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SAVILLS VIETNAM REPORT ON INDUSTRIAL SECTOR NATIONWIDE

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1. OVERVIEW

Large-scale projects approved for the textile & garment industry in 1H/2015 drove the manufacturing / processing sector, which accounted for 76% of fresh FDI commitment (US\$4.18bn) to Vietnam in the period.

Table 1 - Textile industry, FDI, 1H/2015

Investor	FDI amount (US\$ mn)	Province	Industrial zone
Polytex Far Eastern Co. Ltd. Under Taiwan's Far Eastern Group	274	Binh Duong	Bau Bang
Hyosung Istanbul Tekstil Ltd	660	Dong Nai	Nhon Trach 5
Hong Kong's Worldon Vietnam Co. Ltd	330	HCMC	Dong Nam

Upcoming Trans-Pacific Partnership (TPP) an impetus

The textile & garment industry is expected to achieve double-digit growth when the TPP is approved. However, the TPP negotiations ended with no deal in July 2015. The partnership stipulates that fabrics and final garments exported within the TPP should be produced in the TPP member countries. Lately investors from China, Taiwan and Hong Kong have entered the fray to be one step ahead of the TPP approval.

Recent research by Standard Chartered bank showed a shift of investment from China to the ASEAN community in a bid to capitalise on the upcoming TPP. 44 per cent of respondents said they would choose Vietnam for a large domestic market, 29 per cent for lower operational costs and 18 per cent for an ample labour supply.

Notably, giant tech Microsoft has closed its two Nokia plants in China in favour of a new location in Vietnam. The company was reported to expand its US\$210mn plant in Bac Ninh's Vietnam-Singapore IZ and triple its current 5,000 head count.

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Emerging presence of Singaporean investors

The Regional Comprehensive Economic Partnership (RCEP) and ASEAN Economic Community (AEC), in which Vietnam and Singapore are members, also facilitate bilateral investment opportunities. The Vietnam-Singapore Industrial Park (VSIP), located in central Quang Ngai province, has so far drawn US\$7.8bn of FDI since it opened at the end of 2013.

Singapore-based Mapletree Investments has reportedly committed to invest US\$1bn in developing IZs, offices and apartments in Vietnam. Other Singaporean peers, such as Famed Banyan Tree, Keppel Land and CapitalLand, have announced plans to invest in large-scale property projects in Vietnam.

More legal reform

Vietnam has asked local authorities to scale down or even close industrial parks with low occupancy rates to make room for other development plans. Notably, Ba Thien IP in the northern province of Vinh Phuc and Cam Ranh IP in the southern central province of Khanh Hoa have reportedly had their investment certificates revoked.

For the textile & garment industry, out of rising environmental concerns, many local authorities have announced they would only select hi-tech investors with a limited number of employees.

National Supply

According to the Ministry of Planning and Investment, at July 2015, there were 299 Industrial Parks (IPs) in Vietnam with a total area of approximately 84,000 ha, of which the total leasable area was 56,000 ha (66%). The leased area is approximately 26,000 ha, at 46% occupancy.

There are 212 operating IPs of under 60,000 ha land area, and 87 IPs of under 24,000 ha land that are under site clearance and infrastructure construction.

Southern Key Economic Zone (SKEZ)

The SKEZ includes HCMC and surrounding provinces, such as Binh Duong, Dong Nai, Long An and Ba Ria - Vung Tau.

The zone comprises 106 operating IPs with a total area of 33,500 ha. These IPs are located near national highways, provincial roads, international airports, railways and ports.

Northern Key Economic Zone (NKEZ)

The NKEZ covers seven provinces and municipalities, including Hanoi, Hai Phong, Vinh Phuc, Bac Ninh, Hung Yen, Quang Ninh and Hai Duong.

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There are 46 Industrial Parks (IPs) in NKEZ, covering a total area of more than 12,100 ha. Most IPs are located along National Highway No. 5 (Ha Noi - Hai Phong), Thang Long - Noi Bai Expressway, National Highway No. 2 or National Highway No. 18 (Bac Ninh - Mong Cai).

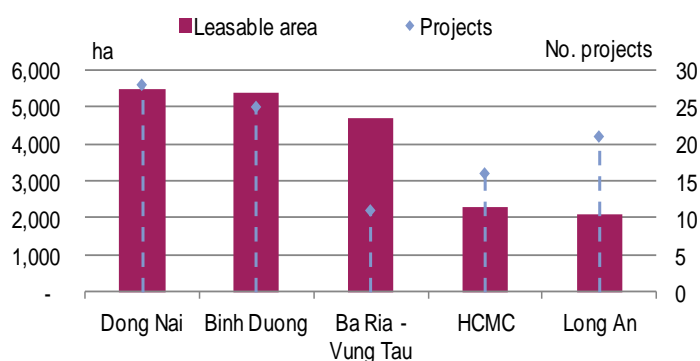
2. HO CHI MINH CITY

HCMC is the economic hub of the SKEZ, which receives the largest number of FDI projects. So far, in 1H/2015, England has the largest investment, accounting for 59% of FDI, followed by British Virgin Island at 15% and Korea at 10 per cent.

At Q1/2015, there were 16 operating IPs with 2,300 ha of leasable area in the city. HCMC's IPs attracted US\$425 million in FDI, an increase of 50% YoY.

The local authority has announced plans to open seven new IPs, covering 2,000 ha, in a bid to welcome new streams of FDI, especially in textile, services and food processing sectors.

Figure 1 – Supply of IPs in HCMC & surrounds



Source: Savills Research & Consultancy

Supporting infrastructure developments underway

In recent years, HCMC has applied favourable tax policies to encourage new businesses operating in high-tech industries and science-related sectors.

To welcome foreign investors, HCMC's infrastructure has developed rapidly with various projects being underway, such as HCMC-Long Thanh highway, Metro line 1 and city's ring roads. In early 2016, the Ring road 3 will commence construction to connect with Nhon Trach District of Dong Nai province, simultaneously with the construction of the Ben Luc – Long Thanh highway.

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Figure 2 - Rent ranges of IPs in HCMC & surrounds

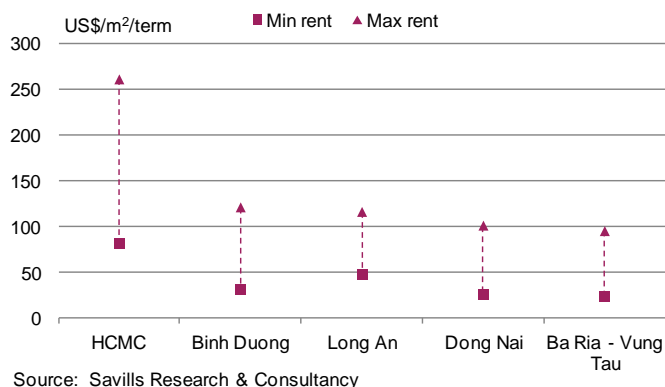


Table 2 - IPs in Ho Chi Minh City

No.	IP name	Leasable Area (ha)	Occupancy	Rent (US\$/m ²)	LUR term (years)
1	Hoa Phu	100	88%	60-70	47
2	Cai Lai II	137	95%	80-100	46
3	Dong Nam	203	28%	60-70	43
4	An Ha	124	23%	65-75	43
5	Hiep Phuoc	300	92%	100-130	43
6	Tan Phu Trung	363	74%	65-75	39
7	Phong Phu	90	100%	-	36
8	Linh Trung II	40	100%	-	35
9	Le Minh Xuan	120	95%	90-110	32
10	Tan Binh	24	90%	220-250	32
11	North West Cu Chi	133	98%	40-50	32
12	Vinh Loc A	259	95%	180-190	32
13	Tan Tao	207	88%	242-286	32
14	Tan Thoi Hiep	120	90%	120-180	32
15	Binh Chieu	30	95%	120-180	30
16	Linh Trung I	62	100%	-	30
	HCMC	2,310	81%	160	38

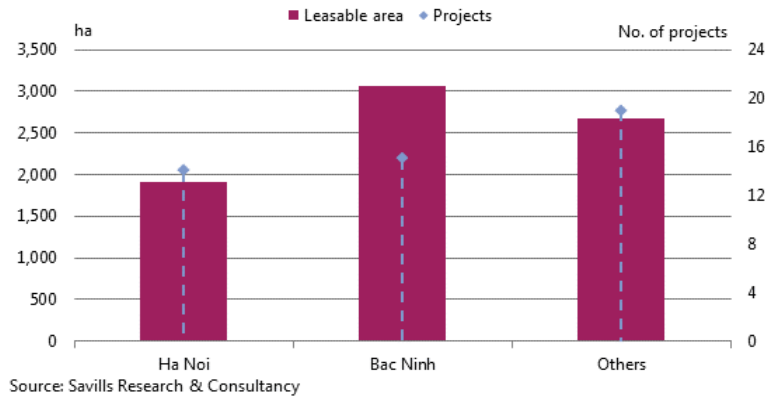
3. HA NOI

There are a total of 12 operating IPs and high-tech zones in Ha Noi with a total area of 2,400 ha and approximately 1,500 ha of leasable area. In 4M/2015, Ha Noi's IPs attracted US\$55.1mn investment capital, increasing 52% YoY. There are a total of 588 projects in Ha Noi's IPs including 312 FDI projects with total registered capital of US\$4.85bn and 276 domestic investment projects with more than US\$530mn of registered capital.

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Figure 3 - Supply of IPs in Ha Noi & surrounds



Asian countries including Japan, China and Hong Kong continue to be the leading investors in Ha Noi's IPs with projects mainly focusing on mechanical engineering, electronics and supporting industries.

On 20th June 2015, 22.7 km under Ha Noi – Hai Phong Expressway project was opened to the public. The completion of this project (of over 100km) in 2016 is expected to play an important part in connecting Ha Noi, Hai Phong and Quang Ninh as well as the Northern Key Economic Zone (NKEZ) and Hai Phong seaport.

Figure 4 - Rent ranges of IPs in Hanoi and surrounds



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Table 3 - IPs in Ha Noi

No.	IP name	Leasable Area (ha)	Occupancy	Rent (US\$/m ²)	LUR term (years)
1	Sai Dong B	51	100%	90 - 110	34
2	Thang Long	206	100%	90 - 100	34
3	South Thang Long Phase I	21	99%	120 - 190	38
4	Hanoi - Dai Tu	40	100%	130 - 150	32
5	Noi Bai	66	92%	131 - 150	31
6	Thach That - Quoc Oai	104	100%	90 - 110	43
7	Quang Minh Phase I	221	95%	100 - 150	39
8	Phu Nghia	170	65%	90 - 150	45
9	Kim Hoa	50	100%	50 - 80	41
10	Hanoi Southern Supporting Industrial Park - Hanssip	50	-	100 - 140	49
11	Dong Anh	97	-	90 - 110	44
12	Hoa Lac Hi-Tech Park	550	18%	50 - 60	-

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