CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

INDUSTRIAL REAL ESTATE
2H 2024 Outlook: Neutral

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2H OUTLOOK: Industrial real estate sector

1H 2024 Overview

In the first half of 2024, the market did not witness any new industrial park projects coming into operation. Therefore, the absorption of industrial land mainly came from the land fund in existing industrial parks. The demand for land, ready built factories and warehouses remained high due to the booming influx of FDI capital and the growing demand for online shopping.

The business performance of listed developers in Q1/2024 is highly differentiated. Companies that have completed land handovers and new industrial land leases, with promising medium and long-term prospects, have reported favorable business results and stock price movements.

2H 2024 Outlook

Regarding the industry's demand prospects, we believe that Vietnam still has significant potential to attract foreign investment based on: (1) the nation's competitive advantages in attracting FDI capital flows; (2) benefiting from the "Friend-shoring" investment trend and the "China +1" strategy amidst the trade tensions between the U.S. and China heating up again; (3) increasing rental demand from the capital reallocation plans of multinational corporations; and (4) the government's efforts to improve the legal environment and investment incentives to attract both domestic and international manufacturers.

From the second half of 2024 to the first half of 2025, the scarcity of new supply will persist. The advantage in attracting new tenants will belong to developers with substantial ready-to-lease commercial land reserves.

However, the supply bottleneck will be alleviated in the medium and long term thanks to the large industrial land fund and rubber land converted to industrial land supplemented according to Decision 227/QĐ/TTg, which amends land use targets, opening up a new supply trend in both Northern and Southern regions. Additionally, policies and laws passed in the first half of 2024 help establish regulations, amendments, and guidelines for project implementation, resolving legal bottlenecks in project development.

Stock Pick: *IDC, SZC*

Sector overview: Industrial RE development value chain

INPUT

Local land planning for IPs development

Agricultural land conversion

Developers : PHR, GVR, DPR

IPs Development

Bidding and Project development

Warehouse and Factory construction

Developers: VGC, KBC, BCM, NTC, SZC

TENANTS

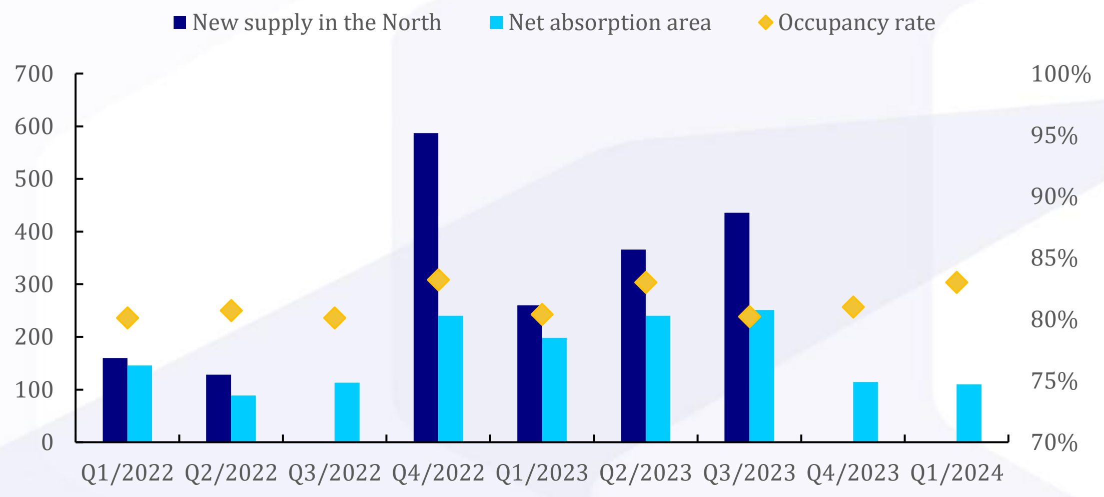
FDI Manufacturers

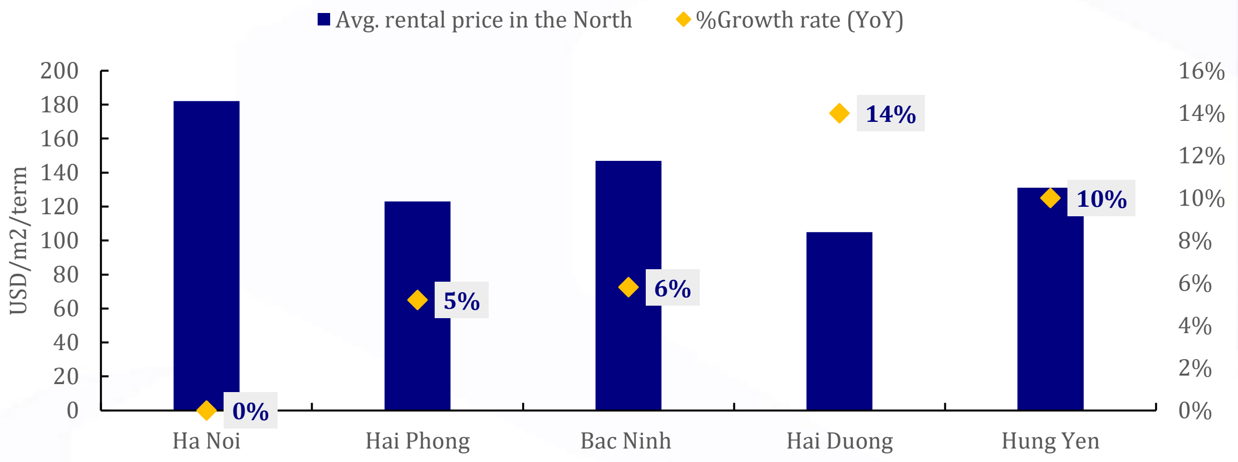
Domestic Manufacturers

1H OVERVIEW: Absence of new supply

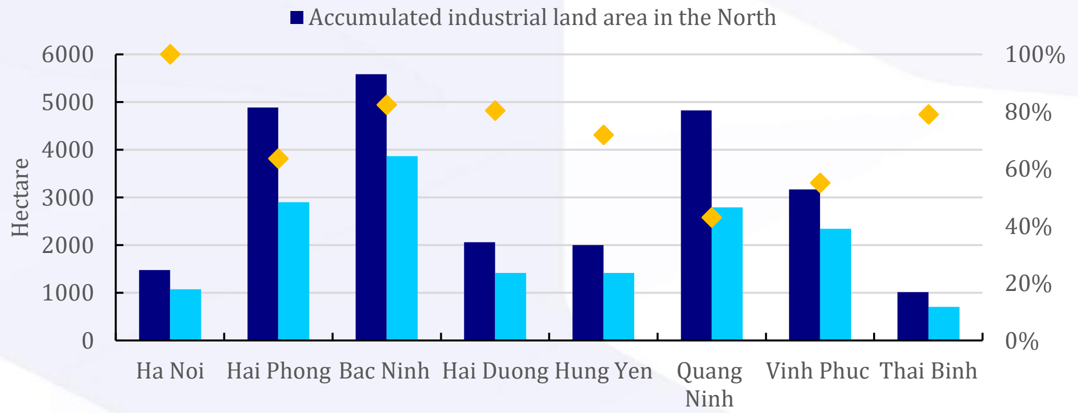
In Q1/2024, there were no significant industrial park projects launched for leasing in the northern region. High demand for leases, coupled with abundant supply from existing industrial parks to continue attracting new tenants. In Q1 alone, the net absorption of industrial land in the north reached approximately 110 hectares, making the average occupancy rate increasing by 1.3 percentage points compared to the previous quarter, reaching 83%. Key investment sectors included components, electronics, machinery, automotive, and renewable energy.

The average rental price in Tier 1 northern markets reached $133/m^2/remaining term, marking a 7.8% YoY increase. Except for Hanoi, which has exhausted its leasing supply, rental prices rose across the entire Northern industrial real estate market, with an estimated average rental price increase of 7% YoY. The Northern region's rental price growth was bolstered by investment waves from companies in the electronics sector.





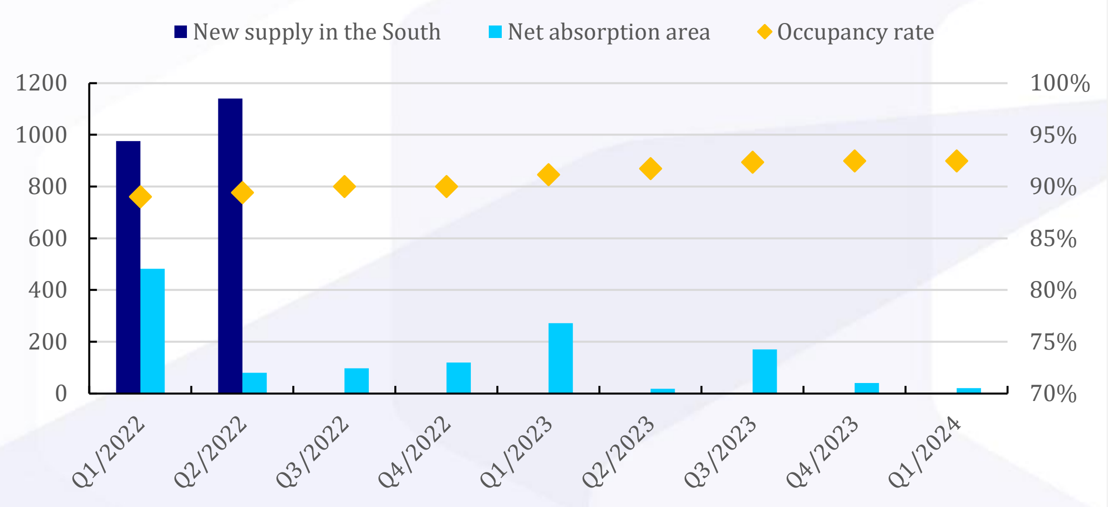
Except for Hanoi, northern provinces have an abundant supply of industrial land with a relatively low occupancy rate, averaging 72%.

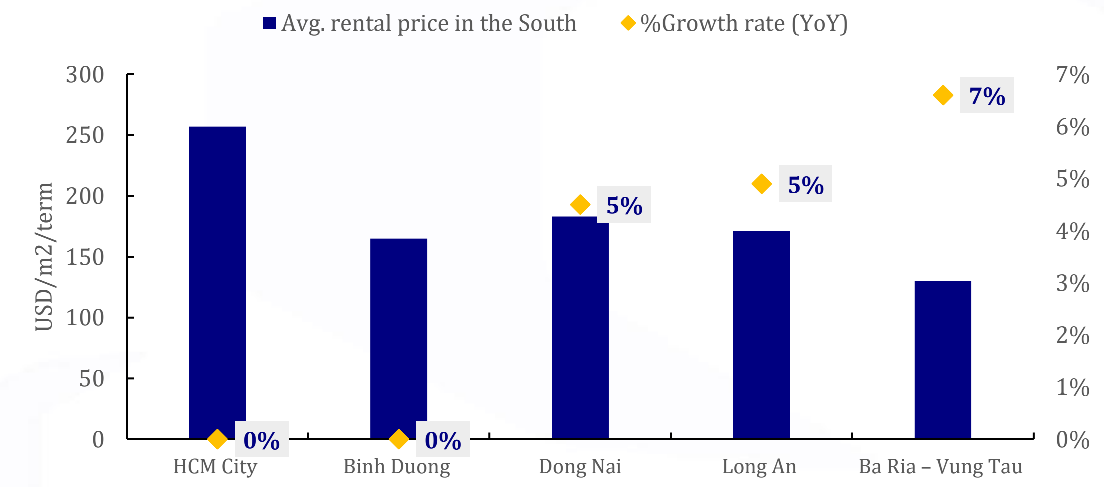


Source : MPI, CBRE, GTJAS

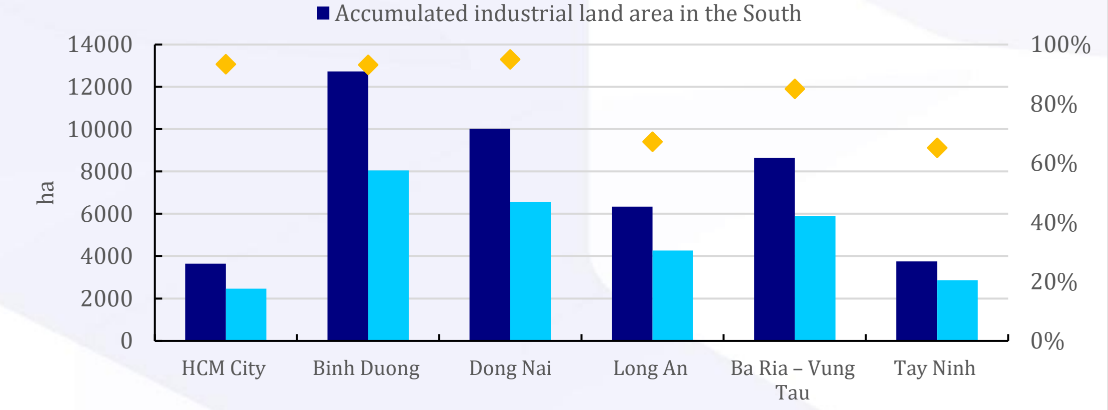
1H OVERVIEW: Absence of new supply

The Southern industrial real estate market continued to face supply shortages as no new projects were put into operation, resulting in the Tier 1 market maintaining a high occupancy rate of around 92%. Net absorption area was less favorable, reaching only over 20 hectares. Both domestic and foreign manufacturers are trending towards expanding into Tier 2 markets such as Ba Ria - Vung Tau, Long An, and Tay Ninh, where industrial land supply remains relatively abundant and rental prices are more competitive compared to Tier 1 markets. This trend has led to more favorable rental price growth in these provinces compared to Tier 1 provinces. Industrial land prices in Tier 1 southern markets held steady at $189/m^2/lease term, stable compared to the previous quarter and up 2.4% YoY.





The high occupancy status in Tier 1 industrial zones has reduced the ability to attract new tenants, as the remaining industrial land available for lease is fragmented and insufficient to meet the demands of large-scale projects.



Source: MPI, CBRE, GTJAS

1H OVERVIEW: Rental prices experiencing strong growth

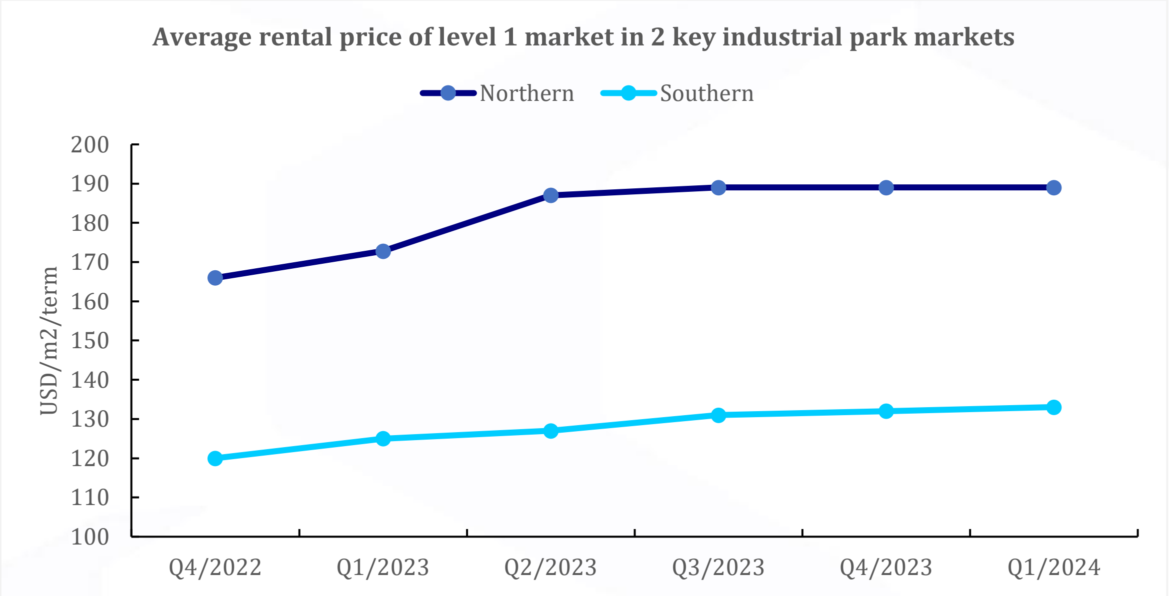
Average rental price in Southern Vietnam are higher than in the North due to:

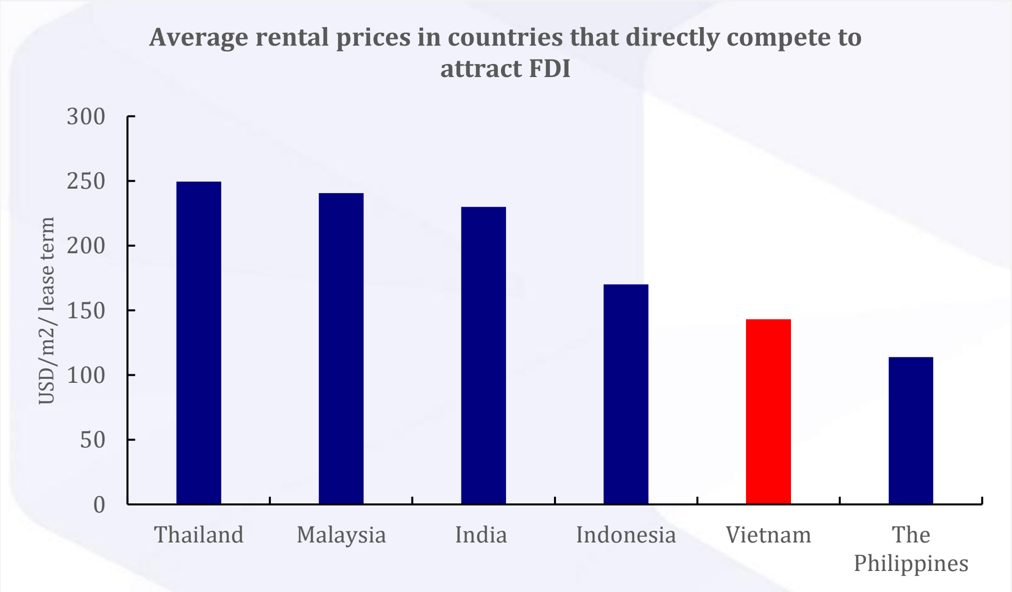
(1) Industrial parks in the South have been developed earlier, benefiting from experienced management and more advanced, well-integrated infrastructure, which enhances their appeal to tenants. However, as supply becomes increasingly limited and demand remains high, rental prices have risen sharply.

(2) Lower Compensation Costs in the North: The primary areas for industrial park development in the North are mainly agricultural and rice-growing lands, leading to lower land use right fee, compensation and site clearance costs.

(3) The slower approval and licensing processes from provincial authorities lead to extended project development times, which in turn results in increased costs for project development (according to CBRE).

However, the average industrial land rental prices in Vietnam are still generally more attractive compared to other countries in the region, being 20% to 40% lower.



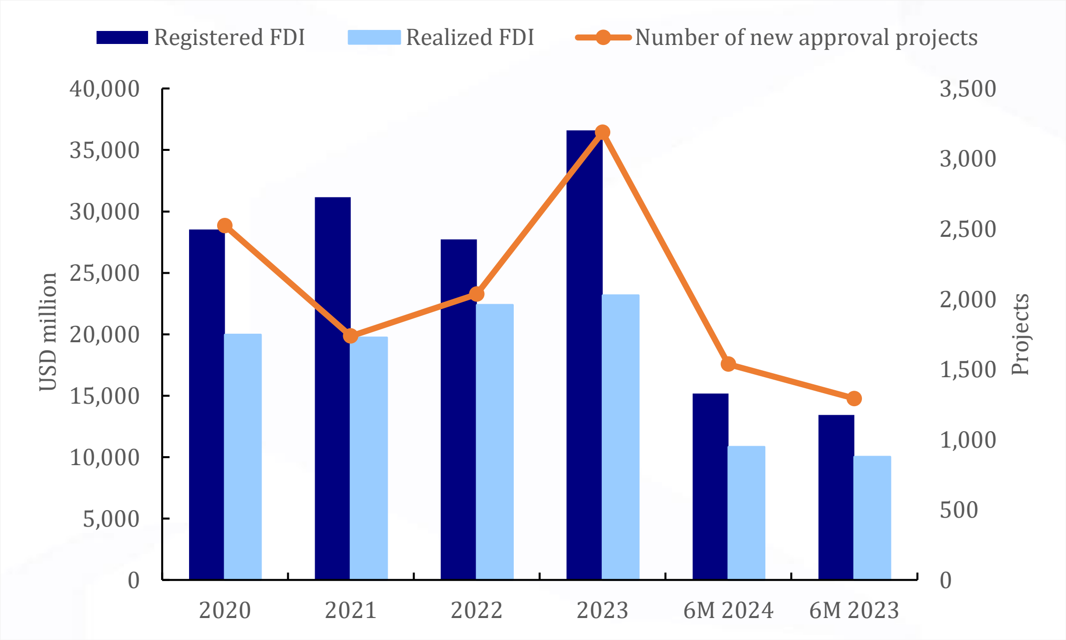


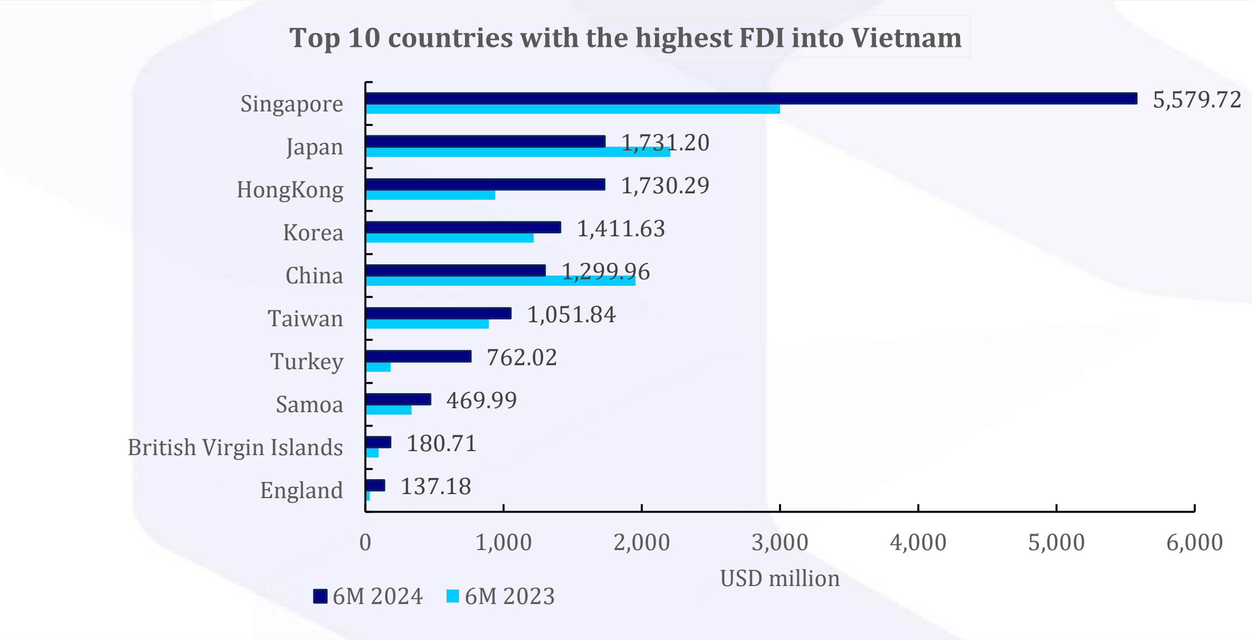
Source : CBRE, Statista, GTJAS

1H OVERVIEW: Positive FDI inflow

In the first half of 2024, the total registered FDI capital reached USD 15.184 billion, an increase of approximately 13.1% compared to the same period in 2023, and is comparable to the high growth rate of 2021 (USD 15.276 billion) before it declined in 2022-2023 due to concerns about the Russia-Ukraine conflict and economic recession in Vietnam. This reinforces the view that Vietnam has overcome a challenging restructuring period and remains an attractive destination for investors.

FDI disbursement in the first six months reached USD 10.84 billion, an increase of 8.2% compared to the same period in 2023. This growth rate in FDI disbursement is higher than the average for the first five months (7.8%), indicating that investors are not only increasing their committed capital to the Vietnamese market but are also actively disbursing funds to take advantage of the attractive economic opportunities that Vietnam offers. The Manufacturing and processing industry accounted for 70.39% of the total registered FDI in the first six months. The electronics and solar energy equipment manufacturing sectors continue to lead major FDI projects in Vietnam.



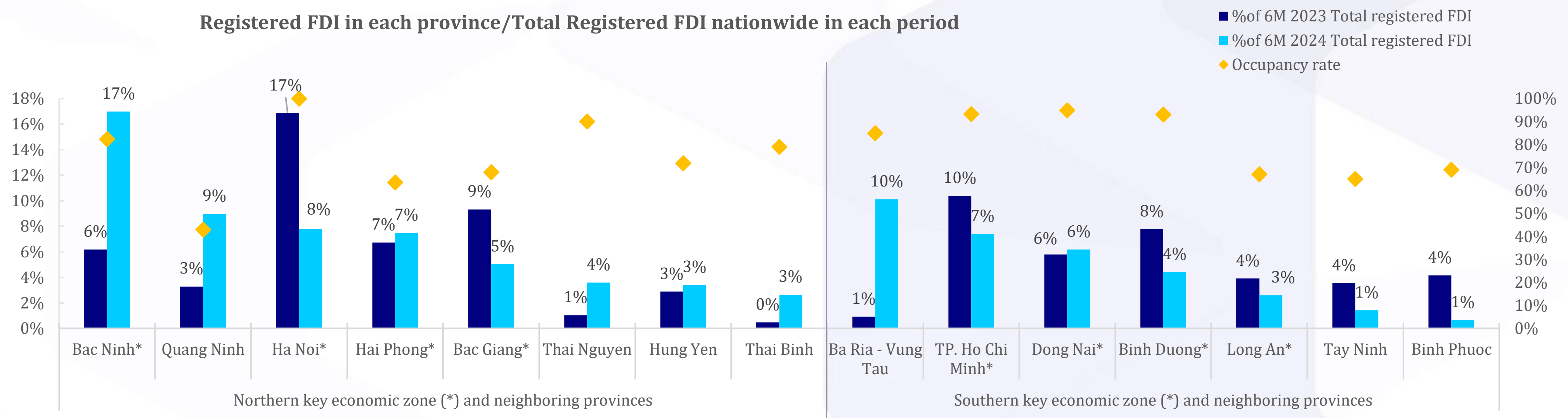


Source: MPI, FiinPro, GTJAS

1H OVERVIEW: FDI inflow differentiated by geographical region

In the context of the gradually depleting available industrial park land supply in the two major economic centers of the country, Hanoi and Ho Chi Minh City, where occupancy rates of most industrial zones reached nearly 100%, FDI capital is gradually shifting to neighboring provinces with large contiguous industrial land areas, lower occupancy rates, and increasingly synchronized and convenient regional infrastructure/ transportation networks. We also observe that the trend of FDI shifting to the secondary market in the North is more pronounced than in the South, and registered FDI is gradually moving towards the Northern market.

The basis for this investment shift to the Northern region includes: (i) Benefiting from the investment shift trend of electronic enterprises booming in the 2020-2023 period; (ii) Availability of rental land at more competitive rental price compared to the Southern region (on average 20-40% lower); and (iii) Meeting the requirements for connectivity in transportation infrastructure (road and air) to support the business of FDI manufacturer in electronics and high-tech production.



	Northern	Southern
Total registered FDI capital by province/country in 6M 2023	*46.8%*	*36.5%*
Total registered FDI capital by province/country in 6M 2024	*55.9%*	*32.7%*

(Does not include Registered FDI data from Hanoi and Ho Chi Minh City to observe FDI inflow trends in localities in the South and North)

Source : MPI, FiinPro, GTJAS

1H OVERVIEW: The trend of shifting production continues

The differentiation of investment by region is also shown through the shift in the production supply chain of major electronic products in Vietnam such as Apple, Samsung, LG,... when the majority of factories of these units are now is being operated in the Northern Key Economic Region and neighboring provinces. According to TMS Consultancy, in the first 5 months of 2024, 65% of foreign companies located production facilities in the Northern region, 30% in the Southern region and the remaining small portion in the Central region. In the first 6 months of 2024, FDI capital flows in Northern markets are still attracting better capital than the South thanks to projects in the fields of components, electronics and energy.

Notable new FDI projects registered in the first half of 2024 reveal differentiation in the manufacturing sectors between the North and the South.

Province	Investor	Country	Investment Capital (USDm)	Field	Industrial zone	Main industries attracting investment
			Northern			
Thai Binh	Pegavision Corporation	Đài Loan	200	Production of contact lenses	Lien Ha Thai	- Electronics and electronic components - Automobile - Devices - Renewable energy related manufacture
Quang Ninh	IKO Thompson	Nhật Bản	57	Manufacture of electronic components and products	Song Khoai - Amata	
	Gokin Solar	HongKong	275	Manufacture of solar energy equipment	Hai Ha	
Thai Nguyen	Trina Solar	Trung Quốc	454	Manufacture of solar energy equipment	Yen Binh	
Hoa Binh	Meiko Corporation	Nhật Bản	200	Manufacture of electronic components and products	Song Da	
Bac Ninh	Victory Giant Technology	Trung Quốc	800	Manufacture of electronic components and products	VSIP Bac Ninh BCM	
			Central region			
Nghe An	Hainan Drinda	Trung Quốc	450	Manufacture of solar energy equipment	Hoang Mai	
	Luxshare ICT	Trung Quốc	140	Manufacture of electronic components and products	VSIP Nghe An BCM	
			Southern			
Long An	Suntory Pepsico Vietnam		300	Foods	Huu Thanh IDC	- Products from rubber and plastic - FMCG - Building materials - Textile - F&B
Ba Ria – Vung Tau	Hyosung Corporation	Hàn Quốc	730	Chemicals	Phu My 2 IDC	
	BOE Technology Group	Trung Quốc	278	Manufacture of electronic components and products	Phu My 3	
	Tripod Corporation	Đài Loan	250	Manufacture of electronic components and products	Chau Duc SZC	
	Tosoh Corporation	Nhật Bản	176	Chemicals	Phu My 3	
Binh Duong	Pandora	Đan Mạch	163	Jewelry manufacturing	VSIP III	
Dong Nai	SLP	Singapore	121	Industrial real estate development	Loc An - Binh Son SIP	
	Nestle	Thụy Sĩ	100	Foods	Amata Long Binh	
Vinh Long	Acecook	Nhật Bản	200	Foods	Phu Hoa	

Source: GTJAS Summary

SECTOR OUTLOOK FOR THE 2H 2024

Regarding the industry's demand prospects, we believe that Vietnam still has significant potential to attract foreign investment based on the following factors:

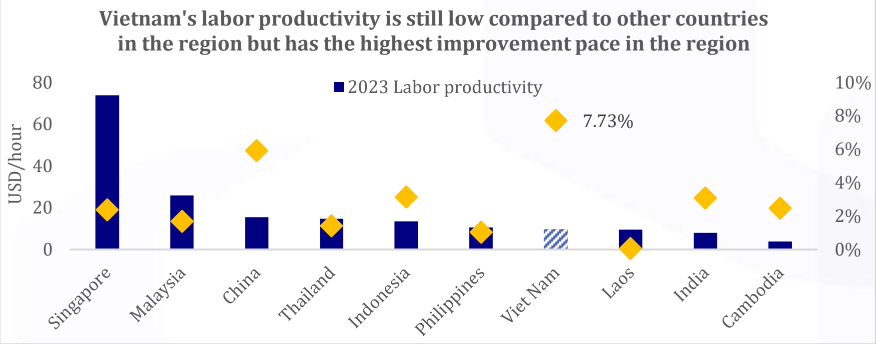
1. Vietnam continues to promote competitive advantages in attracting FDI capital flows
2. The trade tensions between the U.S. and China are heating up again, and Vietnam is expected to continue benefiting from the "Friend-shoring" investment trend and the "China +1" strategy
3. The capital reallocation plans of multinational corporations present opportunities for Vietnam to attract FDI inflows, thus, increasing industrial rental demand
4. The government's efforts to improve the legal environment and investment incentives aim to attract both domestic and international manufacturers

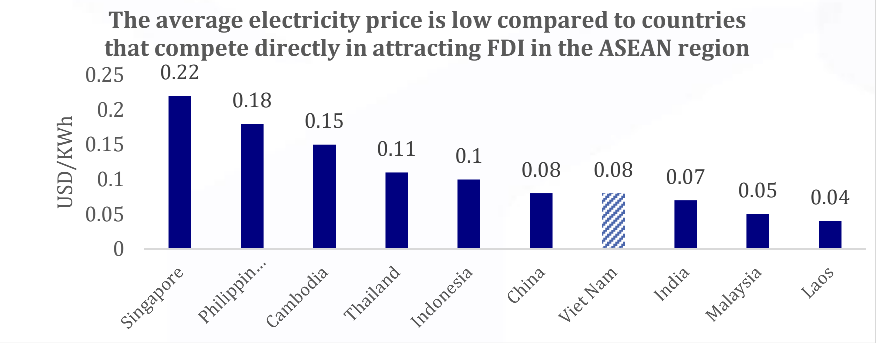
Regarding supply prospects, the scarcity of new supply continues in the short term; however, the supply bottleneck will be alleviated in the medium and long term

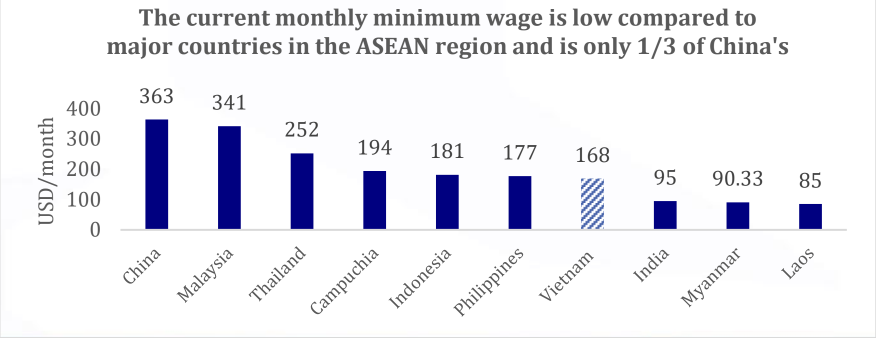
1. Policies and Laws Passed in the First Half of 2024 to boost new supply in the medium term
2. Decision 227/QĐ/TTg, which amends land use targets, opens up a new supply trend in both Northern and Southern regions.
    1. Northern: Potential for abundant new supply of industrial land
    2. Southern: New supply in the Southern market comes from the trend of converting rubber land into industrial land

2H OUTLOOK: High rental demand persists

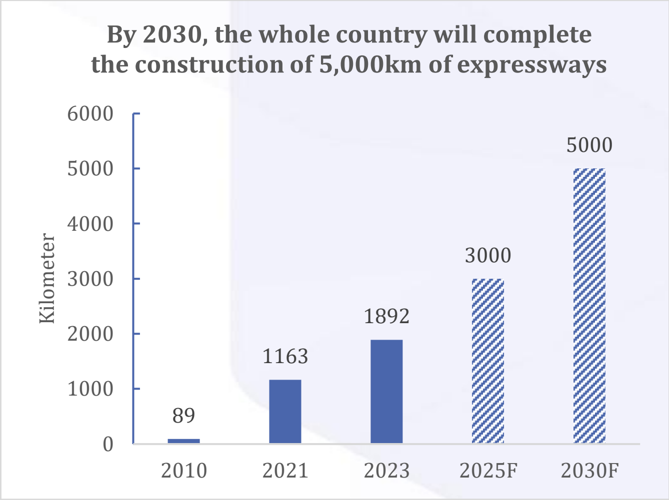
1. Continue to promote competitive advantages in attracting FDI capital flows

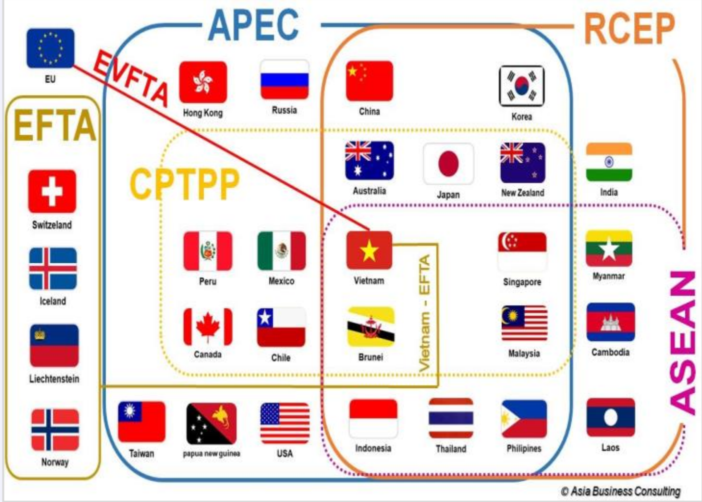






Vietnam continues to leverage its internal strengths and competitive advantages in attracting FDI flows due to: (i) Stable geopolitics with a consistent single-party policy and skillful diplomatic strategy; (ii) A sustainable investment environment with stable FDI disbursement over time; (iii) Low production costs, including electricity and labor costs, which are relatively lower compared to countries directly competing for FDI in the region, along with a high rate of labor productivity improvement; (iv) An open economy with active participation in 16 signed Free Trade Agreements (FTAs) and 3 FTAs under negotiation, providing opportunities for Vietnam to access most global markets; and (v) Efforts to develop synchronized infrastructure and inter-regional connectivity to enhance logistics quality.





Source : GSO, FiinPro, ILO, GTJAS

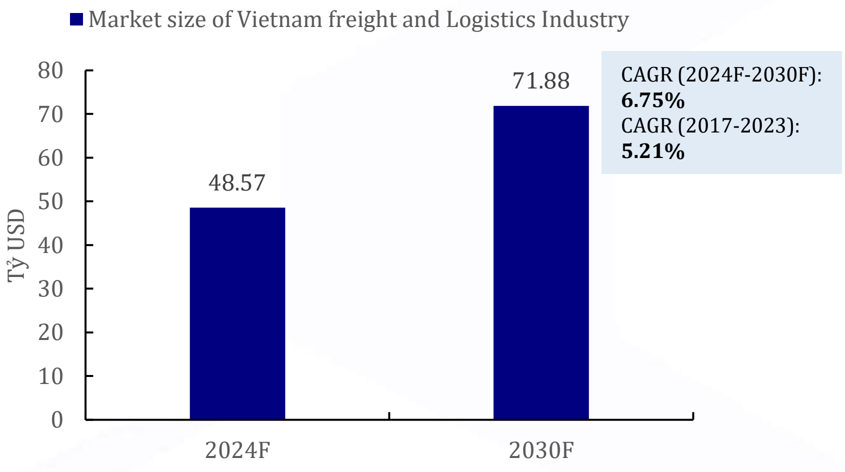
2H OUTLOOK: High rental demand persists

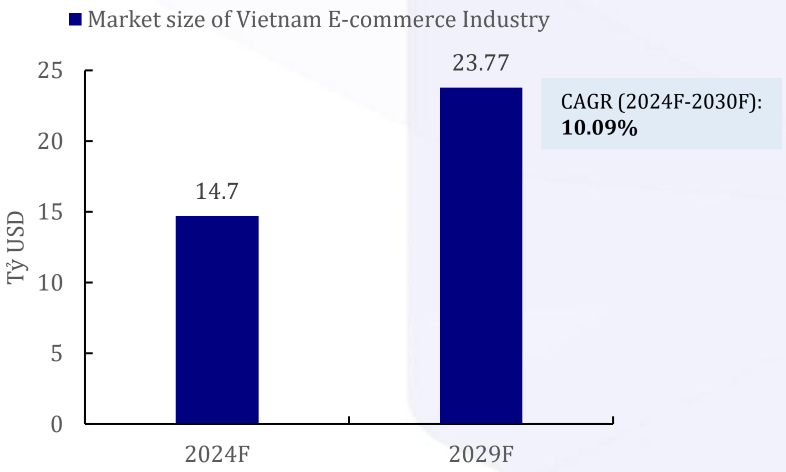
1. Continue to promote competitive advantages in attracting FDI capital flows

According to the 2024 Emerging Market Logistics Index report published by Agility, Vietnam ranked 8th out of 50 emerging logistics markets, up 2 places from the end of 2023.

Per capita GDP has increased rapidly (CAGR 2010-2023 reached 7.5% per year); total retail sales of goods and consumer service revenue grew faster than per capita GDP with a CAGR of 11.2% over the same period. Increasing income and domestic consumption drive production activities to meet high spending demand, serving as a motivation for industrial land leasing to expand production.

In addition, the surge in online shopping—intensified by social distancing during the COVID-19 pandemic—is expected to drive demand for rapid delivery services, extensive warehousing networks, and reduced shipping costs, thereby increasing the need for ready-built factories and high-rise warehouses.






Vietnam's rank in the top Agility Emerging Markets Logistics Index 2024 continues to improve

Rank	Rank Change	Country
1	0	China
2	0	India
3	0	UAE
4	0	Malaysia
5	0	Indonesia
6	0	Saudi Arabia
7	0	Qatar
8	+2	Vietnam
9	0	Mexico
10	-2	Thailand
11	0	Turkey
12	+1	Chile

Source: Modor Intelligence, Agility Emerging Markets Logistic Index 2024, GTJAS

2H OUTLOOK: High rental demand persists

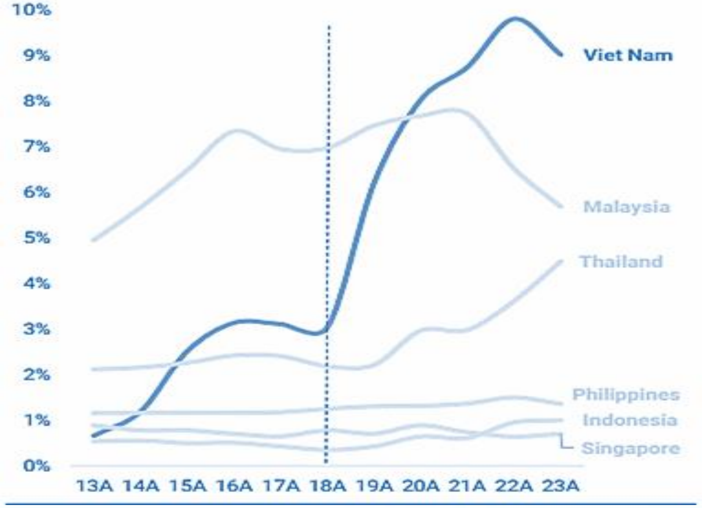
2. The trade tensions between the U.S. and China are heating up again, and Vietnam is expected to continue benefiting from the "Friend-shoring" investment trend and the "China +1" strategy

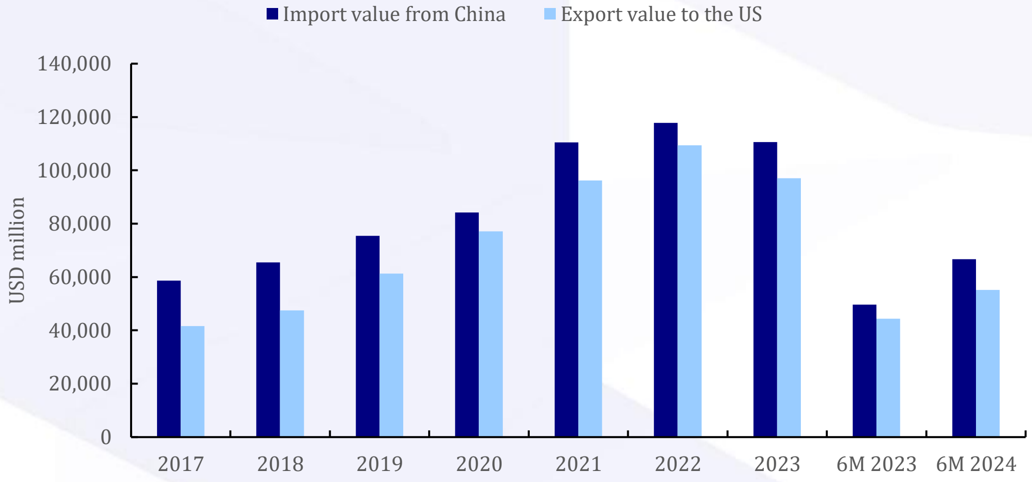
On April 17, 2024, during his re-election campaign in Pittsburgh, Pennsylvania, a hub of the U.S. steel industry, President Biden called for a threefold increase in the import tax on Chinese steel and aluminum from 7.5% to 22.5% to gain support from local workers. Shortly after, on April 20, 2024, China announced it would impose a 43% anti-dumping duty on propionic acid imported from the United States.

In May 2024, President Joe Biden decided to increase tariffs on various Chinese goods, including semiconductors, batteries, and electric vehicles. Specifically, the U.S. will raise tariffs from 25% to 100% on electric vehicles, from 7.5% to 25% on lithium batteries for electric vehicles, from 25% to 50% on photovoltaic components used in solar panels, and from 25% to 50% on semiconductor products. Additionally, the U.S. will maintain tariffs on $300 billion worth of Chinese goods imposed under the previous administration. With the presidential election approaching, both President Joe Biden and his opponent, Donald Trump, are committed to enforcing tougher policies on Chinese goods.

The trend of shifting production away from China to countries with more manageable U.S. tariffs is underway.

The percentage of the value of electronic product imports by the U.S. from Southeast Asian countries since 2013.





Source : MPI, GSO, GTJAS

2H OUTLOOK: High rental demand persists

2. The trade tensions between the U.S. and China are heating up again, and Vietnam is expected to continue benefiting from the "Friend-shoring" investment trend and the "China +1" strategy

Although the trade conflict is ongoing, Vietnam is currently in a favorable position. In 2023, it marked the third consecutive year that trade between Vietnam and the U.S. exceeded $100 billion—twice the amount seen in 2018 when the U.S.-China trade war began. This has increased Vietnam's attractiveness to American manufacturers and traders seeking to mitigate economic risks related to U.S.-China tensions. Among U.S. trade partners, Vietnam is now the fourth-largest by total trade volume, trailing only China, Mexico, and the European Union.

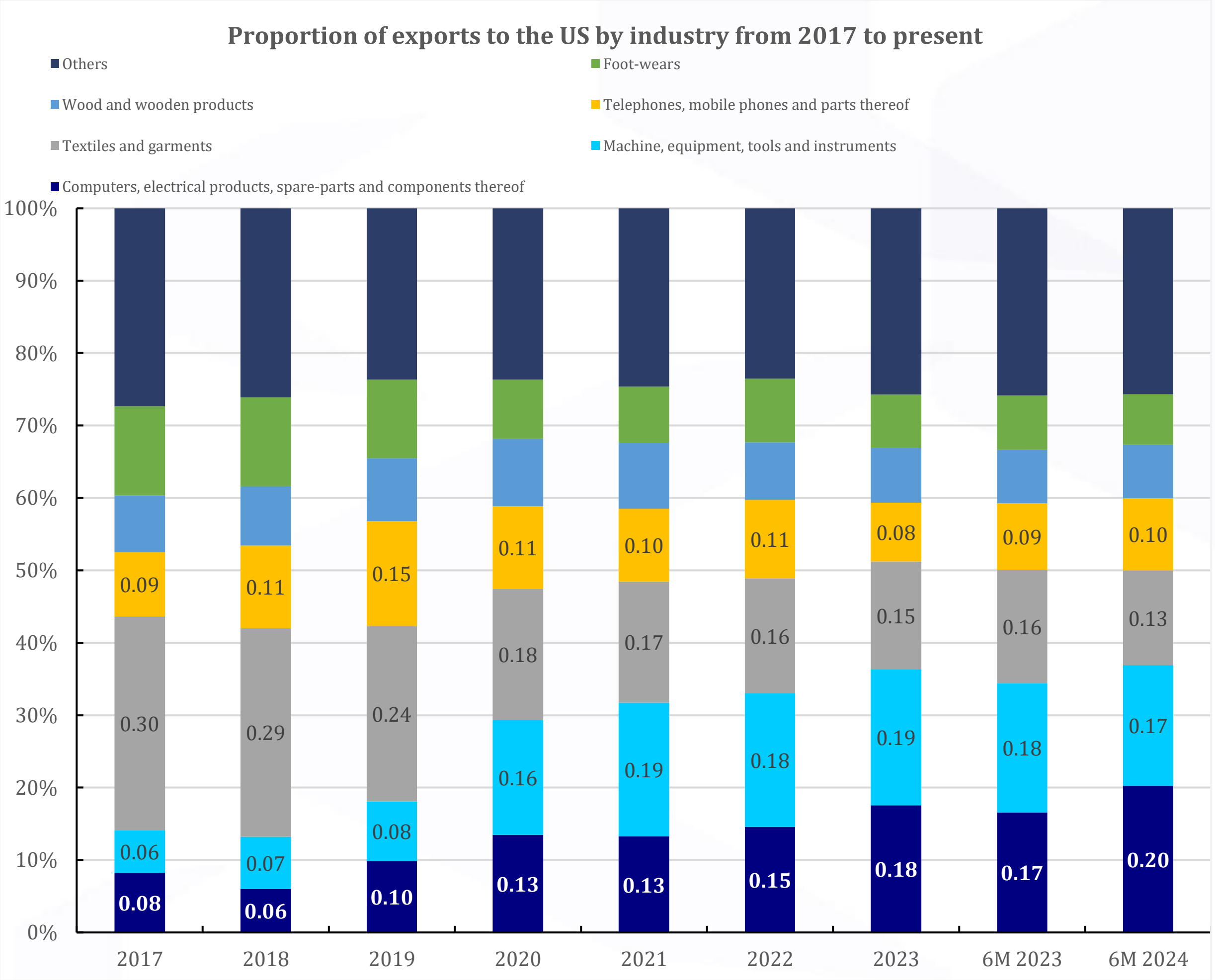
In 2019, as U.S.-China import volumes sharply declined, U.S.-Vietnam import volumes surged. Key Vietnamese exports to the U.S. that saw significant growth in 2019 included electronic equipment and audio devices, nuclear reactors, boilers, machinery, furniture, footwear, textiles, rubber, plastics, and steels.

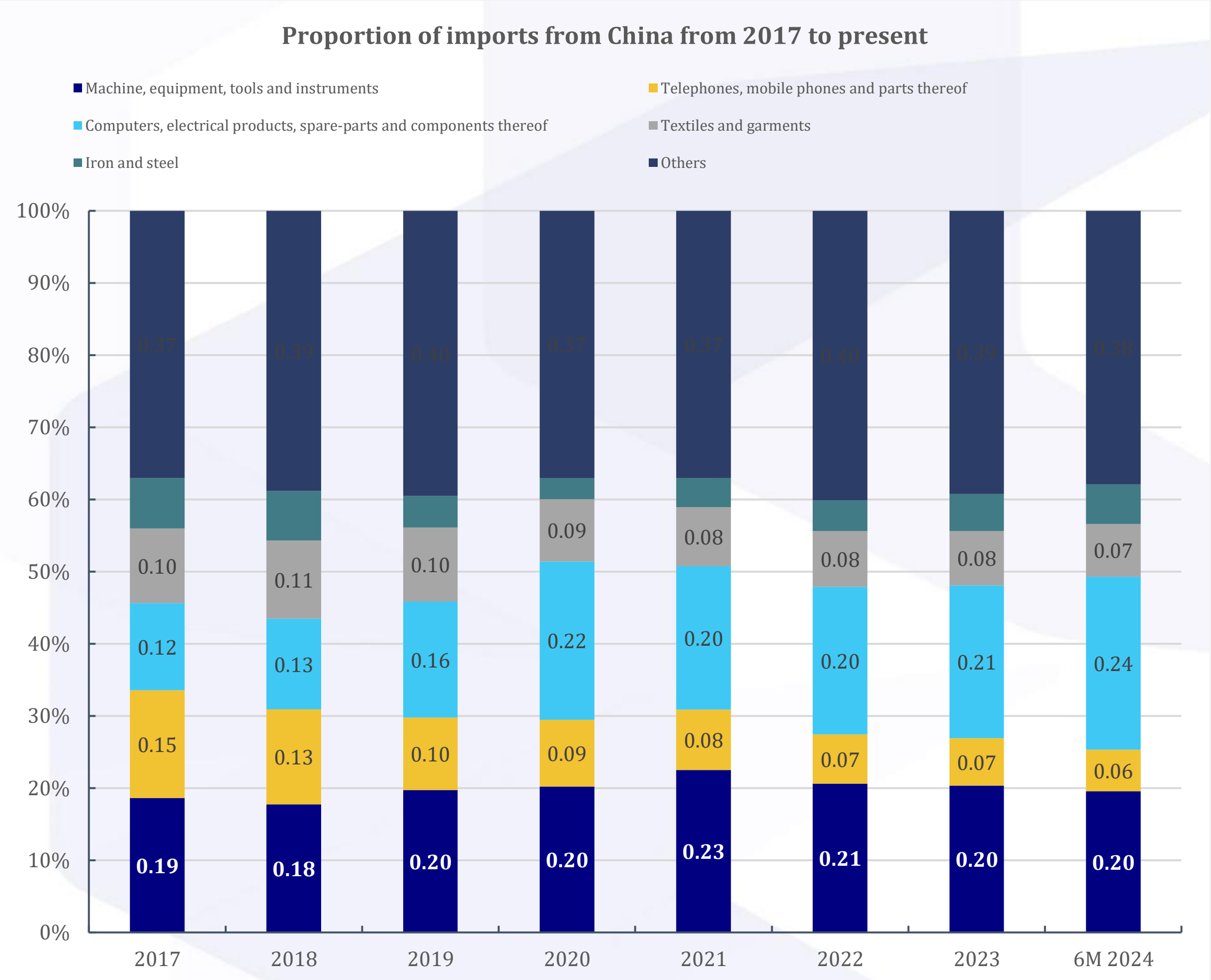
Simultaneously, Vietnam has become a major investment partner for China, which has significantly increased its investment in Vietnam. As of the end of 2023, China became the fourth-largest source of foreign direct investment (FDI) in Vietnam, with over $4.47 billion in investments for the year and leading in the number of new projects with 707. Cumulatively, Chinese investors have undertaken 4,667 projects in Vietnam, with a total registered capital exceeding $28 billion, ranking sixth among the 146 countries and territories investing in Vietnam.

This indicates that the "boom" in Vietnamese exports to the U.S. is being driven by Chinese investment. The growth in export volumes and the inflow of Chinese FDI closely align with recent increases in U.S. exports. The World Bank (WB) calculates the correlation between these two flows at 96%, up from 84% before Donald Trump's presidency.

2H OUTLOOK: High rental demand persists

2. The trade tensions between the U.S. and China are heating up again, and Vietnam is expected to continue benefiting from the "Friend-shoring" investment trend and the "China +1" strategy





Source : FiinProX, GSO, GTJAS

2H OUTLOOK: High rental demand persists

2. The trade tensions between the U.S. and China are heating up again, and Vietnam is expected to continue benefiting from the "Friend-shoring" investment trend and the "China +1" strategy

During the period 2025-2030, the expanded land quotas in various regions will facilitate the easy expansion of supply. New leasing demand will shift towards secondary industrial zones with large contiguous land ready for lease and competitive rental rates. However, alongside these criteria, the potential to attract large tenants will be concentrated in industrial zones that meet specific operational requirements of businesses (proximity to residential areas, abundant labor supply, transportation capabilities through connected infrastructure, comprehensive supporting services, including clean water supply and waste treatment, and an open legal environment). In this investment shifting trend, we anticipate the new leasing demand in the short and medium term will evolve as follows:

2.1. Trends in rental demand in Northern Vietnam: We assess that the relocation process of corporations will occur more rapidly, with the Northern industrial market benefiting directly from favorable factors such as:

(i) Geographic proximity to China – facilitating raw material imports and product exports through various transport modes: air, road, and maritime.

(ii) Most comprehensive infrastructure and logistics capabilities in the country, with a dense network of highways connecting interregional provinces to Hanoi.

(iii) Low occupancy rates in existing industrial parks and competitive rental prices compared to the Southern market.

2.2 Rental demand trends in the South:

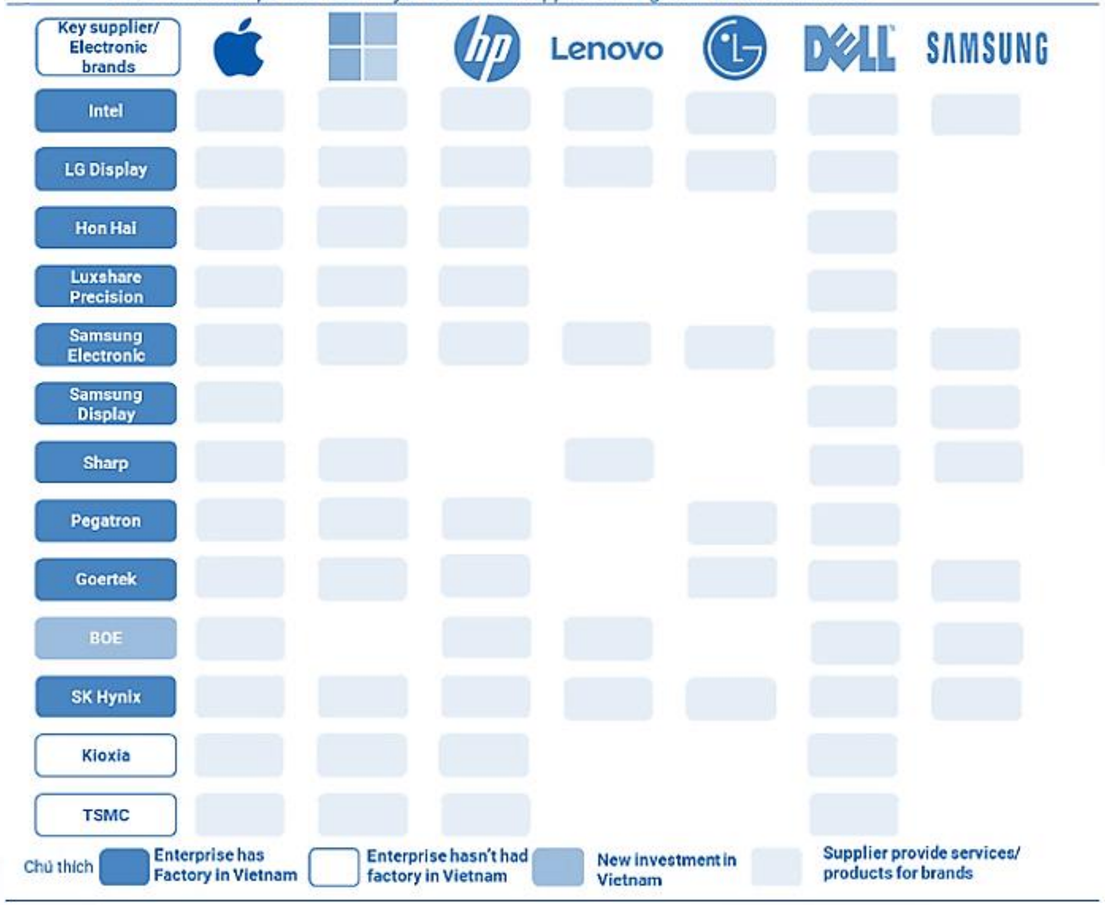
(i) Continued occupancy of industrial parks in Tier 1 markets, as infrastructure projects in the Southern region are still under development, and a large labor force remains concentrated there.
(ii) Anticipated high demand is focused on Ba Ria-Vung Tau and Long An due to: (a) Strategic location of industrial parks, serving as a gateway to the East Sea, 60 km from Ho Chi Minh City, 30-40 km from Long Thanh Airport, and positioned on the international maritime route from Hong Kong to Singapore. This area includes the Cai Mep-Thi Vai deep-sea port, a crucial port serving the Southern region and Central Coast. (b) Favorable legal policies offering numerous incentives to attract new FDI, supporting Ba Ria-Vung Tau's goal of becoming a future economic and logistics hub.
(iii) With a large and cost-effective labor force compared to neighboring countries, the Southern market is well-positioned to attract investment in labor-intensive manufacturing sectors such as textiles, plastics, and rubber production

Source : MPI, GTJAS

2H OUTLOOK: High rental demand persists

3. The capital reallocation plans of multinational corporations present opportunities for Vietnam to attract FDI inflows, thus, increasing industrial rental demand

Close relationships between major electronic suppliers and global electronic brands



The trend of shifting production investments is most clearly reflected in the expansion of Apple's supply chain in Vietnam.

According to the "Apple Supplier List 2023," there are currently 37 factories supplying components or services for Apple in Vietnam, up by 11 from 2022 and doubling the number in 2016. In addition to Apple and Samsung, which are expanding their supply chains in Vietnam, other electronics brands like HP, Dell, and LG are also utilizing products and technology services from suppliers with operations in Vietnam.

- These suppliers do not only serve a single brand but maintain close relationships with multiple brands. For example, many of Apple's suppliers in Vietnam also provide services to Dell.
- Therefore, the expansion of investment by electronic firms in Vietnam is significant not only for individual supply chains but also for creating a comprehensive electronic ecosystem in Vietnam. This allows for the provision of services/products across the entire electronics industry.

Source : GTJAS summary

2H OUTLOOK: High rental demand persists

4. The government's efforts to improve the legal environment and investment incentives aim to attract both domestic and international manufacturers

The implementation of a domestic minimum tax rate aligned with the global minimum tax rate of 15% from January 1, 2024, ensures that Vietnam retains its right to levy taxes domestically. Additionally, no taxes will be retroactively collected due to the impact of the global minimum tax on the countries of parent companies (similar to Indonesia, Malaysia, and Thailand).

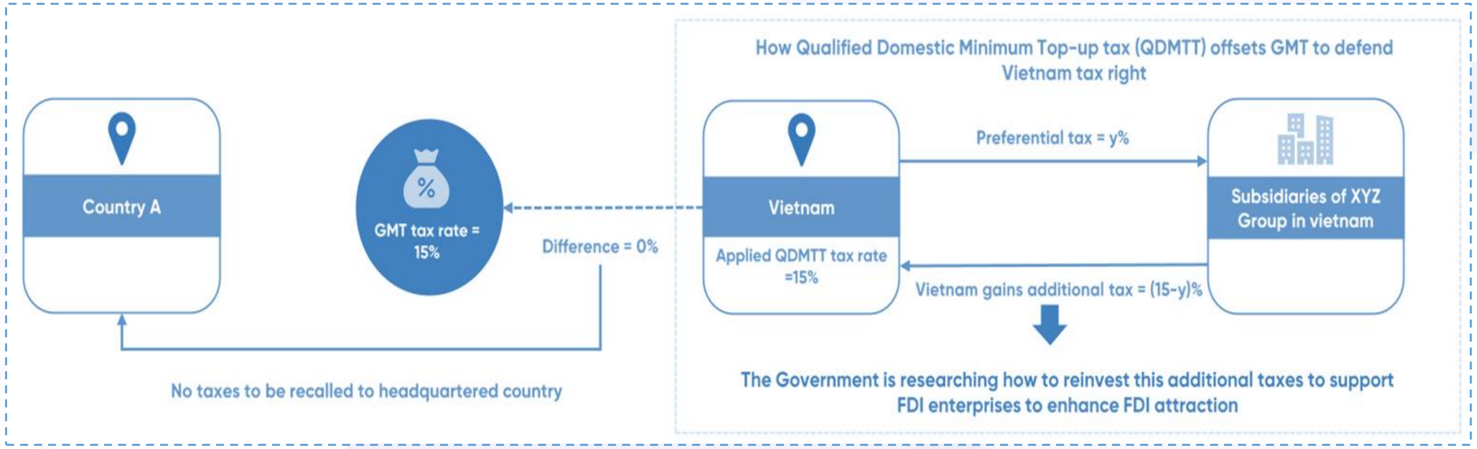
Vietnam has been an attractive destination for foreign investors due to its competitive tax incentives compared to other regional countries. However, compliance with the global minimum tax rate could erode this advantage. In response, the government has developed and is seeking public feedback on a draft decree regarding the establishment, management, and use of an investment support fund, as approved by the National Assembly in Resolution 110/2023/QH15 dated November 29, 2023.

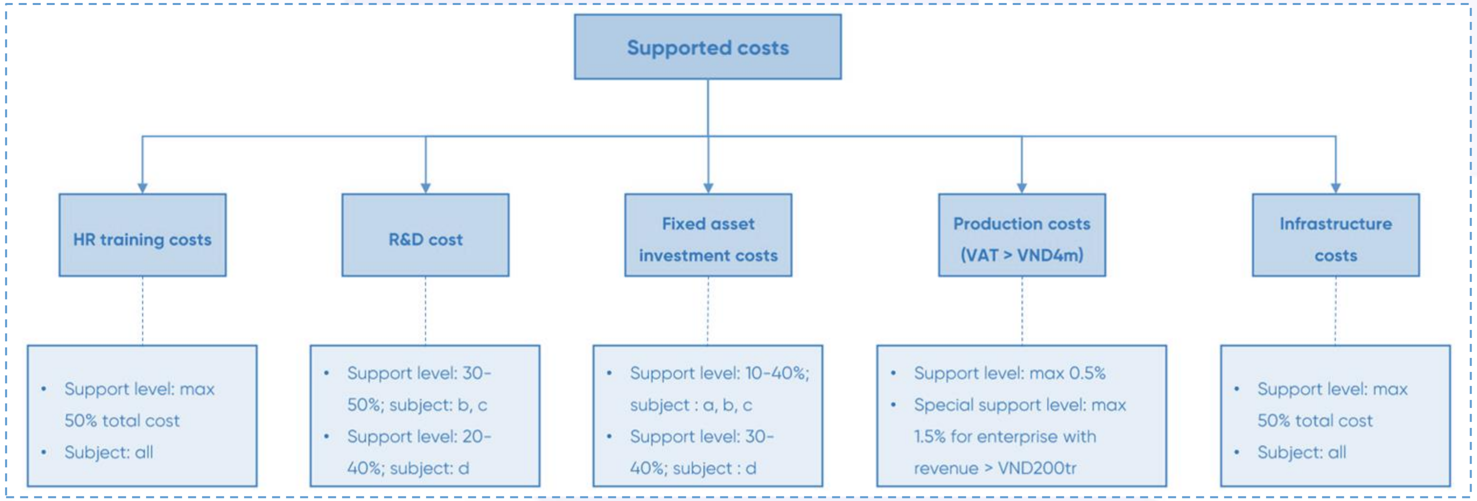
- The primary funding sources for this fund are additional corporate income tax revenues from the domestic minimum tax rate (15-y)% and other state budget sources.
- The fund provides direct cash support, which is not considered taxable income, and applies to five categories of expenses: (i) Training and human resources development; (ii) Research and development (R&D) expenses; (iii) Investments in fixed assets; (iv) Production costs for high-tech products; and (v) Social infrastructure development costs.
- Eligible entities:
  - Enterprises with high-tech manufacturing projects with an investment capital of over 12,000 billion VND or an annual revenue exceeding 20,000 billion VND.
  - High-tech enterprises with an investment capital of over 12,000 billion VND or an annual revenue exceeding 20,000 billion VND.
  - Enterprises with high-tech application projects with an investment capital of over 12,000 billion VND or an annual revenue exceeding 20,000 billion VND.
  - Enterprises with R&D center projects with an investment capital of over 3,000 billion VND.

Source: MPI, National Assembly website, GTJAS summary

2H OUTLOOK: High rental demand persists

4. The government's efforts to improve the legal environment and investment incentives aim to attract both domestic and international manufacturers





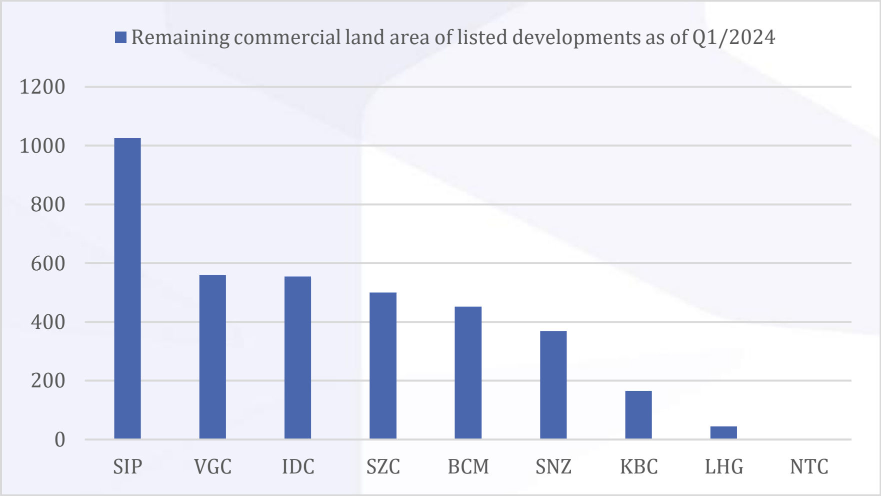
Source: MPI, KPMG, GTJAS

2H OUTLOOK: Supply remains scarce in the short term

The scarcity of new supply continues in the short term

23 new industrial park projects have been approved by the Prime Minister from the beginning of 2023, with a total area of over 6,000 hectares expected to contribute to the new industrial land supply from 2025 to 2030. However, from the second half of 2024 to the first half of 2025, the scarcity of new supply will persist. The advantage in attracting new tenants will belong to companies with substantial ready-to-lease commercial land reserves.

Economic zone	Approved time	Province	Industrial park	Area (Hectare)	Developer
Central and North Central Coast	Feb-23	Nghe An	Tho Loc (GD 1)	500	VSIP (BCM)
	Oct-23	Nghe An	Hoang Mai I	335	
	Aug-23	Ha Tinh	Bac Thach Ha (GD 1)	190	VSIP (BCM)
	Aug-23	Binh Thuan	Son My 2 - GD 1	468	
	Dec-23	Quang Ngai	VSIP II Quang Ngai (GD 1)	498	VSIP (BCM)
	Mar-24	Khanh Hoa	Doc Da Trang	300	VGC
Northern midlands and mountains	May-23	Lang Son	VSIP Lang Son	600	VSIP (BCM)
	Feb-24	Bac Giang	Phuc Son	124	
	Feb-24	Bac Giang	Viet Han mo rong	147	
	Mar-24	Thai Nguyen	Song Cong II GD 2	296	VGC
Red river delta	Mar-23	Ha Nam	Thai Ha giai doan 2	100	
	Apr-23	Vinh Phuc	Binh Xuyen II (GD 2)	63	
	Aug-23	Thai Binh	VSIP Thai Binh	333	VSIP (BCM)
	Aug-23	Hai Duong	Luong Dien - Ngoc Lien	150	
	Dec-23	Ha Nam	Kim Bang I	230	
	Mar-24	Ha Noi	Dong Anh	229	VCG
	May-24	Ha Noi	Phung Hiep	175	
Southeast region	Jul-23	Dong Nai	Long Duc 3	245	
	Mar-24	Tay Ninh	Hiep Thanh (GD1)	495	
Mekong Delta	Apr-23	Long An	Duc Hoa 1	257	
	Mar-24	Long An	Thinh Phat mo rong	113	
	May-24	Tien Giang	Tan Phuoc 1	470	IDC

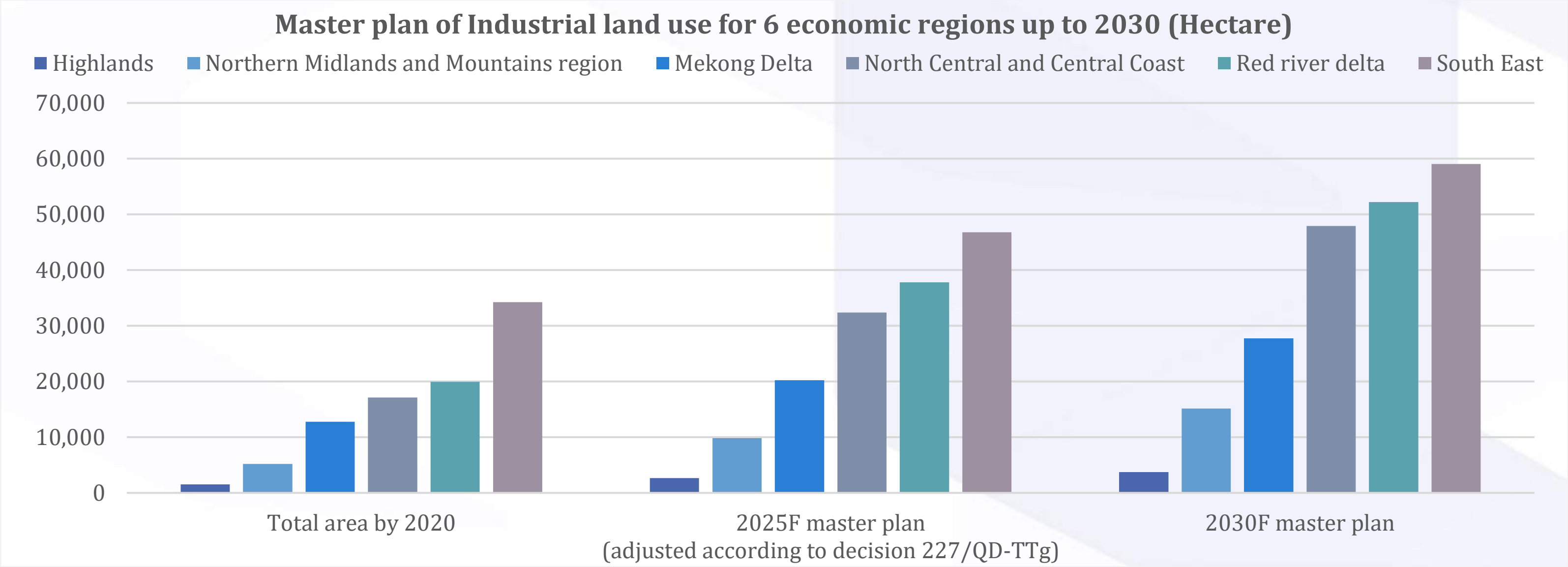


Source: Industrial Park Investment Approval Decisions, GTJAS

…however, the supply bottleneck will be alleviated in the medium and long term

Based on the national land use planning for the 2021-2030 period across six key economic regions, as per Decision 326/QĐ/TTg, it is evident that there is substantial potential for new supply with a significant land reserve being added by 2025 and 2030. By the end of 2030, the area designated for industrial park development will reach over 200,000 hectares, representing an increase of about 120,000 hectares compared to the current figure, with industrial land available for lease amounting to approximately 80-85 thousand hectare. However, the actual development of this land reserve still heavily depends on the approval progress and alignment with the planning of each province/city. The current bottleneck in new supply coming to the market in the short term primarily stems from:

- Projects encountering issues related to approval procedures or investment policy consent.
- Prolonged site clearance and land compensation processes due to disagreements over fair compensation rates for residences.
- Several key provinces in industrial park development are nearing the maximum allocation targets for industrial land by 2025. We believe that these bottlenecks will gradually be resolved through policies and regulations passed in the first half of 2024, and that new supply will be actively supplemented in the period from 2025 to 2030.



Source: MPI, GTJAS

2H OUTLOOK: Abundant new supply in the medium and long term

Policies and Laws Passed in the First Half of 2024 to boost new supply in the medium term

- **Amended Land Law 2024:**
  - **The removal of regulations on the land price framework and the issuance of annual land price tables based on market-oriented principles** allows land prices to closely reflect market values when applying the land price adjustment coefficient method (used when the state acquires land). This helps investors expedite the compensation, land clearance process, and shortens project implementation time.
  - **Specific regulations on principles and cases for applying land valuation methods** address current difficulties in determining land use rights values, thus accelerating the process for ongoing projects.
  - **Additional regulations on exemptions and reductions in land use fees and land rents** for projects utilizing land for social housing and worker housing in industrial zones create favorable conditions for investors to develop industrial parks under the new ecological industrial park model, increasing tenant attractiveness.
  - **Flexible regulations on land lease payment methods** allow investors to switch from a one-time payment for the entire lease period to annual payments, instead of only being able to switch from annual payments to a one-time payment. This new regulation will help investors reduce initial cost pressures.
- **Draft Law on Industrial Zones and Economic Zones 2024:**

  We believe that the main cause of obstacles in completing the legal procedures for industrial park projects, which prolongs the implementation time, stems from the incomplete institutional and legal framework. The legal framework regulating industrial park activities is only at the decree level, while the establishment of industrial real estate projects is legally bound by many fields. In response to this situation, the Ministry of Planning and Investment is proposing that the Government submit to the National Assembly a draft Law on Industrial Parks, which is expected to be approved in the next sessions of the National Assembly in 2024. The draft focuses on the planning and establishment/expansion of industrial park projects to improve uniformity and comprehensiveness in (1) the national industrial park development plan as well as the plan of each province/city; (2) clearly and specifically defining land use area; and (3) ensuring synchronized infrastructure connectivity to attract investment.

Source : Amended Land Law 2024, MPI, GTJAS summary

2H OUTLOOK: Abundant new supply in the medium and long term

Decision 227/QĐ/TTg, which amends land use targets, opens up a new supply trend in both Northern and Southern regions.

Potential for abundant new supply of industrial land in the North

	2025F master plan	2025F master plan (adjusted according to decision 227/QĐ-TTg)	Abs. Adjustment	2030F master plan
NORTHERN				
Ha Noi	2787	2787	-	3828
Bac Ninh	4760	5540	780	6408
Hai Phong	7262	7262	-	8710
Hung Yen	3849	4209	360	5021
Vinh Phuc	3037	3187	150	4815
Quang Ninh	3658	3808	150	5904
Hai Duong	3115	3385	270	5661
Thai Nguyen	3286	2953	-333	3286
Bac Giang	3377	3377	-	7000
Ha Nam	4027	4027	-	4627
Nam Dinh	2077	2077	-	2546
CENTRAL				
Da Nang	2023	2023	-	2412
Quang Nam	2525	2725	200	3524
Quang Ngai	2662	2352	-310	3157
SOUTHERN				
HCM City(*)	5021	5021	-	5981
Binh Duong (*)	11990	11990	-	14990
Dong Nai (*)	12470	12470	-	18543
Long An	10479	10479	-	12433
Ba Ria - Vung Tau	8550	8079	-471	10755
Binh Phuoc	4258	4908	650	7584
Tay Ninh	3580	3580	-	4269

Decision 227/QĐ-TTg, approved by the Prime Minister in March 2024, aims to supplement and adjust several land use targets in 63 provinces/cities until 2025 compared to Decision 326/QĐ-TTg.

After the adjustment, Northern provinces/cities with industrial parks (IPs) see a significant increase in the IP land fund available for use until 2025, such as Bac Ninh, Hung Yen, Hai Duong, and Quang Ninh. This creates a substantial supply of land awaiting approval and operation for new IP projects in these areas.

On the other hand, except for Binh Phuoc, the Southern market shows no change in the land fund available for use until 2025. Some key provinces/cities are nearing their allocated targets for 2025, such as Binh Duong, Dong Nai, and Ba Ria – Vung Tau. It is evident that the new IP land supply in the South does not come from the allocated land fund. Instead, the new supply trend comes from converting rubber land to industrial land.

Source : MPI, GTJAS summary

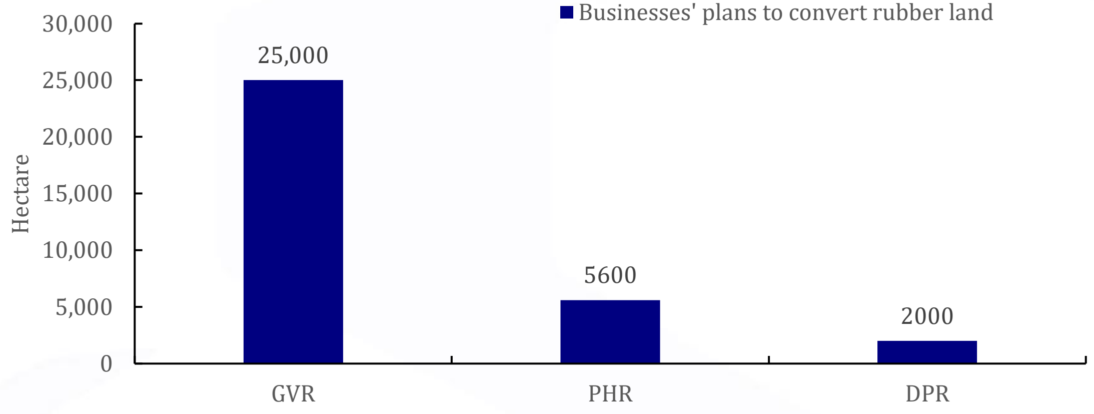
2H OUTLOOK: Abundant new supply in the medium and long term

Decision 227/QĐ/TTg, which amends land use targets, opens up a new supply trend in both Northern and Southern regions.

New supply in the Southern market comes from the trend of converting rubber land into industrial land

Province	Area of converted rubber land	
	2025F	2030F
Binh Duong (*)	1,749	2,893
Dong Nai (*)	6,760	1,641
Ba Ria – Vung Tau	1,643	2,290
Binh Phuoc	3,144	8,931

Rubber companies such as GVR, PHR, and DPR may receive extraordinary income from land handovers. Additionally, these companies can also develop their own IP projects.



According to the land use targets for each locality, by 2030, industrial land in the Southeast region will be increased by 19,000 hectares, primarily converted from rubber plantation land. We believe that converting rubber land to industrial parks has several advantages:

(1) Large contiguous land areas, with quicker land clearance and compensation due to clear legal guidelines on land valuation (According to Decree 12/2024/ND-CP, amending and supplementing some provisions of Decree 44/2014/ND-CP dated May 15, 2014, by the Government on land valuation), which forms the basis for determining transfer prices;

(2) Lower site preparation costs due to the high firmness of the land. Converting rubber land to industrial parks will help provide new supply amid high occupancy rates in Southern industrial parks such as Dong Nai and Binh Duong, which have reached over 93%.

Among them, companies with large conversion areas such as Dong Nai Rubber (100% owned by GVR Group), Dong Phu Rubber (55.81% owned by DPR - GVR), Phuoc Hoa Rubber (66.62% owned by PHR - GVR), Tan Bien Rubber (98.46% owned by GVR), Ba Ria Rubber (97.47% owned by GVR), Phu Rieng Rubber (100% owned by GVR), and Dau Tieng Rubber (100% owned by GVR) will benefit significantly in the medium and long term from this trend.

Source: Decision 227/QĐ/TTg, MPI, GTJAS summary

(1) Market share is being fragmented due to the involvement of domestic companies from other sectors and foreign industrial park developers.

Investor	Country	New implementation and expansion projects
VSIP	Singapore & Vietnam	In August 2023, VSIP initiated the construction of three new industrial parks: VSIP Can Tho, VSIP Bac Ninh, and VSIP Nghe An 2. Additionally, they received investment approval for two more industrial parks: VSIP Lang Son and KCN Son My 2 (Binh Thuan). This brings the total number of VSIP industrial parks in Vietnam to 14 projects, covering an area of up to 11,000 hectares.
SEA Logistic Partners (SLP)	Singapore	• GLP entered the Vietnamese market through a joint venture with SEA Logistic Partners (SLP) in 2020. Since then, the company has launched projects totaling 105 hectares across six locations nationwide. • In 2022, GLP announced the establishment of the GLP Vietnam Development Partners I Fund, with an investment capacity of $1.1 billion (one of the largest logistics development funds in Southeast Asia). • Following this, the company has actively invested in new projects in Vietnam.
Gaw NP Industrial	Hong Kong	• Following the success of the GNP Nam Dinh Vu (Hai Phong – 17 hectares) and GNP Yen Binh 2 (Thai Nguyen – 16 hectares) projects in 2022, Gaw NP continued its investment by developing the GNP Dong Van III ready-built factory complex in Ha Nam, covering an area of 16 hectares. This project is set to commence operations in 2024.
IDEC Group	France	• In December 2023, the construction of the Horizon Park warehouse and logistics project, covering 12 hectares in Bac Ninh, began with a total recorded investment of $55 million.
Sumitomo	Japan	• In addition to its financial sector activities, the Sumitomo Group operates industrial parks in Hung Yen and Vinh Phuc provinces with a combined area of approximately 1,012 hectares and is actively expanding its investment portfolio in Vietnam: • In June 2023, the group expanded the Thang Long II Industrial Park (Phase 3) in Hung Yen with a total investment of $500 million. • In July 2023, the group signed a memorandum of understanding with Thanh Hoa Province to develop a 650-hectare industrial park project with a total investment of approximately $400 million, scheduled for implementation between 2024 and 2025. • In August 2023, during a meeting with the Nam Dinh Provincial People's Committee, the group expressed its intention to invest in a project exceeding 300 hectares in the province.
Mapletree Logistic Trust (MLT)	Singapore	• In March 2024, MLT announced the acquisition of two projects in Binh Duong and Hung Yen for the development of logistics centers, with a value of SGD 68.4 million (approximately USD 51 million). • In May 2024, IFC announced a green loan of USD 250 million to Mapletree Investment's subsidiaries for the development of eight warehouse projects located in industrial parks across Vietnam.

Source: GTJAS summary

CHALLENGES

(1) Market share is being fragmented due to the involvement of domestic companies from other sectors and foreign industrial park developers

Investor	Country	New implementation and expansion projects
Fraser Property	Singapore	• In March 2023, Fraser Group signed a partnership agreement with GELEX to develop high-quality industrial park portfolios covering up to 80 hectares in Northern Vietnam, with a total investment of USD 250 million.
WHA Group	Thailand	• Following the success of WHA Nghe An Industrial Park phases 1 and 2, WHA Group will invest in the WHA Smart Technology Industrial Park in Thanh Hoa, with an area of 540 hectares.
Ha Do Group (HDG)	Domestic enterprises outside the industry	• In Q1 2024, the People's Committees of Ninh Thuan, Hung Yen, and Long An provinces announced research into industrial parks in their areas, with a total planned area of approximately 1,000 hectares.
Hoa Phap Steel Group (HPG)	Domestic enterprises outside the industry	• In March 2023, the annual report outlined a plan to develop a total of 10 industrial parks over the next 10 years, including 3 existing industrial parks with a total area of approximately 1,100 hectares.
Binh Duong Mineral And Construction JSC. (HSX: KSB)	Domestic enterprises outside the industry	• At the 2024 annual general meeting, it was shared that the company currently owns 900 hectares of industrial land and plans to increase this to over 1,500 hectares by 2030.

(2) The costs of site clearance and site preparation increase when the new compensation price framework is applied.

Land use fees and compensation costs, including site clearance and preparation, are trending upward. We anticipate that land use fees for developers will significantly increase from 2026, as land prices will be determined based on market principles. Additionally, rising project development costs, particularly for infrastructure and construction materials, will exert pressure on rental prices. Industrial parks that were developed and invested in infrastructure earlier will have a competitive advantage due to their lower capital costs, allowing developers to flexibly adjust rental rates to attract tenants.

Source: Project website, IR, GTJAS

I. The business performance of listed companies in Q1/2024.

The contrast in business performance is clearly reflected in the results for Q1/2024 and stock price trends in the market. Companies that have completed land handovers and new industrial land leases, with promising medium- and long-term prospects, have reported favorable business results and stock price movements.

Stock code	Market cap	Net revenue Q1/2024 (VND b)	%Rev YoY	Net profit Q1/2024 (VND b)	%Net profit YoY	Debt/Asset Q1/2024	ROE Q1/2024	Basic P/E	P/B	Notes
Industrial park developer										
KBC	21,723	152	-93%	-77	-95%	0.49	5.41%	22.21	1.20	Q1/2024 did not record industrial park land rental revenue
IDC	19,833	2,467	**115%**	797	**262%**	0.63	39.83%	10.22	3.83	• In the industrial real estate sector, approximately 34 hectares were handed over, mainly from the Phu My 2, Huu Thanh, and Que Vo 2 industrial parks. New leases in Q1 reached 26 hectare. • In the residential real estate sector, there was a significant increase in net income due to the transfer of 1.4 hectares of land to AEON Vietnam by the subsidiary CTCP Idico Linco (UPCOM: LAI).
BCM	70,898	812	3%	119	41%	0.64	13.94%	28.73	3.81	
SZC	7,154	214	**238%**	65	**187%**	0.63	13.58%	17.81	2.41	Revenue mainly comes from leasing contracts of Sonadezi Corporation (UPCOM: SNZ), with a portion also coming from smaller investors (leasing areas of 1-2 hectares).
NTC	5,200	57	-2%	65	-1%	0.78	30.08%	18.24	5.07	
VGC	23,449	2,639	-5%	237	11%	0.58	15.37%	19.04	2.92	
SIP	18,169	1,826	**31%**	258	**17%**	0.81	29.42%	17.53	4.77	In Q1, 80% of revenue came from growth in the electricity and water supply sector (+31% YoY). Electricity production increased by approximately 15% YoY, driven by higher electricity usage from tenants in the export sector, such as textiles, which recovered production due to receiving more orders.
LHG	2,186	76	-34%	31	-30%	0.47	9.61%	14.63	1.34	
ITA	3,800	71	16%	20	27%	0.15	2.03%	18.36	0.37	
TIP	1,736	38	21%	28	14%	0.13	12.39%	8.25	1.00	
Rubber										
PHR	8,374	323	-1%	78	57%	0.35	13.12%	17.92	2.25	
GVR	152,800	4,585	11%	650	7%	0.27	5.01%	60.85	3.01	
DPR	3,866	187	4%	62	19%	0.27	8.55%	18.92	1.62	
VRG	727	5	5%	-2	-71%	0.61	54.62%	3.77	1.80	

**Data at the end of trading day on July 15, 2024*

Source: FiinPro, GTJAS

II. Recommendation

We value companies with substantial available commercial land for lease in strategically located industrial parks, ensuring logistical capabilities to meet current high rental demand. Additionally, companies with strong project execution capabilities, managing several industrial park projects and promptly expanding their land reserves to capture demand from new FDI investment waves, are favored. Consequently, we are inclined towards IDC and SZC stocks for the second half of 2024.

Stock code	Recommendation	Target price	Investment castalysts
IDC	Hold	65,000	- The largest backlog in the past 10 years, approximately 118 hectare (96 hectare from signed MOU in 2023 and 22 hectare from signed MOU in Q1 2024), supports business prospects in the coming quarters. - The available commercial land is substantial, exceeding 550 hectares. Among them, Huu Thanh IP (Long An) has 258 hectares of remaining land, and Phu My II IP and its expansion (BRVT) have 170 hectares of commercial land. This will be the main driver of revenue and profit growth for the company in the short term, benefiting from the FDI investment shift into BRVT and Long An, as well as potential rental price growth due to infrastructure boosts from Cai Mep - Thi Vai Port and Long Thanh International Airport. - The company aims to develop a substantial new supply with 9 industrial park projects underway, with 2,480 - 2,820 hectare from North to South. Notably, KCN Tan Phuoc 1 (Tien Giang) has received investment approval and is expected to start selling from Q3 2025, adding over 400 hectares to IDC's land portfolio.
SZC	Positive	39,000	SZC is expected to recognized revenue from 50 hectares of industrial land leased in 2024F, specifically: (i) 14 hectares leased to companies related to the Sonadezi group. (ii) 18 hectares leased to other clients, with an estimated rental price of around 90 USD/m^2. (iii) 18 hectares recorded as revenue from the Tripod group. On May 13, 2024, SZC announced that it has signed a land lease agreement with Tripod, with revenue expected to be recognized this year. Tripod's continued investment in Vietnam over the past two years and at KCN Chau Duc is anticipated to attract additional satellite companies in the electronics technology sector to invest in the future.

Data at the end of trading day on July 15, 2024

Source: FiinPro, Annual reports, AGM, GTJAS

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