Commercial Property Development and Heritage Conservation in Ho Chi Minh City’s District One

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Abstract

Vietnam’s urban fabric transformation in the last three decades had been very much influenced by two development booms, post-doi moi in 1986 and post-Asia Financial Crisis in the early 2000’s. Both occurrences gave different impacts on the heritage significance conservation, mostly in places once were economically thriving with historically authentic settings. This paper describes how the spring of commercial property market after doi moi and after Asia Financial Crisis influenced heritage significance conservation at Ho Chi Minh City’s District One. Through a series of mapping courses, this paper shows the relationship of how the two subjects transformed District One’s urban fabric and land uses throughout three decades. The shifted paradigm managing District One’s heritage urban landscape is a result rooted from major commercial developments, policies pliability, and tourism activities happening in Vietnam.

Keywords: commercial, conservation, development, doi moi, heritage

Introduction

Premise

Vietnam’s 1986 economic reform policy or doi moi is considered as a very significant event in transforming Vietnam as a nation since the unification declaration. Not only it changed the national economic structure and wealth distribution, doi moi and the latter policy of Foreign Direct Investment (FDI) had also transformed the physical urban fabric of Vietnam, especially capital cities such as Hanoi and Saigon or Ho Chi Minh City (Logan, 1995; Lloyd, 2003; Yeung, 2007; Suntikul et al, 2010). The transformation then supported with the pro-developer policies, further fuelled the first stage of Vietnam’s development boom (Lloyd, 2003; Yeung, 2007).

The boom, dominated by the rise of Vietnam’s national economy, marked the beginning of urban gentrification era. Some areas were able to avoid the process and preserve its built environment authenticity (Logan, 1995), but not the old business districts in prominent location such as Ho Chi Minh City’s District One. Once a thriving commercial and civic centre for old Saigon, District One is the symbol of commercial success. Most new developments of premium commercial properties were built there than anywhere else in Vietnam, which was paid by the loss of many historical significances, gradually diminishing its authenticity and characters (Bowyer, 2014; Pham, 2014; Than Nien News, 2014).

The second development boom was dominated by the rise in tourism industry, occurred after the Asian Financial Crisis in early 2000’s. Bringing fresh, new international markets and crowds into Ho Chi Minh City, the industry further nurtured not only the growth of property industry in District One but also its diversification (Colliers, 2014).

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Objective, Structure & Methodology

This essay aims to paint a clearer picture of how the spring of commercial property market after the 
 _doi moi_ took place influenced heritage significance conservation in Ho Chi Minh City’s District One. The decades-long process is portrayed through a series of maps, describing the co-existence of and relationship between both subjects in District One's urban fabric. However, it is firstly important to understand how _doi moi_ changed the nature of property market in Ho Chi Minh City as it is the original cause of such significant transformation. Therefore, a brief explanation of the _doi moi_ and the latter open-market economic policies will be presented, along with the role of tourism industry rise before and after the Asia Financial Crisis, as these were the determinant influencer of heritage conservation and commercial property developments in District One.

Changes In Ho Chi Minh City’s Development Orientation

The _Doi Moi_ Effects

The _doi moi_ or open door policy was essentially transformed Vietnam’s centrally planned economy into a dynamic, market-oriented one. The changes it brought were not instant. In fact, governance and economic system transformation were occurred in a substantially long period of time in order to achieve the results we see today. The 1987 Foreign Investment Law was the determinant factor and real beginning, as it successfully brought fresh capitals into Vietnam in the form of the FDI.

The influx of FDI nurtured both labour-intensive manufacture industry and tourism industry, which further helped Ho Chi Minh City grew in becoming the national income generator (Dam, 1995; Dodsworth et al, 1996; Meng et al, 1997). However, this achievement was heavily constrained by the weak support of existing infrastructure, legal framework and international relation disconnection at the time (Dodsworth et al, 1996; Yeung, 2007; Beresford, 2008; Thu & Perera 2011). The heathen new economy and market eventually took a toll in the State-owned Enterprise (SE) Units or public sector, as they are failed to adjust and compete with the private sector.

Private sectors, comprised of Domestic Non-state Units and Foreign Investors, were still able to spring under the scrutiny and finally catapulted into success when the Self-Help Residential Building Construction Restriction and USA international embargo were lifted on 1990 and 1994 respectively (Yeung, 2007; Beresford, 2008; Suntikul et al, 2008; Tran & Yip 2008). Afterward, the private housing and office building constructions ruled the market, marked the era which new development overtook the Ho Chi Minh City CBD area, specifically District One. The 1993 New Land Law had further made District One and its surrounding as targeted location by property investors since housing was able to be treated more as tradable commodity (Geertman, 2003; Yeung, 2007), which eventually fuelled up the Ho Chi Minh City billion-dollar construction industry.

The developments hype from late 1980’s to 1996 had to stop when Vietnam entered Asia Financial Crisis in 1997. FDI, property-related investments and construction process were halted from 1998 until 2001 approximately and continued to rise afterwards. By then, Ho Chi Minh City was caught off guard by sudden market demand, domestically and internationally (Anwar & Nguyen, 2010).

While adjusting their policies in response to the sudden changes, Ho Chi Minh City found that consumption pattern and demand had also changed to more of a global taste. District One was overwhelmed by new retail centres filled with global brands, followed by global or joint-ventures companies filling up the commercial office spaces and tourists occupying various types of accommodations (CBRE, 2014a; Colliers, 2014). At the same time, the renewed Land Law and tourism boom have made commercial property developments to be more feasible to be built,
attracting large-scale foreign developers and contractors to be very active during the second decade of post-\textit{doi moi} period.

**Heritage Significance Survival**

The dynamic and nature of property market development in District One, the largest heritage buildings collector in Ho Chi Minh City, was very much influencing the heritage significant areas or buildings. An empirical research and survey by PADDI (Lyon Urban Planning Agency and Urban Development Management Support Centre) showed that 207 out of 377 heritage buildings in District One and Three were demolished since 1993 and replaced by new commercial and residential projects (Thanh Nien News, 2014). This occurrence was in contrast to the more recently Hoi An Protocols (UNESCO, 2009), which stated the crucial value of safeguarding the authenticities of a historical settings seen by the dimensions of authenticities it attributes (setting, sense of place, vistas, spatial layout, design, linkages with other properties or sites, uses, users, impacts of use).

Heritage significance objects received special attention due to its ability to bring tourists into the area on a daily basis. According to Jansen-Verbeke and Go (1995), Ho Chi Minh City and its surroundings were set to be a transit destination for tourists to go to islands and beaches, along with potential in river cruises and urban touristry. As predicted, the city did evolve into a transit destination packed with highly rated river cruises and urban tourism attractions available for city sightseeing and bike tours (Tripadvisor, 2017). Research done by Truong and Foster (2006) has revealed the expectations of Australian free and independent traveler (FIT) groups in visiting Vietnam, and amongst those highly anticipated attributes are the ability to do French colonial architecture sightseeing, visiting archeological ruins and Vietnam War sites, river cruising, visiting religious sites and temples, witnessing traditional Vietnamese music and dance, visiting museums, and so on. Eventhough the research’s participants were only Australians, other international tourists were also interested in the previously stated attributes, as seen on the top destinations suggested by and for international tourists in popular traveling media platforms.

Despite such benefits, limited land stocks available for new developments in District One had forced the State to do selective demolition system towards the historical properties by assessing its economic and social benefits as similarly suggested by Tuan and Navrud (2008) and Bowitz and Ibenholt (2008). In the meantime, heritage significant objects left standing in District One are ones holding significant historical values thus also the assurance from government, such as the Opera House, Reunification Palace and Central Post Office Building.

**District One Development Transformation**

**Vietnam War, First Half of 1980’s, and Pre-\textit{Doi Moi} Era**

Soon after Vietnam North and South declared their independence, both were fallen into the prolonged Indochina War with international intervention from the US. The second half of the war (1961-1975) was described as a very destructive period for almost the whole Vietnam (Yeung 2007). Ho Chi Minh City and most areas in the Southern Region, heavily influenced by the American planning and economic system, were facing the intrusion of opposite Communism ideals. When the war broke, many of its inhabitants fled and emptied their houses (Yeung 2007, Buttinger 2014). Forced ownership transition from private to public as part of such ideals had worsened the situation, making the emptied properties to be further neglected. Thus, basic service infrastructures in Ho Chi Minh City’s neighbourhoods became dilapidated ever than before (Yeung 2007).
Yeung (2007) further describes that ‘the (Ho Chi Minh) city was ‘ill-prepared for spatial expansion or economic growth’ when doi moi was about to be commenced. Negligence toward quality and quantity urban built environment led to many other crises such as overcrowding, air pollution, low housing stock and unemployment (Yeung, 2007). The first five years after doi moi commencement was deemed as a very difficult transitional era. The city was ready to receive huge amount of fresh capital but supported only with insufficient supporting infrastructure, legal frameworks and experience (Dam, 1995; Yeung, 2007). However, as previously mentioned, as new policies issued and State Enterprise (SE) units failing, private sectors (comprise of local and foreign investors) reigned in the property sector and later even succeeded in export-based manufacturing industries.

Even though many Ho Chi Minh City’s heritage significance destroyed during the Indochina or Vietnam War, District One still possesses high numbers of historically valued and old buildings as seen in Figure 1. After the commencement of doi moi, some of the historically prominent buildings and sites were added to the list. During this period, much of the heritage significances were in dire condition and left in despair due to its high renovation and maintenance costs. This made them financially and commercially unattractive for both SE and investors.

Before the 1993 new Land Law was issued, heritage significant buildings and sites were numerous in District One, Three and its surrounding, due to the hindrances in constructing commercial development projects. One of them was because the government and its SE acted as sole decision makers on which land is available for new developments. In addition, the scope of developments in this first decade was focused on the housing stock construction (Geertman, 2003) - as part of the housing commercialism effects - despite of the hype in property and tourism industries that took up to one-third of total FDI (Meng et al, 1997). As a result, apparent major commercial developments were only two 4-star hotels and one Grade B office buildings prior to the 1993 New Land Law issuance (Figure 2).

After the issuance of 1993 Land Law, speculators held significant role in releasing many new land stocks for large-scale commercial developments in District One, replacing the government and its agencies. From this point on, the gentrification of old historical area and heritage buildings selected demolition begun (Figure 3). On the course of 1993 to 1998 alone, 10 commercial office buildings - mix of Grade A and B - were completed to cater the economic boom bringing in local and multinational business entities. Addition of six major Serviced Apartments complexes was also erected to cater the rise of both local and international tourists influx. This was resulted in the significant increase of number of non-prominent heritage buildings demolition, along with the rezoning of several heritage sites in District One’s central area into commercial uses.

Figure 1. Existing Heritage Conservation Areas and Buildings Right before the commencement of Doi Moi Policy (Writers’ own 2015 - basic map by ArcGIS 2014).
Second Decade of *Doi Moi* (1996-2005)

As previously mentioned, the development pipeline was halted during Asia Financial Crisis but eventually ended with a great comeback of both international investors and tourists. Hotels, retails and commercial offices market sprung with the total of 37 new major developments constructed during this period on District One (figure 4). The era was closed with the admission of Vietnam to WTO which strengthens international trading relationship and eventually further nurtured the property and construction industries (Beresford, 2008; Anwar & Nguyen, 2010; CBRE, 2014b).

The development pattern of the commercial property asset classes is apparent during this period. Office vicinities preferred District One’s northern part which was strongly supported by public transport infrastructure. Retail and hotel developments were following the classic pattern of getting close to tourist attractions, therefore both types were clustered along the Dong Khoi Street and Hue Boulevard. Market share of Retails and Hotels were also increased significantly, due to the second tourism boom which also marked the beginning of new era of budget travelling and tourists. This made the Serviced Apartment asset class development slowed down and did not position itself well in District One’s market. The occurrence of this tourism market shift was visible through the flourishing of market development for hostel-class accommodations accommodating budget travellers. Furthermore, increase of business visitors of the financial and banking centre in Central District One further advanced the major hotel chains share in District One’s market.

Heritage significant objects then saw fierce competition from retail and hotel industries in District One. Theoretically, they are depending on each other however they also have to compete in getting land share on the popular tourist spots and riverside. As a result, more non-prominent heritage significances were further demolished at a consistent rate, along with the rezoning of several significant heritage sites. One of the weakest ‘victims’ of this war is the old type terrace apartment owned by the state or medium to low-class owner (Clark 2011; Doling 2014). The replacement new developments are usually retail centre, or if the land is amalgamated with adjacent lots it could become bigger developments such as department store, hotel, high-rise residential building or mixed-use facility. The situation had further widened the difference in proportion between heritage significance and new commercial developments.

![Figure 2 (Left). Heritage Conservation Areas and Buildings with New Major Commercial Developments Constructed between 1986 to 1993, Prior to the Commencement of 1993 New Land Law (Writers’ own, 2015 - basic map by ArcGIS, 2014 and property data by Colliers, 2014).](image1)

![Figure 3 (Right). Heritage Conservation Areas and Buildings with New Major Commercial Development Constructed between 1993 to 1997 (Writers’ own, 2015 - basic map by ArcGIS, 2014 and property data by Colliers, 2014).](image2)
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Third Decade of Đoi Mới (2006-2015)

The admission of Vietnam into WTO opens up whole new level of foreign investment and international tourist influx. It is apparent by seeing the new development released after the 2006 (Figure 5), where office and retail spaces still dominating the market and competing with the existing supplies. The dynamic tourism industry has once again turned its favour toward Serviced Apartment due its flexible nature compare to franchise hotels. The Serviced Apartment asset class has once again able to grab the medium and low-budget tourists share thus increase their new development at the half of this period. The informal and lower-class tourist accommodation sprung even more, dominating the tourism industry throughout Vietnam, including Ho Chi Minh City and forced Hotels market to ease down.

During the third decade, the rate of heritage significance demolition and rezoning were still occurred on a very consistent rate, while the growth of new commercial developments is still exponentially increasing on an alarming rate. The rise of community voice concerns about the city losing its identity through the selective demolition system are getting stronger on the virtual world. Several outstanding citizens and reporters are actively writing about Ho Chi Minh City heritage building conservation along with Vietnam’s leading newspapers. Heritage management experts, backed by the PADDI (joined-research institution between Ho Chi Minh City and France’s Lyon government), also made scholarly approaches toward this sensitive matter. Researches shown that heritage planning in District One nowadays are just being responsive instead of preventive. The Ministries and agencies responsible for urban planning, tourism and urban economics in Ho Chi Ming City by far only issued responsive policies for potential or unprecedented consequences of major commercial development such as further flooding and traffic congestion (Institute for Conservation of Monuments, Nuffic & Urban Solution, 2008). Eventually, economic activities always become primary goal and priority, similar to development direction in other Southeast Asian developing countries such as Indonesia, Thailand and Philippines (Dick & Rimmer, 1998; McGee, 2008).

The current development approach of major commercial projects is to acquire dilapidated heritage buildings’ sites - often with other old, adjacent buildings - amalgamate the ownership, demolish the existing buildings and construct completely new building. It is indeed will generate bigger profit due to many cost cutting, however such system will also annihilate the characters of the neighbourhood. In this third decade, the accumulated high number of heritage significance losses during the three decades had finally taken its toll; the erasure of District One’s neighbourhood identity.

Figure 4 (Left). Heritage Conservation Areas and Buildings with New Major Commercial Development Constructed between 1996 to 2005 (Writers’ own, 2015 - basic map by ArcGIS, 2014 and property data by Colliers, 2014). Figure 5 (Right). Heritage Conservation Areas and Buildings with New Major Commercial Development Constructed between 2006 to 2015 (Writers’ own, 2015 - basic map by ArcGIS, 2014 and property data by Colliers, 2014).
Summary & Future Recommendation

The open door policy or doi moi in Vietnam had drastically transformed Ho Chi Minh City’s District One urban fabric and land usage with the stream of foreign investment and international tourists. The first five years of transition proven to be inefficient, thus Vietnam central government eventually adapted policy packages of more flexible policies toward foreign investments. This action was accelerated its built environment development economically, especially through major commercial developments.

The benefits and profits offered by major commercial developments supported with weak legal framework with almost no competitions led up to the booming of major commercial developments in the old CBD of District One. This was eventually led to the demolition of many heritage significances as a result of land stock scarcity. Based on the evidences and land use's mapping courses, it was apparent that major commercial development in District One did influence the existence of heritage significant buildings and sites.

The current trend of cultural tourism draws million more tourists from all social classes to Vietnam in general and capital cities like Ho Chi Minh City. Researches showed that expectation to experience unique culture, historical architecture, historical urban settings, and urban interaction with the locals, are few of the reasons why tourists visit Vietnam. Accommodating this large number of visitors requires more effort from the government, especially with the existing limited land supply. Therefore prevention policies to ease the traction and protect the authenticity of the city and its districts are very much needed in the future.

Until recently, Ho Chi Minh City government had taken preservation and conservation approach similar to what is suggested by UNESCO World Heritage Centre (Tuan, N.D). However, the level is stagnant at recognition and classification phase without further preventive policies issued by the State and Central Government. Should District One wanted to preserve its distinct built environment historical characteristics and authenticity, prevention policies to preserve heritage significances must be adapted. This preservation effort must be integrated to the master plan of Ho Chi Minh City as suggested by Fujimori (2009) in order to know what is worth keeping and why (Logan, 1996).

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