Minh City**

The study of Thanh Bao Nguyen (2014) clearly mentioned that Ho Chi Minh City is currently a mega city in Vietnam. Before 1976, Saigon had a very important role in the socio-economic progress of South Vietnam. In recent years, following the reforming policy, Ho Chi Minh City has made remarkable progress in economic development. However, with this rapid economic growth, the city also has had to face many urban problems such as an increase of population, inadequate infrastructure, degradation of the environment and unaffordable housing system (Ho, Clappier & François, 2011; Huynh, 2012).

HCM City transformed from a small village with a population of only 50,000 people at the time of the French conquest (Secrétaire-Général-de-la-Mairie-de-Saigon, 1917) became a modern city under French rule (Wright, 1991). It was laid out in the straight style with wide, tree-lined avenues and parks, and soon developed a reputation for its beauty and cosmopolitan atmosphere. It was the capital of the Union of Indochina from 1887 to 1902. Since then, Saigon was extended and rebuilt in the French style, with broad boulevards and elegant architecture. At this time, it was so-called "Pearls of the Far East" (Hon Ngoc Vien Dong) for its elegance, diversity, and prosperity (Dau, 1998).

Most governments, embassies and commercial buildings as well as high-rise offices are located in center area, District 1 and District 3. The nearby districts are Binh Thanh, Phu Nhuan, District 5, District 10, District 2, District 4 and District 7.

The demand for land in these locations is high. However, these districts are densely populated, and it is difficult to find a big enough land for a high-end development. District 2 and 7 were chosen because vacant lands are still available for development (see Table 7).

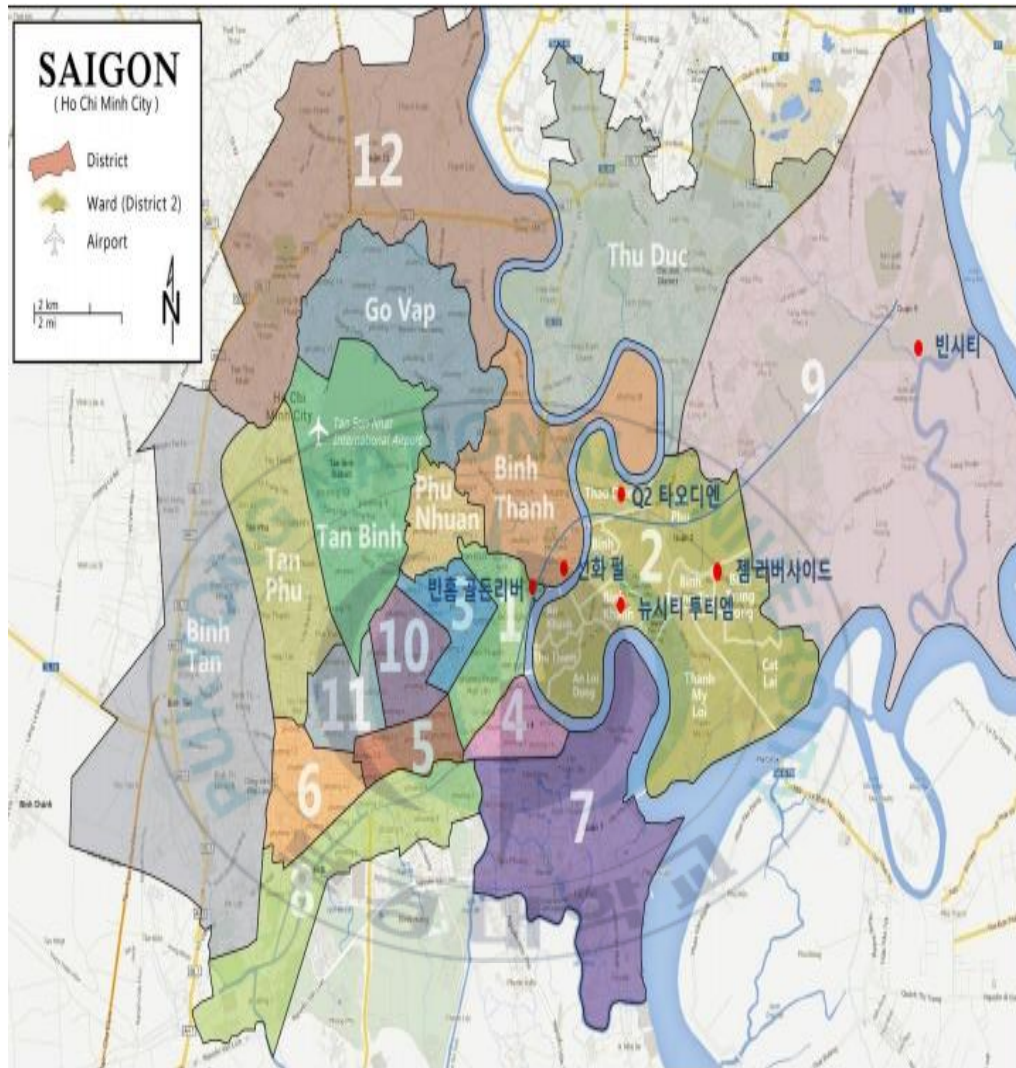
According to the master plan, the 2 key projects of the city will be the Thu Thiem a new city in District 2 and the South Saigon residential development in District 7. These are the 2 newly developed areas with a lot of opportunities for foreigners (Thanh Bao Nguyen, 2014).

<Table 7> Districts Structure of Ho Chi Minh City

Area Type	Districts	Remarks
<b>Inner Core</b> (Existing Inner Districts)	Districts 1, 3, 5 & 6	The origin of HCMC
	Districts 4, 8, 10 & 11 Binh Thanh & Phu Nhuan Districts	Area outside of the above
	Go Vap, Tan Binh & Tan Phu Districts	Outermost area of the inner core
<b>Suburban Area</b> (Peripheral Area) (Expanded Urban Area) (New Urban Area) (New Inner Districts)	<b>Districts 2, 7, 9 &amp; 12</b> Thu Duc & Binh Tan Districts	Area now rapidly expanding from the Inner Core
<b>Rural Area</b> (Suburban Districts)	Hoc Mon, Binh Chanh & Nha Be Districts	The outer suburbs
	Cu Chi & Can Gio Districts	Outermost area in the north and the south of HCM City

\*Source: Statistic Year Book (2014); Nguyen et al., (2016).

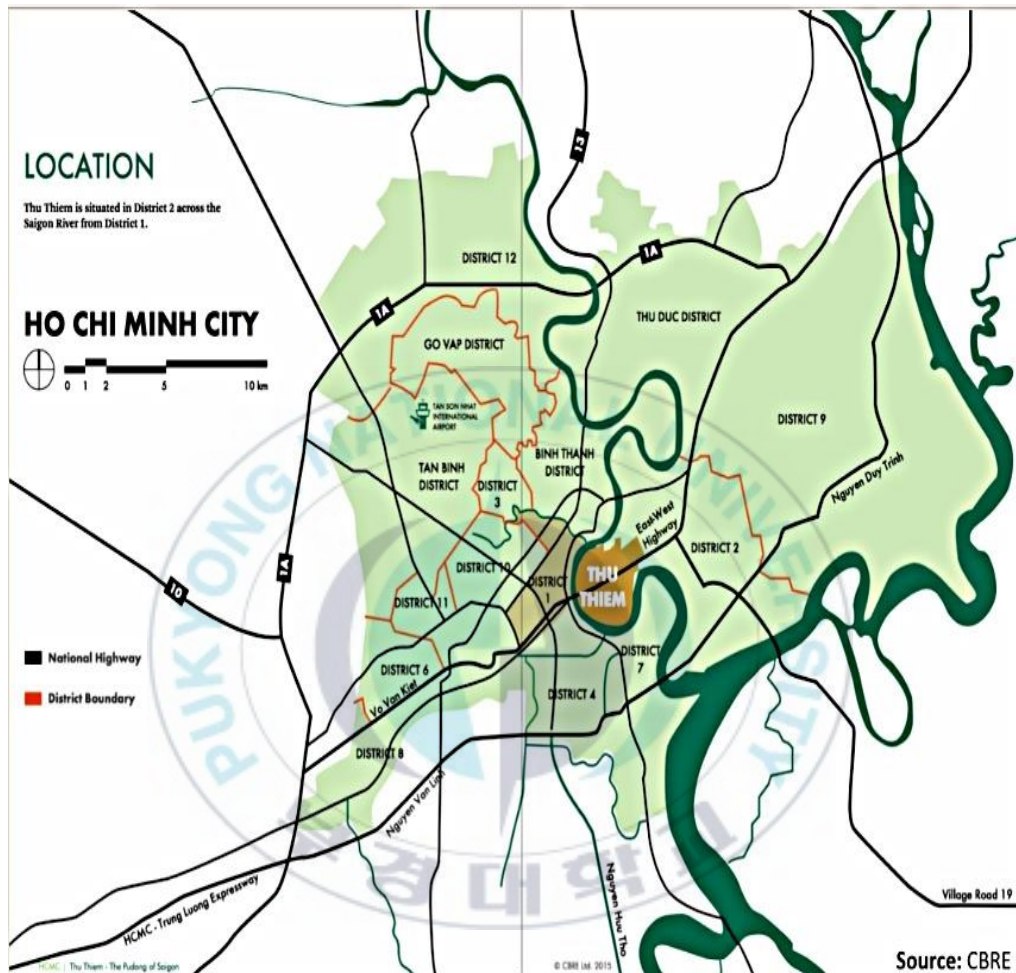
<Figure 16> Urban Districts of Ho Chi Minh City



\*Source: Nguyen et al., (2016).

Figure 16 showed Urban Districts of Ho Chi Minh City. Urban expansion plan in HCM City will choose District 2 (Thu Thiem New City) to become financial and economic center in the future.

<Figure 17> Districts Boundary of Ho Chi Minh City



\*Source: CBRE Vietnam (2018).



## **2. Thu Thiem New City Project**

Over the past 30 years, HCM City has witnessed a tremendous growth. However, rapid growth faces many problems arisen. Infrastructure in the central area is now beginning to overload under the pressure of rapid expansion, hard-to-find vacant land. The value of land has reached the level that makes the investment in the construction of office for rent become impossible and office rents have reached their peak since 2008. Traffic congestion has been steadily increasing in the past five years with the number of cars increasing 35% annually from 2012 to 2016.

The development plan of Thu Thiem will reduce the pressure that the city center is dealing with. In addition, it contributes to preserving the historical value of the old center that used to be the "Pearl of the Far East" due to the limited demolition of old buildings and the redevelopment.

Thu Thiem has a total area of 657 hectares, which is located opposite the current Central Business District (CBD) across the bank of the Saigon River. The whole area consists of 176 plots of land with approximately 3.2 million square meters of residential space, and 3.4 million square meters of commercial space. Thu Thiem will be home to 145,000 residents and 217,000 employees. This new financial center will be the base of a big number of corporate headquarters and will become a vibrant destination for residential, office, commercial centers, hotel and serviced apartments, and all kinds of service. Admittedly, the development of the Thu Thiem new urban area has been slower than planned due to complex land compensation, unstable economic conditions and budget deficits.

**Six key infrastructure projects linking Thu Thiem to the center of HCM City:** As planned, Thu Thiem New Urban Area will be connected to the city center by 5 bridges and 1 tunnel. Thu Thiem New Urban Area is located on Thu Thiem Peninsula (District 2, HCM City), opposite District 1 via Saigon River. Approved by the government in 1996, the peninsula is expected to become a global financial and commercial hub and to be the most beautiful city in Southeast Asia. After 21 years of planning, Thu Thiem has now gradually been clearly shaped with large roads, beautiful bridges, high-rise buildings, and luxury villas (Hien Pham, 2018).

Now, housing prices in Thu Thiem are currently trading at 30% to 35% lower than District 1. Thu Thiem, the new financial center and new urban area of HCM City is considered as the largest urban complex in Southeast Asia in the coming years. Once completed, Thu Thiem will contribute to raise HCM City into the most modern metropolis, getting on the same level with Shanghai, Manila, Bangkok and Jakarta.

### **2-1. How does Thu Thiem look like at the moment?**

As planned, Thu Thiem is divided into 5 main areas: "central core" area, northern residential area, residential area along Mai Chi Tho Boulevard, eastern residential area, and the southern delta. Mai Chi Tho Boulevard, which connects to Vo Van Kiet Boulevard (formerly known as East-West Avenue) through Thu Thiem tunnel, is the central axis of Thu Thiem urban area in the East and West of the city.

**The four key roads in Thu Thiem include:** Vong Cung boulevard (6 lanes); a road running along the Central lake (4 lanes); a road running



along the Saigon River (2 lanes) and a road in the delta. Total length of nearly 12 km including 10 bridges, in which there are 2 viaducts. These routes are gradually becoming formed well.

In the east of Thu Thiem, the ground has been leveled and internal roads are being built. Similarly, the west of Thu Thiem has just also been leveled, roads are being built, and buildings are under construction. This area adjacent to Tan Thuan Industrial Zone and Ben Nghe port in District 7.

The main canals leading to Saigon River will be dredged to drain water as the central lake is dug to keep the whole area safe from flooding, as well as to create nice landscapes. Residential complex to the east is being developed. Currently, the apartment buildings in Binh Khanh ward - the new residence for people in the clearance area have been completed and there are residents living in already (Hien Pham, 2018).

Along Mai Chi Tho Boulevard, high-rise apartment and commercial buildings, and villas have sprung up. According to the plan, the total number of permanent residents will be 145,369. The regular workforce will be 217,470 people and visitors will be around 1 million people. Offices will be occupied with 1.719 people. A slightly below-grade area is planned to be an ecological development in Thu Thiem. Most of the area is covered with mangroves, waterways are being dredged (see Figure 18).

<Figure 18> Thu Thiem key Infrastructure Map



\*Source: Vietnam Real Estate Associations; Hien Pham (February, 2018).

## 2-2. How will Thu Thiem be zoned?

Thu Thiem new urban area is divided into 8 functional areas. Each area has its own characteristics of mixed use, construction density, public spaces and featured constructions (see Figure 19).

### ▪ Zone 1

Located in the northern half of the Central Core, Zone 1 is a high density multi-functional commercial center. The tallest towers are located along Vong Cung Boulevard and the Central Square, with height gradually decreasing towards the Saigon River and the Central Lake.

**Key constructions:** Exhibition Center with Pedestrian Bridge connected to a Museum; The Symphony Orchestra and the Planning Information Center.

### ▪ Zone 2

Located in the south of the Central Core, Zone 2 is a high density complex with commercial functions, multi-purpose residential and recreational sports. The whole area is divided into 3 subdivisions: Zone 2A in the north of the East-West Avenue, Zone 2B is the Complex Observation Tower, and Zone 2C - Sports and Entertainment Complex. The high-rise buildings are also located along Vong Cung Boulevard and Central Square with decreasing height towards the Saigon River and Central Lake.

**Key constructions:** Observation Tower Complex, stadium, multi-purpose hall, schools and local Administration Center.

- **Zone 3**

This is a mixed-use residential area located on the north side of Thu Thiem, at the foot of Thu Thiem Bridge 1. The high-rise multi-purpose commercial area is located along Vong Cung Boulevard. The residential areas at lower density level are on the banks of Saigon River and the Central Lake.

**Key constructions:** schools, and a museum opposite the Exhibition Center.

- **Zone 4**

Zone 4 is a mixed residential area located in the north of Thu Thiem. The high-density multi-functional commercial buildings are located along Vong Cung Boulevard. Residential & public constructions are built with decreasing density towards Saigon River and Ca Tre Lon canal.

**Key constructions:** 3 schools, community center, local Administration Center, Fire station & Fuel station.

- **Zone 5**

Zone 5 includes the public constructions in the north and the low-density residential area in the south of East-West Boulevard, with multi-functional commercial buildings located along, and the North-South Avenue.

**Key constructions:** Children center, City Administration Building, Fuel Station, 2 schools, Community Center and Local Administration.

▪ **Zone 6**

Zone 6 is located along East-West Boulevard and among the natural canals of Thu Thiem Peninsula. The software park is planned to be located north of East-West Boulevard. This will be the focal point for economic activities and research in information technology. The approach is the International Hospital, which provides quick and easy access to the hospital from East-West Boulevard or through the accesses inside and outside of Thu Thiem. The south of the East-West Boulevard is a functional area comprising mixed commercial blocks located along the main corridor, behind which are quiet residential areas with lower densities.

The entire area will accommodate public transport such as buses or internal bus routes and subway lines leading to the station located in the international hospital and the software park.

▪ **Zone 7**

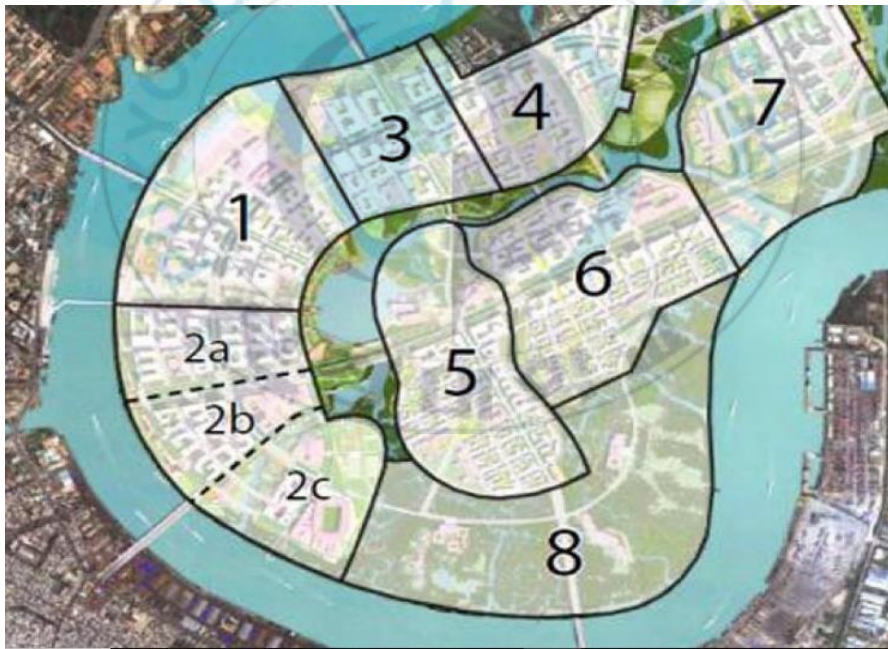
Zone 7 is Thu Thiem easternmost area, which includes the following functions: The residential complex in the East, currently under construction, forms the eastern gateway of Thu Thiem. Buildings are being developed from medium to high floors with full infrastructure and public services. The South Delta Resort Hotel area combines harmony with the natural landscape of Thu Thiem. The hotel area is specially designed to ensure maximum privacy as well as connection to the rest of the whole area. The Marina complex has been proposed to be located at the crossroads of the Ca Tre Lon canal and the Saigon River.



- **Zone 8**

Zone 8 is the southern wetlands, the most diverse ecological development area in Thu Thiem. Most of the area is mangroves, waterways are dredged, and all development projects in this area are to be very carefully considered and planned in order to conserve this very important part of the peninsula. When a tidal surge from the Saigon River pours into the canal system and the wetland area, the water will be filtered and dumped into the water navigation system.

<Figure 19> Zone Area of Thu Thiem New City



\*Source: Vietnam Real Estate Associations; Hien Pham (February, 2018).

## **2.6 Determinants of Customer**

Seo Su-Bog (2006) pointed out consumers' attitude on the determinants of purchasing apartments, factors of surging apartment prices. The result was found out that dwellers in the metropolitan area preferred the apartments equipped with larger acreage and excellent interiors with residential quality.

So Hae-Suk & Jang Hee-Soon (2009) pointed out that apartment brand image will have a positive effect on the quality of consumer-brand relationships. They showed that functional images and social images have a statistically significant positive effect on the quality of consumer-brand relationships. Also, apartment brand image will have a positive effect on brand loyalty showed that all three dimensions of brand image have a statistically significant positive effect on brand loyalty. Finally, quality of consumer-brand relationships will have an effect on brand loyalty showed that the quality of consumer-brand relationships indeed had a statistically significant positive effect on brand loyalty.

Shin Young-Ae & Min Gyeu-Sik (2011) figured out that Korean consumers' budgets have increased for a reputable apartment's worth. To enable housing consumers to choose their housing, construction firms have made efforts to enhance or establish their own unique brand name image. Also, the influence of the power their brand name has had on consumers, has gradually increased. It has been shown that the abstract value system of a product's brand name, rather than the functionality of the actual product, has led consumers to make a purchasing commitment.



Park Tae-Jun & Kim Yi-Tae (2014) focused on the relations among emotional brand attachment, brand image, brand trust and brand loyalty in convention center. Firstly, the results of this study showed that emotional brand attachment had an effect on brand image, brand loyalty and brand trust. To be more specific, emotional brand attachment was more likely to influence on brand image. Secondly, the brand loyalty had influenced both brand image and brand trust, respectively.

Park Jong-Hee; Kim Gab-Youl & Yoon Sung-Hun (2014) referred to verify economic cost satisfaction for expenditure when residents buy brand apartment and investigate residential quality factors toward these economic cost satisfaction. As a result, the brand image and residential environment in residence quality factors, these affect positively purchasing intension. But, living accommodation does not affect purchasing intention. Brand image and residence environment affects positively, but residence quality factor is not related.

Jang Jae-Min & Kim Tae-Hyoung (2016) pointed out that a regression model based on stepwise selection among environmental variables, the overall suitability of the housing location, superiority of the school district, distribution of neighboring apartment complexes (rental versus buying) and convenience of public transit are significant in the order of their relative influences. Also, a structural equation model based on maximum likelihood estimation shows that in descending order of their influences, attitudes towards the district environment. Those toward the environment of the neighboring areas, and buyers' socioeconomics are direct or indirect factors on the purchase intention.

Kim Jin-Soo (2017) focused on the effect of apartment brand experience. The first, the result of analysis pointed out that the experience of apartment brand has positive effect on economic value perception and brand trust. It has indirect impact on brand satisfaction through economic value perception and brand trust. Secondly, economical value perception about apartment brand has positive impact on brand trust and brand satisfaction. Thirdly, brand trust has positive impact on brand satisfaction.

Such research not only contributes to expansion of study on apartment brand by verifying brand experience can be applied but also offers basic information for apartment brand differentiation.

Kim Doo-Soo; Chung Ki-Han & Shin Jae-Ik (2017) showed that firstly, customer orientation is not associated with residential quality. Secondly, residential quality is positively associated with brand image and customer satisfaction. In addition, the second factor analysis of residential quality indicated residential environment, residential value, and indoor function in order of factor loadings. Thirdly, brand image is positively associated with customer satisfaction and loyalty but it is not associated with brand trust. Fourthly, customer satisfaction is positively associated with customer loyalty but it is not associated with brand trust. Fifthly, brand trust is not associated with customer loyalty.

Therefore, it is identified that residential environment of residential quality strongly influences brand image and customer satisfaction, which in turn influences customer loyalty.

The preliminary studies of determinants of customer for apartment in <Table 8> present a summary of major research studies that have addressed the scaling of source credibility.

<Table 8> The Preliminary Studies of Determinants on Apartment

Author(s)	Research Subject	Method of Analysis
Seo Su-Bog (2006)	A Study on Similarity and Preference of the Decision Factors Influenced in Purchasing Apartments	Factor Analysis
So Hae-Suk & Jang Hee-Soon (2009)	Effects of Apartment Brand Image on Residence Purchase Attitudes	Factor Analysis
Shin Young-Ae & Min Gyeu-Sik (2011)	Analysis of Purchase Factors which are effected by Apartment Brand Images	Factor Analysis
Park Tae-Jun & Kim Yi-Tae (2014)	The Effect of Emotional Brand Attachment on Brand Image, Brand Trust, Brand Loyalty in Exhibition Convention Center: A Case Study of BEXCO's CSV	Factor Analysis
Park Jong- Hee; Kim Gab –Youl; Yoon Sung- Hun (2014)	Relationship with perception and satisfaction for brand apartment by consumers	Factor Analysis
Park Jong- Hee; Kim Gab –Youl; Yoon Sung- Hun (2014)	Determinants of the Purchase Intention for Brand Apartment	Factor Analysis
Jang Jae-Min & Kim Tae-Hyoung (2016)	Relative Influences of Socioeconomic and Attitudinal Factors on Apartment Purchase Intention: A Survey with Hanam–Misa Residents	Factor Analysis
Kim Jin-Soo (2017)	A Study on the Effect of Apartment Brand Experience	Factor Analysis
Kim Doo-Soo; Chung Ki-Han; Shin Jae-Ik (2017)	Factors Affecting Brand Image and Customer Loyalty of Brand Apartment	Factor Analysis

Seo Su-Bog (2006) pointed out factors for determinants of customer on apartment purchase behaviour in Korea real estate market (see Table 9 & Table 10).

**<Table 9> Ranking Case Study for Determinants on Apartment Purchase Behaviour**

<b>Enforcement Agency</b>	<b>Korea Housing Business Association</b>	<b>Chung-Ang Economic Newspaper</b>	<b>Housing Culture</b>	<b>House Journal</b>	<b>Kum-Ho Construction</b>	<b>Housing Industry Research Institute</b>
<b>Period</b>	March, 1991	February, 1994	January, 1995	December, 1995	June, 1996	October, 1999
<b>Rank 1</b>	Assignment	Environment	Housing Environment	Residential Environment	Natural Environment	Traffic-Education
<b>Rank 2</b>	Material Finishing	Traffic	Housing Price	Education	High level of Education	Complex
<b>Rank 3</b>	Traffic	Comfort	Traffic	Living Convenience	Traffic	Interior Space
<b>Rank 4</b>	District School	School	Size of House	Traffic	Sale Price	Brand
<b>Rank 5</b>	Space Origination	Investment Value	Housing Structure	State of the art facilities	Constructor	Investment Value

\*Source: Lee Sung-Chun (2006); Seo Su-Bog (2006).

**<Table 10> Apartment Purchasing Decision Factors Used in Analysis**

<b>Factor</b>	<b>Factor Level</b>	<b>Content</b>
Surrounding Environment		Environment around residential area
	Living Convenience	There are convenience facilities around residential area
	Traffic Convenience	Transportation is easy and convenient
	Natural Scenery	Parks and natural landscapes around residential area
Quality of Residence		Move to improve residential standard
	Scale (average)	Move to expand the size of residential space
	Interior	Advanced materials and interior
Price		Prior to home price
Investment Value		The goal is to earn money than to stay
District School		Purpose for child's education
Finance		Depend on financial comfort

\*Source: Seo Su-Bog (2006).

## **1) Residential Environment**

Residential environment is defined as a system of settings in which systems of activities take place that forms a sub-system of the environment. A dwelling is a subsystem of the residential environment that forms the primary anchor in the environment for an individual (Rapoport, 1990a, 1995).

Zwarts, A. & Coolen, H (2003) pointed out that only a subset of all human activities takes place in the residential environment. This subset of activities may be different for different individuals and the sub-system of settings that makes up the residential environment may also vary. A prior assumption about what a residential environment is, therefore, cannot be made. It could include shops, a school, a church, theatres and many other functions.

The emphasis in the conceptual framework is not on the system of settings as a whole but on subsystems of settings that are called residential environment features. These features, both physical and non-physical, afford potential functions of a residential environment. Generally, people only use a limited number of these potential functions of a residential environment.

The conceptual framework assumes that people pursue goals and values. Their actions, ideas and preferences are functional for the achievement of these goals and values. The meaning of a residential environment is believed to lie in the functional relationships between the residential environment features on the one hand and the goals and values of people. On the other hand, it is thus the mechanism that links people and residential environments. It provides much of the rationale for the ways in

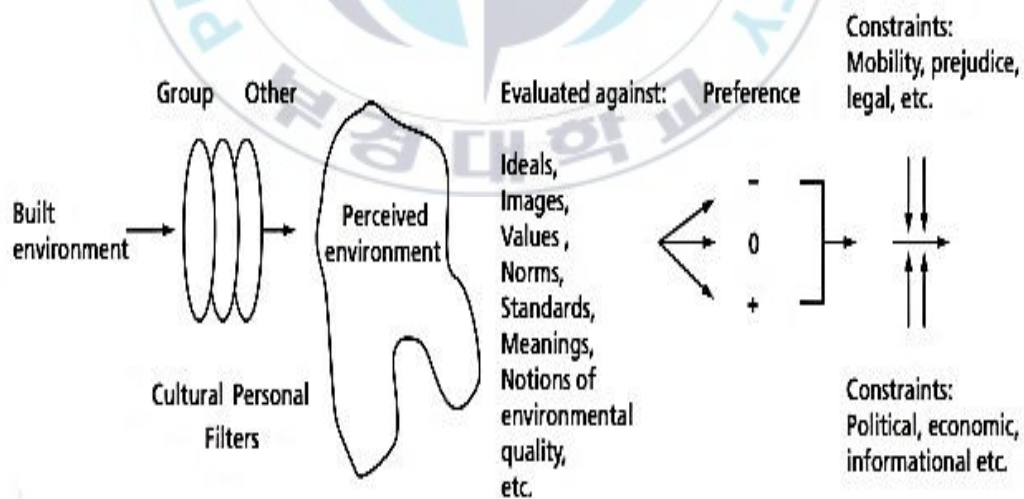


which residential environments are used. It is an important function of a residential environment (Rapoport, 1988, 1990b) (see Figure 20).

Three levels of meaning are being distinguished (Rapoport, 1988). High-level meanings are related to cosmologies, world views, and philosophical systems. Middle-level meanings such as identity, status, wealth, power, which are also called latent functions. Lower-level, everyday meanings, for example privacy, accessibility, seating arrangements, movement, which are also called manifest functions. People's activities and residential environments are primarily linked by lower-level meanings, although middle-level meanings also tend to be important (Coolen, 2002).

Földi (2006) also referred to the residential environment is one of those terms. Some interpretations of environment can be applied to the urban environment without an explicit declaration.

<Figure 20> Model of Evaluative Process



\*Source: Rapoport (2001).



## **2) Investment Value**

Value is traditionally defined as the power of a good to command other goods or services when exchanged. Within this broad definition of value, there are various types of value given to real property, such as investment value, market value, insurable value, assessed value, liquidation value, or replacement value. His study went over different types of real estate value, and then zero in and focused on the difference between investment value and market value, which is often confused by commercial real estate professionals (Robert Schmidt, 2014).

Kim Doo-Soo; Chung Ki-Han & Shin Jae-Ik (2017) also pointed out that the value of housing is defined as "the evaluation of the expectation or aspiration of a residential person about the characteristics and property such as personal factors, psychological factors, physical factors, social factors. In addition, the "personal value" that can be a guideline for valuing housing according to its level of importance and recognition.

Investment value is sensitive to investors as well as customers in the market with large liquidity and, by implication, access to high leverage. Investment value is an important metric on which to base the valuation of a property. It is a guide but something that cannot be relied on the exclusion of other factors (OIMG, 2013).

### **3) Brand Image**

Park Jong-Hee et al., (2014) pointed out the apartment brand has been recently introduced by construction companies as a differentiated marketing strategy. It results from an exceed 100% of housing supply rate and growth of housing lease market.

Brand apartment has Veblen effect which means the demand is increasing with increasing price. But, the increasing demand is not simply coming from luxury materials and high parcel price compared to general apartment.

The American Marketing Association (AMA) defines a brand as: “A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name.”

Brand is defined by Kotler (2005) that brand is “the company's promise to deliver a specific set of features, benefits, services, and experiences consistently to the buyers.” Many companies believe that there is often little to differentiate among several types of products in the 21st century. Therefore, branding is one of a few remaining forms of product differentiation.

Branding is a set of marketing and communication method that helps to distinguish a company or product from competitors, aiming to create a lasting impression in the minds of customers. A brand is in essence, a

promise to its customers of what they can expect from products and may include emotional as well as functional benefits.

Brand equity is the measurable totality of a brand's worth and is validated by assessing the effectiveness of these branding components (Keller, 1993). As markets become increasingly dynamic and fluctuating, brand equity is a marketing technique to increase customer satisfaction and customer loyalty, with side effects like reduced price sensitivity (Bhimrao, 2008).

Kotler et al. (2009) pointed out that a brand's identity may deliver four levels of meaning: attributes; benefits; values and personality. A consumer may recognize the benefits that a product may give him/her through the brand name. Buyers can know the benefits from a branded article when customers always buy it. They also know that they will get the same benefits such as quality and product features (Kotler & Armstrong, 2004).

According to the Management Study Guide (MSG, 2013) brand image is the current view of the customers. It can be defined as a unique bundle of associations within the minds of target customers. It signifies what the brand presently stands for. A brand image means the public's perceptions about the brand.

<Table 11> summarized about brand image concept in the previous studies in the brand literature.

**<Table 11> Brand Image Concept in the Brand Literature**

<b>Perspective</b>	<b>Sources</b>	<b>Definition of Brand Image</b>
<b>Blanket Definitions</b>	Herzog (1963)	Consumers' general perception and impression of a brand
	Newman (1985)	Consumers' perception of a product's total attributes
	Dichter (1985)	Consumers' general impression of the product or service
<b>Meanings and Messages</b>	Noth (1988)	The symbolic meaning embedded in the product or service
	Sommers (1964)	Consumers' perception and recognition of a product's symbolic attribute
	Levy (1973)	The symbolic meaning of purchasing the product or service
<b>Personification</b>	Martineau (1957)	Brand image reflects consumers' characteristics, and they purchase the brand to express themselves
	Bettinger (1979)	The personification of a product, which can be manifested as "adult" and "children"
	Sirgy (1985)	Image of the brand resembles human personality
<b>Cognitive or Psychologic Elements</b>	Gardner & Levy (1955)	Brand image is consisted of consumers' opinion, attitude and emotion toward a brand, which reflects the cognitive or psychological elements of the brand
	Levy (1978)	Consumers' overall impression about a brand or product, which includes recognition, feeling and attitude toward it.
	Bullmore (1984)	Consumers' general perception and opinion of a brand's total attributes
	Kapferer (1994)	Consumers' general perception about the brand feature's association

**\*Source:** Yi Zhang (2015).

The American Marketing Association (AMA) defines a brand image as: “The perception of a brand in the minds of persons. The brand image is a mirror reflection though perhaps inaccurate of the brand personality or product being. It is what people believe about a brand their thoughts, feelings, expectations”. Brand image is the key driver of brand equity, which refers to consumer’s general perception and feeling about a brand and has an influence on consumer behavior (Marketing Power-American Marketing Association, 2010).

Brand image is an essential element in marketing research, is defined as “perceptions about a brand as reflected by the brand associations held in consumer’s memory” (Keller, 1998). Although the term brand image has been broadly defined and used in various ways, one general agreement of the definition is that brand image is a consumer’s overall impression of a specific brand through the influence of a consumer’s reasoned or emotional perceptions (Dobni & Zinkhan, 1990; Aaker, 1996; Asal. M & Yaser. S, 2016).

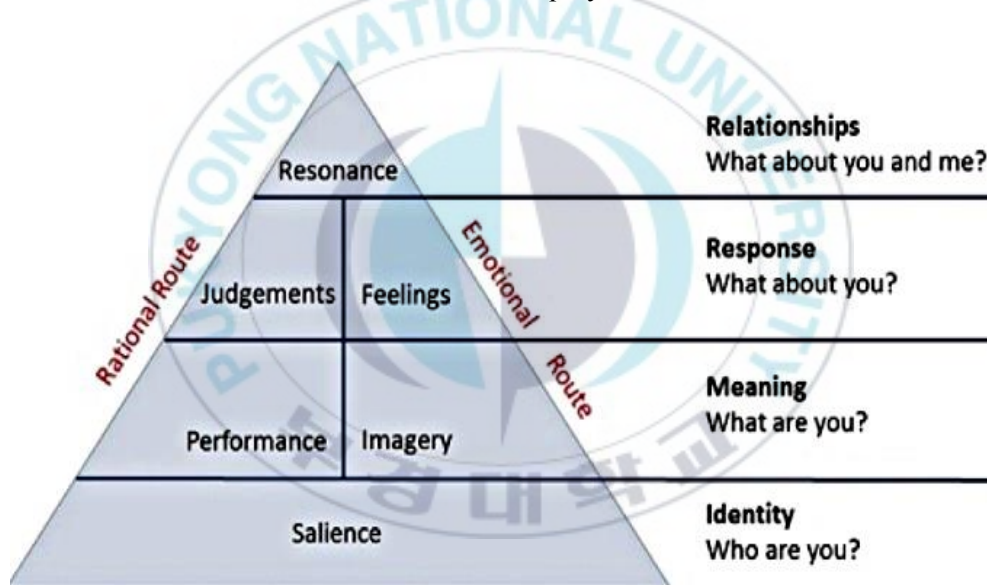
For marketers, whatever their companies’ marketing strategies are, the main purpose of their marketing activities is to influence consumers’ perception and attitude toward a brand, establish the brand image in consumers’ mind, and stimulate consumers’ actual purchasing behavior of the brand, therefore increasing sales, maximizing the market share and developing brand equity (Yi Zhang, 2015).

Keller’s Brand Equity Model took the shape of a pyramid, and that pyramid has four levels. The levels of the Brand Equity pyramid are as follows. Keller (1993) came up with the concept “customer-based brand equity (CBBE)”, which referred to the various reactions to the branding

campaign from consumers who had knowledge of the brand in varying degrees. In other words, brand image and brand awareness are the basis and sources of brand equity.

Keller (1993) also referred that the positive brand image could be established by connecting the unique and strong brand association with consumers' memories about the brand through marketing campaigns (see Table 12).

<Table 12> Keller's Brand Equity Model-CBBE Model



\*Source: Keller (1993).



#### **4) Brand Trust**

Wotrlich et al. (2017) pointed out brand trust can be defined as “a feeling of security held by the consumer that the brand will meet his or her consumption expectations”. This feeling is based on consumers’ perception that the brand is reliable in that it has the required capacity to respond to consumer’s needs and on the belief that the brand does not take opportunistic advantage of consumers’ vulnerability (Delgado & Luis, 2001).

As many marketing scholars have pointed out that brand trust plays a key role in commercial exchange relationships, because it can create competitive advantage and promote marketing success (Barney & Hansen, 1994). Especially, in situation where no further information about the quality of a product or service is available.

The relationship between brand trust and brand attitude is obvious and well-established in existing literature (Okazaki, Katsukura & Nishiyama, 2007). But, the study on the effect of brand trust on customer’s response is relatively scarce.

Doney & Cannon (1997) pointed out that brand trust involves an inference regarding the benevolence of the firm to act in the best interests of the customer base on shared goals and values.

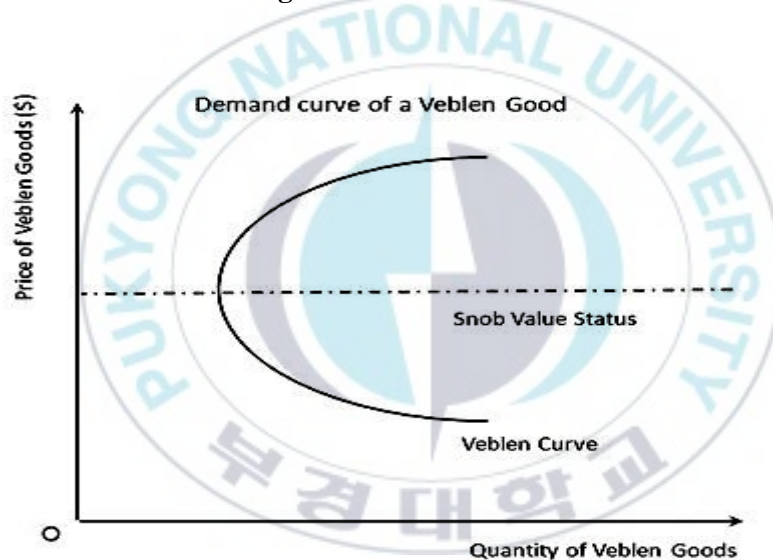
<Table 13> summarized the previous studies about brand trust in the existing literature and the main contents.

**<Table 13> Brand Trust in the Brand Literature**

<b>Sources</b>	<b>Published</b>	<b>Content</b>
Chaudhuri, A and Holbrook, M. B	<b>2001</b>	The Chain of Effects from Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty
Delgado et al.,	<b>2005</b>	Does brand trust matter to brand equity?
Kim, K; Cha, Y. R and Hu, S. H	<b>2006</b>	An Analysis of Basement of Brand Trust and Relationship between Brand Trust and Brand Attitude, The Korean Journal of Advertising
Okazaki et al.,	<b>2007</b>	How mobile advertising works: The role of trust in improving attitudes and recall
James, E. H; Gray, Z. D and Al Rosenbloom	<b>2011</b>	The Importance of Brand Liking and Brand Trust in Consumer Decision Making
Fatih Geçti and Hayrettin Zengin	<b>2013</b>	The Relationship between Brand Trust, Brand Affect, Attitudinal Loyalty and Behavioral Loyalty
Wottrich, V. M; Verlegh, P. W. J and Smit, E. G	<b>2017</b>	The Role of Customization, Brand Trust, and Privacy Concerns in Advergaming

Some previous researchers referred to the model of Veblen Effect when they analyzed the impact of brand trust on customer's purchase behavior. Veblen Effect has explained that abnormal market behavior where consumers purchase the higher-priced goods whereas similar low-priced substitutes are available. It is caused either by the belief that higher price means higher quality, or by the desire for conspicuous consumption (see Figure 21).

<Figure 21> Model of Veblen Effect



\*Source: Veblen, T.B (1899).

As the price of a Veblen good rises, people with high incomes begin to buy more products because they would like to own something valuable, very expensive or rare, for the supposed status one gains by owning it has a “snob value”.

## **2.7 Affective and Cognitive Responses**

Cognitive empathy is described as “understanding what another person is feeling,” and is operationalized primarily as a cognitive response. While affective empathy is described as “having the same emotion as the other person,” and is primarily affective response.

Sympathy: with feeling, in consumer research, whether or not sympathy is named, the emotional response is said to be a person’s awareness of the feelings of another, but not absorption in the feelings themselves (Deighton & Hoch, 1993; Stern, 1994).

Empathy: in-feeling, consumer research has drawn from the traditional definition of the empathy response as an involuntary and unself-conscious merging with another’s feelings. The difference is analogous to potential responses to watch an individual suck on a lemon (Eisenberg & Miler, 1987): a sympathetic response consists of thoughts about what the lemon sucker might perceive or want, whereas an empathic response consists of an involuntary puckering and watering of the observer’s mouth.

J. Y, Kim and J. D, Morris (2007) pointed out that consumers' affective response and cognitive response in thinking about a product, and the influence of these processes on the trial experience evaluation, are examined in experiments where product types (hedonic and functional) and involvements (low and high) are simultaneously manipulated. The results show that affective response overrode cognitive structure under all experimental conditions in forming product-trial attitudes. Whereas the roles of affective response and cognitive structure were similar in product trial-based product attitude formation.

<Table 14> presents a summary of the definitional issues on the sympathy and empathy contrast, as well as understanding of difference from cognitive and affective responses (Escalas, J. E and Stern, B. B, 2003).

**<Table 14> Definitional Issues**

<b>Contents</b>	<b>Empathy</b>	<b>Sympathy</b>
Primary component	Affective	Cognitive
	Feeling	Thinking
Control	Involuntary	Voluntary
Self-other difference	Absent	Present
Self-other orientation	Self	Other
	Loses self in other	Distance from other
Relation to other	Merging with other	Understanding of other
Opposite	Non-empathy	Antipathy
	Indifference	Hostility
Attitudinal effects	Direct	Indirect

\*Source: Escalas, J. E and Stern, B. B (2003).

The nature of both emotion and cognition is complex because it is bidirectional, which means that emotions can influence cognition and vice versa (Izard, C. E, 2007; Rizvi, W. H. & Emrah, O. E, 2018).

Affective response is defined as a certainty based on feelings. The study of Abelson, Kinder, Peters, and Fiske (1982) argued that affective and evaluative responses should not be used interchangeably because evaluation is a result of a semantic differential that differs from affective response in terms of evaluative judgement and motivation. Former is mainly based on judge mental response and later is mainly based on motivational response.

There are differences between affective and cognitive judgements: cognitive judgements evaluate what is in the stimulus (white color), whereas affective judgements involve the self in that stimulus (I like the white color) or add ideal preferences to it (the white color is cool) (Zajonc & Markus, 1982).

It is not easy to determine the primacy of affection or cognition in a decision-making process. So, it is difficult to assess if a decision is led by an effective response or a rational response, based on attribute information about a product. It is therefore essential to understand whether a preference is the result of simply liking something (affective) or the result of specific information processing (evaluative, i.e., based on information).

Thus, in this study, we use affective and cognitive responses as mediating role between determinants of customer and purchase intention.



## **2.8 Purchase Intention**

Purchase intention is explained as the willingness of a customer to buy a certain product or a certain service. Purchase intention is a dependent variable that depends on several external and internal factors.

Vicki Morwitz (2012) pointed out that consumers' stated purchase intentions are one of the primary inputs that marketing manager uses to forecast future sales and to determine how the actions they take will impact consumers' purchasing behavior. Consumers often have every intention of purchasing a product in a given time interval.

Vahidreza Mirabi et al., (2015) referred to customers purchase decision is a complex process. Purchase decision usually is related to the behavior, perceptions and attitudes of consumers.

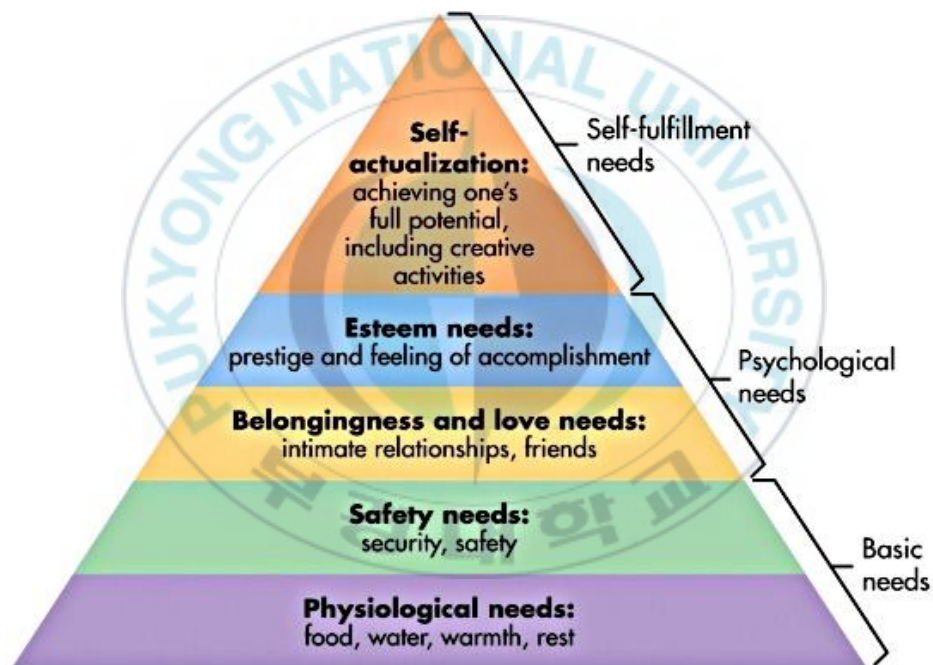
Purchase behavior is a key point for consumers to access and evaluate the specific product. Purchase behavior is an effective tool to predict buying process. Purchase behavior may be changed under the influence of price or perceived quality and value (Ghosh, 1990).

Researchers have proposed six stages before deciding to buy the product, which are: awareness, knowledge, interest, preference, persuasion and purchase (Kotler & Armstrong, 2010).

The idea of buying some products or services does not come suddenly but it carries long process of thinking, analyzing options, and taking other factors in account to reach the conclusion. These days marketing decision makers spend more money than ever to understand who buys? Why do they buy? When do they buy? Where do they buy? What do they buy? (Kotler & Armstrong, 2011; Mudassar Hussain, 2017).

Maslow's Hierarchy has remained a popular tool not only for psychologists, but also in education, business and management as well. Maslow's hierarchy of needs is a theory in psychology proposed by Abraham Maslow in "A Theory of Human Motivation" in psychological review. Maslow subsequently extended the idea to include his observations of humans' innate curiosity (see Figure 22).

<Figure 22> Maslow's Hierarchy of Needs



\*Source: Maslow, A. H (1943); Saul, M (2018).

Maslow used the terms "physiological", "safety", "belonging and love", "esteem" and "self-actualization" to describe the pattern through which human motivations generally move. The goal of Maslow's Theory is to attain the fifth level or stage: self-actualization (Maslow, A. H, 1943).

The study of Saul Mcleod (2018) explained concretely about Maslow's hierarchy of needs with five stages of growth of humans.

- (i) **Physiological needs:** These are biological requirements for human survival, e.g. air, food, drink, shelter, clothing, warmth, sex, sleep. If these needs are not satisfied the human body cannot function optimally. Maslow considered physiological needs the most important as all the other needs become secondary until these needs are met.
- (ii) **Safety needs:** Protection from elements, security, order, law, stability, freedom from fear.
- (iii) **Love and belongingness needs:** Love and belongingness needs: After physiological and safety needs have been fulfilled, the third level of human needs is social and involves feelings of belongingness. The need for interpersonal relationships motivates behavior. Examples include friendship, intimacy, trust, and acceptance, receiving and giving affection and love.
- (iv) **Esteem needs:** Which Maslow classified into two categories: (i) esteem for oneself (dignity, achievement, mastery, independence) and (ii) the desire for reputation or respect from others (e.g., status, prestige). Maslow indicated that the need for respect or reputation is most important for children and adolescents and precedes real self-esteem or dignity.

- (v) **Self-actualization needs:** Realizing personal potential, self-fulfillment, seeking personal growth and peak experiences. A desire “to become everything one is capable of becoming”.

Gibler and Nelson (1998) pointed out that most previous real estate studies had been based on neoclassical economics, where consumers were expected to make real estate decisions that maximize their utility and wealth given price and income constraints.

Tara Schofield (2018) refers to how consumer behavior affects, it's vital to understand the three factors that affect consumer behavior: psychological, personal, and social which based on the Maslow's Hierarchy model as follow.

**(i) Psychological Factors:**

In daily life, consumers are being affected by many issues that are unique to their thought process. Psychological factors can include perception of a need or situation, the person's ability to learn or understand information, and an individual's attitude. Each person will respond to a marketing message based on their perceptions and attitudes. Therefore, marketers must take these psychological factors into account when creating campaigns, ensuring that their campaign will appeal to their target audience.

**(ii) Personal Factors:**

Personal factors are characteristics that are specific to a person and may not relate to other people within the same group. These characteristics may include how a person makes decisions, their unique habits and interests,

and opinions. When considering personal factors, decisions are also influenced by age, gender, background, culture, and other personal issues. For example, an older person will likely exhibit different consumer behaviors than a younger person, meaning they will choose products differently and spend their money on items that may not interest a younger generation.

**(iii) Social Factors:**

The third factor that has a significant impact on consumer behavior is social characteristics. Social influencers are quite diverse and can include a person's family, social interaction, work or school communities, or any group of people a person affiliates with. It can also include a person's social class, which involves income, living conditions, and education level. The social factors are very diverse and can be difficult to analyze when developing marketing plans.

## **CHAPTER 3**

### **RESEARCH MODEL AND METHODOLOGY**

In the previous chapter, the relevant theoretical and conceptual backgrounds for the proposed model of this study were presented. In connection with reviewed literature, the first section of this chapter provides a proposed model. Secondly, operational definition of constructs and research hypotheses will be derived from the proposed model. The third section discusses the design of this research and the measurement of variables.

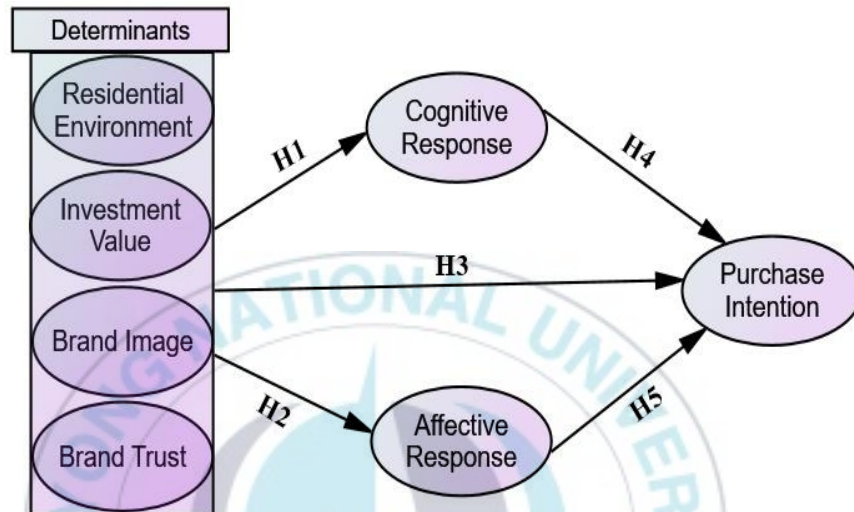
#### **3.1 The Proposed Model**

Based on the discussion in the previous chapters as well as the findings from the exploratory study, the overall conceptual model of this thesis. The model shows that this study consists of the impact of customer's determinants on the cognitive response as well as affective responses and purchase intention. Furthermore, it can be recognized that this study not only focuses on customer's determinants, but also on the mediated role effectiveness of cognitive and affective responses on apartment purchase intention.

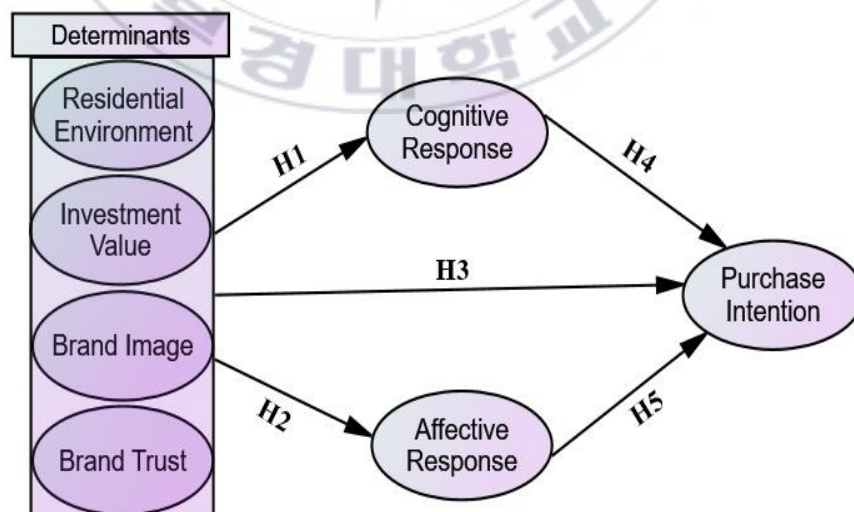


<Figure 23> The Research Model

<Figure 23-1> Model for Korean Respondents



<Figure 23-2> Model for Vietnamese Respondents



### **3.2 Operational Definitions and Instrument Development**

The specific items were based on measures used in previous studies. Researchers recommended using multi-item measures of customer's determinants on apartment purchase behavior. Multi-items that were validated in previous studies were identified to fit the study setting. All exogenous and endogenous variables were measured on a 5-point Likert scale anchoring from 1) strongly disagree to 5) strongly agree.

To develop more realistic survey, two marketing professors and five managers in real estate business activities were asked to explain about Ho Chi Minh City real estate market and predict Korean customer's determinants on apartment purchase behaviour in Vietnam real estate market that they experienced before.

In sum, this section explained various antecedents and consequences of customer's determinants in building the impact on consumer's responses and purchase intention. Each variable is defined in Table 15. In the following section, relationships between variables are discussed in proposed hypotheses.

<Table 15> Descriptions of the Measurement of Constructs of the Study

Dimensions	Measures
<b>Customer's Determinants</b>	<p>The surrounding infrastructure (shopping centers, restaurants, convenience facilities, etc.) is well established.</p> <p>Educational environment (international school, language school, etc.) is well established.</p> <p>Transportation (subway, highway, etc.) is convenient.</p> <p>Natural environment (green landscape, eco-friendly park, etc.) is well formed.</p> <p>Thu Thiem new city apartment is worth to invest right now.</p> <p>Thu Thiem new city apartment has good convenience.</p> <p>Thu Thiem new city apartment has disposal value in the future.</p> <p>Thu Thiem new city apartment looks friendly with the nature.</p> <p>Thu Thiem new city apartment looks modern.</p> <p>Thu Thiem new city apartment looks luxurious.</p> <p>Thu Thiem new city apartment looks classy.</p> <p>Thu Thiem new city apartment's constructor has reliability.</p> <p>Thu Thiem new city apartment's constructor has expertise.</p> <p>Thu Thiem new city apartment's constructor has responsibility.</p> <p>Thu Thiem new city apartment's constructor is well-known.</p>
<b>Cognitive Response</b>	<p>I prefer Thu Thiem new city apartment.</p> <p>I believe Thu Thiem new city apartment.</p> <p>Thu Thiem new city apartment persuades me.</p>
<b>Affective Response</b>	<p>Thu Thiem new city apartment makes me happy if I live there.</p> <p>Thu Thiem new city apartment makes me satisfied.</p> <p>Thu Thiem new city apartment makes me exhilarant.</p>
<b>Purchase Intention</b>	<p>I have intention to purchase Thu Thiem new city apartment.</p> <p>Thu Thiem new city apartment catches my fancy more than other apartments.</p> <p>I want to recommend Thu Thiem new city apartment to others.</p>

### 3.3 Research Hypotheses

In this section, the proposed relationships between customer's determinants, customer's responses (cognitive response and affective response) and consumer's purchase intention are to be tested. Acknowledged in research relating to determinants of customer on apartment as defined in this paper, refers to consumers' beliefs of apartment project, incorporating levels of living standards, residential environment, investment value, brand image and brand trust and so forth. The elements of determinants of Korean customers and Vietnamese customers are examined to be fit with this study. Affective response meanwhile refers to consumer affective evaluations (i.e., to like or dislike, be positive or negative, etc.). These relationships form the basis for the hypotheses that have been tested.

This section presented and discussed the following hypotheses to test the proposed model. The next section discusses the research methodology that is employed in the testing.

**The five hypotheses are:**

**H1:** Determinants on Thu Thiem new city apartment impact on cognitive response of customer.

**H2:** Determinants on Thu Thiem new city apartment impact on affective response of customer.

**H3:** Determinants on Thu Thiem new city apartment impact on purchase intention of customer.

**H4:** Cognitive response impacts on purchase intention of customer.

**H5:** Affective response impacts on purchase intention of customer.

### **3.4 Research Design**

Methodological issues involving the measurement of antecedents, processes of determinants of Thu Thiem new city apartment impact on cognitive and affective responses as well as purchase intention.

This study used the map of Thu Thiem new city project and sample model of Thu Thiem new city apartments which are being built. Participants were provided information about apartments in Thu Thiem new city. Then, they were also asked with questionnaire to choose one of the most favorited apartments and evaluate the determinants of customer and examine the relationships between customer's responses (cognitive response and affective response) and customer's purchase intention.

The questionnaire was firstly developed in Korean and was tested by Korean real estate managers after a pilot test. Because this research focuses on Korean people who are living in Ho Chi Minh city, the original Korean questionnaire and pilot test with Korean version in Busan were compared in this study to ensure that the meaning of all questions were consistent. After that, the questionnaire was translated into Vietnamese language after a pilot test. The back-translation method was used to ensure the correctness of the translation. Some Vietnamese students are studying in Korea were asked to translate the Vietnamese questionnaire back into Korean language. The original Korean questionnaire and the back-translated Korean version were compared in this study to ensure that the meaning of all questions were consistent.

### 3.5 Research Area Selection

According to the study of Yale University (2018), Thu Thiem New Urban Area has been studied and invested from a strategic development of the city in 21<sup>st</sup> century. A new center of Ho Chi Minh City, it's extended from the existing center to Thu Thiem peninsula crossing Saigon River, serving the going and future development demand of the 10 million population megacity. New City will be a core and positive motivation for the Eastern city development which has been planned with such important functions. The Eastern Area is promoted as a modern urban area with its key role in the city's and adjoining regions' social and economic development in the Southern Economic Focal Zone (SEFZ).

Korean respondents as well as Vietnamese respondents were asked which real estate area in Ho Chi Minh City is the hottest nowadays. The pilot test supplied some area in Ho Chi Minh City such as Central Park Apartment (Binh Thanh District), Thu Thiem New City Apartment (District 2), Vinhomes Golden River Apartment (District 1), Millennium Apartment (District 4) and Phu My Hung Apartment (District 7).

Finally, this study selected Thu Thiem New City Apartment (District 2) to test research model for Korean and Vietnamese respondents. Thu Thiem New City Apartments include five main apartments as follows:

- 1) Vinhomes Thu Thiem Apartment (Vingroup-Vietnam)
- 2) Eco Smart City Lotte Apartment (Lotte Group-Korea)
- 3) Sala Apartment (Dai Quang Minh Group & ThaCo-Vietnam)
- 4) Empire City Apartment (Keppel Land-Singapore)
- 5) Xi Thu Thiem Apartment (GS E & C Group-Korea)



## **CHAPTER 4**

### **ANALYSIS AND RESULTS**

This chapter presents the results of the data analysis. The chapter assesses empirically the impact of determinants in real estate Thu Thiem new city apartments on purchase intention and using the mediating role of cognitive and affective responses of Korean customers and Vietnamese customers. This chapter consists of eight sections. The first section explains the demographic characteristics of the survey participants. The second section gives the descriptive statistics of the measurement construct items. The third section shows the exploratory factor analysis for reducing the number of variables. The fourth section defines the latent factors. The fifth section provides the confirmatory factor analysis to determine the goodness-of-fit parameters. The sixth section provides the measures and variables in the study. The seventh section shows the validity of the variables to be tested for hypotheses. The final section provides the final structural equation model and the results of the hypotheses testing.

#### **4.1 Research Sample Size**

The data collection process of this study involves convenience samples of the Korean and Vietnamese customers for evaluating Thu Thiem New City Apartment. In order to perform this study, a sample size of 360

respondents was collected including 180 Korean and 180 Vietnamese who are living or working in Ho Chi Minh City.

Although, the researcher can collect various samples from many Korean and Vietnamese are living in different cities of Vietnam. But, Ho Chi Minh City is a suitable place for this research because Korean and Vietnamese here have many opportunities to find out more information of the real estate market.

The sample respondents were selected by means of convenience sampling. 180 Korean in Ho Chi Minh City participated in this study from September 1<sup>st</sup> to September 21<sup>st</sup>, 2018. While, 180 Vietnamese in Ho Chi Minh City participated in this study from October 1<sup>st</sup> to October 15<sup>th</sup>, 2018. Participants who are knowledgeable of Thu Thiem New City apartment project were suggested to answer the questionnaire.

As an incentive, participated respondents were offered a small gift which was brought from Korea. However, the final sample consisted of 159 Korean and 159 Vietnamese respondents. They were used for the statistical analysis after some stages of elimination of respondents with missing or insincere data.

#### **1) Result of demographic characteristics of survey participants**

<Table 16> presents a summary of sample sizes for each data collection phase. This data analysed the demographic characteristics of Korean and Vietnamese respondents. For the case of Vietnamese respondents:

**Gender:** female at 52 people (32.7%) and male at 107 people (67.3%) were accounted.

**Age:** for 25-35 years old with 65 respondents (40.9%) and for 35-50 years old with 63 respondents (39.6%) were revealed.

**Occupation:** survey respondents were shown that employee with 45 people (28.3%), professional occupation with 44 people (27.7%) and others with 50 people (31.4%).

**Marital status:** survey respondents were shown that married with 84 people (52.8%), single with 70 people (44%).

**The Residential period in HCM City:** 120 people are living in HCM City over 5 years (75.5%), 18 people are living in HCM City from 3~5 years (11.3%).

**Residential type in HCM City:** 89 respondents (56%) purchase own house and 58 respondents (36.5%) are living in the rent house.

For the case of the demographic characteristics of Korean respondents of the survey questionnaire.

**Gender:** female at 51 people (32.1%) and male at 108 people (67.9%) were accounted.

**Age:** for 25-35 years old with 45 respondents (28.3%) and for age 35-50 years old with 81 respondents (50.9%) were revealed.

**Occupation:** survey respondents were shown that business or enterprise with 48 people (30.2%), professional occupation with 27 people (17%) and others with 57 people (35.8%).

**Marital status:** survey respondents were accounted: married with 126 people (79.2%), single with 33 people (20.8%).

**The Residential period in HCM City:** 51 people are living in HCM City over 5 years (32.1%), 63 people are living in HCM City with 1 year (39.6%).

**Residential type in HCM City:** 42 respondents (26.4%) purchase own house and 102 respondents (64.2%) are living in the rent house.

<Table 16> Descriptive Statistics of Vietnamese and Korean Survey  
Respondents across Data Collection Phase

Variable		N Vietnamese	Rate (%) Vietnamese	N Korean	Rate (%) Korean
Age	< 25	30	18.9	3	1.9
	25 ~35	65	40.9	45	28.3
	35~ 50	63	39.6	81	50.9
	> 50	1	0.6	30	18.9
Total		159	100	159	100
Gender	Male	107	67.3	108	67.9
	Female	52	32.7	51	32.1
Total		159	100	159	100
Occupation	Professional Occupation	44	27.7	27	17.0
	Business or Enterprise	14	8.8	48	30.2
	Deal in Real Estate	6	3.8	9	5.7
	Employee	45	28.3	18	11.3
	Others	50	31.4	57	35.8
Total		159	100	159	100
Marital Status	Single	70	44.0	33	20.8
	Married	84	52.8	126	79.2

	Others	5	3.1	0	0
Total		159	100	159	100
Residential Period in HCM	< 1 year	6	3.8	63	39.6
	1~3 years	15	9.4	30	18.9
	3~5 years	18	11.3	15	9.4
	>5 years	120	75.5	51	32.1
Total		159	100	159	100
Residential Type in HCM	Own house	89	56.0	42	26.4
	Monthly Rent	58	36.5	102	64.2
	Others	12	7.5	15	9.4
Total		159	100	159	100

- 2) The Result of descriptive statistics of interesting level in HCM City real estate of survey participants was shown in Table 17

**The case of Korean respondents:** property investment in HCM city is important with 69 people (43.4%) and neutral idea with 60 people (37.7%) were accounted. The concern in HCM City real estate of Korean respondents with 84 people (52.8%) and completely concerned with 30 people (18.9%). Finally, 159 people (100%) know about Thu Thiem new city and 111 people (69.8%) are interested in Thu Thiem new city projects.

**For the case of Vietnamese respondents:** property investment in HCM city is important with 90 people (56.6%) and neutral idea with 40 people (25.2%) were accounted. Also, the concern in HCM City real estate of Vietnamese respondents with 97 people (61%) and completely concerned with 31 people (19.5%).

Finally, 159 people (100%) know about Thu Thiem new city and 99 people (62.3%) are interested in Thu Thiem new city projects.

**<Table 17> Statistics of Interesting Level in HCM City Real Estate of Korean and Vietnamese Respondents**

Variable		N Korean	Rate (%) Korean	N Vietnamese	Rate (%) Vietnamese
How much important is your property investment in HCM City	Completely not important	3	1.9	4	2.5
	Not important	9	5.7	6	3.8
	Neutral	60	37.7	40	25.2
	Important	69	43.4	90	56.6
	Completely important	18	11.3	19	11.9
<b>Total</b>		159	100	159	100
How is your concern in HCM City real estate	Completely unconcerned	3	1.9	4	2.5
	Unconcerned	9	5.7	10	6.3
	Neutral	33	20.8	17	10.7
	Concerned	84	52.8	97	61.0
	Completely concerned	30	18.9	31	19.5
<b>Total</b>		159	100	159	100
If you purchase in HCM real estate, how is the degree of your worry	Completely unworried	3	1.9	0	0
	Unworried	6	3.8	3	1.9
	Neutral	33	20.8	6	3.8
	Worried	81	50.9	81	50.9
	Completely worried	36	22.6	69	43.4
<b>Total</b>		159	100	159	100
Do you know Thu Thiem new city	Yes	159	100	159	100
	No	0	0	0	0
<b>Total</b>		159	100	159	100



Are you interested in Thu Thiem new city	Yes	111	69.8	99	62.3
	No	48	30.2	60	37.7
<b>Total</b>		159	100	159	100
If you make a purchase, which one you'd choose Residential demand or investment demand	Residential demand	66	41.5	53	33.3
	Investment demand	93	58.5	106	66.7
<b>Total</b>		159	100	159	100

3) The Result of descriptive statistics of a selected favored apartment in  
Thu Thiem new city apartments of survey participants

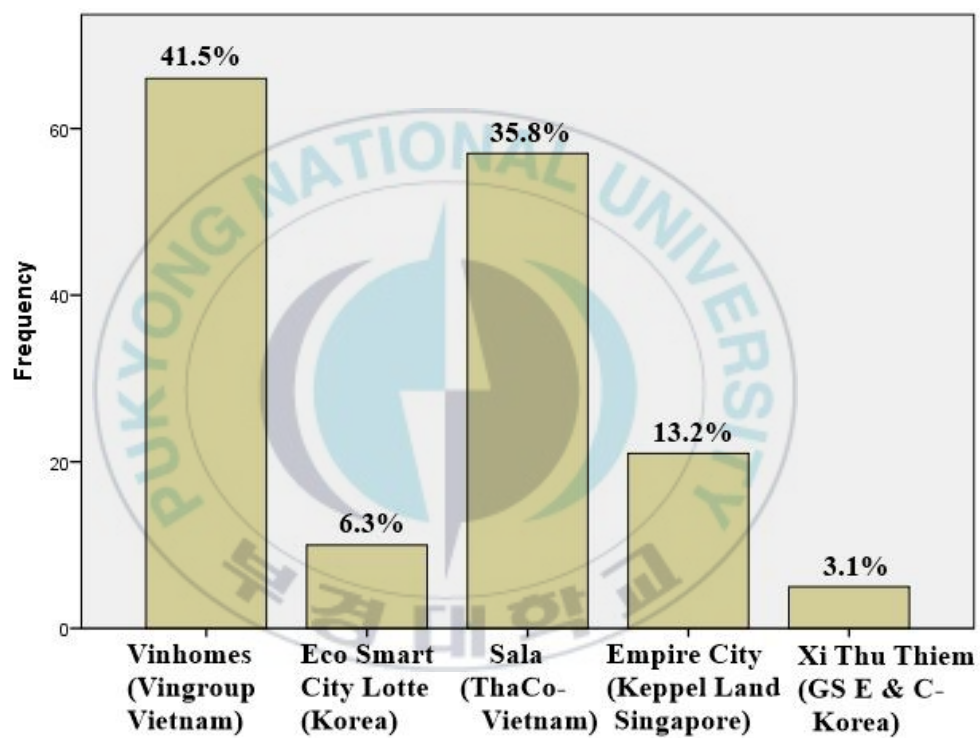
Figure 24 and Figure 25 show descriptive statistics of a selected favored apartment in Thu Thiem new city of Vietnamese respondents and Korean respondents. Survey participants were free to answer which apartment they like to purchase or live in Thu Thiem new city.

**For the case of Vietnamese respondents:** Vinhomes Apartment of Vingroup-Vietnam (41.5%); Sala Apartment of Thaco-Dai Quang Minh-Vietnam (35.8%); Empire City Apartment of Keppel Land-Singapore (13.2%); Eco-Smart City Lotte Apartment of Korea (6.3%) and Xi Thu Thiem Apartment of GS E & C of Korea (3.1%) were accounted.

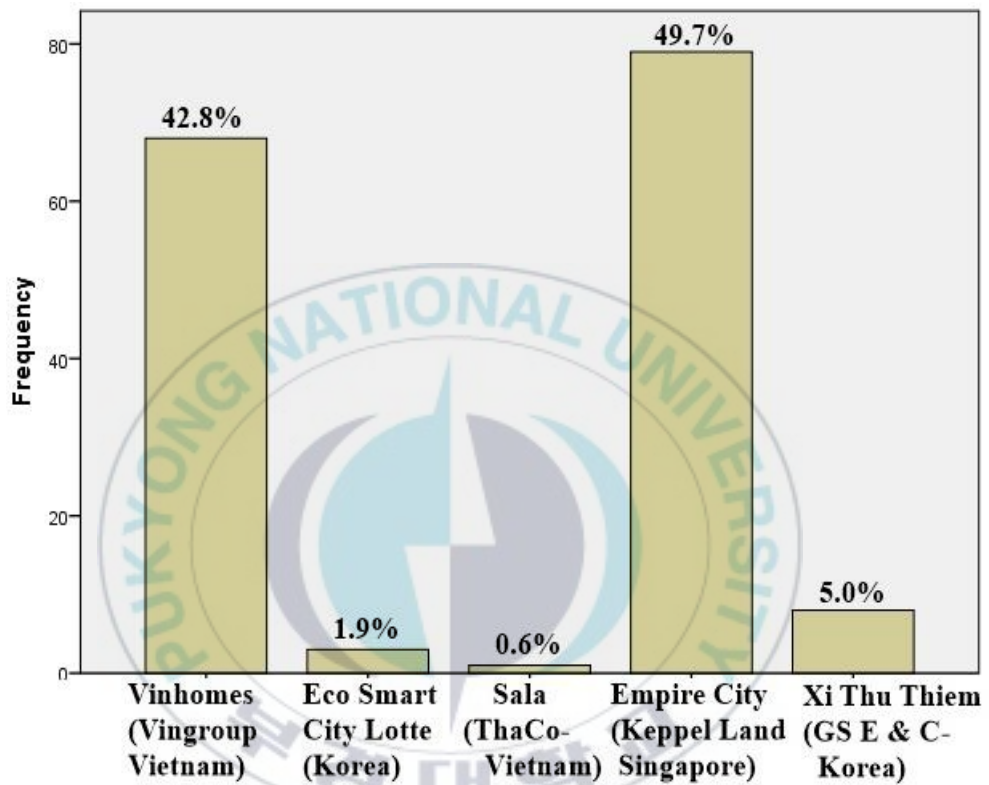
**For the case of Korean respondents:** Empire City of Keppel Land-Singapore (49.7%); Vinhomes Apartment of Vingroup-Vietnam (42.8%); Xi Thu Thiem Apartment of GS E & C of Korea (5.0%); Eco-Smart City Lotte

Apartment of Korea (1.9%) and Sala Apartment of Thaco-Dai Quang Minh-Vietnam (0.6%) were accounted.

**<Figure 24>** Statistics of a selected Favorited Apartment in Thu Thiem New City of Vietnamese Respondents



<Figure 25> Statistics of a selected Favorited Apartment in Thu Thiem New City  
of Korean Respondents



## **4.2 Evaluation of the Measures**

In this section, the process for the assessment of measurement quality is presented, which involves the discussion of measurement properties such as reliability and discriminated validity. In addition, an overall fit of each measurement model is presented.

As a proposed research model, this section presents the results of the data analysis. The discussion focuses on the main constructs. Attention then is directed toward evaluation of the hypotheses. Each hypothesis is evaluated based on the data analysis.

## **4.3 Reliability and Validity of Survey Data**

As mentioned earlier, testing the measurement model includes the estimation of internal consistency and discriminated validity of the instrument items. In the first step, the construct validation process requires an assessment of the internal consistency of the measure used in the analysis. The scale reliability is assessed using Cronbach's coefficient alpha. The coefficient alphas for determinants of Korean and Vietnamese customers on Thu Thiem new city apartment with multiple items used in this study.

Actually, determinants of the customer on purchasing apartment have been conceptualized including different components such as residential environment, investment value, brand image, and brand trust. The questionnaire survey of this study contains almost customer' determinants which are suitable to Vietnamese and Korean consumers as the first research objective of this study.

## 4.4 Exploratory Factor Analysis

Both the principal components analysis (PCA) and the orthogonal method using the varimax rotation, an exploratory factor analysis was performed using SPSS version 22.0.

According to results of exploratory factor analysis of Korean and Vietnamese customers, four factors were found among various determinants on purchasing apartments in both cases of Vietnamese and Korean customers. The factors are the residential environment, investment value, brand image and brand trust with multiple items as reported in <Table 18> for Korean respondents and <Table 19> for Vietnamese respondents.

The case of Korean respondents: here we see the Kaiser's criterion of Eigen values is greater than one. Table 18 presents the results of factors based on the criteria of eigenvalues greater than 1, which resulted in the identification of all factors. The first factor explained 42.41% of the total variance and other factors explained the remaining variance in the model.

The case of Vietnamese respondents: here we see the Kaiser's criterion of Eigen values is greater than one. Table 19 presents the results of factors based on the criteria of eigenvalues greater than 1, which resulted in the identification of all factors. The first factor explained 35.93% of the total variance and other factors explained the remaining variance in the model.

**<Table 18> Results of Exploratory Factor Analysis of Korean Respondents**

Items	Brand Trust	Investment Value	Residential Environment	Brand Image
Thu Thiem new city apartment's constructor has reliability.	0.833	0.183	0.022	0.259
Thu Thiem new city apartment's constructor has expertise.	0.909	0.122	0.085	0.226
Thu Thiem new city apartment's constructor has responsibility.	0.916	0.187	0.169	0.117
Thu Thiem new city apartment's constructor is well-known.	0.912	0.167	0.180	0.088
Thu Thiem new city apartment is worth to invest right now.	0.018	0.773	0.199	0.089
Thu Thiem new city apartment has good convenience.	0.318	0.738	0.222	0.077
Thu Thiem new city apartment has disposal value in the future.	0.221	0.816	0.183	0.184
The surrounding infrastructure (shopping centers, restaurants, convenience facilities, etc.) is well established.	0.064	0.162	0.799	-0.025
Educational environment (international school, language school, etc.) is well established.	0.030	0.310	0.778	0.013
Transportation (subway, highway, etc.) is convenient.	0.224	0.074	0.827	0.116
Natural environment (green landscape, eco-friendly park, etc.) is well formed	0.126	0.071	0.552	0.517
Thu Thiem new city apartment looks friendly with the nature.	0.298	-0.072	0.009	0.741
Thu Thiem new city apartment looks modern.	0.311	0.521	0.174	0.604
Thu Thiem new city apartment looks luxurious.	0.233	0.559	0.012	0.561



Thu Thiem new city apartment looks classy.	0.044	0.447	0.055	0.805
<b>Eigenvalues (Cumulative variable %)</b>	6.36(42.41%)	2.12(56.56%)	1.69(67.89%)	1.11(75.32%)

\*Note: Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

<Table 19> Results of Exploratory Factor Analysis of Vietnamese Respondents

Items	Residential Environment	Brand Trust	Brand Image	Investment Value
The surrounding infrastructure (shopping centers, restaurants, convenience facilities, etc.) is well established	0.90	0.053	-0.060	0.186
Educational environment (international school, language school, etc.) is well established	0.855	0.097	-0.026	0.297
Transportation (subway, highway, etc.) is convenient.	0.752	0.000	0.216	-0.057
Natural environment (green landscape, eco-friendly park, etc.) is well formed.	0.778	0.041	0.276	0.104
Thu Thiem new city apartment's constructor has reliability.	0.072	0.776	0.345	-0.134
Thu Thiem new city apartment's constructor has expertise.	0.071	0.820	0.269	0.098
Thu Thiem new city apartment's constructor has responsibility.	-0.007	0.750	0.224	0.167
Thu Thiem new city apartment's constructor is well-known.	0.046	0.804	-0.215	0.178
Thu Thiem new city apartment looks friendly with the nature.	0.014	0.136	0.796	0.193
Thu Thiem new city apartment looks modern.	0.207	0.276	0.754	0.316

Thu Thiem new city apartment looks luxurious.	0.277	0.215	0.614	0.460
Thu Thiem new city apartment looks classy.	0.229	0.278	0.395	0.444
Thu Thiem new city apartment is worth to invest right now.	-0.001	0.148	0.042	0.822
Thu Thiem new city apartment has a good convenience.	0.246	0.051	0.317	0.650
Thu Thiem new city apartment has disposal value in the future.	0.170	-0.015	0.333	0.672
<b>Eigenvalues (Cumulative variable %)</b>	5.39(35.93%)	2.39(51.91%)	1.61(62.66%)	1.01(69.39%)

\*Note: Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.

### Latent Factors

After performing the Varimax factor analysis on the construct, each eigenvalue was found to be above the level of 1 and factor loading was also above the recommended level of 0.5. The seven latent factors were created by summing the rating scores of all items loaded on each latent factor; henceforth called as the latent constructs. The following sub-sections provide each items Cronbach's alpha reliability values along with Cronbach's alpha if the item were to be deleted. This is performed to ensure each latent observed variable is viable with the other observed variables in the latent variable structure to ensure a proper model.

As mentioned above, the scale reliability was assessed using Cronbach's coefficient alpha. Cronbach's coefficient alpha determines the mean reliability for all possible combinations of scale times. The coefficient

alphas for the research model, with multiple items used in the study, are reported in <Table 20> for Korean respondents and <Table 21> for Vietnamese respondents.

Nunnally (1978) offered guidelines to interpret the value obtained and suggested 0.7 as the minimum acceptable level, that means construct has reliability. Thus, it is noted that all reliability measures were sufficient and indicated internal consistency including determinants of the customer, responses of consumer and purchase intention of the customer.

According to the results of factor analysis, the variables related to factors of determinants include residential environment, investment value, brand image, and brand trust. As shown below, the case of Korean respondents, Cronbach's alpha coefficients ranged from 0.787 to 0.951 in <Table 20>. The case of Vietnamese respondents, one item of brand image was to be deleted as Table 19 above. Cronbach's alpha coefficients of factors of Vietnamese respondents ranged from 0.70 to 0.864 showing moderately high reliability in <Table 21>.

<Table 20> Reliability of the Measurement of the case of Korean Respondents

Constructs	Items	Cronbach's alpha (Korean)
Residential Environment	4	0.787
Investment Value	3	0.828
Brand Image	4	0.836
Brand Trust	4	0.951
Cognitive Response	3	0.940
Affective Response	3	0.887
Purchase Intention	3	0.892

<Table 21> Reliability of the Measurement of the case of Vietnamese Respondents

Constructs	Items	Cronbach's alpha (Vietnamese)
Residential Environment	4	0.864
Investment Value	3	0.720
Brand Image	3	0.816
Brand Trust	4	0.828
Cognitive Response	3	0.70
Affective Response	3	0.729
Purchase Intention	3	0.722

## 4.5 Test of Research Hypotheses

The research model as proposed in <Figure 23> was tested by using Amos 21. Based on the two-step approach to estimate causal models, structural relationships were estimated based on the separately estimated measurement model. In this study, the confirmatory factor analysis was used to deduce measurement model and confirm construct validity to estimate a path coefficient. After confirmatory factor analysis, results from the measurement model were used for estimating a path coefficient and finally, a structural equation model was reported.

## 4.6 Confirmatory Factor Analysis (CFA)

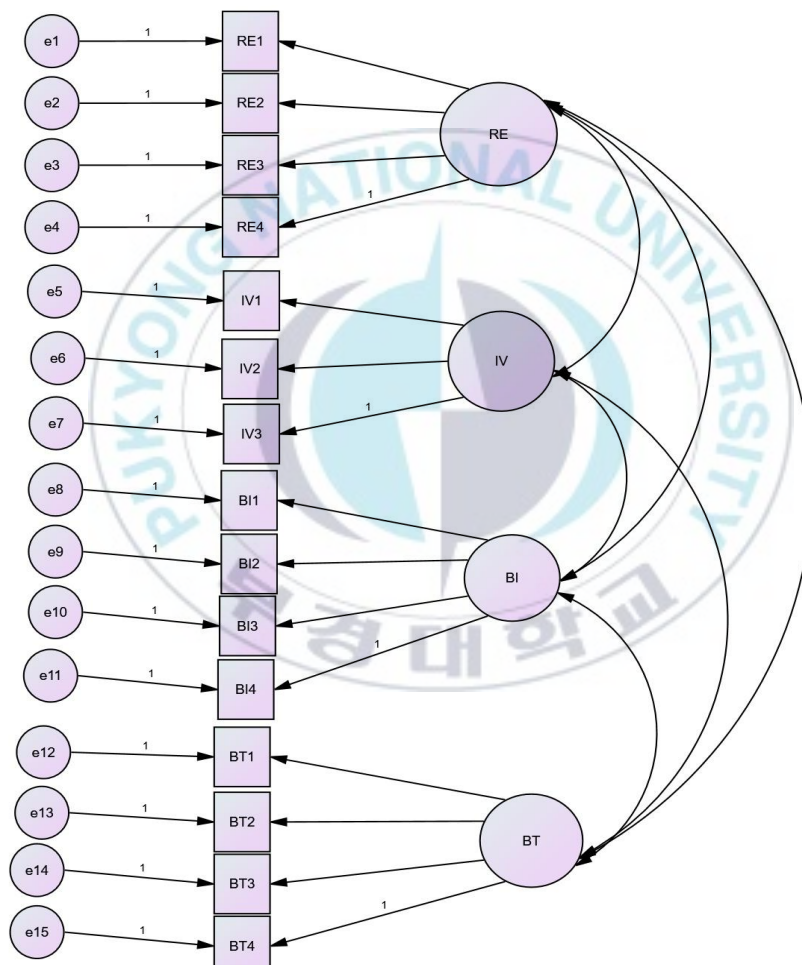
A confirmatory factor analysis was conducted to determine the reliability and validity of the measures. An AMOS measurement model was then specified to evaluate the independent and dependent variables for both Korean and Vietnamese respondents. The variables are including customer's determinants, affective response and cognitive response, purchase intention. In the case of Korean respondents, **23 items** were included in the measurement model in <Table 20>. In the case of Vietnamese respondents, total **22 items** were included in the measurement model in <Table 21>.

The result of the analysis from CFA model of independent variables of the case of Korean respondents in <Table 22> showed that the model does not fit with the values (CMIN/DF=4.960, RMSEA=0.15, CFI=0.816, RMR=0.05, GFI=0.75, AGFI=0.650).

<Table 22> Goodness-of-fit indices for CFA model of the case of  
Korean Respondents

$\chi^2$	DF	CMIN/DF	P-value	GFI	AGFI	RMR	NFI	CFI	RMSEA
416.646	84	4.960	0.000	0.755	0.650	0.05	0.783	0.816	0.158

<Figure 26> CFA Model of Independent Variables of the case of  
Korean Respondents



\*Note: RE (Residential Environment); IV (Investment Value)  
BI (Brand Image); BT (Brand Trust).



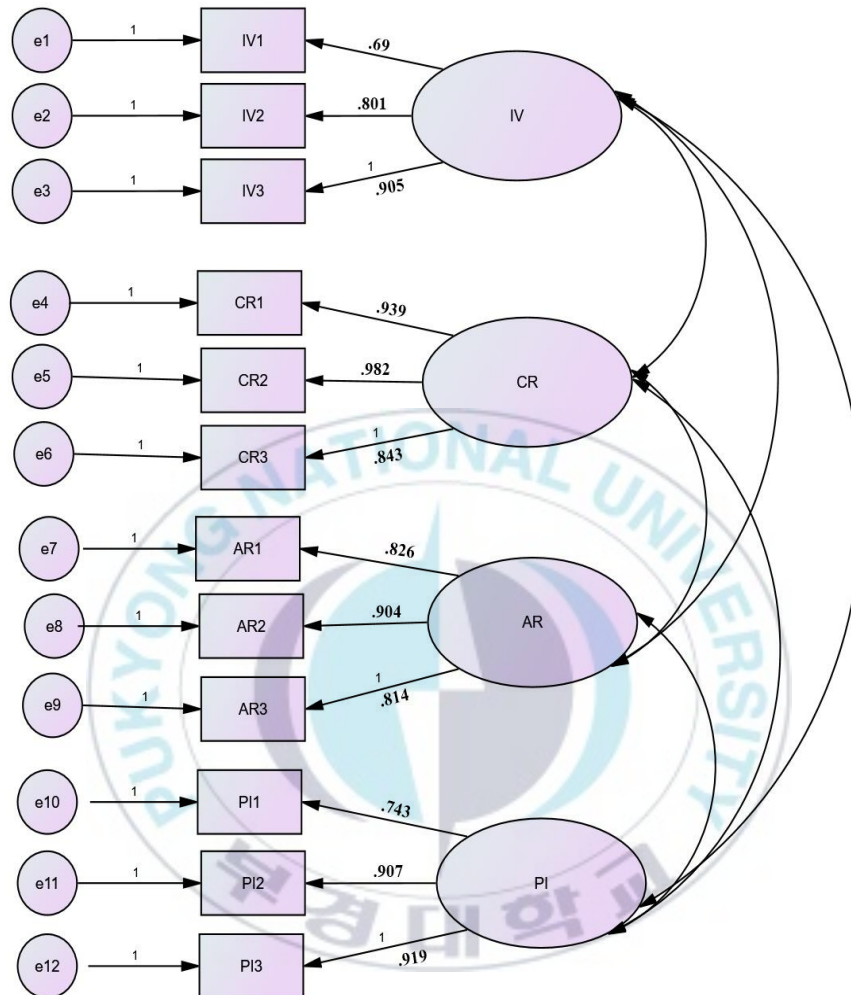
The measurement model was evaluated by using the maximum likelihood estimation technique which is provided within the AMOS 21 software. Table 22 provides the summarized results of the initial CFA. The results revealed that chi-square statistics ( $\chi^2=416.646$ ,  $df=84$ ) was not consistent enough for the goodness-of-fit of data to the model, which was not good and could not be used.

But after deleting items from measurement, CFA model of the case of Korean respondents includes investment value of the independent variable and cognitive response, affective response, purchase intention of dependent variables in <Table 23> showed that the acceptable fit criteria and the model fits indices values. All of the statistical values of the final measurement model indicated that model fitted in representing the data (CMIN/DF=2.86, RMR=0.025, GFI=0.88, AGFI=0.81, CFI=0.95, RMSEA=0.10). These results indicate the model had strengthened and the constraint along with the elimination of three of independent variables made the model possible to move to the following step of the CFA.

<Table 23> Goodness-of-fit indices for final CFA of the case of Korean Respondents

$\chi^2$	DF	CMIN/DF	P-value	GFI	AGFI	RMR	NFI	CFI	RMSEA
137.422	48	2.86	0.000	0.88	0.81	0.025	0.920	0.95	0.10

<Figure 27> Final CFA Model of the case of Korean Respondents



\*Note: IV (Investment Value); CR (Cognitive Response)

AR (Affective Response); PI (Purchase Intention).

In the case of Vietnamese respondents, the results of the analysis from CFA model in <Table 24> showed that the model fits with the values (CMIN/DF=2.49, RMR=0.039, GFI=0.87, AGFI=0.81, CFI=0.9, NFI=0.85, RMSEA=0.09).

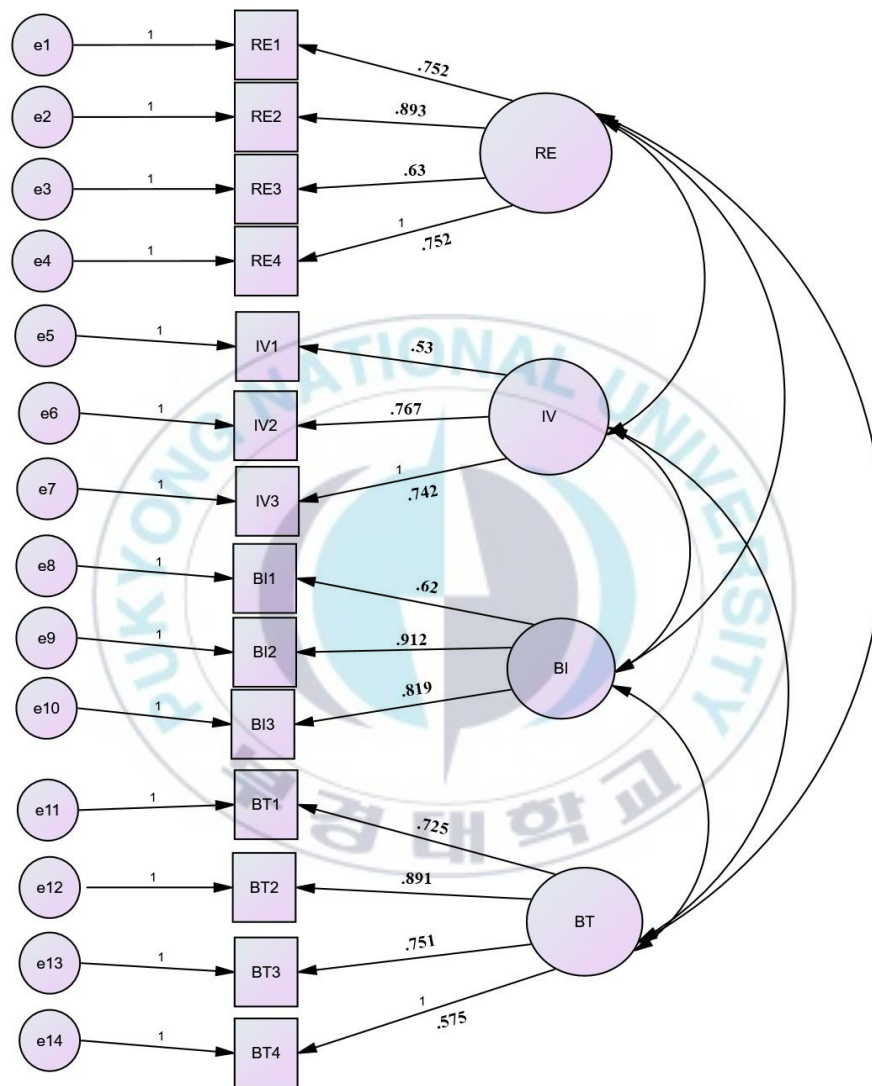
**<Table 24>** Goodness-of-fit indices for CFA model of independent variables of the case of Vietnamese Respondents

<b>X<sup>2</sup></b>	<b>DF</b>	<b>CMIN/DF</b>	<b>P-value</b>	<b>GFI</b>	<b>AGFI</b>	<b>RMR</b>	<b>NFI</b>	<b>CFI</b>	<b>RMSEA</b>
177.037	71	2.49	0.000	0.87	0.81	0.039	0.85	0.90	0.09

**<Table 25>** Standardized Regression Weights for CFA model of independent variables of the case of Vietnamese Respondents

<b>Variables</b>	<b>Estimates</b>
Ques c4<---RE	0.752
Ques c3<---RE	0.626
Ques c2<---RE	0.893
Ques c1<---RE	0.871
Ques c7<---IV	0.742
Ques c6<---IV	0.767
Ques c5<---IV	0.526
Ques c10<---BI	0.819
Ques c9<---BI	0.912
Ques c8<---BI	0.612
Ques c15<---BT	0.575
Ques c14<---BT	0.751
Ques c13<---BT	0.891
Ques c12<---BT	0.725

<Figure 28> CFA Model of Independent Variables of the case of Vietnamese Respondents



\*Note: RE (Residential Environment)

IV (Investment Value)

BI (Brand Image)

BT (Brand Trust).

Additionally for Vietnamese respondents, the results of the dependent variables analysis from CFA model in <Table 26> showed that the model fits with the estimated value and fits model statistics (CMIN/DF=2.64, RMR=0.021, GFI=0.968, AGFI=0.88, CFI=0.97, NFI=0.95, RMSEA=0.10).

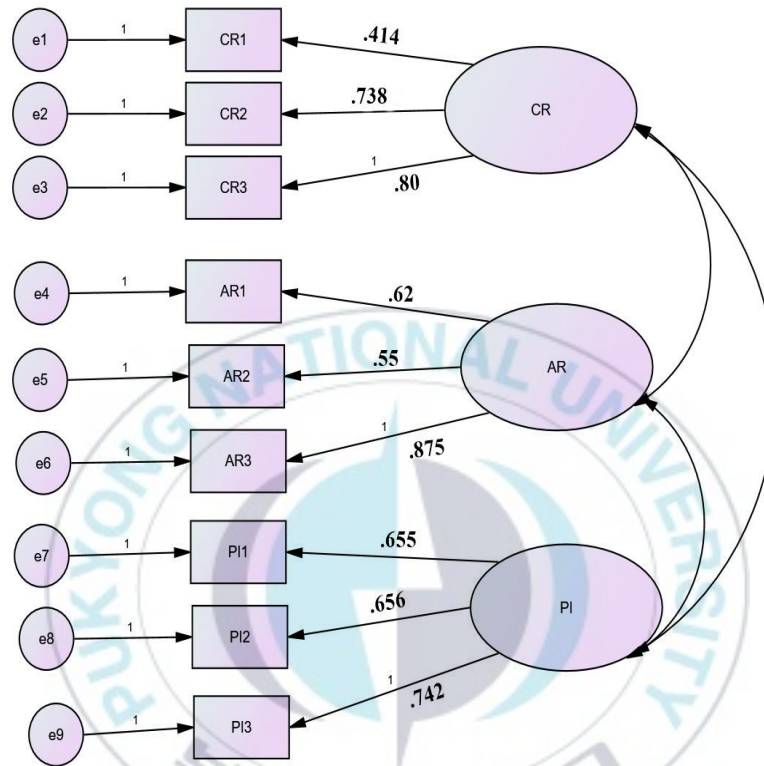
**<Table 26>** Goodness-of-fit indices for initial CFA model of dependent variables of the case of Vietnamese Respondents

$\chi^2$	DF	CMIN/DF	P-value	GFI	AGFI	RMR	NFI	CFI	RMSEA
15.874	6	2.64	0.000	0.968	0.88	0.021	0.95	0.97	0.10

**<Table 27>** Standardized Regression Weights for initial CFA model of dependent variables of the case of Vietnamese Respondents

Variables	Estimates
Ques d3 <---CR	0.800
Ques d2<---CR	0.738
Ques d1<---CR	0.414
Ques e3<---AR	0.612
Ques e2<---AR	0.551
Ques e1<---AR	0.872
Ques f3 <---PI	0.655
Ques f2<---PI	0.656
Ques f1<---PI	0.742

<Figure 29> CFA Model of Dependent Variables of the case of Vietnamese Respondents



\*Note: CR (Cognitive Response)  
AR (Affective Response)  
PI (Purchase Intention).



## 4.7 Structural Equation Model

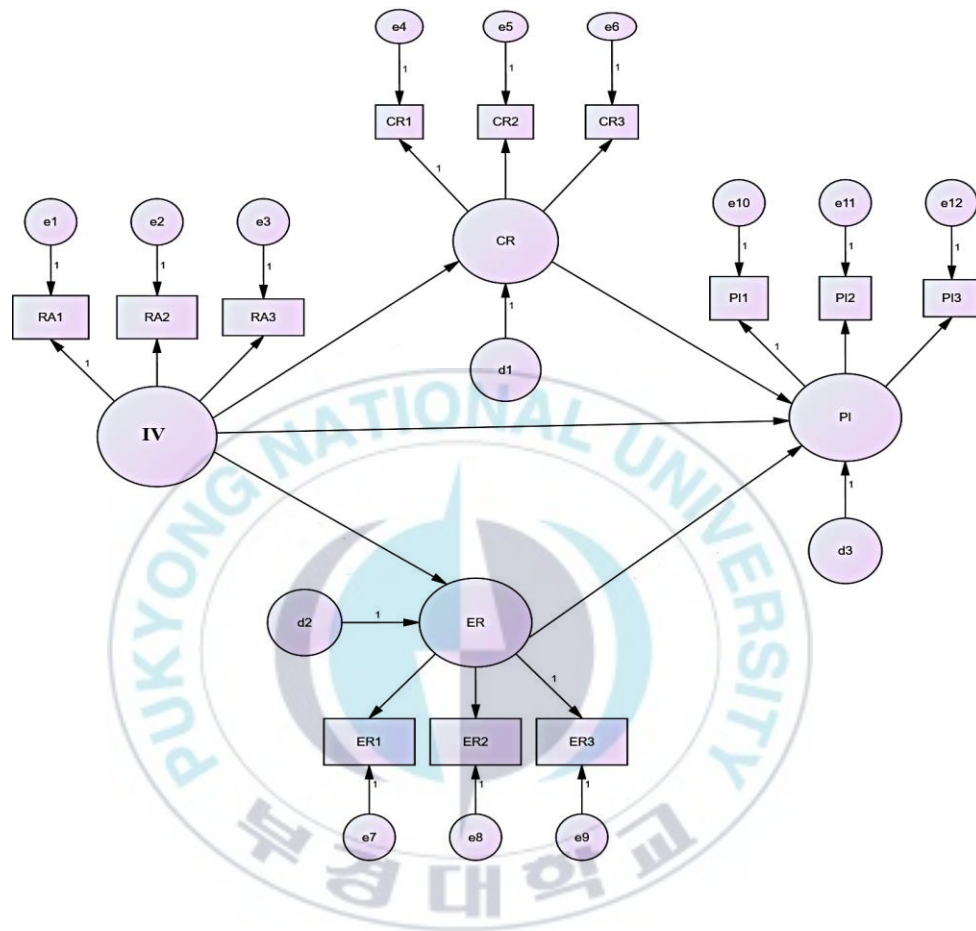
This study suggested exogenous variables as customer's determinants including residential environment, investment value, brand image, and brand trust. Endogenous variables are the affective response, cognitive response, and purchase intention in order to analyse the structural equation model. It can be seen that affective and cognitive responses play an important role as mediating variables between customer's determinants and customer's purchase intention. The results of the structural model are shown in <Table 28> and <Figure 30> of the case of Korean respondents. The measurement model fits with the values (RMR=0.06, GFI=0.82, AGFI=0.73, CFI=0.90, RMSEA=0.10).

<Table 28> Results of the Hypotheses Test of Korean Respondents

Hypothesis	Hypothesized Path			Standardized Estimate	S.E.	C.R.	P-value	Results
H1	Investment Value	→	Cognitive Response	0.76	0.73	10.351	***	Supported
H2	Investment Value	→	Affective Response	0.59	0.78	7.635	***	Supported
H3	Investment Value	→	Purchase Intention	0.085	0.136	0.623	0.53	Not Supported
H4	Cognitive Response	→	Purchase Intention	0.31	0.11	0.283	0.77	Not Supported
H5	Affective Response	→	Purchase Intention	.682	0.104	6.542	***	Supported
$\chi^2=215.777$ , $df=49$ ( $p=0.000$ ), GFI=0.82, AGFI=0.73, NFI=0.87, CFI=0.89, RMSEA=0.10, RMR=0.06								

\* $p \leq 0.05$ , \*\*\* $p < 0.001$

<Figure 30> The Structural Equation Model of the case of Korean Respondents



\*Note: IV (Investment Value)

CR (Cognitive Response)

AR (Affective Response)

PI (Purchase Intention).

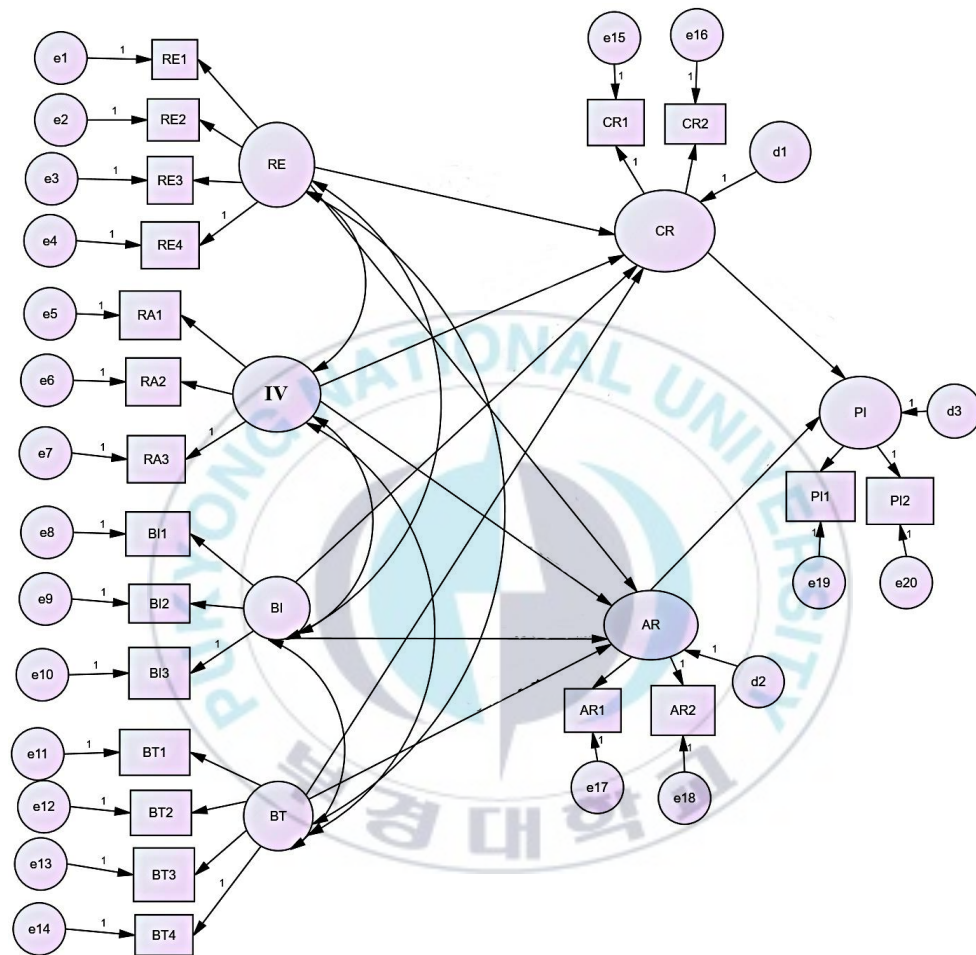
The results of the structural equation model are shown in <Table 29> and <Figure 31> of the case of Vietnamese respondents. Measurement model fits with the values (CMIN/DF=2.784, RMR=.045, AGFI=0.73, CFI=.83, NFI=.76, RMSEA=0.10).

<Table 29> Results of the Hypotheses Test of Vietnamese Respondents

Hypothesis	Hypothesized Path			Standardized Estimate	S.E.	C.R.	P-value	Results
H1-1	Residential Environment	→	Cognitive Response	-.616	0.330	-1.870	0.061	Not Supported
H2-1	Residential Environment	→	Affective Response	-.355	0.254	-1.394	0.163	Not Supported
H1-2	Investment Value	→	Cognitive Response	2.938	1.447	2.031	0.042*	Supported
H2-2	Investment Value	→	Affective Response	2.297	1.163	1.975	0.048*	Supported
H1-3	Brand Image	→	Cognitive Response	-2.074	1.313	-1.579	0.114	Not Supported
H2-3	Brand Image	→	Affective Response	-1.762	1.061	-1.661	0.097	Not Supported
H1-4	Brand Trust	→	Cognitive Response	1.458	.847	1.720	0.085	Not Supported
H2-4	Brand Trust	→	Affective Response	.958	.672	1.425	0.154	Not Supported
H4	Cognitive Response	→	Purchase Intention	.498	.258	1.934	0.05*	Supported
H5	Affective Response	→	Purchase Intention	.508	.359	1.416	0.157	Not Supported
$\chi^2=428.706$ , $df=154$ ( $p=0.000$ ), $GFI=0.805$ , $AGFI=0.739$ , $NFI=0.764$ , $CFI=0.831$ , $RMSEA=0.10$ , $RMR=0.045$								

\* $p \leq 0.05$ , \*\*\* $p < 0.001$

<Figure 31> The Structural Equation Model of the case of  
Vietnamese Respondents



\*Note: RE (Residential Environment); IV (Investment Value)  
BI (Brand Image); BT (Brand Trust)  
CR (Cognitive Response); AR (Affective Response)  
PI (Purchase Intention).

## 4.8 Results of the Hypotheses Test

In order to test the final hypotheses the models first need to be checked to ensure that each of the constructs is below the 0.05 statistically significant threshold and that each of the constructs are strong enough to affect the endogenous variables, they intend to affect (negatively or positively). Another very important part of the structural model assessment is the use of coefficient parameter estimates. These parameter estimates were used to produce the estimated population covariance matrix for the created structural model.

The model was defined by 12 measurement items that identified the four remaining latent constructs. The covariance matrix used among the constructs was applied when testing the model. It should be noted that when the critical ratio (CR or t-value) is higher than 1.9 for an estimate (regression weight), then the parameter coefficient value is statistically significant as long as it is below the .05 level of p-value (Hair et. al. 2006; Green, 2016).

The program obtains the critical ratio or t-value by dividing the regression weight estimate by the estimate of its standard error (S.E). For the five causal paths, the estimated t-values were all above the 1.9 critical values at the significant level  $p \leq 0.05$  as seen in Table 28 and Table 29.

**Hypothesis 1:** This hypothesis proposed that determinants have the positive influence on the cognitive response of customers. For the case of Korean respondents, as indicated in <Table 28>, the results show the

significant positive relationship between investment value and cognitive response (standardized estimate=0.76, CR value of 10.351,  $p<0.001$ ).

For the case of Vietnamese respondents in <Table 29>, the results also show the significant positive relationship between investment value and cognitive response (standardized estimate=2.938, CR value of 2.031,  $p<0.05$ ). Thus, the assumptions were examined and for both cases of Vietnamese and Korean respondents, H1 is supported by the data with investment value; H1 is rejected by the data with the residential environment, brand image and brand trust for the case of Vietnamese response.

**Hypothesis 2:** This hypothesis proposed that determinants have the positive influence on the affective response of customers. For the case of Korean respondents, as indicated in <Table 28>, the results show the significant positive relationship between investment value and affective response (standardized estimate=0.59, CR value of 7.635,  $p<0.001$ ). For the case of Vietnamese respondents in <Table 29>, the results show the significant positive relationship between investment value and affective response (standardized estimate=2.297, CR value of 1.975,  $p<0.05$ ). Thus, for the case of Korean respondents, H2 is supported by the data with investment value. For the case of Vietnamese respondents, H2 is also supported by the data with investment value but H2 is rejected by the data with the residential environment, brand image, and brand trust.

**Hypothesis 3:** This hypothesis proposed that determinants have the positive influence directly on purchase intention of customers. For the case of Korean respondents, as indicated in <Table 28>, the data did not reveal the interaction effect between two variables (standardized estimate=0.085,



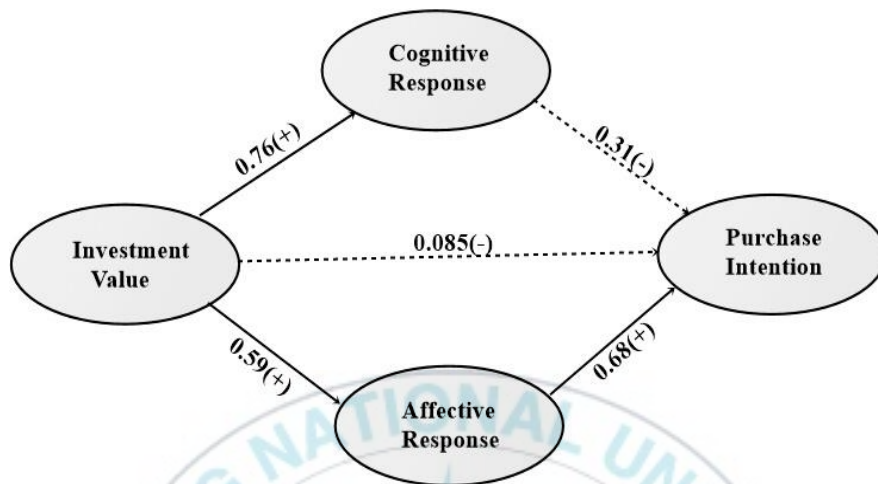
CR value of 0.623,  $p > 0.05$ ). For the case of Vietnamese respondents in <Table 29>, the direct relationship between determinants and purchase intention of customers was deleted after tested CFA model. Thus, H3 is rejected by the data with investment value for the only case of Korean respondents.

**Hypothesis 4:** This hypothesis proposed an interaction effect between determinants and purchase intention of customers by using mediating effects of the cognitive response. For the case of Korean respondents, is not consistent with this proposition, the data did not reveal the interaction effect between two variables (standardized estimate=0.31, CR value of 0.283,  $p > 0.05$ ). For the case of Vietnamese respondents, consistent with this proposition, the data revealed the interaction effect between two variables (standardized estimate=0.498, CR value of 1.934,  $p \leq 0.05$ ). Thus, H4 is supported by the data for the case of Vietnamese respondents but H4 is rejected by the data for the case of Korean respondents.

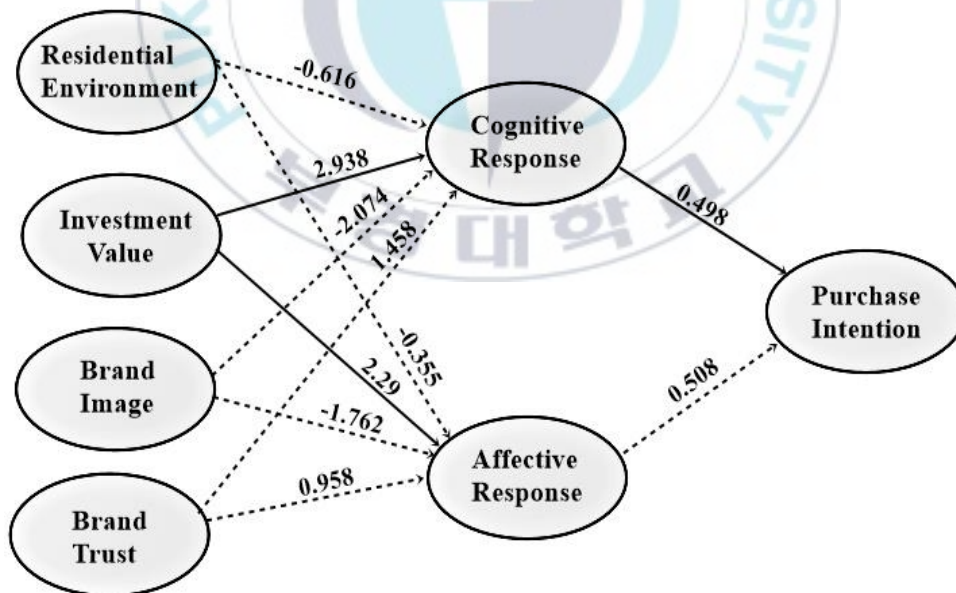
**Hypothesis 5:** This hypothesis proposed an interaction effect between determinants and purchase intention of customers by using mediating effects of affective response. For the case of Korean respondents, consistent with this proposition, the data revealed the interaction effect between two variables (standardized estimate=0.682, CR value of 6.542,  $p < 0.001$ ). For the case of Vietnamese respondents, the data did not reveal the interaction effect between two variables (standardized estimate=0.508, CR value of 1.416,  $p > 0.05$ ). Thus, H5 is supported by the data for the case of Korean respondents but H5 is rejected by the data for the case of Vietnamese respondents.



<Figure 32> Results of Hypothesized Path of Korean Respondents



<Figure 33> Results of Hypothesized Path of Vietnamese Respondents



- Note: Significant effects are represented by solid lines (→)
- Not-significant effects are represented by dotted lines (- ->)

## **CHAPTER 5**

### **DISCUSSION AND IMPLICATIONS**

This chapter presents both a discussion of the final results and the implications of this thesis. In addition, the limitations of the study are addressed and future research is discussed.

The main purpose of this study was to investigate the impact of determinants on purchase intention of Vietnamese and Korean customers. This study was obtained to determine the relationship between the two dimensions of cognitive and affective responses, and purchase intention. Besides that, it was also important to find out the differential impact of determinants of Thu Thiem new city apartments on purchase intention between Korean respondents and Vietnamese respondents.

Respondents were Korean residents and Vietnamese residents in Ho Chi Minh City. The questionnaire was developed using the published literature by adopting several existing measurement scales that were reported by previous research studies. The SPSS version 22.0 was used for the descriptive analyses of the respondents, the latent variables and exploratory factor analysis. While the AMOS version 21.0 was used for the confirmatory factor analysis (CFA) and structural equation modelling (SEM) analysis, testing model fit with the data and then testing the hypotheses. The descriptive analysis of the survey presented demographic characteristics of both Korean and Vietnamese respondents. The exploratory factor analysis was performed to prove the latent factors were conducive

with one another, which were then confirmed by performing the confirmatory factor analysis. Finally, the hypothesized relationships from the literature, between each construct was examined by structural equation modelling. In the first stage, the measurement model, using the CFA method, was tested to examine and assess the reliability and validity of the variables used in the model. During the second stage, the hypothesized structural model was assessed using the path analysis technique for testing the hypothesized causal relationships among the constructs proposed in the research model.

According to the first objective of this study, we sought to seek determinants among various determinants which are suitable to Vietnamese respondents and Korean respondents by exploratory factor analysis for Thu Thiem new city apartments. Four factors of determinants were selected for the research purpose of this study such as the residential environment, investment value, brand image, and brand trust. But, the study found that the impact of determinants as independent dimensions tapping difference on affective and cognitive responses between Vietnamese respondents and Korean respondents. In specifically, the findings of the case of Korean respondents indicated that investment value had significant effects on cognitive and affective responses, whereas residential environment, brand image, and brand trust were deleted after CFA testing for a suitable model. The case of Vietnamese respondents indicated that investment value only had significant effects on cognitive and affective responses, whereas residential environment, brand image, and brand trust had insignificant effects on cognitive and affective responses.

Vietnam has seen an influx of South Koreans seeking to acquire real estate as the Southeast Asian country has become an attractive destination for investors and holidaymakers from the kimchi land (Hanoitimes.vn, 2018). Indeed, Korean and Vietnamese cultures do share a number of similarities that aid integration and understanding. Interestingly, among the selected apartments in this study, both cases of Korean and Vietnamese respondents prioritized the selection of Vinhomes apartments. Besides, Korean respondents also prioritized the selection of Empire City apartment, whereas Vietnamese respondents prioritized the selection of Sala apartments.

More importantly, the findings also revealed that the residential environment, brand image, and brand trust had insignificant effects on cognitive and affective responses in the case of Vietnamese respondents. The results were generally, not completely consistent with the initial hypothesis. When the factors of determinants were used as the criterion, H1 and H2 were supported for both cases of Korean and Vietnamese respondents.

The second objective of this study was to determine the relationship between determinants selected and purchase intention of the customer. In the case of Korean respondents, the investment value of determinants selected had an insignificant effect on purchase intention. In the case of Vietnamese respondents, this relationship was not examined because this hypothesized path was deleted after testing CFA for the suitable model. So, H3 was not supported for both cases of Korean and Vietnamese respondents.

The final objective of this study was to determine the relationship between determinants selected and purchase intention by using the mediating role of cognitive and affective responses. In the case of Korean

respondents, the affective response had a significant effect on purchase intention, but the cognitive response had an insignificant effect on purchase intention. Apparently, in the case of Vietnamese respondents, the study results indicated that the affective response was not significantly related to purchase intention, whereas, the cognitive response was significantly related to purchase intention of Vietnamese customers.

Explaining about this, the researchers of Hazel Markus and Shinobu Kitayama (1991) have studied how an individual's cultural background affects how they view themselves. People from individualistic cultures are more likely to have an independent view of themselves (they see themselves as separate from others, define themselves based on their personal traits, and see their characteristics as relatively stable and unchanging). On the other hand, people from collectivistic cultures are more likely to have an interdependent view of themselves (they see themselves as connected to others, define themselves in terms of relationships with others, and see their characteristics as more likely to change across different contexts).

South Korea is considered a collectivistic society. This is manifest in a close long-term commitment to the member 'group', be that a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount and over-rides most other societal rules and regulations. The society fosters strong relationships where everyone takes responsibility for fellow members of their group. When some Koreans purchase and invest into real estate in Vietnam, will create momentum for other Koreans to invest and purchase real estate with their emotion and feeling.

Vietnam is also considered to be part of the East Asian cultural sphere. Vietnamese culture is shown clearly in Confucian social, moral

ethics and art. Besides, Vietnamese culture absorbed various influences from the Europeans, including the cultural influences from France, the United States and the adoption of the Latin alphabet. So, Vietnamese society is a society combining collectivistic culture and individualistic culture.

The cognitive and affective responses scores for Korean and Vietnamese respondents support for H4 and H5 which suggest that necessary mediating effects of cognitive and affective responses on purchase intention of consumers. H4 was only supported for the case of Vietnamese respondents. H5 was only supported for the case of Korean respondents.

The failure of determinants such as residential environment, brand image and brand trust in Thu Thiem new city apartments for both case of Vietnamese and Korean respondents to cognitive and affective responses which was surprising in light of the theoretical discussion presented. It may be relatively effective in getting benefits and investment chance in Thu Thiem new city apartments by the target customers. What's more, Korean and Vietnamese residents in HCM City were likely to evaluate investment value than living purpose nowadays.



## 5.1 Policy Implications

From a policy perspective, the findings of this study underscore the benefits of a theoretical framework for understanding the building of long-term strategy following customer's determinants through the mentally reinforced cognitive and affective responses of Vietnamese and Korean respondents. Thus, this study also suggests potential new and different ways for marketing managers to strengthen emotional marketing and promotional campaign about Thu Thiem new city apartments by understanding the needs and wish of Korean customers and Vietnamese customers on apartments.

Descriptive statistics of residential demand and investment demand in Thu Thiem new city apartments of Vietnamese and Korean respondents is shown in <Table 17>. For the case of Korean customers, residential demand was accounted at 41.5% with 66 respondents, investment demand was accounted at 58.5% with 93 respondents. For the case of Vietnamese customers, residential demand was accounted at 33.3% with 53 respondents, investment demand was accounted at 66.7% with 106 respondents.

Korean investors have strict requirements in choosing real estate and only pour money into high-level apartments, low population density because of the preference for order and quiet places.

In recent years, Vietnamese people often argue about the issue of purchasing villas or purchasing apartments. The problem is not prejudiced to the apartment, but in Vietnamese culture, they love the spirit of privacy. A house on private land has more private values than a common house among dozens of other houses. Moreover, Vietnamese people have not had the habit of living in apartments like other countries in Asia. They respect



land property and wish to have a private house rather than apartments. Therefore, it is understandable that the investment demand in Thu Thiem new city apartments is much higher than the residential demand of Vietnamese respondents in this survey statistics.

## **5.2 Limitations and Future Research**

The results should be viewed in light of the constraints of the study. Several limitations of this study need to be acknowledged. As outlined in the previous section, the empirical contributions of the study determine a certain level of confidence particularly based on processes of theory building, use of well-established measurements and variables, and the rigor of the analysis. However, as seen, this study also has obvious limitations which necessitate a degree of caution when interpreting the results.

The results also indicate that future research needs to contribute a more rigorous theory for research model, more appropriate survey questionnaire for research object selection. In particular, it is possible to select Koreans living in apartment complexes in HCM City such as Vinhomes Central Park, Phu My Hung... to answer survey questionnaires on determinants, purchase behaviour and satisfaction, or which factors affect to their decision to purchase these apartments. And, whether they will think to move to Thu Thiem new city apartments to live or not in the future. If they say yes, the reason why they decided to move to Thu Thiem new city apartments. In addition, future research should provide more clear information about Thu Thiem new city apartments in the questionnaire, diverse elements to make it easier for respondents to reply.

Future research could also focus on different criterion measures of the object not only Korean residents in HCM City but also Korean residents in other cities of Vietnam.

Finally, it is hoped that the researcher is careful to select timing for data collection because that can affect to results of research. In this study, processing of data collection got difficulty to survey Korean residents in HCM City in the morning or in the evening because of their working time.



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## APPENDIX



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