

The background of the slide is a photograph of an industrial port or shipping yard. In the foreground, the dark hull of a ship is visible, with the text "MADE IN VIETNAM" and a small white star to its left. Behind the ship, several large, stacked shipping containers in various colors (blue, red, yellow) are visible. In the background, a large gantry crane stands against a clear blue sky. The overall scene is brightly lit, suggesting a sunny day.

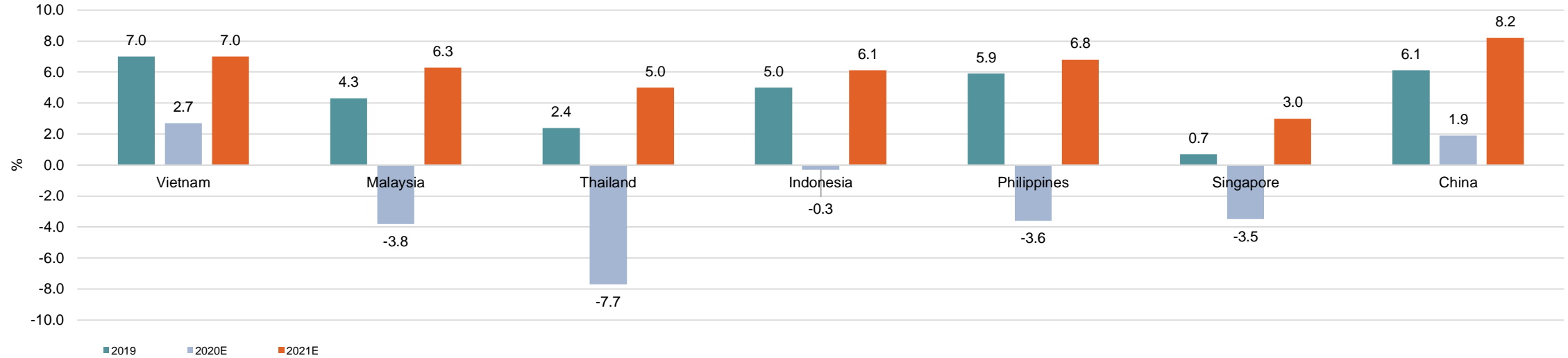
# VIETNAM INDUSTRIAL

2020 REVIEW & OUTLOOK

Dec 2020

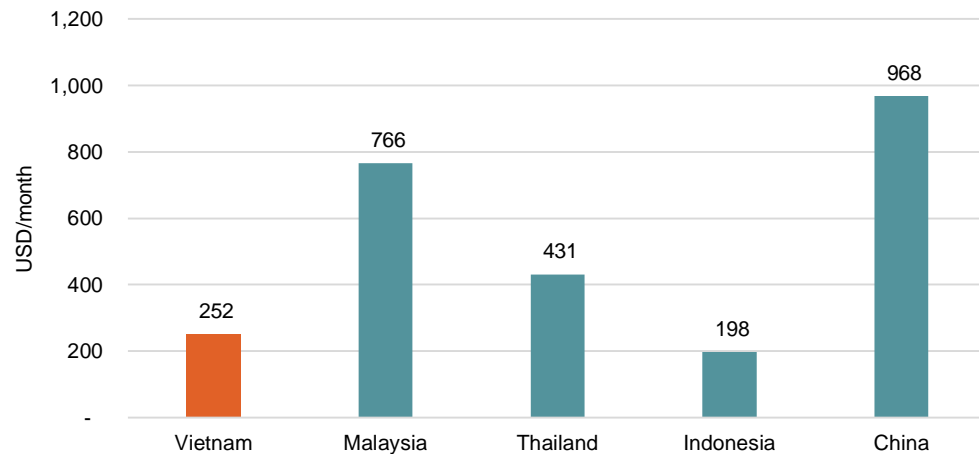
# 2020 – REGIONAL PERFORMANCE

## ASEAN real GDP YoY growth



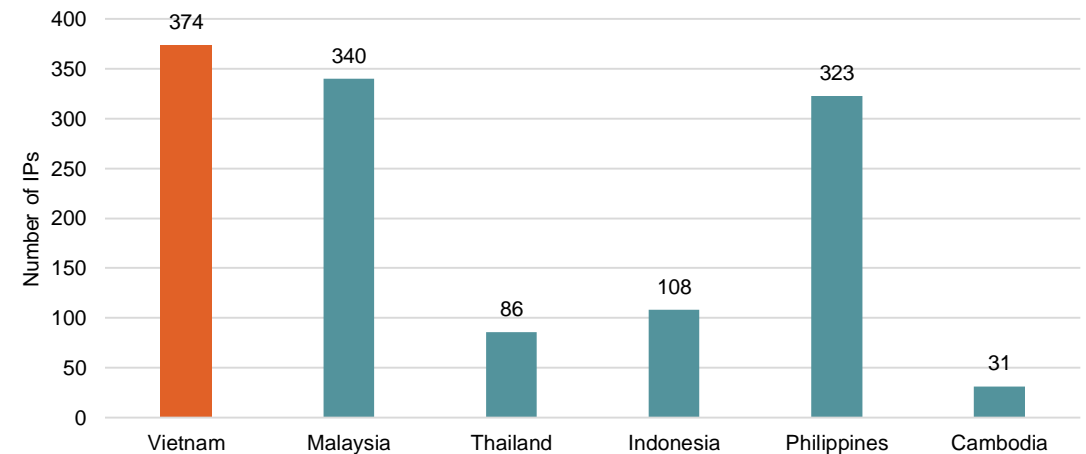
Source CEIC, Vinacapital, 2020

## Manufacturing salaries, 2020



Source Trading Economics, 2020

## No. of established IPs, 2020

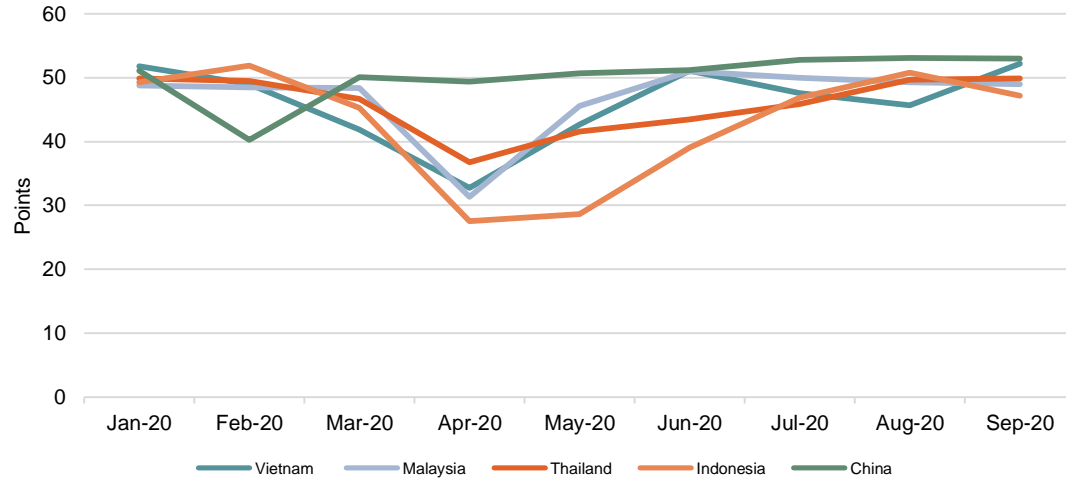


Source Source: Invest Asia, Industrial Park Guide 2020

# 2020 – REGIONAL PERFORMANCE

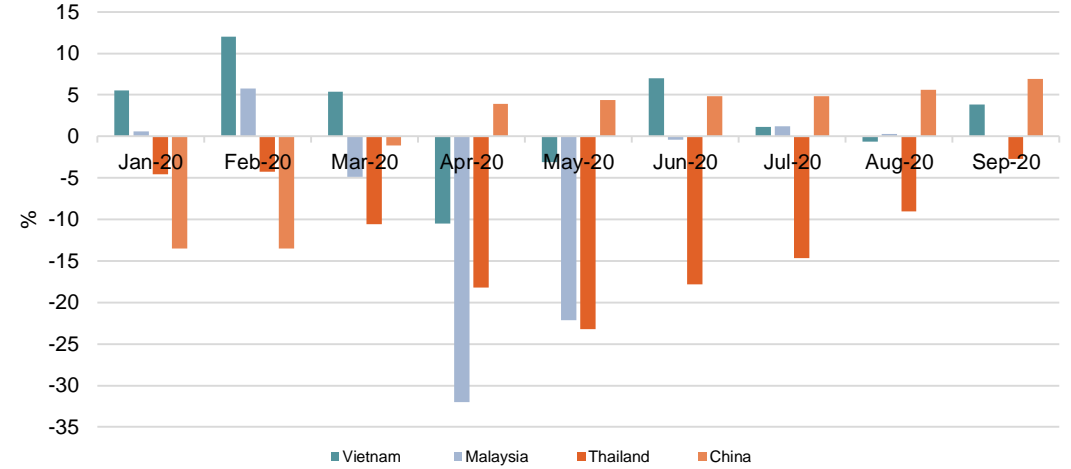


## Regional manufacturing PMI, 9M/2020



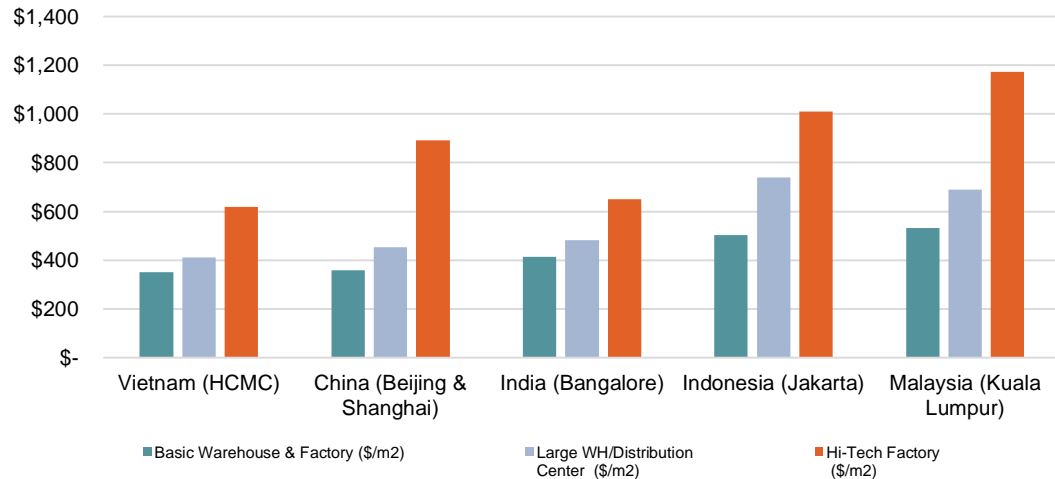
Source FX Empire, 2020

## Regional industrial production, 9M/2020



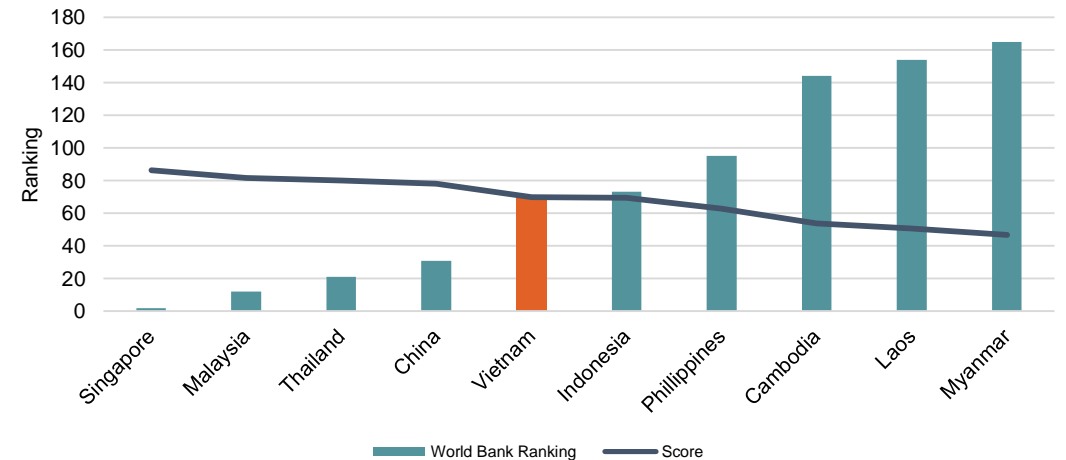
Source Trading Economics and FX Empire, 2020

## Construction costs/m2, 2019



Source Turner & Townsend, International Construction Market Survey. 2019

## World bank's 'ease of doing business', 2020

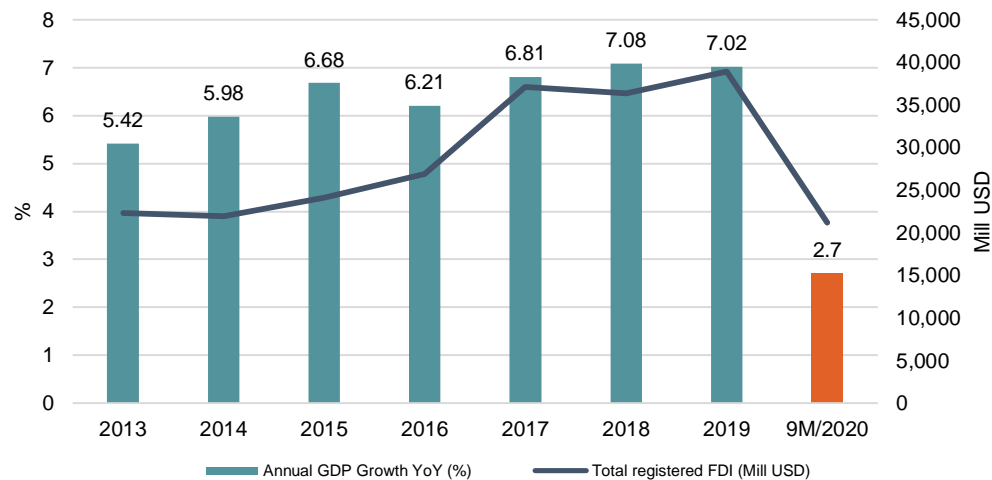


Source The World Bank, 2020

# 2020 – NATIONAL OVERVIEW

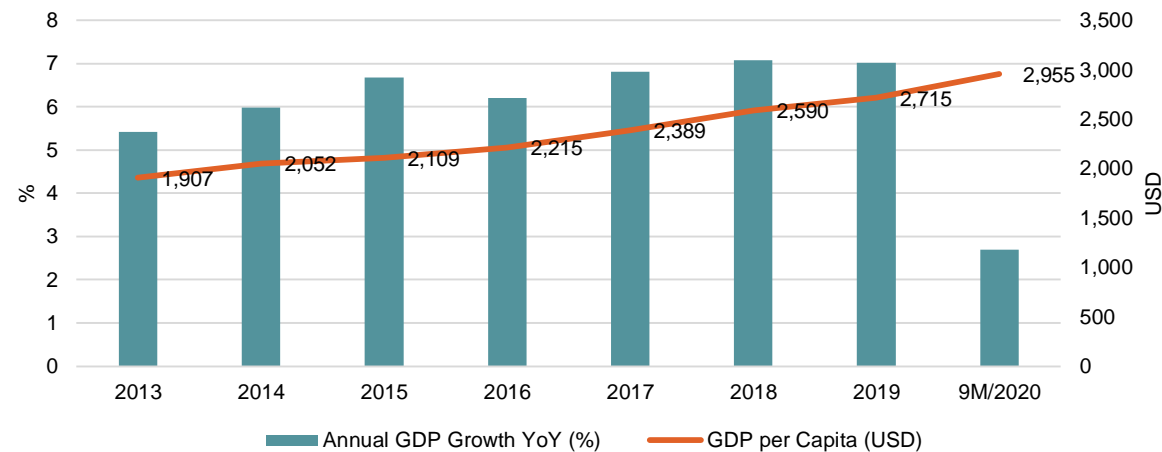


## Annual GDP growth YoY



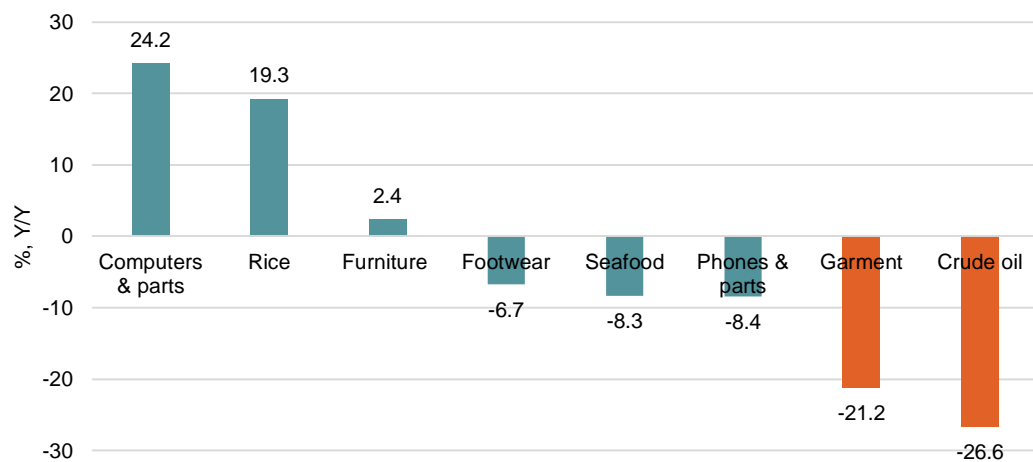
Source MPI, CEIC, Vinacapital, GSO 2020

## GDP growth per capita



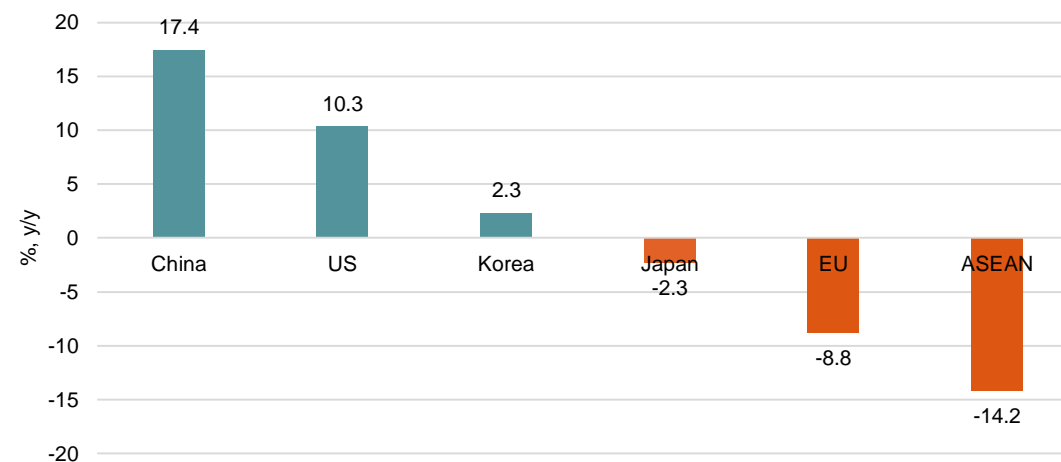
Source CEIC, Vinacapital, 2020

## Export categories, H1/2020



Source World Bank, What Will Be the New Normal? 2020

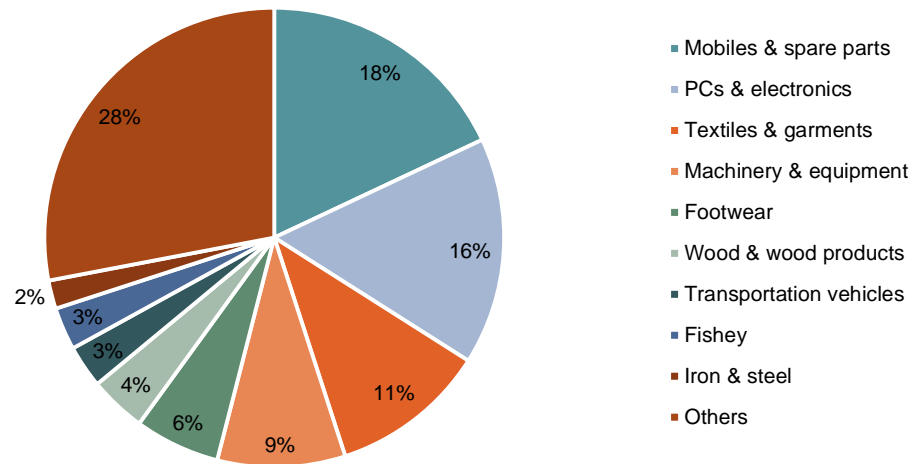
## Foreign demand, H1/2020



Source World Bank, What Will Be the New Normal? 2020

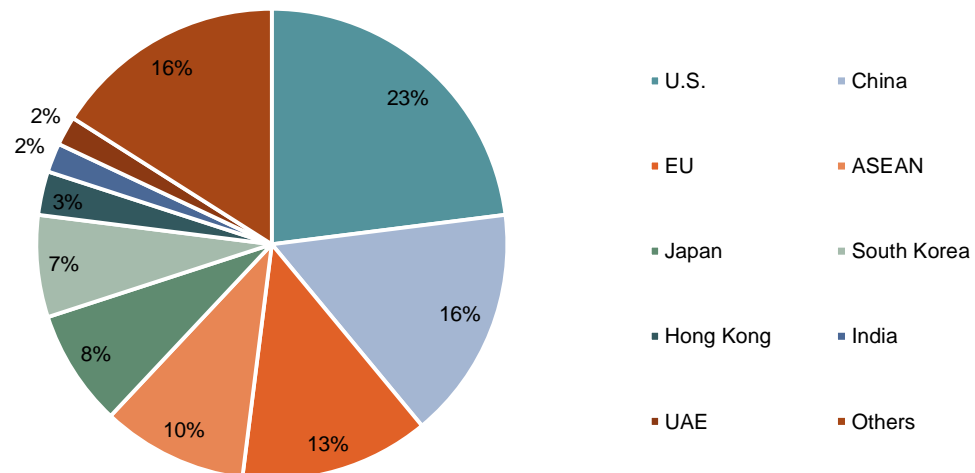
# 2020 – NATIONAL OVERVIEW

## Leading export categories, 9M/2020



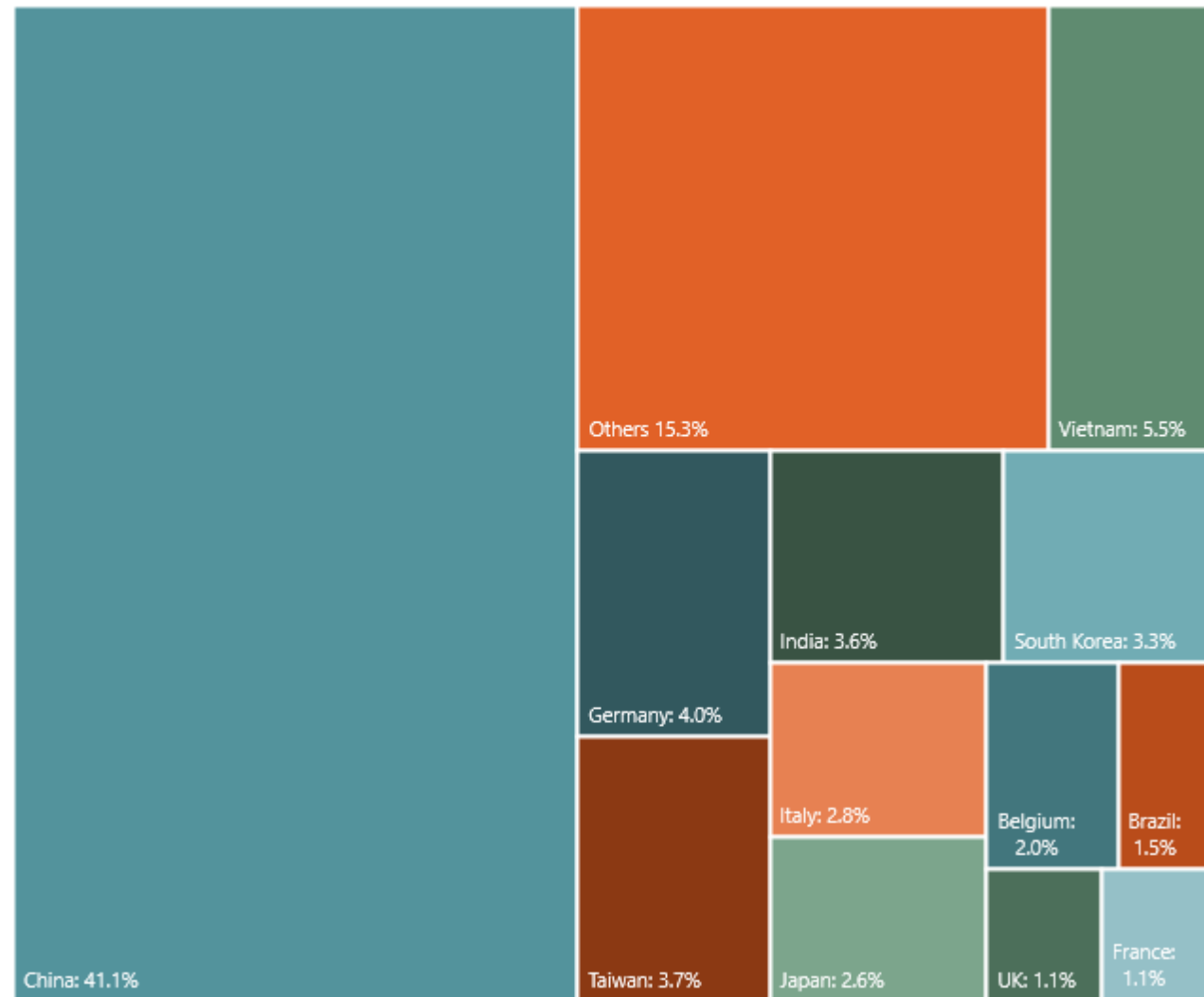
Source Vinacapital: Macro-Indicators Vietnam by Numbers, 2020

## Leading export markets, 9M/2020



Source Vinacapital: Macro-Indicators Vietnam by Numbers, 2020

## U.S. imports by source, H1/2020

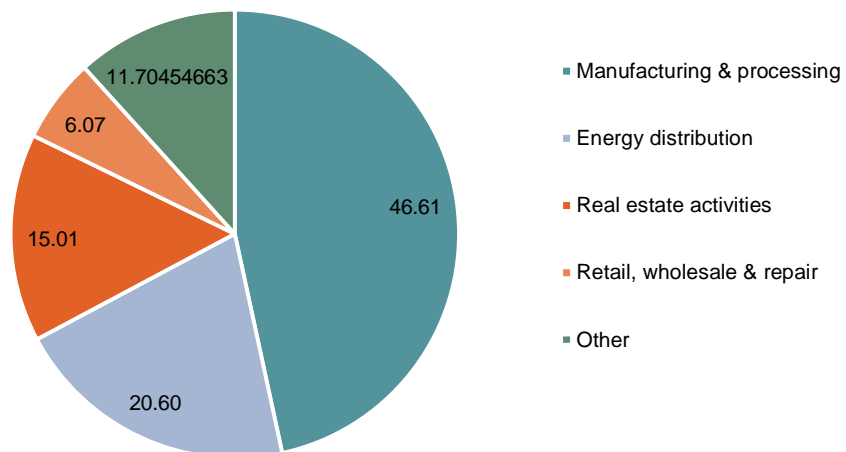


Source JungleScout Global Imports Report, 2020

# 2020 – FOREIGN DIRECT INVESTMENT (FDI), 9M/2020

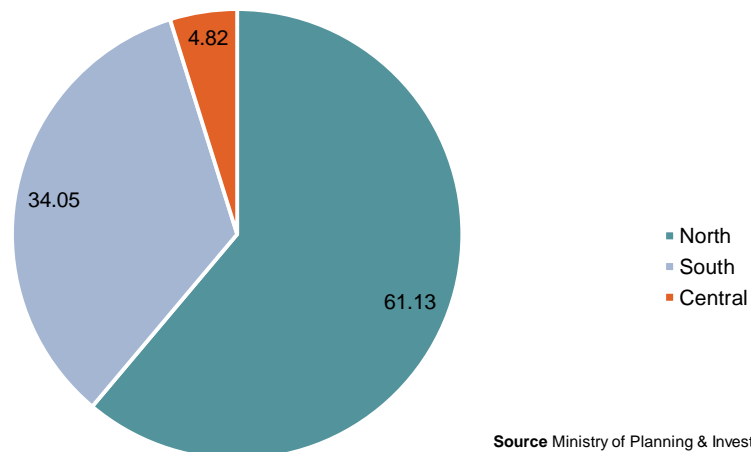


## Total registered FDI, 9M/2020



Source Ministry of Planning & Investment (MOPI), 2020

## Newly registered manufacturing FDI by region, 9M/2020



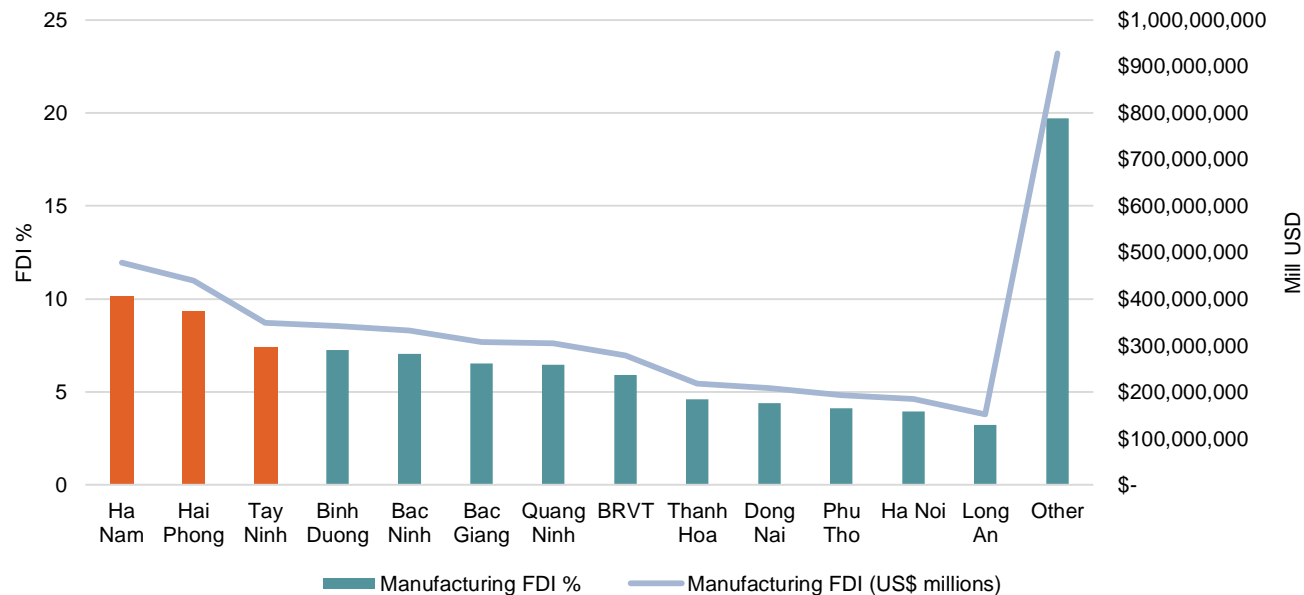
Source Ministry of Planning & Investment (MOPI), 2020

## Manufacturing & processing FDI, 9M/2020

New projects	Newly registered capital (US\$ millions)	Existing projects	Added capital on existing projects (US\$ millions)	Projects with capital contribution	Contribution capital (US\$ millions)	Total FDI (US\$ millions)
614	4712.94	487	3646.26	1,165	1524.96	9884.18

Source Ministry of Planning & Investment (MOPI), 2020

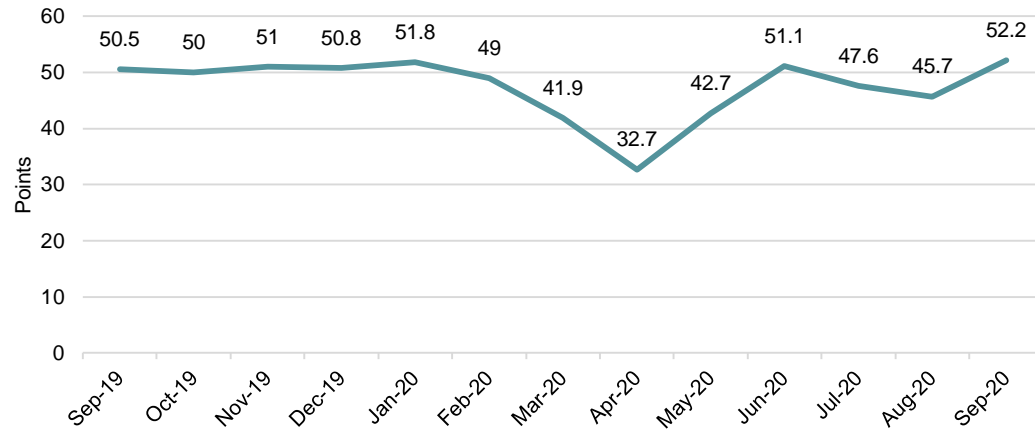
## Newly registered manufacturing FDI by province, 9M/2020



Source Ministry of Planning & Investment (MOPI), 2020

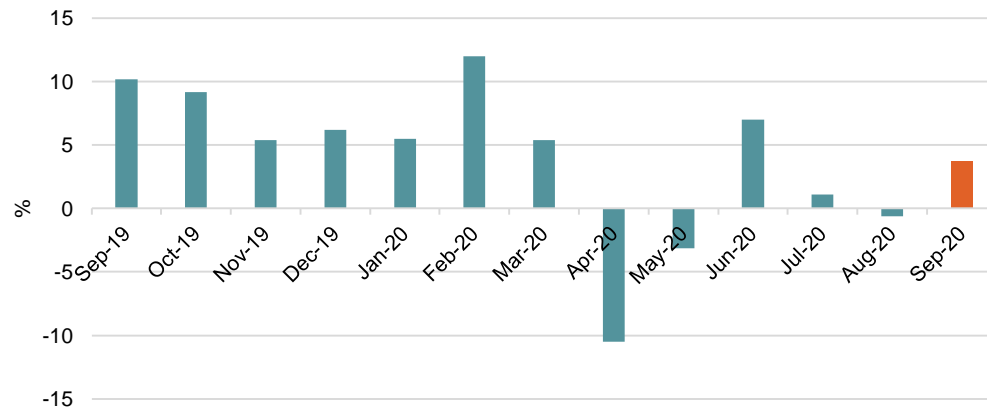
# 9M/2020 – MANUFACTURING PMI & INDEX OF INDUSTRIAL PRODUCTION (IIP)

## PMI, Jan 2020 – Sep 2020



Source IHM Markit, 2020

## IIP, June 2018 – June 2019



Source Trading Economics, 2020

### PMI:

- Manufacturing growth again surpassed the 50-point threshold after Covid-19 concerns.
- Sharpest output in 14 months, due to:
- New orders increased, business confidence strengthened, and rate of job cuts softened.
- Sep reading marked first improvement in business conditions in 03 months.

### IIP:

- Industrial production rose by 3.8% YoY in Sep 2020.
- Strongest growth in industrial output since June 2020, amid Gov. response to Covid-19.
- In 9M/2020, industrial output rose 2.4% compared to the same period of 2019.
- E.g. Output expanded for manufacturing (4.6% vs -0.1%).

## Combating COVID-19 and Market Recovery

- Robust and growing middle class and dynamic private sector
- Stable business environment
- Continued public spending to contain pandemic
- Ramp up infrastructure spending and unfreeze real estate market
- Bilateral and multilateral trade agreements e.g. EVFTA promises improved market access upon the country's rebound
- Vietnam well positioned to bounce back and prosper post COVID-19 e.g.
- COVID-19 to accelerate relocation wave from China

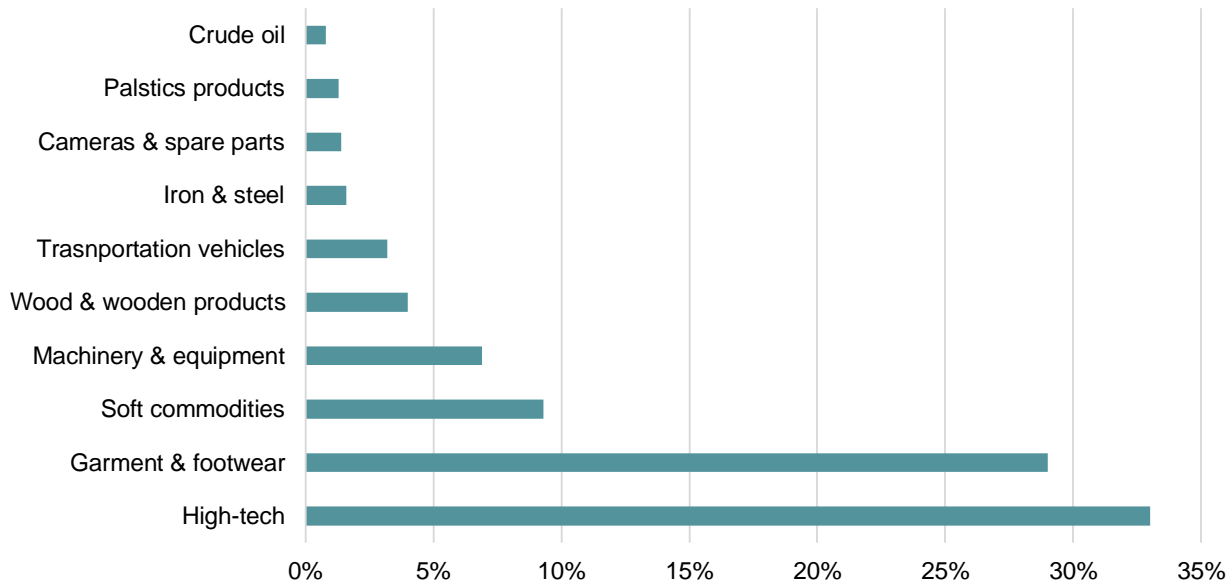




# COVID-19 TO ACCELERATE RELOCATION WAVE FROM CHINA

## Key export categories – As % of Total Exports (2019)

### Resilient export model



- Export structure has resilient 'barbell' structure – 60% products low-value added (e.g. garments), 40% high-value (e.g. electronics)
- Low-end products expected to hold up well over next 02 year, with increased demand from cost-conscious shoppers.
- High-value added products expected to surge from 2021.

## Upcoming relocations due to COVID-19?

- Multinationals that produce these will be under pressure to cut costs – prompting a shift in production to VN
- Previously companies reluctant to set up operation in VN due to supply chains lacking depth
- FDI companies to not only establish new factories in VN, but have greater incentive to foster development of local supply chains
- Finally, wage inflation tends to increase after a pandemic subsides, prompting manufacturer to leave China for SEA



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## Supply gap

Industrial Parks (IPs) and Economic Zones (EZs)

**>335** *FDI projects; with*

H1/2020: estimated newly registered capital totaling **>US\$6 billion**

IP & EZ Supply

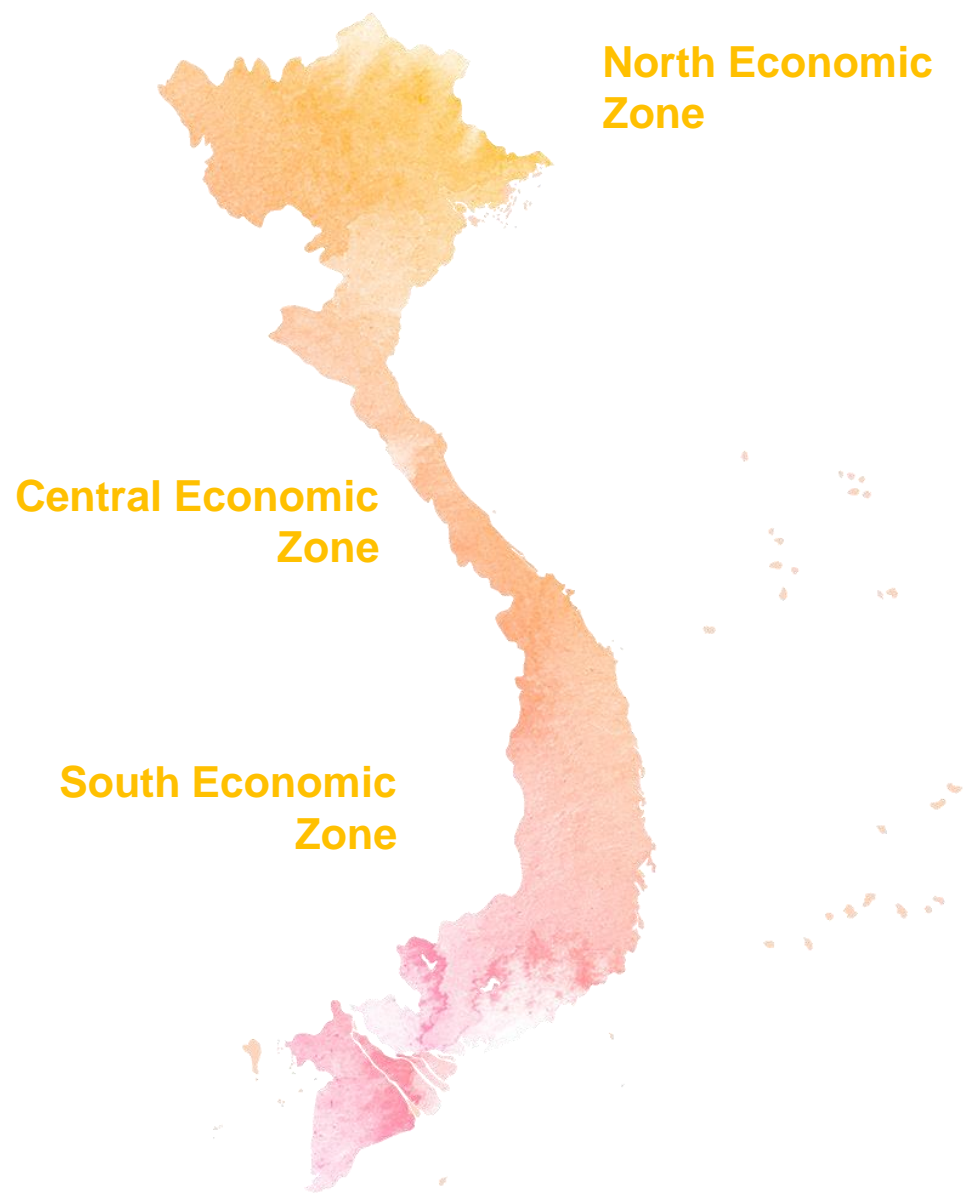
**374 IPS - 114,000** ha total area

Operational area: 77,000 ha

**280** operational IPs **73.7% occupancy**

**75** IPs under construction, site clearance and compensation: 29,000 ha

Source Department of Economic Zone Management (DEZM), Ministry of Planning and Investment (MOPI), June 2020



# 2020 – KEY UPCOMING SUPPLY

Q2/2021

**Vinhomes IZ  
Nam Trang Cat IP**

Hai Phong

**200 ha**

Q3 & Q4/2021

**Vinhomes IZ  
Thuy Nguyen IP**

Hai Phong

**319 ha**

**Kinh Bac City  
Nam Son Hap Linh IP**

Bac Ninh

**238 ha**

**TNI Holdings  
Song Lo 1 IP**

Vinh Phuc

**177 ha**

Q4/2021 & 2022

**VNIP  
Viet Phat IP**

Long An

**1,800 ha**

## North

- Developed transportation network links
- Prime industrial land between new infrastructure developments
- Companies moving from China
- Heavy industry focus



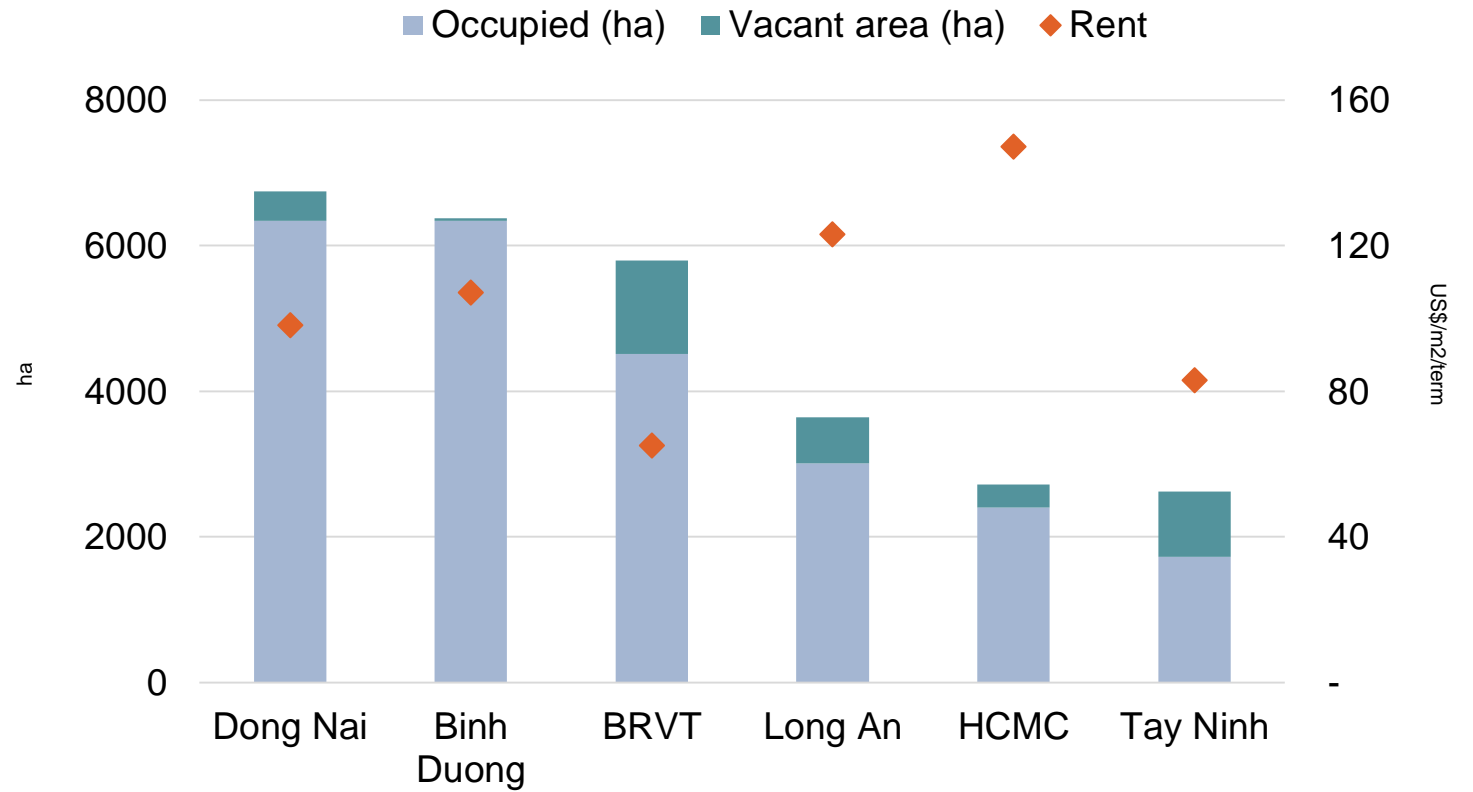
## South

- Economic and industrial center of VN
- Near the biggest commercial port in VN
- Educational institutions driving skilled labor
- Diversified sector investment





# SEZ Supply & Performance



# H1/2020 – SEZ SUPPLY & PERFORMANCE



	Total area (ha)	Leasable area (ha)	Projects	Occupancy	Rent (US\$)	Lease YoY	Occ. YoY
Dong Nai	10,066	6,742	32	94%	98	6.52%	1.08%
Binh Duong	10,159	6,379	31	99%	107	4.90%	2.06%
Ba Ria-Vung Tau	9,327	5,711	12	79%	65	18.18%	12.86%
Long An	5,837	3,641	22	84%	123	7.89%	1.20%
HCMC	4,703	2,720	22	88%	147	0%	1.15%
Tay Ninh	3,390	2,619	6	66%	83	N/A	N/A



Total Area (ha):

**43,482**

Leasable Area (ha):

**27,812**

No. of Projects:

**125**

Avg. Occupancy:

**85%**

Land Lease:

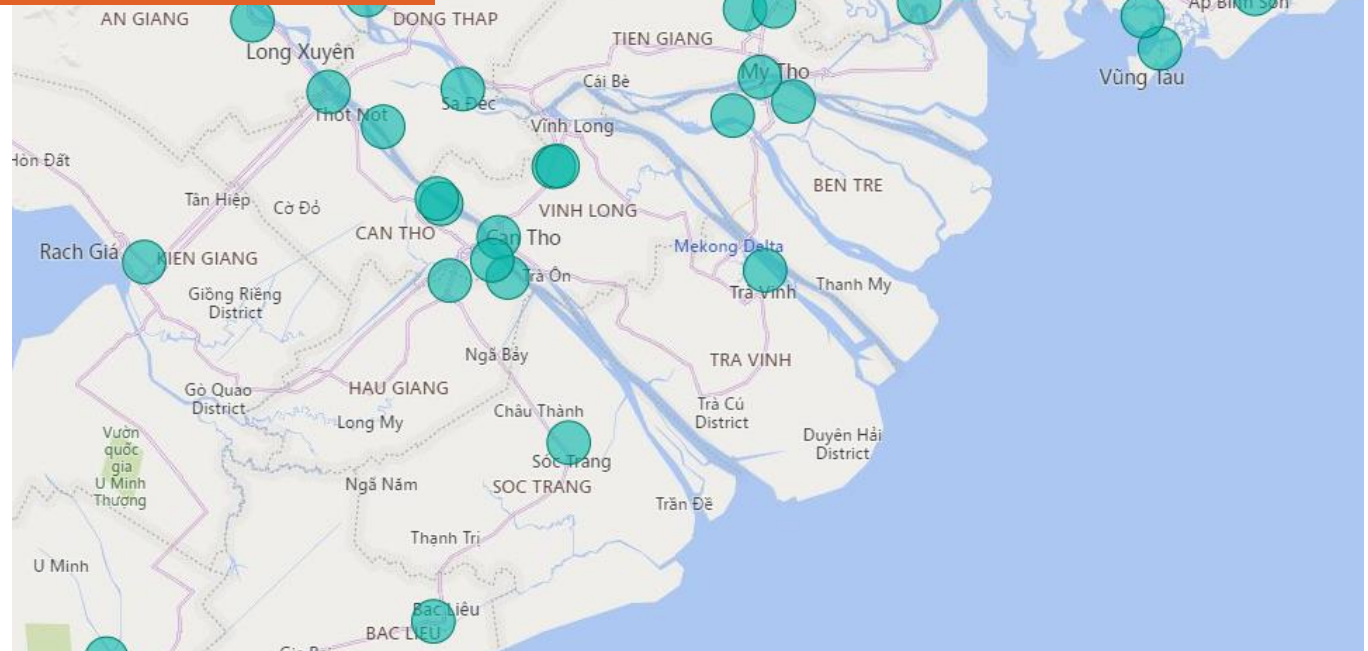
**US\$104/m<sup>2</sup>**

For entire long-term land lease

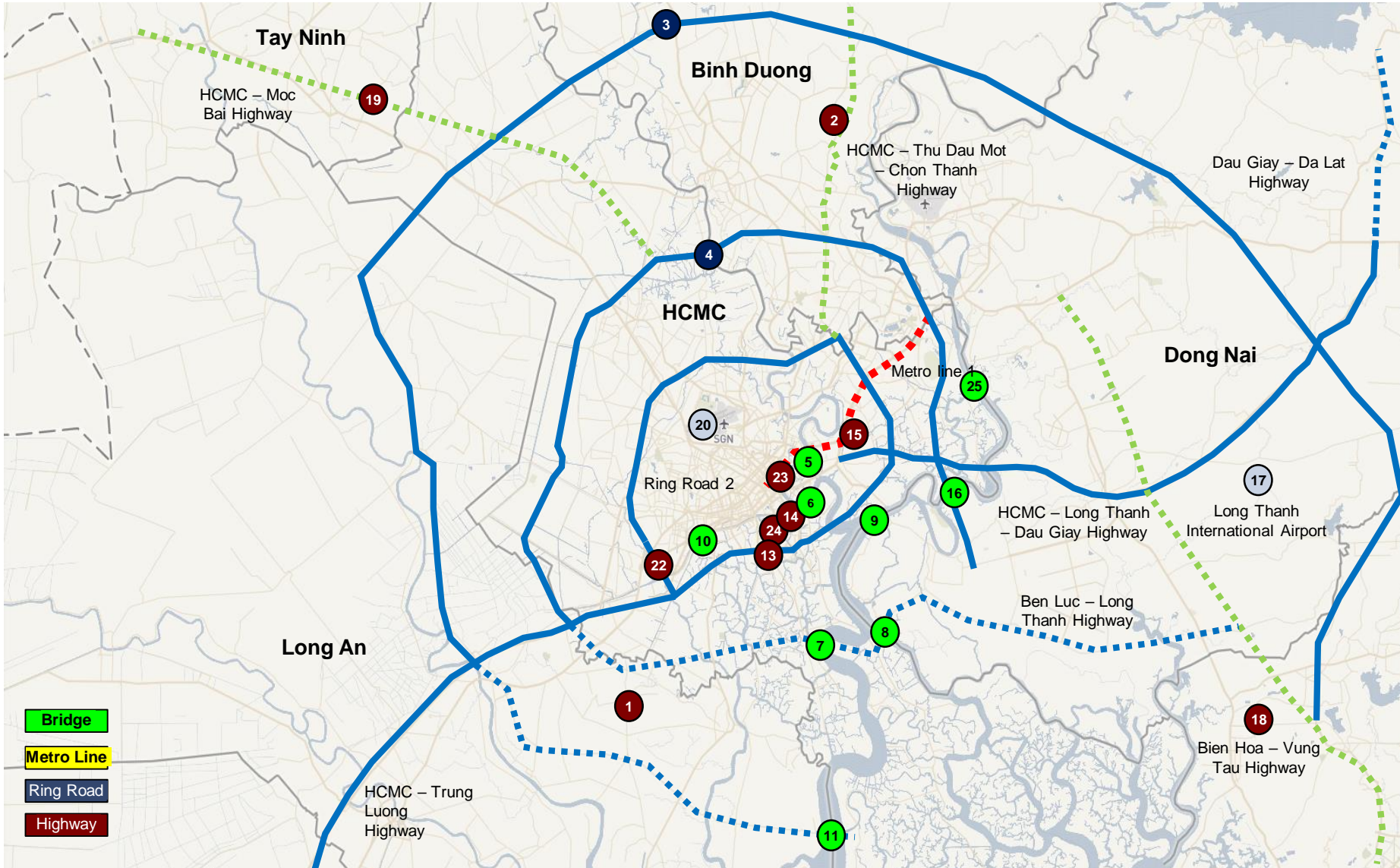
Factory Lease:

**US\$4.4/m<sup>2</sup>**

Per month



# SEZ KEY INFRASTRUCTURE



- Bridge
- Metro Line
- Ring Road
- Highway

2020	
7	Binh Khanh Bridge
8	Phuoc Khanh Bridge
10	Binh Tien Bridge
11	Vam Sat 2 Bridge
14	Ven song Saigon Street
2021	
23	Nguyen Huu Canh Street Upgrades
24	Nguyen Thi Thap Street Upgrades
5	Thu Thiem 2
12	Metro line 1
2022	
2	HCMC – Thu Dau Mot – Chon Thanh Highway
6	Thu Thiem 4
13	Intersection Nguyen Van Linh - Nguyen Huu Tho
18	Bien Hoa - Vung Tau Highway
22	Ring Road 2
2023	
4	Ring Road 3
15	Xa lo Hanoi Highway Expansion
16	Nhon Trach Bridge
1	Ben Luc – Long Thanh Highway
2024	
3	Ring Road 4
9	Cat Lai Bridge
25	Vam Cai Sut Bridge
2025	
19	HCMC - Moc Bai Highway
20	Tan Son Nhat Airport Expansion

# 9M/2020 – SEZ KEY TRANSACTIONS



No.	Company	Nationality	Industry	Investment capital (US\$)	Industrial park	Province
1.	Jinyu Tire Co., Ltd.	Hong Kong	Rubber products	300 mill	Phuoc Dong	Tay Ninh
2.	Furukawa Automotive Systems Inc.	Japan	Electrical equipment	49 mill	Binh Minh	Vinh Long
3.	Prime Glorious Vietnam Co., Ltd.	Hong Kong	Textiles & apparel	35 mill	Bau Xeo	Dong Nai
4.	Lap Thinh Co. Ltd.	China	Paper products	33 mill	Nam Tan Uyen Expansion	Binh Duong
5.	Khgears International	China	Machinery & equipment	30 mill	Chau Duc	Ba Ria-Vung Tau
6.	Sung Shin Tech Vina	Hong Kong	Plastic products	30 mill	My Phuoc 3	Binh Duong
7.	Samson Industries Co. Ltd.	Hong Kong	Textiles & apparel	27 mill	N/A	Binh Duong
8.	CP Vietnam Co. Ltd.	Thailand	Agricultural products	22 mill	Binh Minh	Vinh Long
9.	Fu Lian (HK) Group Limited	Hong Kong	Textiles & apparel	20 mill	Moc Bai	Tay Ninh
10.	Ever Giant International Limited	Singapore	Metal products	20 mill	Bau Bang	Binh Duong



## Ensuring future supply

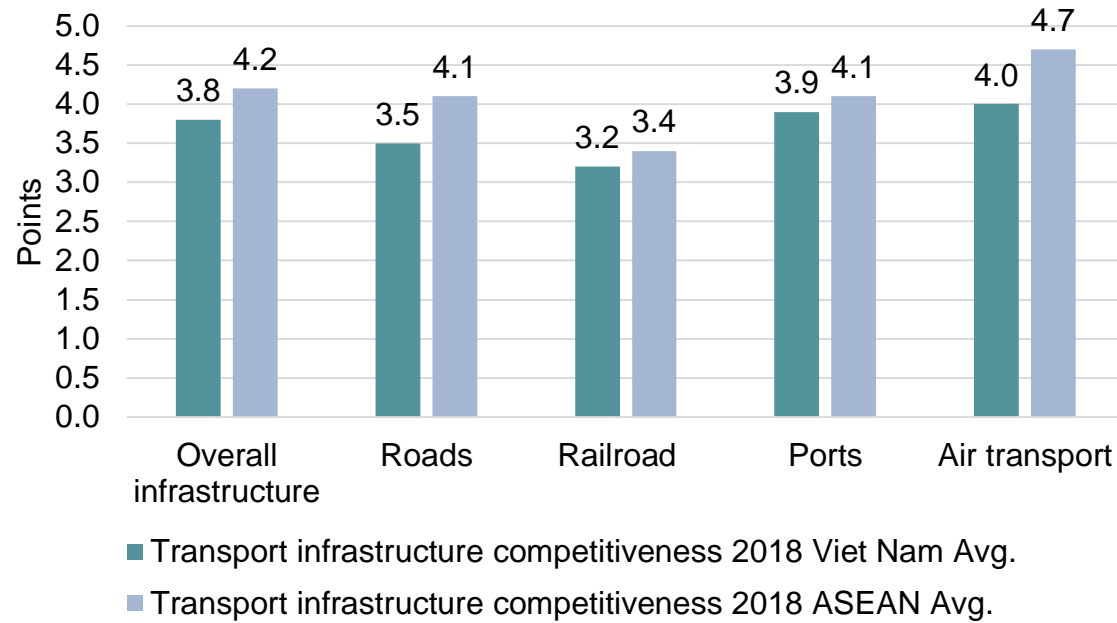
- DEZM announced 561 upcoming IPs over 201,000 ha, approved for master planning integration.
- Of these, 259 utilizing 86,500ha are yet to be established and represent 43.1% of the total new area.
- DEZM must
  - Perfect legal frameworks for IZ development
  - Strengthen management and innovation
  - Enhance master planning efficiency
  - Support niche projects e.g. ecological IPs, supporting IPs, associated IPs, and combined IZ and urban area services models.

## Labor: Quality v quantity

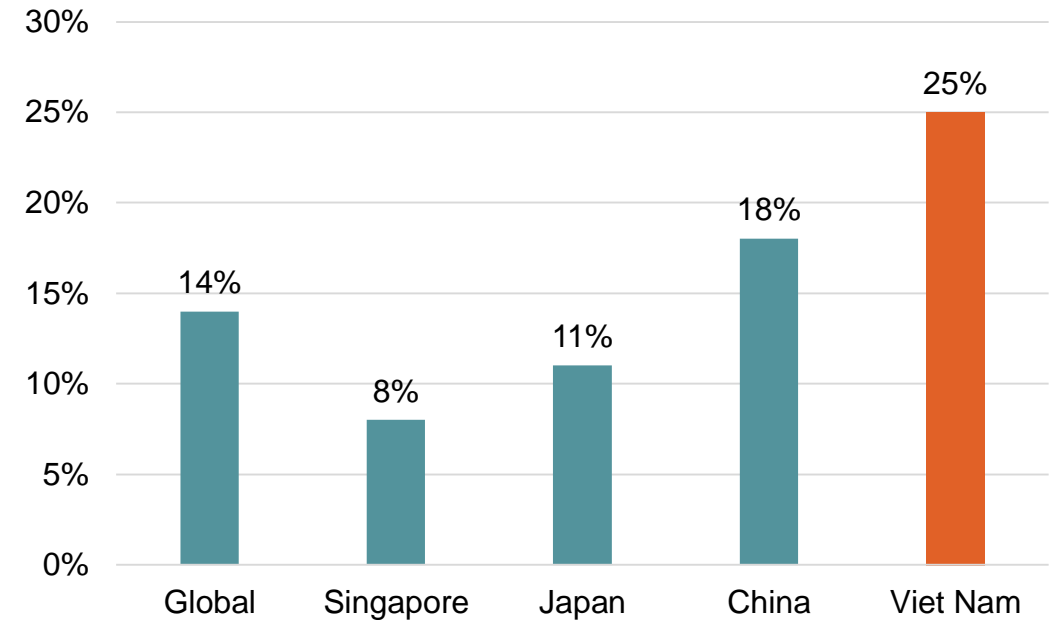
- Low value-added industries continue to struggle with rising lease prices and labor costs.
- To transition to higher-value industries, VN must grow its supply of skilled labor and invest in:
  - Education, IT, mathematics, sciences - **NATIONALLY.**
- Gov. to enforce its National Skills Development, under the FDI Recommendation for 2020-2030

# OUTLOOK – IMPROVING INFRASTRUCTURE

## Transport infrastructure competitiveness, 2018



## Logistics cost/GDP, 2019



- Infrastructure expanding rapidly
- Below needs of economic and social growth
- Rapid growth in urban population and freight transport – primary drivers
- Rising demand for intercity passenger and freight transport – Gov. upgrading expressways and railways

**Quality** of Vietnamese transport infrastructure is lower than ASEAN average at **all segments.**

Source Vietnam Logistics Association, 2019

## 9M/2020 Summary

- Amid travel restrictions industrial property sector activity in 2020 revolves around:
  - Companies in Vietnam expanding or relocating their production;
  - Key M&A deals, and the emergence of distressed assets and facilities for sale & leaseback;
  - Strong demand for ready-builds as suppliers are more conservative to make long-term land lease commitments or are relying on short term contracts with their customers;
  - Sector reliance on supply chains migrating out of China is increasingly evident from developers.

## 2021 and beyond

- China + 1 model – increasingly pursued by manufacturers;
- Resulting in greater demand for industrial space;
- Corporations seek to mitigate risk and diversify locations;
- Industrial to be the ‘poster child’ for real estate, with increasing enquiries and heightened capital market activity.

*“Hope is important because it can make the present moment less difficult to bear. If we believe that tomorrow will be better, we can bear a hardship today.”*

- Thich Nhat Hanh.



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by Savills Vietnam





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