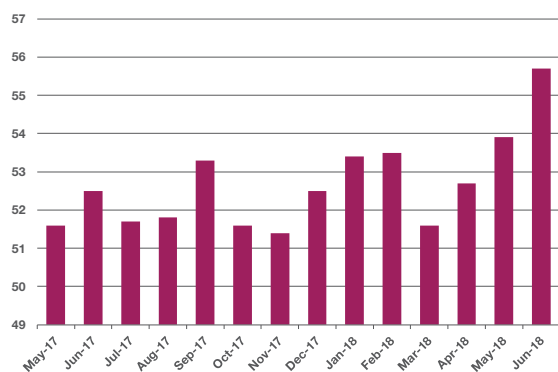


Vietnam Industrial

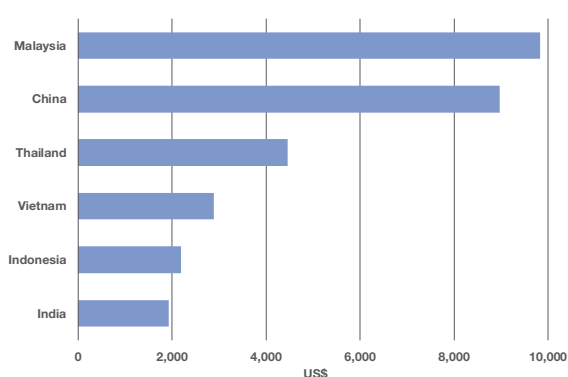


GRAPH 1
Average manufacturing PMI, May 2017 – Jun 2018



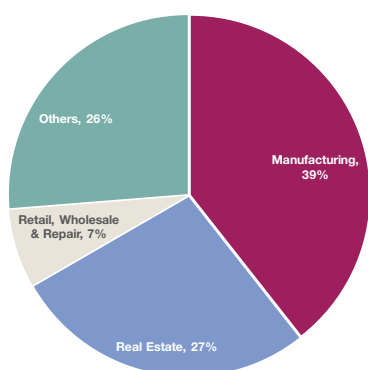
Source: FocusEconomic

GRAPH 2
Manufacturing workers' annual salary, 2017



Source: Trading Economics

GRAPH 3
Foreign direct investment, 1H/2018



Source: GSO and VNAT

Overview

In 1H/2018, Viet Nam's manufacturing and processing sector continued to experience growth on the back of a successful 2017. Despite the failure of the Trans Pacific Partnership (TPP) negotiations, investor confidence has been bolstered by the finalization of the EU Viet Nam Free Trade Agreement (EVFTA) and the imminent passage of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The upcoming Regional Comprehensive Economic Partnership (RCEP) will expand trade routes between the ten member states of ASEAN and the six Asia-Pacific states with which ASEAN has existing free trade agreements. Investors from China and Hong Kong await the ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA) to come into effect, which promises to further deepen trade relations with the largest economy in the region.

Viet Nam's regional competitiveness is driven by low labour costs, affordable land, favorable corporate income tax rates, a dynamic workforce and its geographical location near source and destination markets. The low labour costs continue to attract a wave of outward bound foreign companies from China, especially those in labour-intensive industries. Mainland manufacturers plan to accelerate diversification to Viet Nam due to rapidly increasing wages and uncertainty about future trade measures with the US.

In 1H/2018, Viet Nam's Purchasing Management Index (PMI) was the highest since 1H/2011, peaking at 55.7, well above the expansion threshold of 50 points. The growth in output has resulted in firms hiring additional staff at a record pace in June and rising new business should support continued growth in production over the coming year. Vietnam's Index of Industrial Production (IIP) was 12.3% in June 2018, rising by 10.5 year-on-year (YoY).

FDI and industrial land

1,366 new projects registered capital investment of US\$11.8 billion with the manufacturing and processing sector attracting 477 new projects, 39% of total registered foreign direct investment (FDI) at US\$7.9 billion, growing 12.7% YoY. Hanoi and HCMC

were the best performers, receiving 29% and 18% of FDI respectively, with Ba Ria-Vung Tau receiving 9% and Hue 7%. Japanese investments accounted for 32% of total registered FDI with US\$6.4 billion, followed by Korea with US\$5 billion and Singapore with US\$2.3 billion.

New industrial developers appeared with key investments. BW Industrial Development (BWID) has procured 209 ha in eight sites across five key cities and each site is focused on ready-built factories (RBF) and built-to-suit (BTS) solutions. A Singaporean developer, Boustead, acquired over 18 ha for ready-built factories (RBF) and build-to-suit (BTS) solutions in Nhon Trach District in Dong Nai. Meanwhile China Fortune Land Development Co., Limited (CFLD) entered negotiations for land acquisition in Long An Province, a strategically positioned hub in the Southern Focal Economic Zone (SFEZ).

According to the Vietnamese Ministry of Planning and Investment, 325 industrial zones were documented with a total area of 95,000 ha reaching 53% occupancy by the end of June 2018. Of these, 231 are operational and 94 are undergoing construction or compensation. Demand is starting to outpace supply in good operational industrial parks, with total occupancy reaching 73%. In addition, Viet Nam has 17 coastal economic zones, supplying 845,000 ha.

Northern Viet Nam Hanoi

Hanoi received US\$5.9 billion in FDI, the highest by province in the first half of 2018. Average industrial park occupancy increased to 70%, and decreasing vacancies are driving up land prices which now average US \$105 per sq m.

Attractive incentives are offered to attract high-value investors with Hoa Lac Hi-Tech Park and Hanssip providing preferential tax incentives to companies in hi-tech and supporting industries. Both projects provide key supply of 230 ha and 72 ha respectively.

Although Hanoi does not have a nearby seaport like its counterpart in the south, the capital and surrounding provinces benefit from prime industrial land between new infrastructure

developments and well developed transportation network links such as the 105 km Hanoi-Haiphong Expressway - the most modern expressway in north Viet Nam.

Surrounding provinces

Hai Phong's economic and industrial zones attracted 12 new projects with registered capital of US\$64 million. Home to the biggest deep-sea-port in Viet Nam, the province has recently developed its intermodal transport networks to be the northern gateway to regional and world markets. Deep C II has introduced its first three investors on 10.3 ha, whilst automotive manufacturer Vinfast continues construction on its 335 ha complex in Dinh Vu - Cat Hai Economic Zone.

Bac Ninh remained attractive with industrial parks receiving US\$365 million in FDI, accounting for over 70% of total inflows to the province. As a satellite city of Hanoi, Bac Ninh continues to benefit from decreasing vacancies in the capital and is well positioned to capitalize on Samsung's aggressive expansion plans. The province will benefit from upcoming supply including VSIP Bac Ninh Phase 2 with 500 ha in 2019.

Southern Viet Nam

Ho Chi Minh City

Ho Chi Minh City received US\$3.6 billion in FDI over the first half of 2018. Ho Chi Minh City remains the economic capital of Viet Nam and benefits from proximity to international air and seaports, as well as a cluster of educational institutions supplying high-skilled labour. The area has a diversified industrial base, with over 400,000 companies operating in various industries including electronics, machinery, construction and agriculture.

Average industrial park occupancy increased to 70%, also pushing land prices along to now average US\$150 per sq m. As focus in the manufacturing industry shifts towards higher value added goods, Ho Chi Minh City is encouraging investment in hi-tech industries with preferential tax incentives. Falling vacancies near the city center are driving developers such as Sepzone, TTC and Saigon Hi-Tech Park to focus on building multi-level factories to optimize land use.

Important upcoming supply includes Hiep Phuoc Phase 3 and Vinh Loc 1 Phase III, supplying 500 ha and 200 ha respectively. Samil Pharmaceutical Co. Limited (Korea) in Saigon Hi-Tech Park is the largest project - with a registered investment of US\$40 million.

Surrounding provinces

Ba Ria-Vung Tau received US\$1.9 billion in FDI over the second half. Interest in the province has risen due to the proximity of the Cai Mep-Thi Vai Port Complex. The government plans to continue investment into better transport infrastructure and aims to attract US\$4 billion in FDI by 2020. Investor confidence in the region has increased with local government efforts to reduce red tape by simplifying customs procedures and issuing investment licenses and building permits. One of the most significant projects was SH Solar Farm Vina Co. Limited's investment of US\$80 million in Chau Duc Urban and Golf Zone.

Binh Duong and Dong Nai have fallen to the sixth and seventh highest investment destinations. Binh Duong attracted US\$869 million FDI and offered a modest rent average of US\$66 per sq m. This lower price, when compared to Ho Chi Minh City, reflects the greater availability of land in Bau Bang and My Phuoc 4 Industrial Parks. The province will also benefit from future supply of 1,000 ha in 2019, courtesy of VSIP Phase III.

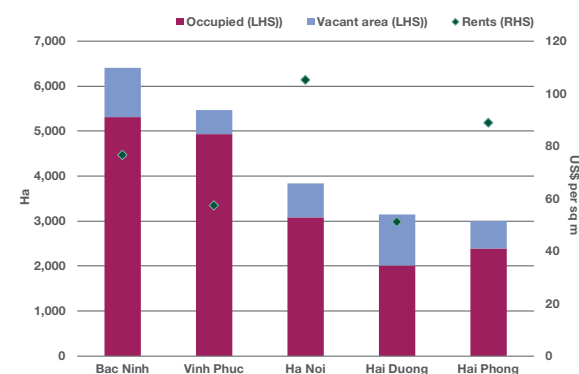
In 1H/2018, Dong Nai attracted US\$623 million FDI. Significant manufacturing projects include HI KNIT Co. Limited (Korea) investing US\$40 million in Nhon Trach and Air Manufacturing Innovation Co. Limited (Netherlands) with a US\$33 million investment in Giang Dien Industrial Park. Key upcoming supply includes Amata Long Thanh Industrial Park in 2019 comprising a total of 410 ha. ■

TABLE 1
Project transactions, 1H/2018

Project	Nationality	Industrial Park	Province	Investment (US\$)
Hyosung Group	South Korea	Cai Mep Industrial Zone	Ba Ria-Vung Tau	1.2 bil
LG Innotek	South Korea	Trang Due Industrial Park	Hai Phong	501 mil
Kefico Vietnam Co. Ltd.	South Korea	Dai An Industrial Park	Hai Duong	120 mil
Ramatex Textiles	Singapore	Bao Minh Industrial Zone	Nam Dinh	80 mil
YKK Vietnam Co. Ltd.	Japan	Dong Van III Industrial Park	Ha Nam	80 mil

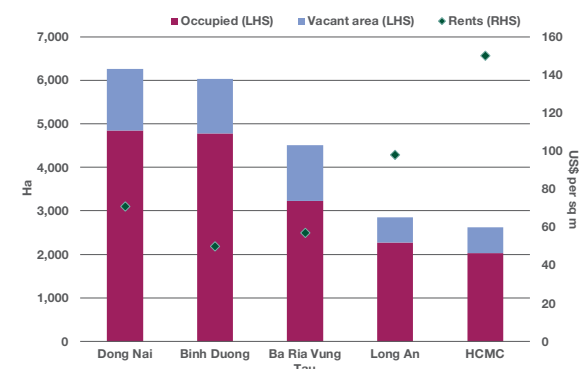
Source: Savills Research & Consultancy

GRAPH 4
Northern Viet Nam supply and performance, 1H/2018



Source: Savills Research & Consultancy

GRAPH 5
Southern Viet Nam supply and performance, 1H/2018



Source: Savills Research & Consultancy

OUR SERVICES

Our services are delivered by people who combine entrepreneurial spirit and a deep understanding of specialist property sectors with the highest standards of client care. We help our clients to fulfil their real estate needs – whatever and wherever they are.

 ADVISORY SERVICES	<ul style="list-style-type: none">• Market Research General & Specific• Economic and Demographic studies• Conceptual Development Recommendations	<ul style="list-style-type: none">• Feasibility Studies• Highest and Best Use Study• Development Review• Valuation	
 AGENCY	 Retail	 Office	 Industrial
 RESIDENTIAL	<ul style="list-style-type: none">• Project Sales and Marketing Strategy• International Sales	<ul style="list-style-type: none">• Residential Sales• Residential Leasing	
 PROPERTY MANAGEMENT	<ul style="list-style-type: none">• Pre-Operations• Management Consultancy• Facility Management	<ul style="list-style-type: none">• Residential• Commercial• Industrial	<ul style="list-style-type: none">• Property & Asset Management• Property Management Training
 HOTEL & LEISURE	<ul style="list-style-type: none">• Management Agreement negotiation• Operator Selection		
 INVESTMENT	<ul style="list-style-type: none">• Strategy Project Positioning• Stakeholder Engagement Structuring	<ul style="list-style-type: none">• Acquisitions and Sales	

Please contact us for further information:



Troy Griffiths
Deputy Managing Director
+84 (0) 933 276 663
TGriffiths@savills.com.vn



John Campbell
Senior Consultant
Industrial Services
+84 (0) 986 718 337
Jcampbell@savills.com.vn



Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.