Industrial Estate Market Update
A challenging 2012 & 2013 Outlook

Presented by:
Hieu Le, Senior Manager, Industrial & Logistics Services
March, 2013
# AGENDA

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<td>CASE STUDIES</td>
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<td>Q&amp;A</td>
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</tbody>
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CONCENTRATION MAP
Industrial Park – Export Processing Zone – Hi Tech Park – Economic Zone

Northern Key Economic Region
- Industry: Vehicle parts, Machining, Electronics, Pharma, Precision, Mechanics, Logistics, Petrochem, Construction material
- No of Industrial Park: 90
- No of High Tech Park: 01
- No of Economic Zone: 02

Central Key Economic Region
- Industry: Petrochem, Construction material, Steel, Ship building
- No of Industrial Parks: 40
- No of Economic Zone: 09

Southern Key Economic Region
- Industry: Electronics, Software, BPO, Pharma, Autoparts, Garment, FMCG, Agricultural food, Sea food, Vehicle parts, Steel, F&B, Ceramics, Chemical, Logistics, Shoeware
- No of Industrial Parks: 120
- No of High Tech Park: 01
- No of Export Processing Zone: 3
A LOOK BACK
A Challenging environment

- **Deputy Chairman Eurocham – Andreatta Tomaso**
  - Eurocham Business Index 2012 indicated only 38% Good business & 36% Neutral vs. 51% having a positive outlook for the same period in 2011.
  - “FDI in Vietnam is hindered by the high price of Industrial Land...weak infrastructure, poor training of workers

- **Siemens Vietnam – Erdal Elver**
  - One major challenge in Vietnam is improving quantity and quality of FDI
  - “Vietnam has been selected as one of the emerging countries ... where we will stay and increase our footprint”

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**Vietnam Loses Glow As a Market Darling**

Bad Bank Loans Cloud Country’s Outlook; Talk of Bailout

Until a few years ago, Vietnam was one of the world’s fastest growing economies. Now it is mired in default, downgrades, corruption and declining investor confidence. A once promising country is mired in default, downgrades, corruption and declining investor confidence. The government’s actions are raising doubts about the country’s commitment to economic reform and stable growth.

Feared by many as a haven for corruption, the Vietnamese government has been under increasing pressure to address the mounting problems. Analysts are now questioning whether the country is on the brink of a financial crisis, with concerns about the stability of the banking system.

However, the government has been unable to implement several structural reforms that were promised during its recent meetings with foreign investors. These include measures to boost the economy, strengthen the rule of law, and improve the investment climate.

The situation has been further complicated by the recent arrest of prominent business leaders, including the founder of the country’s largest mobile phone company, VinaPhone. The government has announced plans to bail out the struggling company, but analysts are skeptical of the government’s ability to deliver.

The future of Vietnam’s economy remains uncertain, with many experts warning that the country is at a crossroads. The government must take decisive action to address the country’s problems, or risk losing the confidence of investors and other key stakeholders.

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- **Bad Bank loans cloud country’s outlook**
- **New FDI (‘YTD’) registered at $US7.25 bil, down approx 40% y-o-y against 2011**
- **Record number of firms declaring bankruptcy, builders running out of cash**
- **Prominent banking tycoons arrested for improper lending**
- **Solution will take time**
A LOOK BACK
A Challenging environment

- Government to halt the opening of new economic zones and industrial parks and closed down empty industrial parks across the country.
- 2012 has seen inefficient FDI projects axed
- Foreign companies not financially viable / not proceeding on projects have investment certificates withdrawn
- Focus to improve efficiency

Southern province revokes FDI projects

Dong Nai withdraws 32 FDI projects

Long An swinging the axe at delayed projects

Southern Dong Nai province has withdrawn 32 foreign invested projects facing financial problems that resulted in more than 12-month delays or shutdowns in 2012.

The total registered investment capital of 32 projects was $170.1 million, including 31 projects located in the local industrial parks (IPs).
The declining demand from both local and FDI business have forced developers at less desirable locations to drop their rent significantly to attract more interest while average land rental rates in key industrial parks and locations remain steady or slightly down compared with the first half of 2012.
A LOOK BACK
A Challenging environment

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**SKER - RBF Historical Rates**
**Key Industrial Parks ($US / sqm / month)**

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<td>2.5</td>
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<td>Highest</td>
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<td>6.5</td>
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**NKER - RBF Historical Rates**
**Ready Built Factory / Warehouse rental range**

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<td>3</td>
<td>2.5</td>
<td>2.5</td>
<td>2.3</td>
<td>2.3</td>
<td>2.2</td>
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<tr>
<td>Highest</td>
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<td>4.5</td>
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<td>7.5</td>
<td>8.2</td>
<td>6.6</td>
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Future Outlook
Investment Expansion

• The upside amidst the challenge comes from established investors as investment from this segment was expanded 50% with 406 FDI projects have increased their capital by $US4.92 billion dollars. Major manufacturers in F&B, FMCG and Electronics industries are all in expansion mode in response to the rising consumption in Vietnam and overseas.
Future Outlook
Investment Expansion

- FDI in Garment/Furniture manufacturing increasing for both new entry & expansion

Garment, textile sector sees more growth in 2013

By Thanh Tran

Vietnam’s garment and textile industry is expected to continue earning big money this year.

Since November 2012, three large production workshops of locally-owned Thanh Loi in Hanoi have been operating at full capacity to fulfill the company’s export orders from the US and Europe for the start of 2013, ($7.7 million) and the firm expects local garment companies exporting greater revenue for 2013 after hitting the jackpot in 2012.

At its press conference last week, state-run giant Vitinext said it and many textile and garment companies had already landed export orders for 2013, after enjoying “good growth” of 12-20 per cent in revenues and export

Despite economic difficulties, the textile and garment industry has made a big break-through in the local and overseas markets. This achievement will be amplified in 2013”.

- Mrs. vice director Le Tien Truong

Their revenues are expected to be higher than in 2012,” respectively, for 2013 against 2012, Truong said.

Notably, in 2012 though Singapore, imports of these products into South Korea decreased 7 per cent, Vietnam’s garment and textile exports to this market augmented 9 per cent. Besides, while imports into Japan climbed 8 per cent, exports from Vietnam to this market soared 19.3 per cent.

“This means Vietnam’s garments and textiles have become increasingly prestigious and highly competitive in the world market,” Truong

Hong Kong’s Kerry Logistics expands in Vietnam

By Ninh Kieu

Hong Kong-headquartered Kerry Logistics, a leading global logistics service provider, secured a majority stake in Vietnam’s Tin Thanh Express to offer integrated logistics solutions across the country.

Asia, we recognised that TTC Express is a market leader in its field. The new joint venture means that our customers will now be able to access a complete range of freight and logistics services in Vietnam, across Asia and around the world,” said Rosa Du, chairman of the newly

The local competitive and connections of TTC Express, where customers in Vietnam will now have access to ‘one-stop-shop’ logistics solutions and a globally integrated network.

Headquartered in Hanoi, TTC Express is a privately run express company with

To these major hubs are strategically located in Hanoi, Ho Chi Minh City and Danang where cargo and packages are sorted, consolidated and delivered by air and road freight. Together with a truck fleet of more than 160 vehicles, the company is handling over 10,000 tons, Kerry Logistics said in an announcement.

Entering Vietnam in 2006, Kerry Logistics now owns and operates three logistics centres in Hanoi, Danang and Ho Chi Minh City. To expand its foothold in Vietnam, the firm last July started building a new 11,000

10,000 square metre facility focuses on providing a broad range of logistics services for the electronics and hi-tech, fashion and garments, food and beverage, and industrial sectors. The company also opened its 9,000 square metre of Danang facility in central Vietnam in 2010.

- Logistics industry continue to expansion to meet up the increasingly growth F&B, FMCG companies
• Now moving to Thai Nguyen & Hai Phong
- Gain from low cost labor supply
- Gain from attractive offers from government
• Samsung Phase 1 – 23,000 jobs, 100 mil products, Export rev $10 bil
• Expanding to Binh Duong
  - Gain from being close to customers pool in South Vietnam
  - Gain from competitive offer from competent developer
• Panasonic Phase 1 – $84 mil investment; $42 mil Export rev annually, 1000 jobs
Now expanding to Binh Duong
- Gain from low cost labor supply
- Gain from competitive rent from competent developer
- Amway Phase 1 – $14 mil investment; 1,200 jobs; 8,000m2
First tier cities such as Hochiminh, Hanoi and Danang capture the lion share of the emerging industries including R&D, labs, software development and Business Process Outsourcing.

### Top 20 countries in 2011 GSLI

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Financial attractiveness</th>
<th>People skills and availability</th>
<th>Business environment</th>
<th>Total score</th>
</tr>
</thead>
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<tr>
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<td>3.11</td>
<td>2.76</td>
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<td>8</td>
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<td>Lebanon</td>
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**Future Outlook**

**IT & BPO and Engineering Services**

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**By Vai Nam**

**The Saigon Times Daily**

HCMC – The U.S.-based General Electric (GE) will establish an engineering center in HCMC which will train around 200 oil and gas engineers in the first phase, according to GE vice chairman John G. Rice.

However, the project is facing a number of challenges. 

The construction of the center is expected to begin within the next 30 days.

Currently, only 100 among 900 positions have been filled by 60 projects worth a combined USD2.4 billion.

Rice said that the center would be soon constructed and some main

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**Nam thang hoa của xuất khẩu phần mềm**


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Now moving to Quang Trung Software City in Hochiminh City, Vietnam to
- Gain from low cost talent pool
- Gain from attractive offers from government
- Two R&D centers in China and India
(2010) Hochiminh – investment cap: $US18 million, 1,000 people, testing & global services
Now moving to Saigon Hi-Tech Park in Hochiminh City, Vietnam to
- Capture opportunities for automation software
- Gain from attractive offers from government

15 centers in Asia. Strong in China & Singapore
(2012) Hochiminh – 50 people, software & global services
Now expansion to Tan Thuan EPZ in Hochiminh City, Vietnam to
- Capture opportunities in South Market
- Have more functions to meet client demands

Head office & Advantage Service Center in Ha Noi
(2013) Hochiminh Branch – Demonstration Lab and Customer service Center
Future Outlook Logistics

Major Logistics Areas – Southern Vietnam

- Towards the South, near the future ports
- Logistics services providers, international and local alike, are in expansion mode in Dong Nai, Vung Tau, Binh Duong and Hochiminh City.
- Logistics component within IP
- FMCG (P&G, Colgate Palmolive, Pepsi) and F&B (Nestle, Saporro, Viamilk)
Transimex Saigon

- Established in 1996 as a JSC in which the government owned 51%.
- Operated since 1998, 9.3 hectare including: 21,000 sqm bonded and cold storage.
- Provide full package services
- Sample tenants: MOL Logistics, K&N
- Started construction of its 2nd warehouse in Binh Duong @ 10,000 sqm bonded and non bonded.

Bac Ky Logistics Park @ Bac Ninh

- Established as JSC b/w Petro Vietnam and Bac Ky JSC in 2010.
- Operational since 2011.
- 31,000 m2 warehouse ; 30,000 m2 container yard
- Provide full package services.
- Rent ranges from $2.5 to $3/m2/month
- Target to service industrial tenants in VSIP, Que Vo, Yen Phong, …
Third tier provinces such as Long An (South Vietnam) and Bac Giang, Hung Yen (North Vietnam) or Quang Nam (Central Vietnam) continue to attract traditional sectors like garment, footwear, furniture thanks to the more relaxed industry restriction and inexpensive resources (land & labors).

Garment, textile sector sees more growth in 2013

Despite economic difficulties, the textile and garment industry has made a big breakthrough in the local and overseas markets. This achievement will be amplified in 2013”.

- Vinatex vice director Le Tien Truong

Their revenues are expected to be higher than in 2012,” Truong said.
Now expanding in Hai Duong & Bac Giang

- Gain from low cost labor supply
- Gain from integrated facilities

Crystal Phase 1 (2006) – 6,000 jobs in Hai Duong, 32 mil units / year;
Trend
Landlords going smaller

- Total area: 50,000 m²
- Diverse in type and area (500 m² – 1,000 m² per factory)
- A shared services business centre to provide all services to the campus’ tenant at a cost when needed
Ready Built Factory Developers Now Only build upon tenant’s commitment
Willing to split up the space to accommodate smaller prospects
Consider build up to make full use of the land.
Thank you for your attention.