

The background of the entire page is an aerial photograph of a city. In the foreground, there is a large, curved residential development with many houses with red roofs, situated next to a green, wooded area. A wide road curves around the development. In the background, a city skyline is visible, including a prominent tall skyscraper. A large yellow graphic, composed of several overlapping triangles, covers the left and center portions of the image, serving as a backdrop for the title text.

# Land Auctions - Elevating Urban Development

Thu Thiem, located directly across the river from the District 1, the traditional CBD, has held so much promise, for so long. However, development remains slow, with the comparison to Pudong waning. Thu Thiem will remain a focal point of discussion as the city unveils its land price strategy for 2024 and 2025, that can be a milestone in HCMC's urban development.

The Department of Natural Resources and Environment (DONRE) has submitted a draft report to the Ho Chi Minh City People's Committee regarding the plan to organize land auction activities in the new Thu Thiem Urban Area. The department is currently gathering feedback to finalize the auction plan before presenting it for the City People's Committee's approval.



## 1 Scheduled Land Plots

In the 2024 auction plan, Ho Chi Minh City intends to auction off 4 land plots, and 3,790 apartments previously developed for resettlement. Three of these plots are designated for multifunctional residential areas, focusing on housing development, with a small portion allocated for commercial services. The remaining plot in Functional Area 7 is planned for a resort hotel. The preparation of documents will take place from May to October 2024, with the auction scheduled from July to November 2024.

| Parcel             | Land Use              | Land Area (m <sup>2</sup> ) | GFA (m <sup>2</sup> ) | % Residential | % Commercial | Units | Population | Scheduled auction |
|--------------------|-----------------------|-----------------------------|-----------------------|---------------|--------------|-------|------------|-------------------|
| 1-2                | Residential Mixed-use | 7,886                       | 27,000                | 95            | 5            | 205   | 821        | 7/2024            |
| 1-3                | Residential Mixed-use | 5,006                       | 20,000                | 95            | 5            | 152   | 608        | 7/2024            |
| 3-5                | Residential Mixed-use | 6,446                       | 15,000                | 95            | 5            | 76    | 608        | 9/2024            |
| 7-1                | Resort Hotel          | 74.393                      | 75,000                | 0             | 100          | -     | -          | 11/2024           |
| <b>3,790 units</b> | Apartment             |                             |                       |               |              |       |            | 9/2024            |

In September and November 2025, the city plans to auction a further 7 plots. These plots are mixed-use multifunctional, including residential areas, offices, retail spaces, and more. They are concentrated in Functional Areas 1 and 3, strategically located, with good connections to Ba Son Bridge and existing public amenities.

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|--------|----------------------------|-----------------------------|-----------------------|---------------|--------------|-------|------------|-------------------|
| 1-5    | Residential Mixed-use      | 8,378                       | 40,000                | 95            | 5            | 304   | 1,216      | 9/2025            |
| 1-6    | Residential Mixed-use      | 5,618                       | 30,000                | 95            | 5            | 228   | 912        | 9/2025            |
| 1-9    | Commercial Mixed-use       | 12,944                      | 140,000               | 20            | 80           | 224   | 896        | 9/2025            |
| 1-10   | Commercial Mixed-use       | 8,761                       | 160,000               | 20            | 80           | 256   | 1,024      | 9/2025            |
| 3-8    | Residential – high density | 8,568                       | 25,000                | 100           | 0            | 133   | 1,067      | 11/2025           |
| 3-9    | Residential Mixed-use      | 5,009                       | 20,000                | 95%           | 5%           | 101   | 811        | 11/2025           |
| 3-12   | Residential Mixed-use      | 10,096                      | 90,000                | 95%           | 5%           | 570   | 3,420      | 11/2025           |

## 2 Learning from the 2021 Auction Failure

In 2021, an unsuccessful auction in Thủ Thiêm saw winning businesses bidding at prices up to 8 times higher than market levels, only to subsequently forfeit their deposits. This incident had negative impacts on the market at the time: The winning bids were significantly higher than market, limiting access to projects for developers with genuine financial capabilities.

Therefore, Ho Chi Minh City has made careful preparations for the upcoming auction.

- DONRE is underway to complete stages of the auction process such as: auction plan, reorganizing the auction, determining the ‘starting price’.
- Starting price: Decree 12/2024/ND-CP amending and supplementing Decree No. 44/2014/ND-CP regulating land prices, issued on February 5, 2024.

To prepare for the upcoming auction, the followed recommendations will be considered:

### Auction Recommendation

#### a. Investor Screening:

Decree 10/2023-ND-CP issued on 3 April 2023, regulates conditions for organizations participating in land use right auctions:

- Organizations that are eligible to land allocation or lease by the State;
- In case there are two or more companies with cross-ownership, only one company can participate in the auction;
- Must pay a deposit equal to 20% of the total value of the land plot, calculated at the ‘starting price’;
- Meet the conditions prescribed by other relevant laws,

Article 125, Land Law of 2024 outlines the conditions for organizations participating in auctions:

- Having the capacity and experience in project development;
- Having financial capacity to ensure development of the land according to the project plan and schedule;

Criteria established to select investors with the necessary capacity and genuine interest.

|   |                                                                                                                                                                                                                                   |                                              |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| 1 | Investor’s experience: business performance in the most recent years, years of operation, total registered capital, and the number of real estate projects previously executed.                                                   | 2                                            |
|   | Investor’s ability to carry out the project: Reviewing their development plan on the land, such as equity conditions, arrangement plan for the capital to pay land use fees, ability to mobilize capital for project development. | 2                                            |
|   |                                                                                                                                                                                                                                   | Feasibility of business and development plan |

This screening is to avoid entities that may disrupt the market.

## b. Process Enhancement:

### “Starting Price”

For large-scale investment projects, and/or long development periods, with approved detailed planning, the starting price is often determined based on the residual method. This method estimates the total development cost on the basis of “land use coefficient, construction density, maximum number of floors of the building” according to the approved planning. However, in reality, this planning parameter is not necessarily the most effective and most suitable land use plan for the market. For example, plots of land with commercial areas, such as for offices or hotels, are too high in areas where these two types are not developed. Therefore, when determining land prices, there may be a difference between the starting price and the market price that investors start their bids from. This leads to the possibility that the auction may not be successful, as the starting price is not attractive to investors.

To avoid this, proper planning and a suitable ‘starting price’, are needed. In addition to the managing unit and the competent state agency, it is necessary to have the participation of expert consulting units (planning and market), familiar with development.

### Form of auction

Currently according to the Asset Auction Law 2016, there are 4 forms of auction: Direct verbal auction at the auction; Direct bidding at the auction; Indirect voting (blind auction); and Online Auction. In general, auction forms are divided into direct – or live auction (verbal or voting) and indirect – blind auction (sealed envelope).

- Live auction, (verbal or direct bidding auction), is a procedure where participants engage directly during the auction event by sequentially presenting their proposed prices. With each bid, the highest offered price is updated until no further increases are made. In a verbal auction, the pressure of the live bidding environment can sometimes lead to impulse bids or overbidding. This format offers the benefit of a definitive, transparent process with direct competitive elements, thereby contributing to enhanced revenue generation. However, its drawback lies in its susceptibility to information disclosure, potential collusion, and instances such as the 2021 auction, where prices may be artificially inflated only to have bidders abandon their deposits.
- Blind auction by indirect voting is where participants submit sealed bids without knowing the bids of other participants. The bidder with the highest bid wins the auction. However, it’s important to note that this format does not inherently drive the auction to its conclusion, as it lacks the immediate competitive nature of live bidding scenarios. Also, it requires a tight mechanism when opening the bid. This type of auction offers several advantages:

1

**Reduced Pressure:** Voting systems can alleviate pressure from live auction, as bidders can take their time to consider their bids without feeling rushed or influenced by the energy of a live auction room.

2

**Anonymity:** In some cases, voting systems can offer bidders a level of anonymity. Bidders may not know who they are competing against, which can lead to more strategic bidding behavior. This can be advantageous for buyers who want to keep their identity private or for those who prefer not to reveal their bidding strategy to others.

3

**Fairness and Prevention of Collusion:** Anonymity helps ensure fairness in the auction process and mitigates the risk of collusion among participants.

Deposit amount

There is a difference between applicable regulations on deposit amount in land use right auction. Per the prevailing Law on Asset Auctions, Article 39 stipulates that the deposit amount is determined through mutual agreement between the asset auction entity and the individual possessing the auctioned asset. However, it must adhere to a minimum of 5% and a maximum of 20% of the starting price of the auctioned asset. Decree 10/2023 -ND-CP requires a deposit equal to 20% of the total value of the land plot, calculated at the ‘starting price’, applicable from 20 May 2023.

In case of the coming auction, to limit the situation of taking advantage of auctions to disrupt the market and profiteering, it is possible to consider raising the minimum deposit rate to 10%.

Other recommendation

There needs to be additional regulations on sanctions, such as winning the auction but forfeiting the deposit.

Thu Thiem will develop into a modern urban area with a synchronous infrastructure system, green space, and diverse amenities. Attracting investment to Thu Thiem will create many new business and job opportunities, along with quality residential areas and expected increase in real estate values. Thu Thiem’s green and sustainable planning also promises an ideal living environment. In short, Thu Thiem is a model for modern and sustainable urban development in Vietnam, attracting many people to live, work and invest in the future.

With promising opportunities and great potential, the Thủ Thiêm land auction plan for 2024 and 2025 is eagerly anticipated. Sustainable development, combined with strict management and efficient implementation of land resources, will strengthen the construction of infrastructure and residential areas.

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*Savills is committed to caring for the community.*

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