

VIETNAM

INDUSTRIAL PARK

Infrastructure Development Report

Q2/2022

CURRENT STATUS
AND GROWTH PROSPECT



**All data included in the Report has been updated to Q2/2022
The projects images were supplied by NewCC, Pebsteel, Atad Steel và Dai Dung Corporation*



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I. THE MACRO FACTORS AFFECT TO INDUSTRIAL PARK INFRASTRUCTURE DEVELOPMENT

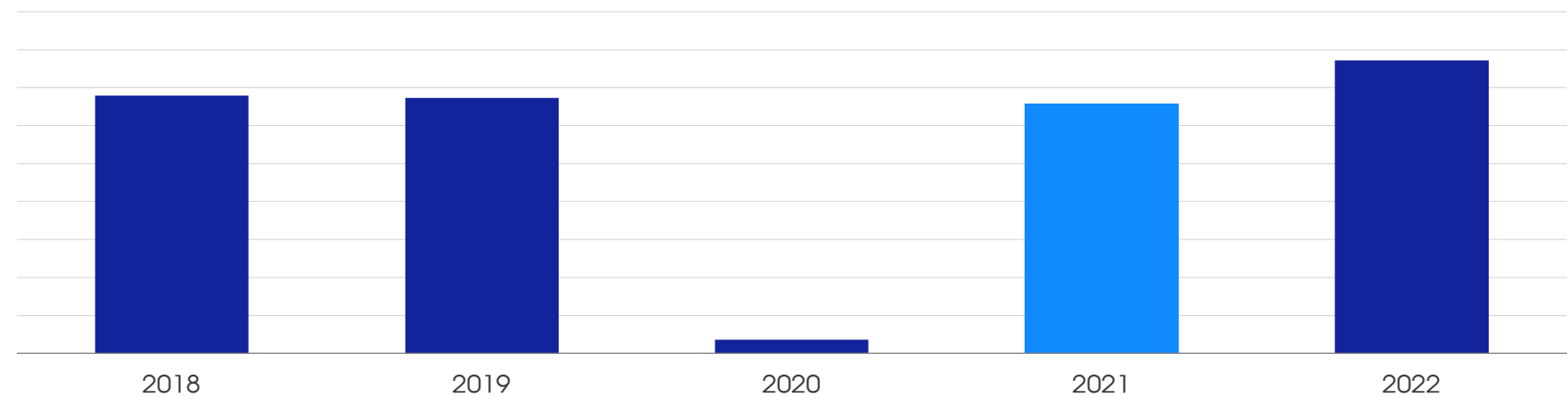


1 - GROSS DOMESTIC PRODUCT GROWTH IN VIETNAM (GDP)

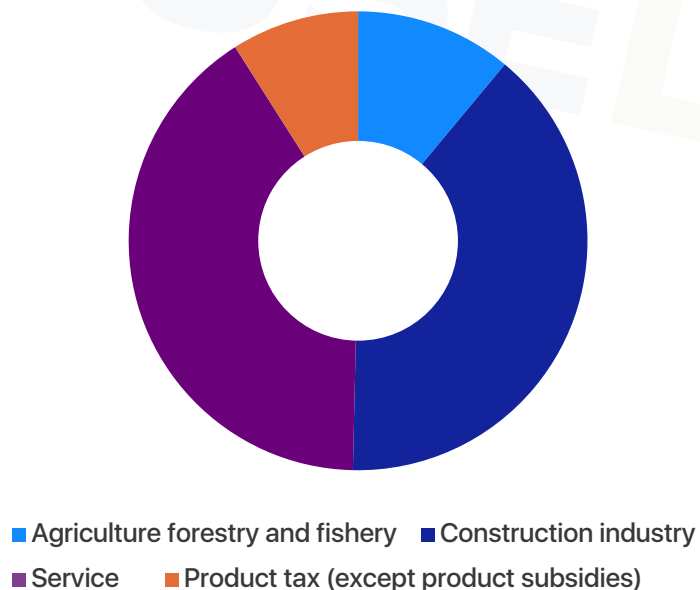
In the second quarter of 2022, the country's GDP growth estimate increase 7.7% compared to Q2/2021 according to the calculations of General Statistics Office of Vietnam. This is the highest Q2 growth rate for 10 years. In the context that the world situation is still complicated with inflation shock in many countries at the beginning of 2022 and Vietnam is in the first stage of the growth after the pandemic, this growth figure is really impressive, showing that the economy is getting thriving. In which, more than 39% contributed to the increase from the Industry and Construction.

From the beginning of the year until now, Vietnam has always been appreciated by international organizations about the ability to economic growth due to appreciate anti-pandemic strategy while promoting the implement of economic-social recovery programs and activities. Most of the forecasts about the Vietnam's GDP growth in 2022 are at about 6%, especially S&P Global Ratings predicts Vietnam's GDP growth may even reach 6.9%. Although the figure of annual Q2 growth in Vietnam tends to increase and forecasts about GDP growth in 2022 is also optimistic, Vietnam is still facing to many risks affecting to the economic development such as Russia-Ukraine war, China's zero- covid policy, the sanctions imposed on Russia,...

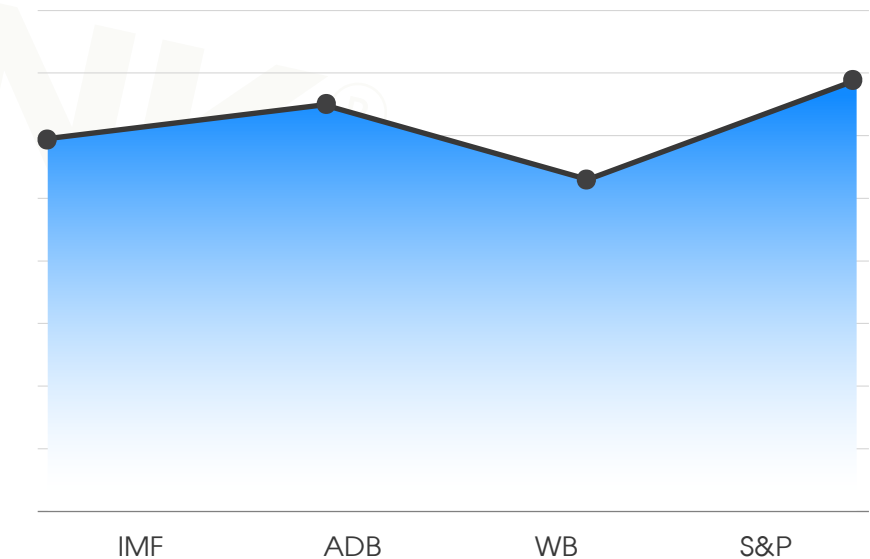
GDP GROWTH IN 2ND QUARTER PER YEAR



GDP BY ECONOMIC SECTORS Q2/2022



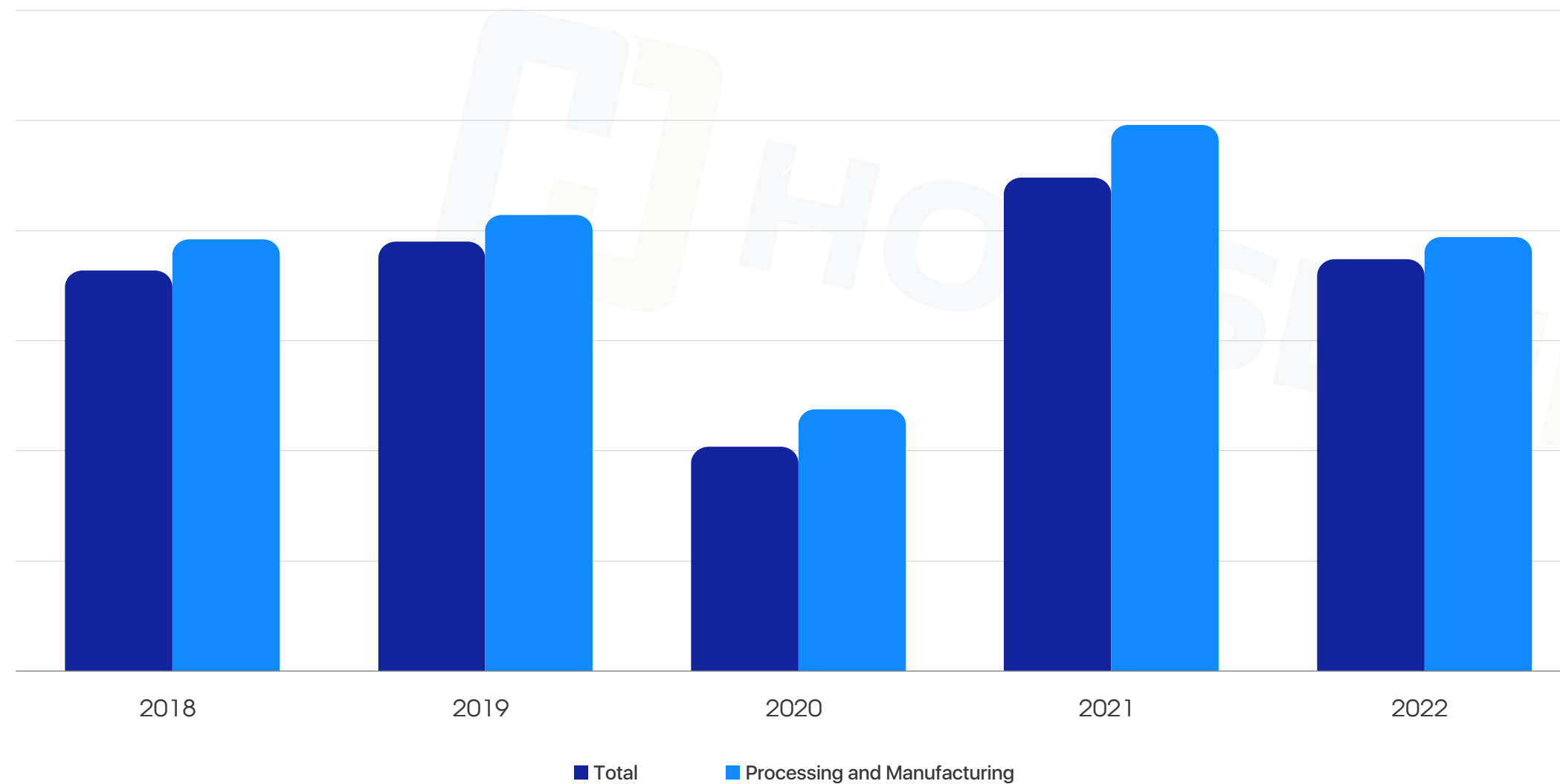
VIETNAM GDP GROWTH FORECAST IN 2022



Source: GSO, HOUSELINK

2 - INDEX OF INDUSTRIAL PRODUCT (IIP)

IIP IN THE FIRST 6 MONTHS OF 2022



In the first 6 months of 2022, IIP in Vietnam increases about 9%, of which the manufacturing industry increases the most about 10%. The total of the IIP and the manufacturing industry in 2022 are lower than the growth rate of the same period in 2021 and only higher than the rate of 2020, almost equal to the rate of the same period in 2018. Despite of maintaining the growth rate from appearing the pandemic, the world's price fluctuations, rare materials, especially the price of materials increases highly due to Russia-Ukraine war and China's Zero-covid policy has restrained the growth of product output.

Source: GSO, HOUSELINK

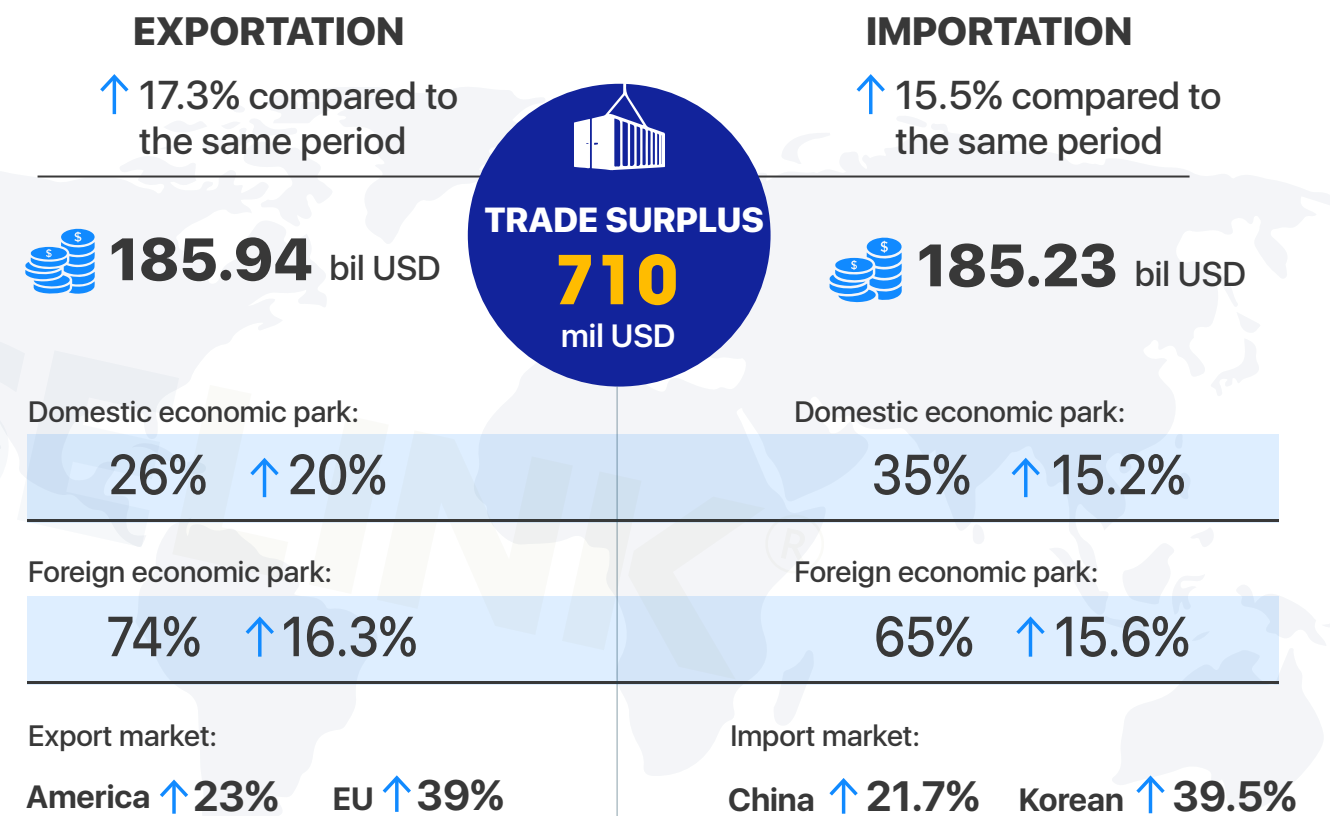
3 - EXPORTATION- IMPORTATION IS A BRIGHT SPOT IN THE FIRST SIX MONTHS OF 2022

In the first 6 months of 2022, the total of export turnover in Vietnam reaches more than 185 billion USD, up 17.3% over the same period last year. In which, foreign economic sector contributed to 74% of export market share. The FDI enterprises are still major export group in Vietnam market. The largest export market of Vietnam is America and in the first 6 months of this year, the EU market has surpassed the China market to become the second largest export market of Vietnam with the growth rate of 39% compared to the same period. However, with some risks from China's lockdown policy, the consecutive decline consumer confidence index and the rising unemployment rate in key export countries of Vietnam are existing risks for export status in the remaining 2 quarters of 2022.

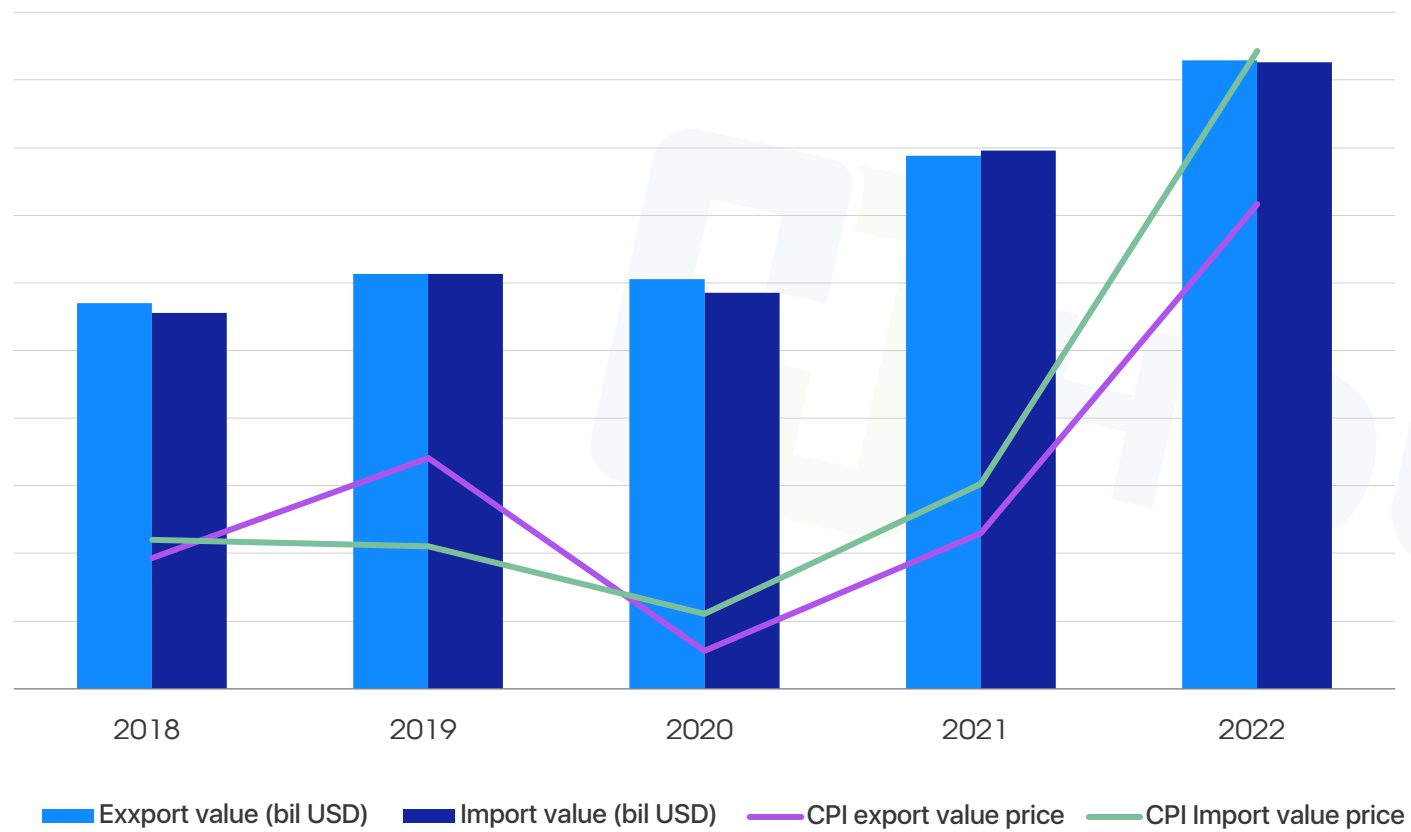
The import market recorded an increase of 15.5% compared to the same period last year, import value reached more than 185 billion USD. FDI enterprises still account for 65% of the import market. As noted, Vietnam imported the most from China, Korea. In the first 6 months of 2022, trade balance of

Vietnam reached 710 million USD in surplus (trade surplus). While at this time of last year, Vietnam had a trade deficit 1.86 billion USD, this is a positive finger for export-import at the beginning of this year, it is forecast that export- import market will continue to be vibrant and expect to reach 700 billion USD as the government's target.

At the beginning of 2022, due to Ukraine war's effect, energy price increases highly. Although Vietnam's export to Russia and Ukraine only accounts for a small amount of output, this war caused a supply chain disruption for involved countries which pushed export price index in the first 6 months of 2022 up to 8% and import price index recorded a particularly high increase of 11.2% compared to the same period last year. This can cause some difficulties for Vietnam's export market due to some countries will import from Vietnam's cheaper sources in the context of rising inflation in developed countries.



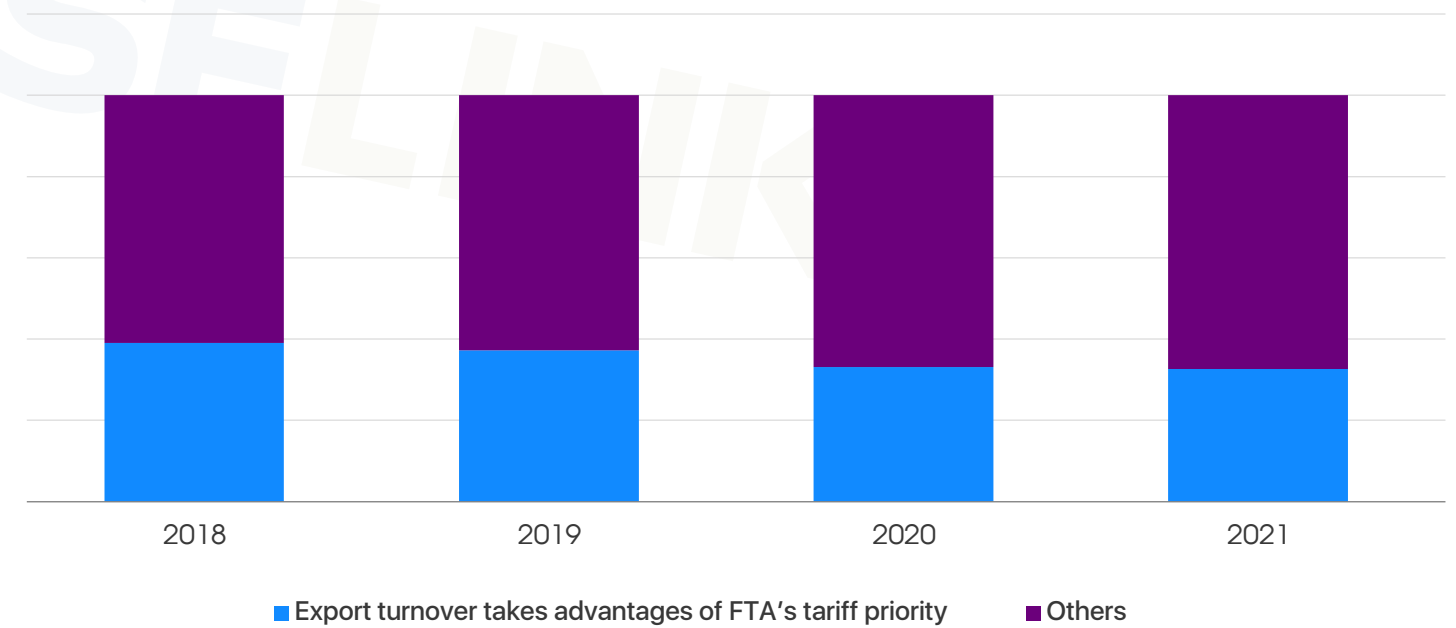
IMPORT-EXPORT VALUE AND CPI OF VIETNAM IN 6 MONTHS OF 2022



Source: GSO, General of Department Vietnam Customs, HOUSELINK

According to statistics, Vietnam took part in 17 FTAs, in which 2 agreements are negotiating and 15 agreements are valid. In which, exporting to signed FTA market with Vietnam tend to decline from 2018 to 2021. One of some reasons for this decline is that some countries in the FTAs have had trade agreements to Vietnam before with looser regulations and equivalent tariff. However, it should be recognized Vietnam hasn't fully exploited the advantages these FTAs bring, in which Vietnam is facing to many about the rules of origin, requiring goods must use materials from countries included in the agreement or designated. Meanwhile, materials are mainly imported from China, so the output of goods can be exported according to the agreement's requirement is not still high.

TOTAL EXPORT VALUE TO FTA MARKETS



Source: VCCI, MOIT, HOUSELINK



II. SOME FACTORS DIRECTLY AFFECT TO ATTRACTING INVESTMENT CAPITAL TO THE INDUSTRIAL PARK

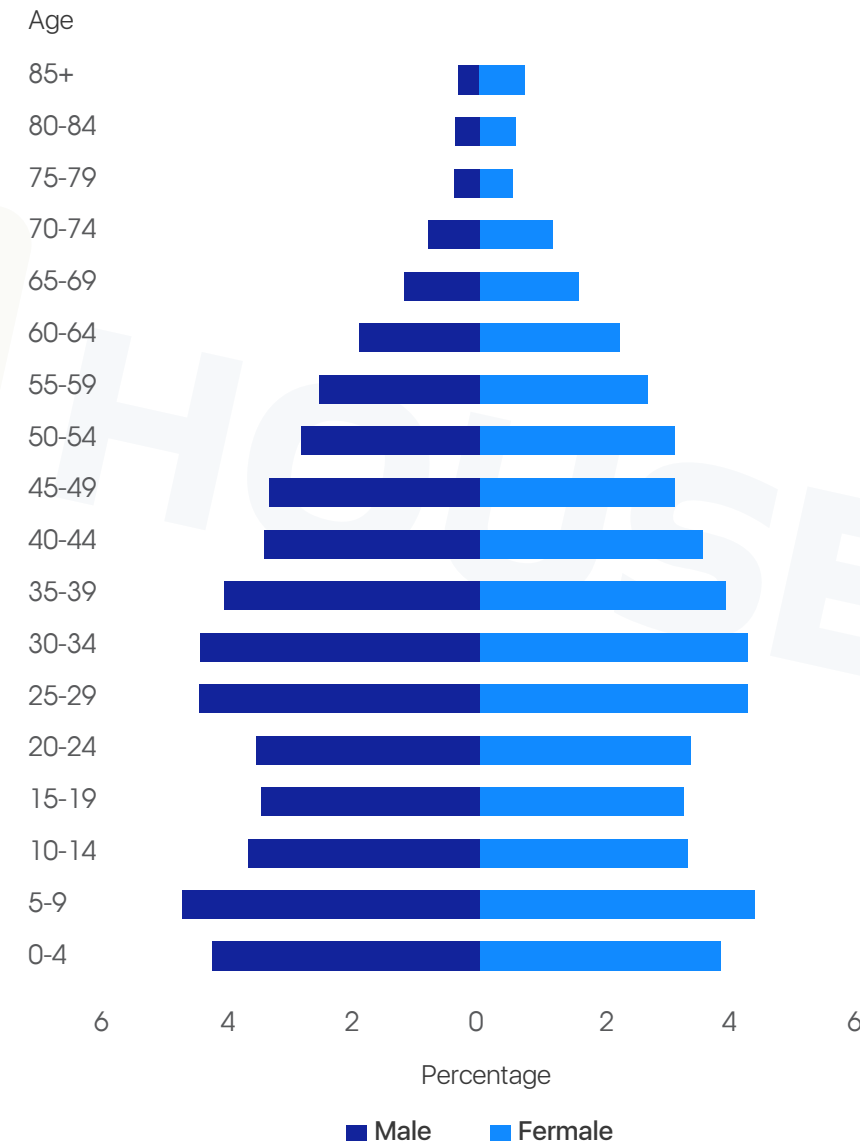


1 - LABOR

In the end of 2020, according to GSO's survey, Vietnam is in golden population structure. In which, people of working age from 15 years old and above are evenly allocated among regions and the number of workers in the industry and construction tend to grow.

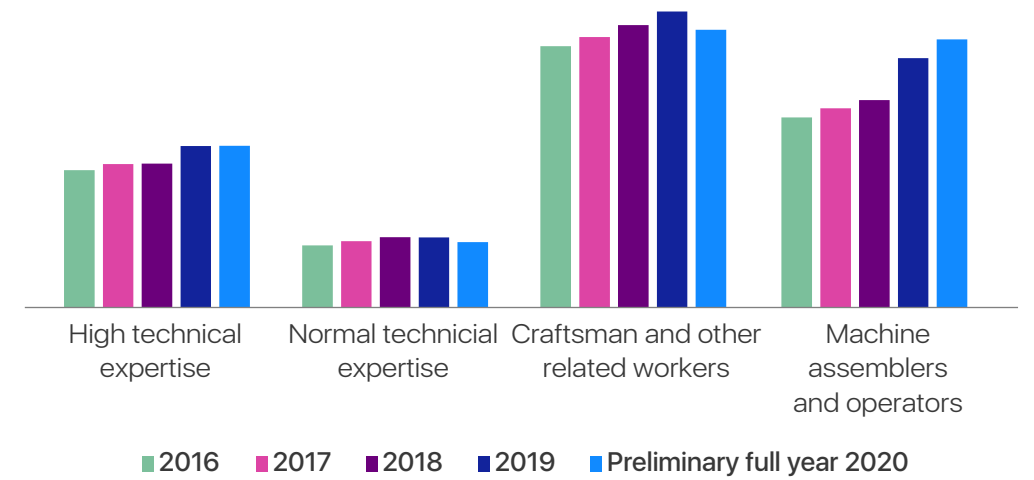
However, in terms of occupations, the number of medium and high skilled workers still accounts for low rate, especially in FDI enterprises, most of careers is mainly low and medium- skilled workers. Finding highly- qualified workers, especially the management level and above is a difficult problem in labor market in Vietnam today.

PERCENTAGE DISTRIBUTION OF HOUSEHOLD POPULATION BY AGE GROUP AND SEX



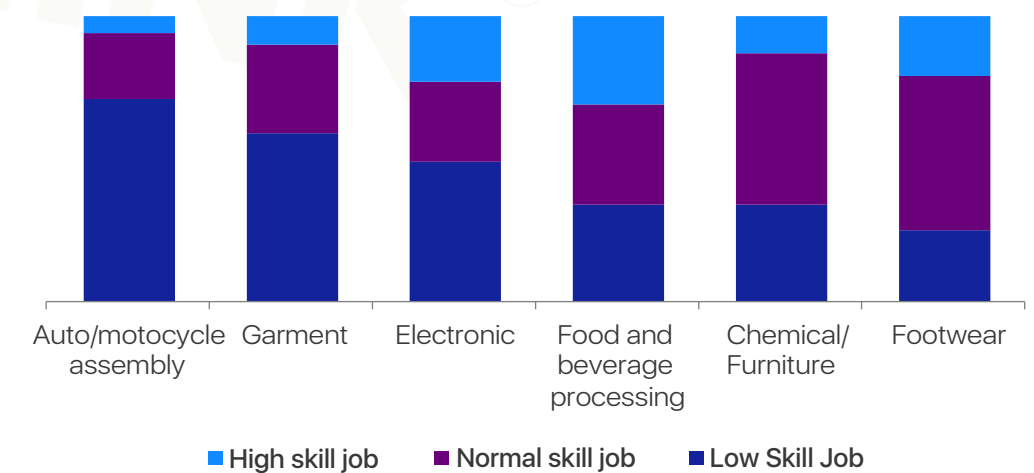
Source: UNICEF, GSO

EMPLOYEES OVER 15 YEARS OF AGE BY OCCUPATION



Source: TCTK, HOUSELINK

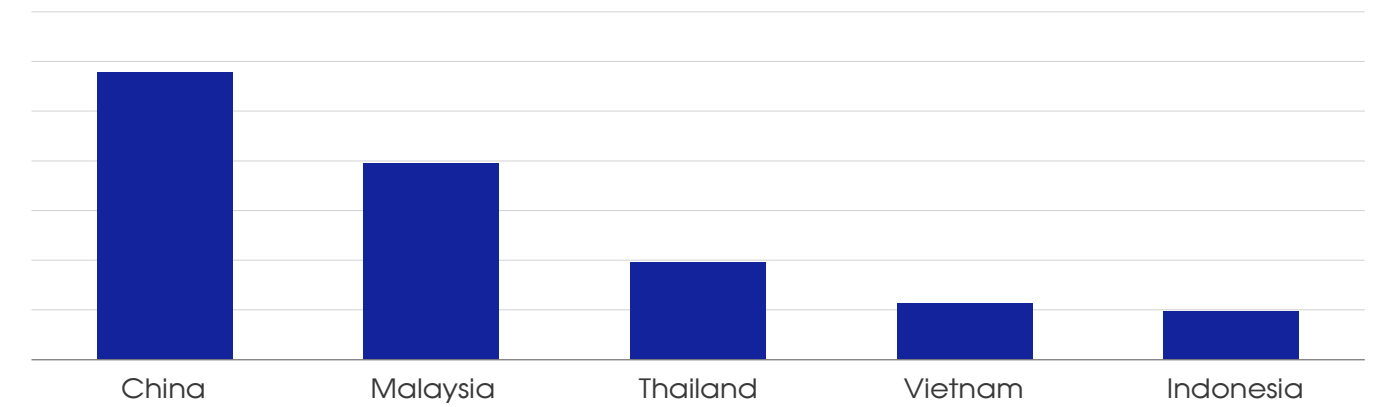
LABOR STRUCTURE IN FDI ENTERPRISES BY SKILL LEVEL



Source: ILSSA, HOUSELINK

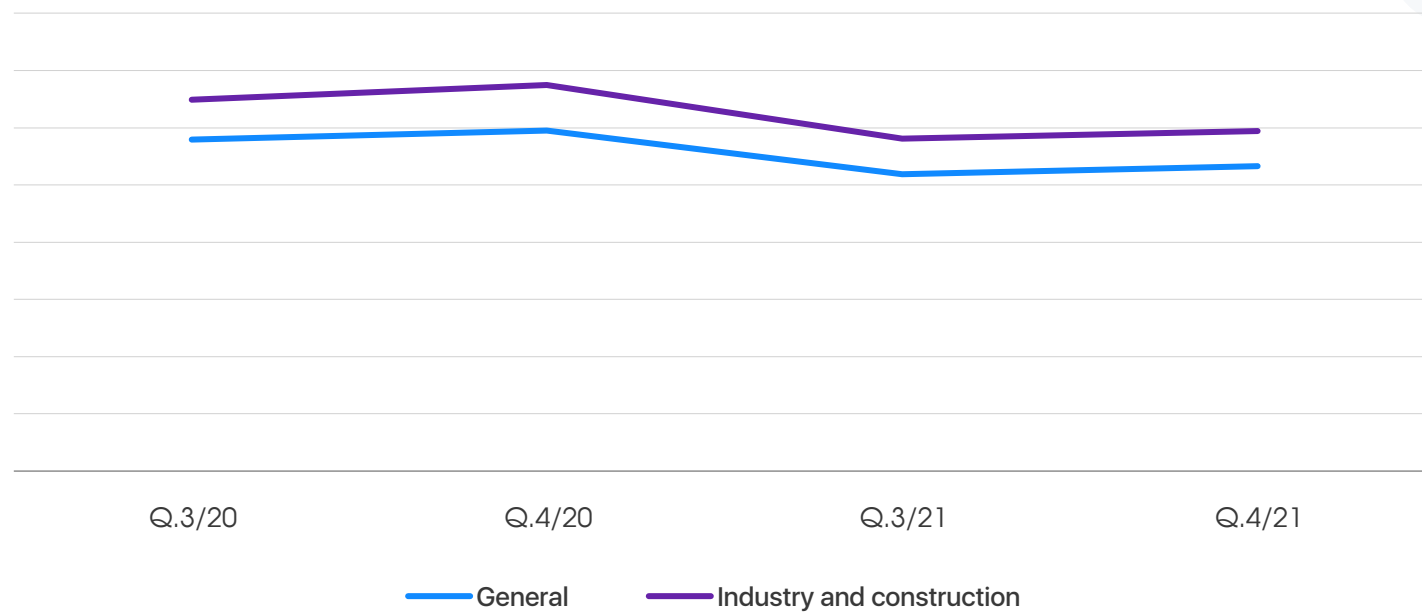
The average income of workers in the Industry and Construction is higher than the general income. However, compared to 2020, the income went down in the Q3 of 2021 because this is a difficult period due to the impact of Covid 19 pandemic. In the Q4 of 2021, this figure increased but the increase is still low. Especially, when comparing to other countries in the region, wages for laborers in Vietnam are still low compared to neighboring countries such as China, Thailand, Malaysia. This is one of factors which helps Vietnam become an attractive place of foreign investors. Even if Vietnam applies a 6% salary increase in 2022, in general, this increase is not too large compared to other neighboring countries.

AVERAGE WAGE IN THE COUNTRY (USD/MONTH)



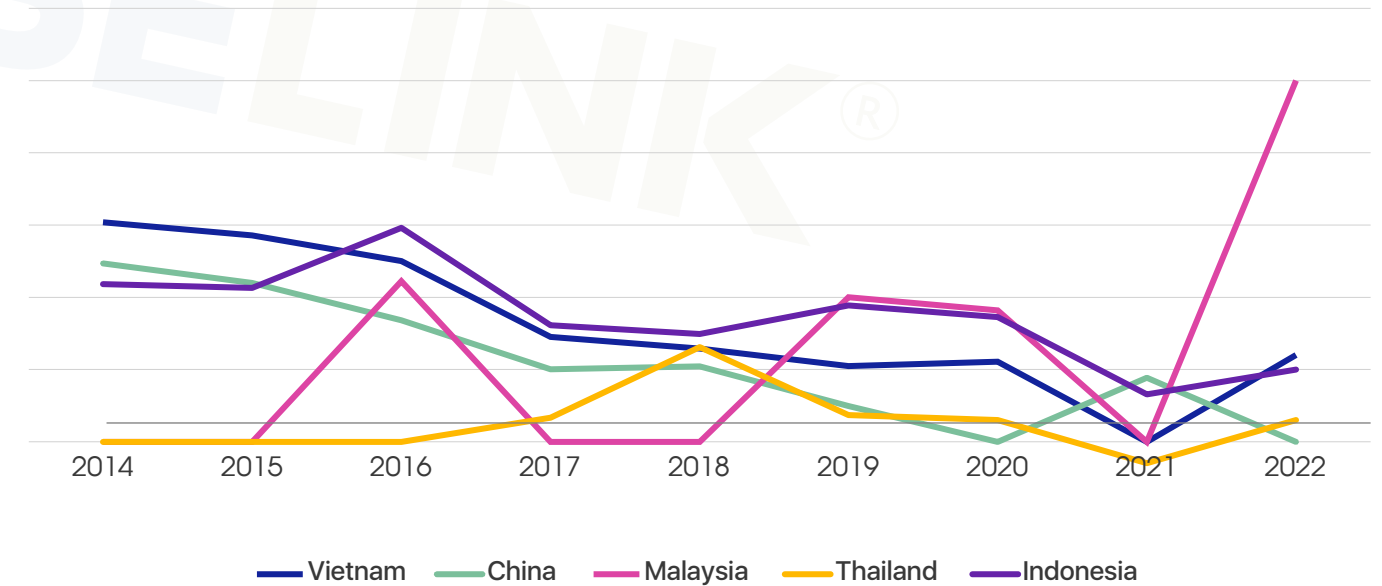
Source: Trading Economics, HOUSELINK

AVERAGE INCOME OF EMPLOYEES PER MONTH (MIL VND)



Source: GSO, HOUSELINK

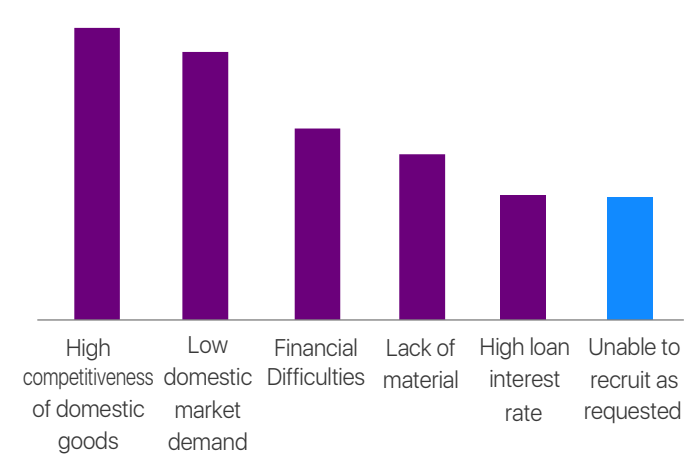
MINIMUM WAGE CHANGES DURING 2014 - 2021



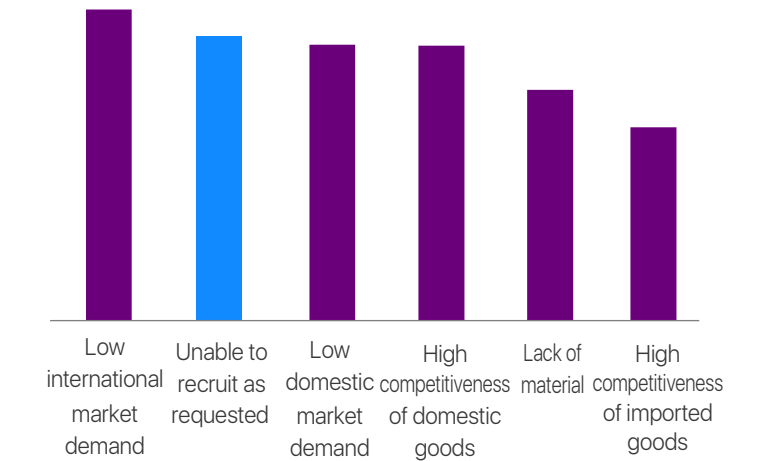
Source: Trading Economics and Vietnam's Law, HOUSELINK

One of the biggest difficulties in implementing producing trading activities is recruiting on-demand workers. Especially for FDI enterprises, this labor issue is the second among the most affected problems. After 2 years of the impact of Covid 19 pandemic and the high price of materials and other essential products, the tendency of workers looks for opportunities in a better income environment. Moving to locality due to urban area's prohibitive cost led to have a difficulty in recruiting labors. The interest of Industrial park or the Investor, promoting the development of social utility infrastructure such as houses, schools,... in addition to competing on income level with other companies which attract more long-term labor force to the business.

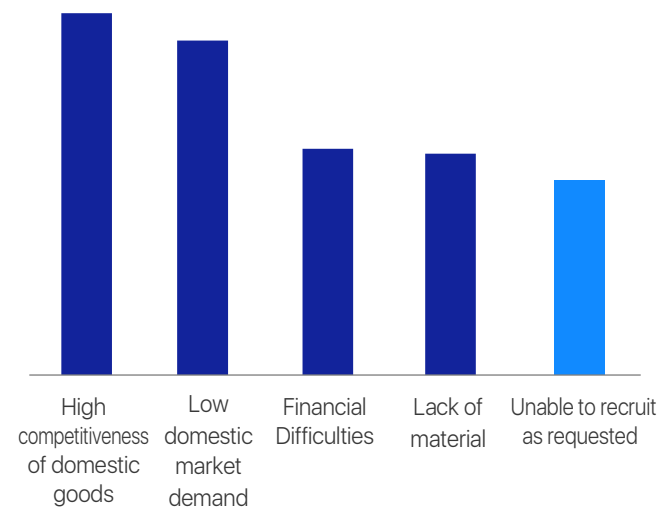
NON-STATE ENTERPRISE SECTOR



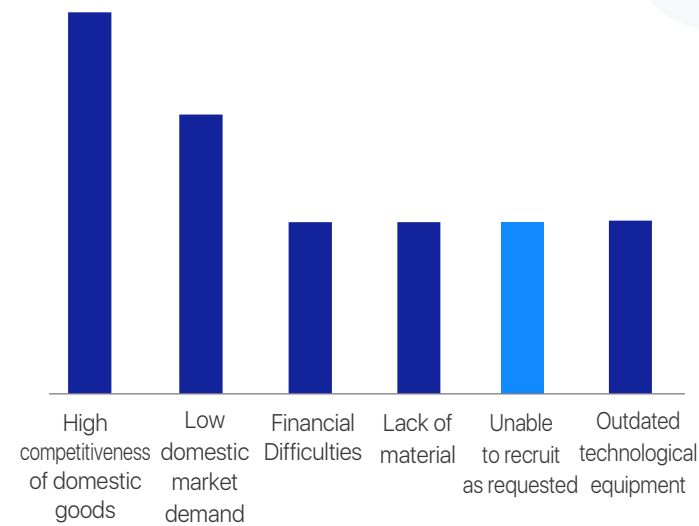
FDI ENTERPRISE SECTOR



ALL INDUSTRIES

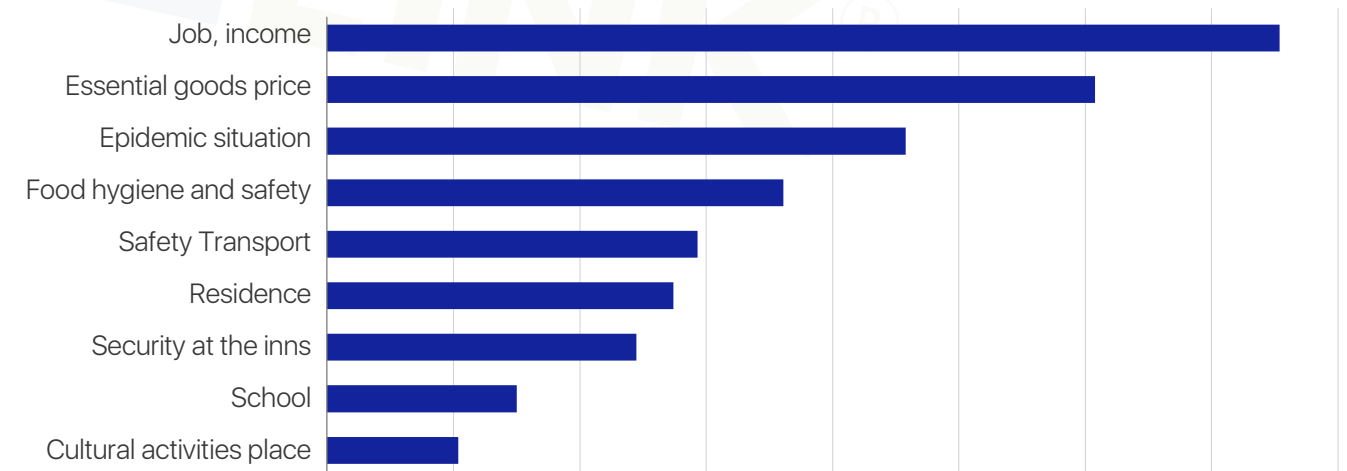


STATE-OWNED ENTERPRISE SECTOR



Source: GSO, HOUSELINK

CONCERNS OF WORKER IN VIETNAM



Source: Vietnam General Confederation of Labour, HOUSELINK compiled

Source: GSO, HOUSELINK

2 - THE GOVERNMENT PREPARES TO APPLY MANY POLICIES TO ATTRACT AND PROMOTE INVESTMENT

Replacing for Decree No. 82/2018/ND-CP on management of Industrial parks and Economic parks is Decree No. 35/2022/ND-CP on management of Industrial parks and Economic parks which is officially effective from July 15th 2022. This new decree is expected to help improve the business and investment environment, reduce administrative formalities for enterprises... Some of the main points of Decree No.35 can be mentioned as follows:

DECREE NO. 35/2022/ND-CP

Establishing Industrial park

- To abolish regulations on formulation, adjustment, supplementation and approval of development plannings of industrial parks and economic parks. Replace with regulations on construction direction, development plan for the system of industrial parks and economic parks which are implemented in accordance with the law on planning.
- To abolish the procedure for establishing industrial parks. The industrial park is determined to have been established from the date the competent authority decides or approves the investment policy and/or other certifications.

Supporting Industrial park, Specialized Industrial park, High-tech industrial park

- The State stimulates and takes measures to support organizations, individuals to invest in new or convert all or part of an established industrial park into operation form of supporting industrial park and specialized industrial park, high-tech industrial park.
- To exempt, reduce land leasing cost, prior to given to credit loans, included in the investment attraction list

Eco-industrial park

- To exempt, reduce land leasing cost, prior to given to credit loans, included in the investment attraction list
- Priority loans from many Vietnam funds
- Priority to participate in technical supporting programs, investment promotion programs
- Priority to provide relevant information on the technology market, ability to cooperation to implement industrial symbiosis in the field of production and business of enterprises

Expert and labor support

- Experts, labors are allowed to temporarily stay or stay at accommodation establishments in industrial parks to serve production and business activities of enterprises and comply with regulations. In case of necessity, foreign experts, managers and directors are allowed to temporarily reside at enterprises in industrial parks
- The State encourages organizations, individuals to invest in housing construction so that employees who are working in industrial parks, economic parks can rent, buy and hire-purchase

In addition, the Government also implements a number of preferences for foreign investors to attract more foreign investors to come and develop business in Vietnam such as:

• Preference about land

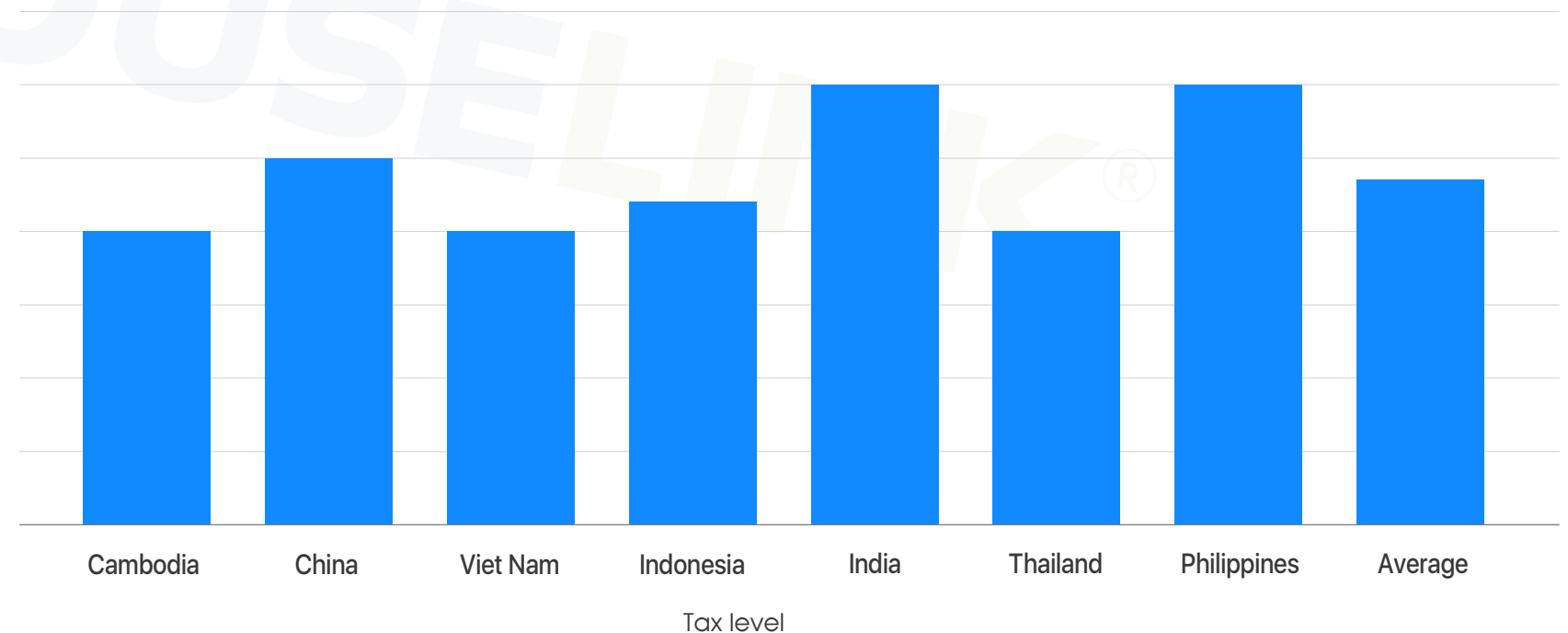
- (i) 50% reduction of land rent from 2011-2014;
- (ii) To adjust down the ratio of calculating the general land rental unit price from 1.5% ->1%
- (iii) To apply land price adjustment coefficient in determining land price to calculate land rent.

• Preference about tax

- (i) Capital tax exemption: The Government does not levy taxes on transfers and gains from shares
- (ii) Exemption and reduction, corporate income taxes (CIT): The highest preferential tax rate is 10% for a period of 15 years and tax exemption for 4 years, 50% production of payable tax for the next 9 years, for new investment projects in a number of special fields, stimulating such as information and technology, software, renewable energy, environmental protection...
- (iii) Exemption and reduction of other income taxes (sales tax, revenue)
- (iv) Exemption and reduction of imported capital goods (capital)

In the context of globalization and international intergration, some countries especially emerging and developing countries, are always trying to attract foreign investment, mainly based on tax preferences. According to the survey result of Tax Foundation in 2021, Vietnam’s nominal corporate tax rate I at 20%, this is an attractive tax rate. In February 2022, Vietnam officially joined the Multilateral Convention on the Implementation of Agreement-Related Measures to Prevent Tax Base Erosion and Profit Shifting (MLI). Accordingly, from 2023, the provision of the global minimum tax rate of 15% is expected to be effective. The tax rate is set in order to avoid the situation of countries with deep preferential tax reduction, tax evasion, tax avoidance,... Vietnam has right not to apply all of the contents but applying the global minimum tax also affects to the competitiveness of Vietnam’s investment attraction. In return, this work is the motivation for Vietnam to have policies and activities to enhance the competition by investment environment, infrastructure, human resources, etc.

NOMINAL CORPORATE TAX RATE IN 2021



Source: Tax foundation, HOUSELINK



**III.
CURRENT STATUS OF
DEVELOPING THE INDUSTRIAL
PARK INFRASTRUCTURE**

1 - UTILITY INFRASTRUCTURE OF THE INDUSTRY PARKS

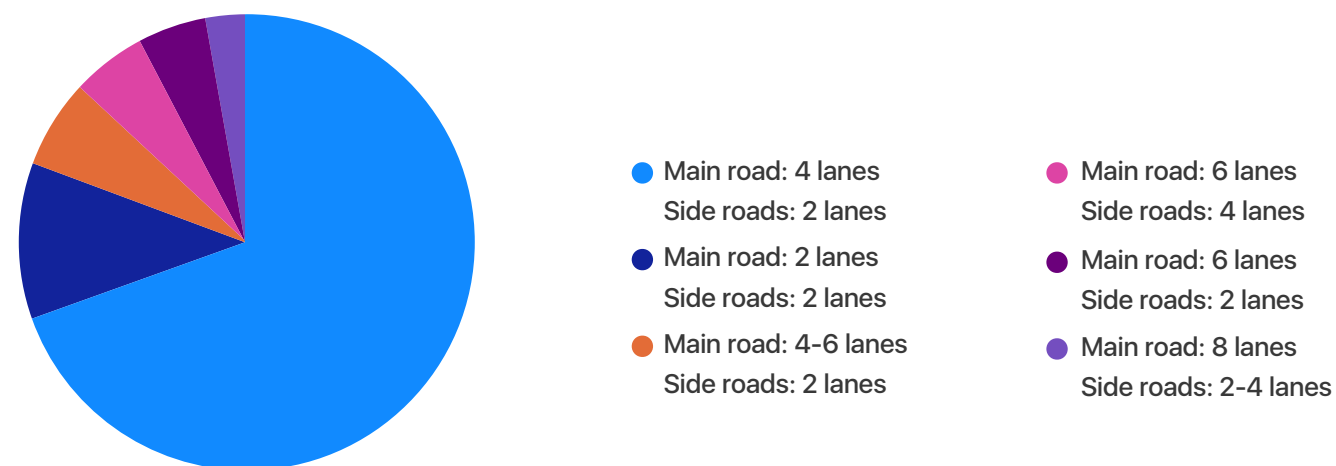
1.1 Technical infrastructure

◆ Transportation infrastructure

- Internal transportation

According to our survey about internal transportation infrastructure of 277 industrial parks in the country, the construction of some roads around the industrial parks has basically met design standards of internal transportation infrastructure of industrial parks. Accordingly, using 4 main road lanes and 2 side road lanes accounts for the majority (nearly 70%), especially industrial parks operating from 2003 to 2009 because this is a period that many industrial parks were built and came into operation. The second is internal transportation with 2 main road lanes and 2 side road lanes (accounts for 11%). After 2009 up to now, the construction of 8-lane road is not almost applied because the land bank is not much. Today, internal transportation in the industrial parks has basically finished with good quality, meeting the demand of internal movement in the industrial parks. With a basic design in the style of chessboard, it makes travelling in the industrial parks convenient and easy.

MAIN APPROACH ROAD LANES AND SIDE ROAD LANES IN IPS

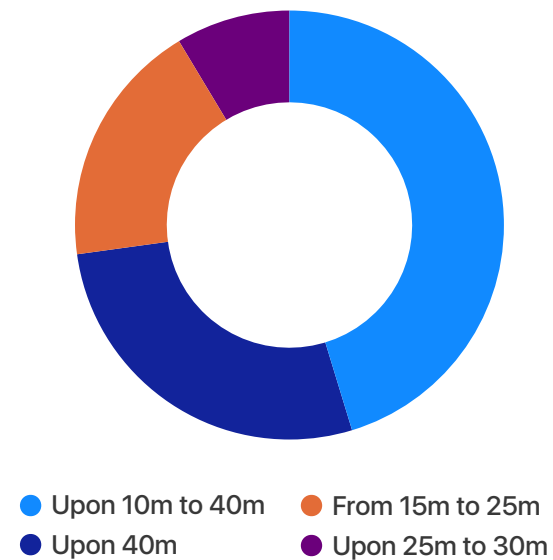


Internal transportation (number of lanes)	1991	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Tổng	
Main road: 2 lanes Side roads: 2 lanes		1	1	2	1	1	1				1	1	1	5	2	2	2	1		1	2	1	1	2	1	2	1	3		32		
Main road: 4 lanes Side roads: 2 lanes	1	1	6	4	4	8	3	2	3	6	10	13	14	17	17	20	14	7	2	4	4	4	6	5	6	6	3	4	4		198	
Main road: 4-6 lanes Side roads: 2 lanes												2		1		3	2	1	2		2	2		1	1		1			18		
Main road: 6 lanes Side roads: 2 lanes				1	1					1		1	1	1	1	3	1			1		1						1		14		
Main road: 6 lanes Side roads: 4 lanes					1	1				1				2	2	2	1			1	2	1						1		15		
Main road: 8 lanes Side roads: 2-4 lanes				1							1		1		1	2	2													8		
Others		1	1	2	4		1	2		2	4	2	8	5	9	3	4	2	2	1	4	2	6	3	1	6	2	3	1	81		
Total		1	3	8	10	11	10	5	2	5	8	14	21	19	34	28	41	25	13	6	8	8	14	10	13	10	9	10	8	11	1	366

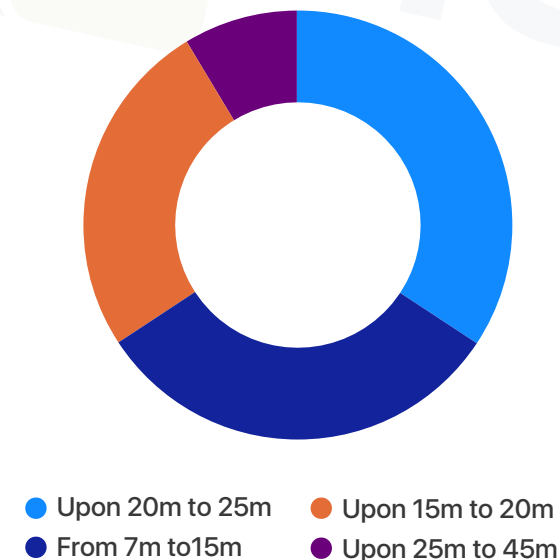
Source: HOUSELINK

About the width of the road, we recognize that nearly 70% of main roads are 30m–40m and 35% of side roads are 20m–25m. This width is considered quite suitable and creates many convenient conditions for traffic participants in the industrial parks. And even if the industrial parks are in group 3 (according to distance group to big cities), except for the width of 30m–40m, nearly 34% of the industrial parks in this group built the road width up to 40m–90m because the area of these industrial parks is quite large and the Investors want to create more attractive factors to compensate for the long distance to big cities. The industrial parks in Vietnam are interested in the internal road width when implementing the construction of the industrial park infrastructure. This is also considered as one of the favorable factors to increase the Investor's satisfaction when investing in projects in the industrial parks.

WIDTH OF MAIN APPROACH ROAD IN IPS



WIDTH OF SIDE ROAD IN IPS

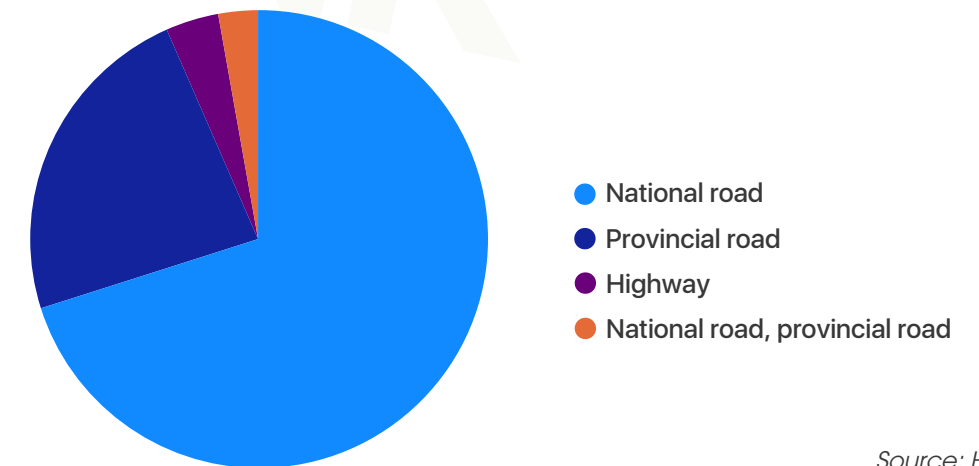


• Transportation system

Today, there are many types of road traffic built near or even through the industrial parks such as highways, provincial highways but the majority are national highways (70.22%) compared to the total of types of transport. Even if the industrial parks in the North have 11% of the industrial parks which adjoin directly to the highway and in the industrial parks of group 3 (according to distance group to big cities), this figure is 18%. This is a attractive factor, the Investors can be assure of traffic when investing in projects in the industrial parks in Vietnam in general and in the North in particular.

In the Central, there are only 2 types of traffic built around the industrial parks: national highways and provincial highways. In which, national highways account for the majority (88.73%), it can be seen that the Central's industrial parks are designed and built along the key national roads. In the South, nearly 60% of the industrial parks adjoin to the national highway. Traffic system in Vietnam is being focused on improving and building new highways and beltways. However, there is still behind schedule, if these projects are sped, moving and trading of the industrial parks will be more convenient.

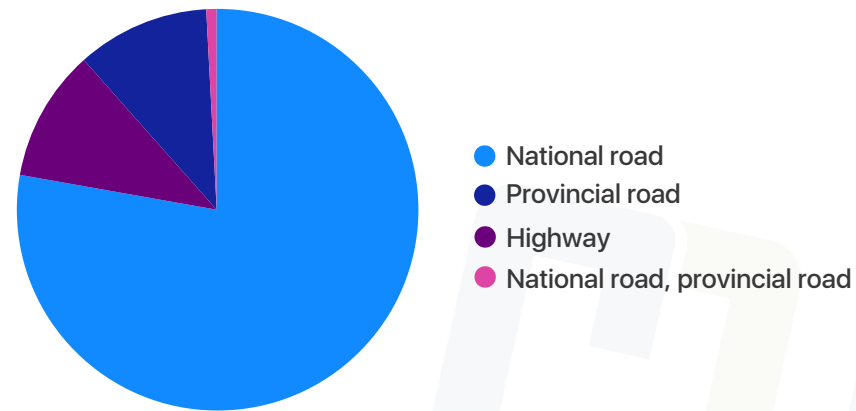
CLASSIFICATION OF APPROACH ROAD AROUND THE IPS



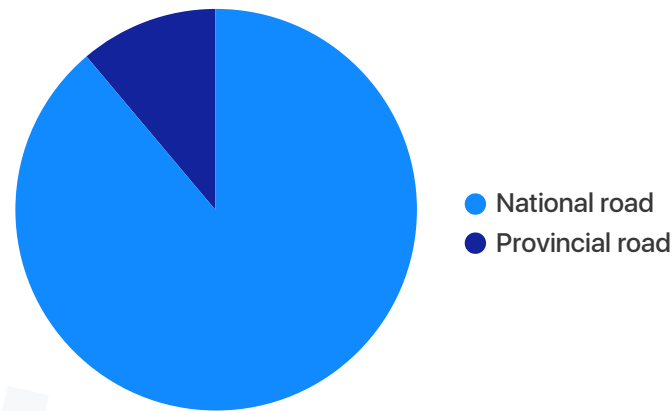
Source: HOUSELINK

CLASSIFICATION OF APPROACH ROAD AROUND THE IPS

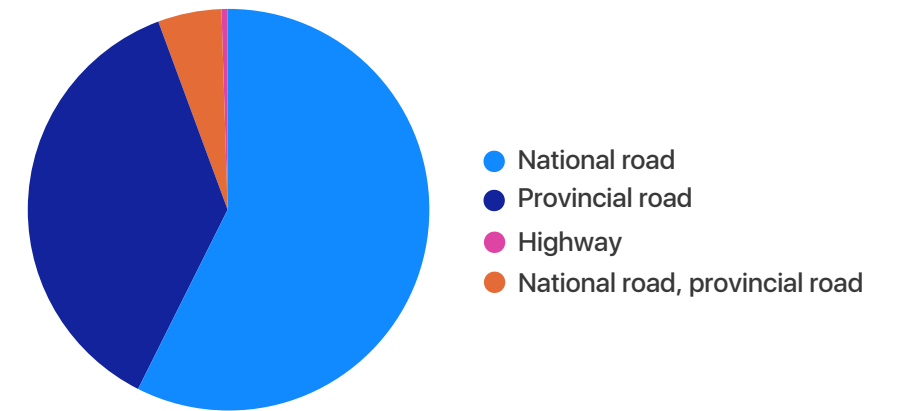
Northern



Central



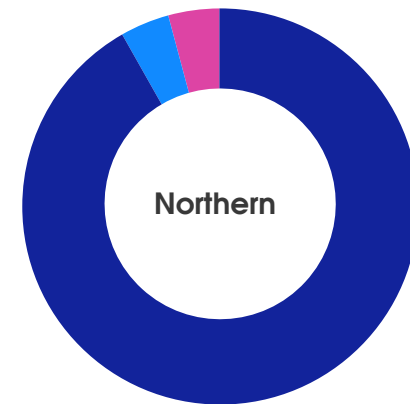
Southern



Source: HOUSELINK

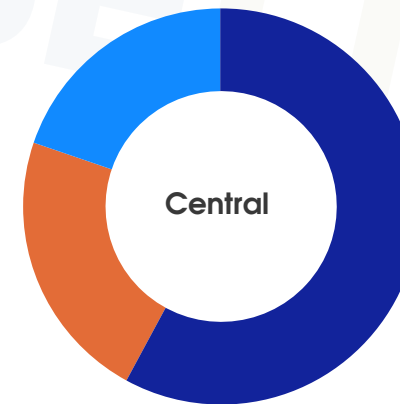
When we delimit the industrial parks in regions according to distance group to the nearest highway, airport, seaport. The central region is bordered by the sea so the industrial parks are close to the seaport (57.75% of the total of the central's industrial parks) which is convenient for export-import and trading goods. And in the South, the industrial parks near the seaport also account for 50%. In contrast to the Central, the North's industrial parks are far from the seaports but near the highways (91.74% of the total of the North's industrial parks).

CLASSIFICATION OF DISTANCE TO HIGHWAY



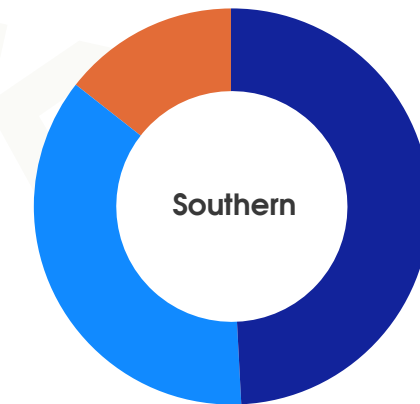
- Under 30km
- From 30km to 70km
- Upon 70km

CLASSIFICATION OF DISTANCE TO PORT



- Under 30km
- From 30km to 70km
- Upon 70km

CLASSIFICATION OF DISTANCE TO PORT



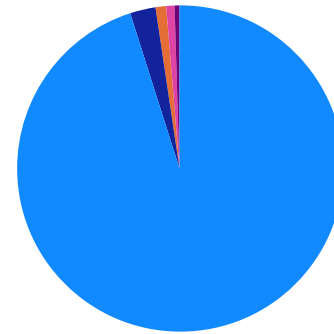
- Under 30km
- From 30km to 70km
- Upon 70km

Source: HOUSELINK

◆ Electricity infrastructure

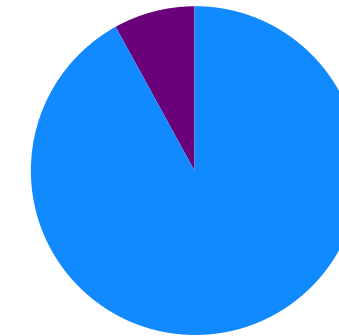
According to our survey and research, currently more than 70% of the industrial parks in the country use electricity from the national power grid with a capacity of 22/110kV. In recent years, the industrial parks start to pay attention to the use of renewable electricity from solar and wind power. About 8% of the industrial parks have built solar electricity system in the area. The construction projects of renewable power factory are being built with steady frequency every year and more and more factories are installing rooftop solar panels. When the investors especially FDI investors are really interested in the use of renewable electricity and green technology, combined with the State's policy to achieve net zero emissions by 2050, the industrial parks use renewable power, build wastewater, waste treatments will contribute to attracting more quality investment capital. Especially, developing eco-industrial parks, attract green investment capital are becoming a tendency not only in the world but also in Vietnam. There are 5 industrial parks which are tested to apply eco-industrial park model with a high efficiency in emission reduction, some of the investors of big industrial parks are gradually transferring this eco-industrial park model.

POWER SOURCE IN IPS



- National electricity grid
- National electricity grid, thermal power
- National electricity grid, solar power
- National electricity grid, solar power, wind electricity
- Thermal power

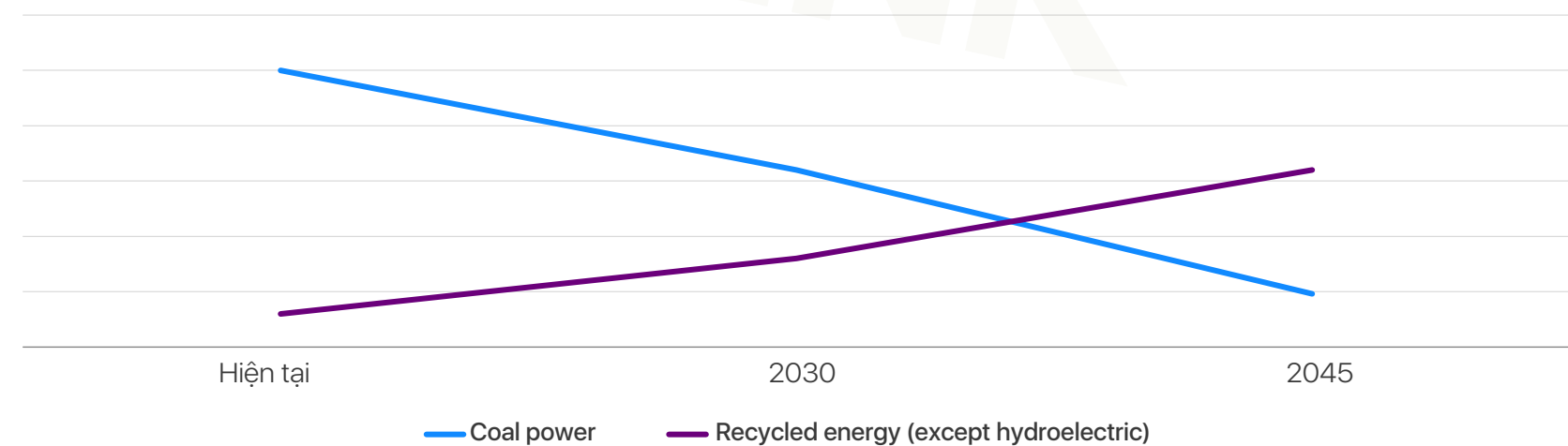
IPS USING SOLAR POWER



- No
- Yes

Source: HOUSELINK

POWER OUTPUT ACCORDING TO ELECTRICITY PLANNING 8



Source: National Power Development Plan 8, HOUSELINK

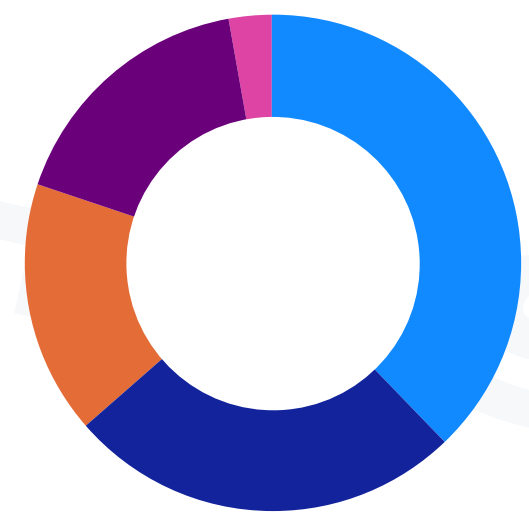
◆ Water supply, wastewater treatment and garbage treatment infrastructure system

The majority of the industrial parks in the country built water supply system with a capacity of 10,000-20,000 m³/day (36%). Regarding the wastewater treatment system, most of the parks have the wastewater treatment system with a capacity under 5000m³/day (38%). Particularly in the South, for the industrial parks with a distance less than 30km compared to Ho Chi Minh City, nearly 45% of the industrial parks have a wastewater treatment capacity of 5,000- 10,000 m³/day.

Regarding waste treatment factory, currently most of the industrial parks in the country do not have their own waste treatment system (92%), mainly use local services. In particular, the industrial parks with a distance less than 30km in the North, nearly 20% of the industrial parks have waste treatment factories.

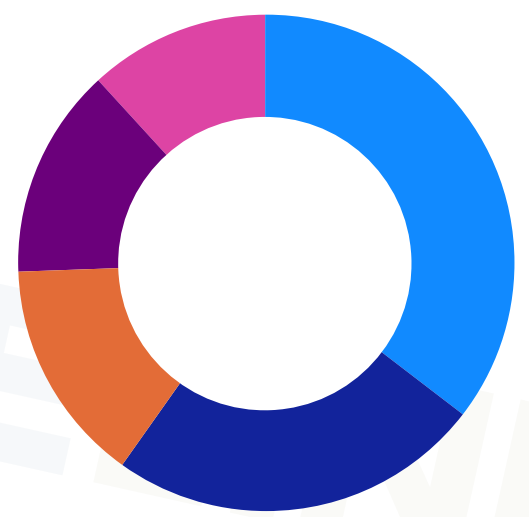
In conclusion, we commented that treating wastewater and waste has not been paid attention by the investors of the industrial parks. While this is one of the issues paid more attention to assure net zero emission by 2050 according to the commitment of Vietnam in COP 26.

CLASSIFICATION OF WASTEWATER TREATMENT



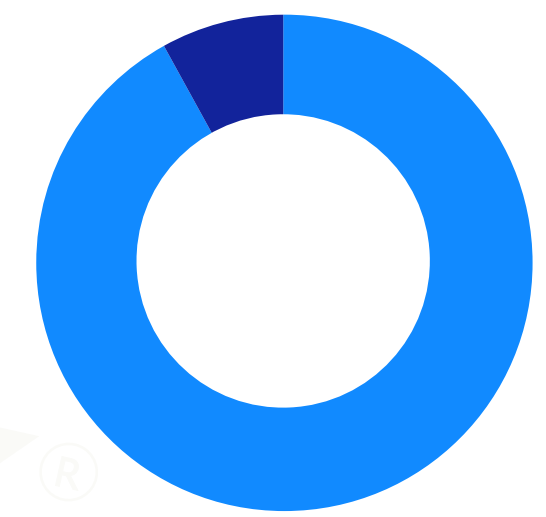
- Under 5000 m³/day
- From 5000 to under 10000 m³/day
- Others
- From 10000 to 20000 m³/day
- From 20000 m³/day

CLASSIFICATION OF WASTER SUPPLY



- From 1000 to 20000 m³/day
- Upon 20000 m³/day
- Under 5000 m³/day
- From 5000 to under 10000 m³/day
- Others

GARBAGE TREATMENT FACTORY



- No
- Yes

Source: HOUSELINK

1.2 Social infrastructure

◆ Accomodation for workers and experts

Currently, most of the industrial parks have not had any accomodation for workers and experts. This is a serious issue because most of the industrial parks are far from centre, residential districts, workers and experts' moving is inconvenient. According to our research, about 50% of the total of the industrial parks in the country have not had accomodation for people working directly in the industrial park. The number of the industrial parks with accomodation for workers and experts is at 51% nationwide. Especially the number of the industrial parks with accomodation for workers and experts in the North is nearly 53%, in which the industrial parks with a distance less than 30km compared to big cities are more than 70% of the parks with this social infrastructure, other 2 groups are under 50%. But in the South, about 62% of the industrial parks have accomodation for workers and experts. In which, all 3 groups of the industrial parks with the distance have the number of accomodations for workers and experts at a high rate. In the Central, there are not many industrial parks with this type.

These figures have showed the fact that the construction of housing for workers and experts is being promoted in order to settle down for workers. Due to the fact that the labor situation is a difficult problem, the system of housing for workers has still been a concern for many workers for many years. When the industrial parks are interested in housing system for workers and experts, it will be a condition to attract and retain labors better.

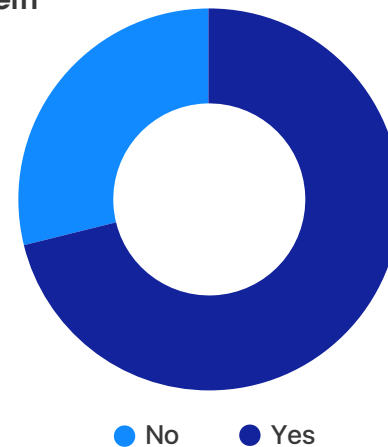
RESIDENCE FOR WOKERS AND EXPERTS

Country



RESIDENCE FOR WOKERS AND EXPERTS

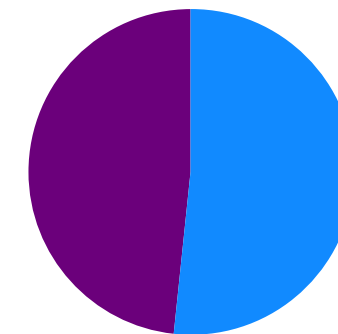
Northern



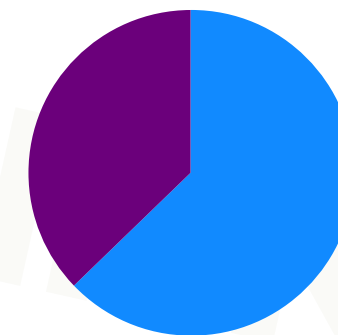
Distance to the city: < 30km

RESIDENCE FOR WOKERS AND EXPERTS

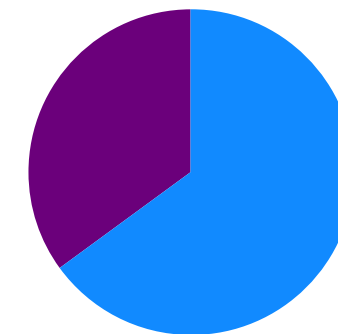
Southern



● No
● Yes
Distance to the city: < 30km



● No
● Yes
Distance to the city: 30km to < 70km



● No
● Yes
Distance to the city: ≥ 70km

Source: HOUSELINK

◆ Social utilities in the industrial parks (Trade center/ Supermarket/ Market/ Hospital/ School/ Bank)

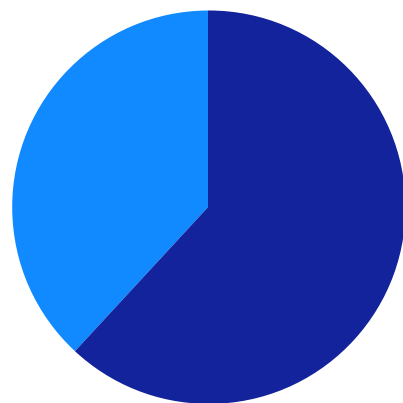
About 62% of the industrial parks in the country have utility services for labors in the industrial park or near the industrial park. Although building housing for workers and experts in the South and in the Central have not paid attention, other social utilities for labors such as trade centers, supermarkets, markets, hospitals, schools, banks are infrastructures that are more interested in these 2 regions. In the central, about 93% of the industrial parks have social utility infrastructures in the industrial park or near these social utility infrastructures. And in the South, this figure is 67%. In general, the area of the industrial parks in the country, more than 60% of the industrial parks have these social utility infrastructures.

As we commented to housing infrastructure for workers and experts above, building and completing types of social infrastructures is a tendency and only when the industrial parks can build and complete the social infrastructures to serve with essential living needs of the labors, the ability to attract and retain a stable source of labor for production of factories in the industrial parks can be ensured.

APPLICATIONS FOR WOKER IN IPS (MALL/SUPER MARKET/MARKET/HOSPITAL/SCHOOL/BANK)

Country

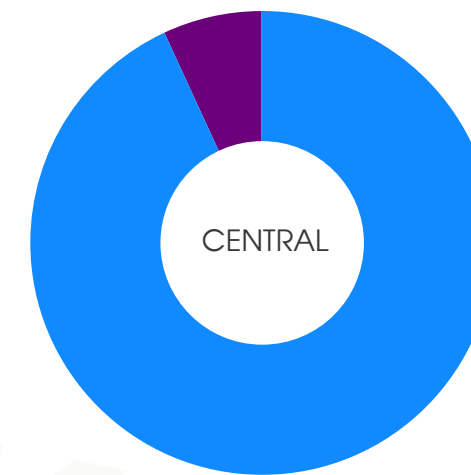
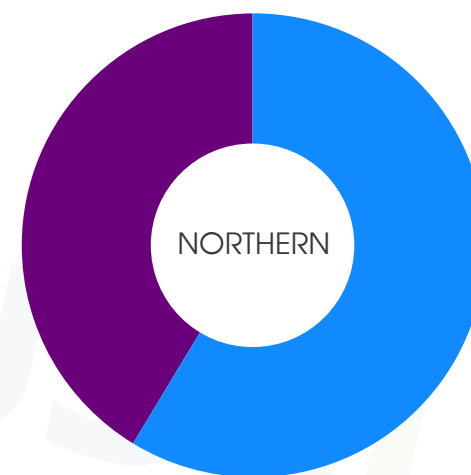
- Yes
- No



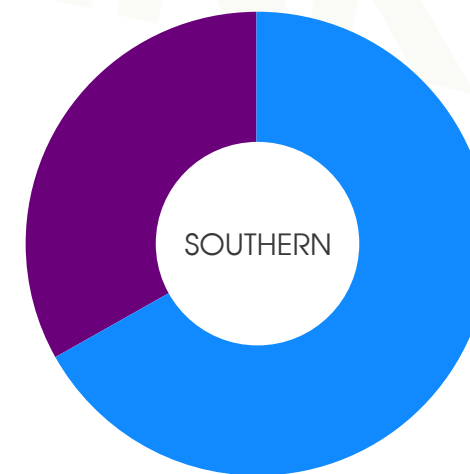
Nguồn: HOUSELINK

APPLICATIONS FOR WOKER IN IPS (MALL/SUPER MARKET/MARKET/HOSPITAL/SCHOOL/BANK)

- Yes
- No



Distance to the city: ≥ 7km

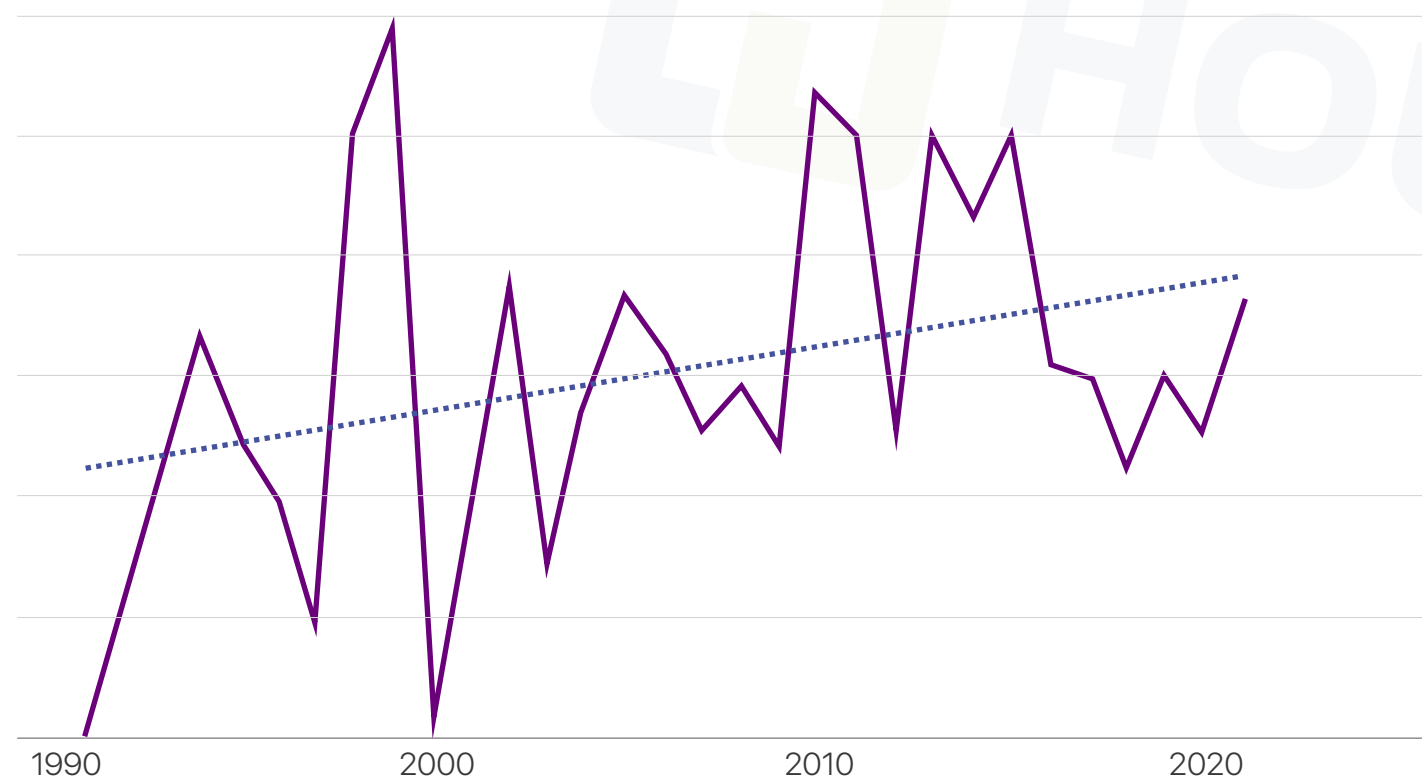


Source: HOUSELINK

◆ Customs, security, fire protection and other services

When researching about custom utility service in the industrial parks, currently the number of customs in the industrial parks are accounting for a quite small rate (31,42% of the total of the industrial parks in the country) but are still tending to increase. Regarding to security and fire prevent issues, according to the survey, most of the industrial parks in Vietnam are equipped with fire protection and have a security team.

AVERAGE OF NUMBER OF CUSTOMS/NUMBER OF IPS PER YEARS

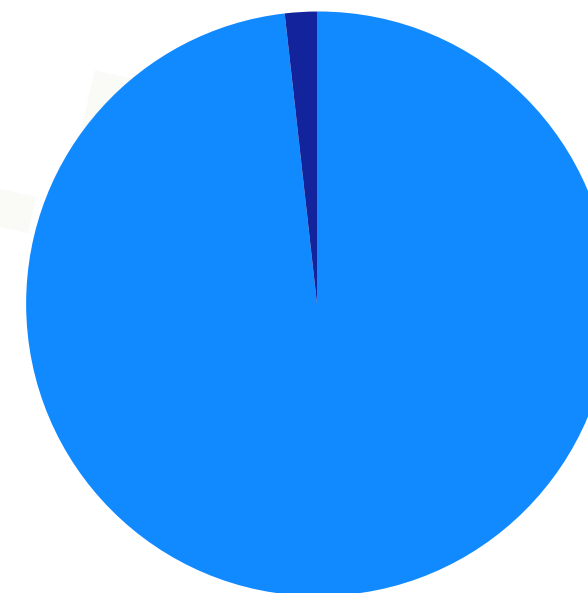


Source: HOUSELINK

In addition, we recognized that 6 industrial parks in the country have one-stop service, in which, in the South, there are 5 industrial parks. This is a new service of the industrial parks providing full supporting service before, during and after building, installing the factories of the investors and the labors will help the industrial parks in Vietnam increase more competitive ability, especially 2 factors are the most attractive: cheap labor and preferential tax are getting tighter and tighter.

1-STOP SERVICE IN IPS

● Yes ● No



Source: HOUSELINK

2 - PLANNING, OCCUPANCY RATE AND LEASING PRICE OF SOME TYPES OF INDUSTRIAL REAL ESTATE IN THE FIRST 6 MONTHS OF 2022

In this section, we will group industrial parks in the country based on the geographical distance from the industrial park to the center of the nearest big cities. Based on that, we classify industrial parks into groups as follows:

- Group 1:** <30km from the center of big cities
- Group 2:** From 30km to 70km from the center of big cities
- Group 3:** >70km from the center of big cities

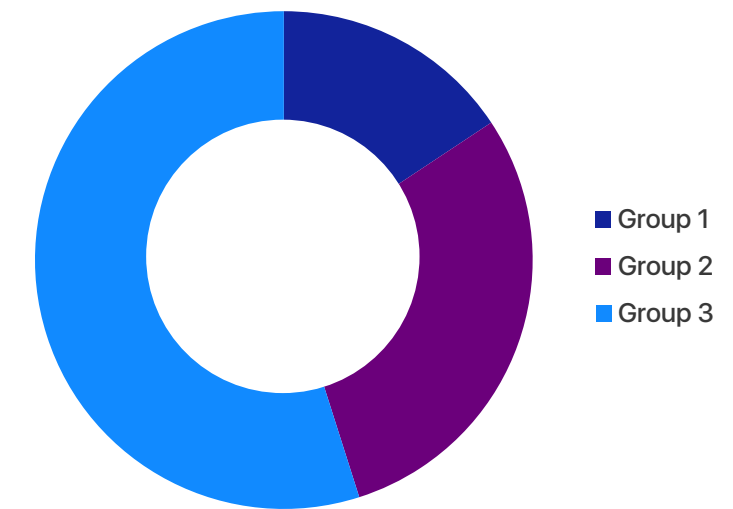
The big cities of each region are identified as:

- The North:** Ha Noi, Hai Phong
- The Central:** Da Nang
- The South:** Ho Chi Minh city

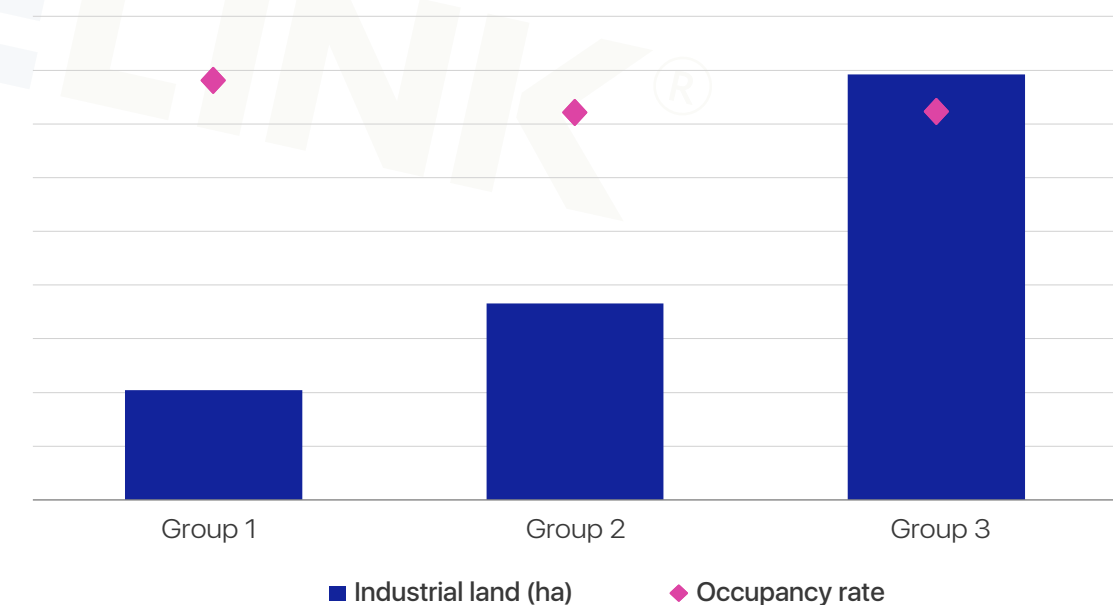
Nationwide, 370 Industrial Parks⁽¹⁾ have been put into operation with a total planning area of 136.247 hectares. The average occupancy rate⁽²⁾ of industrial parks is 82%.

When grouping by distance to big cities, we found that 55% of the industrial parks are more than 70km from the city center, 29% of industrial parks are 30-70km from the center of big cities and only 16% industrial parks are less than 30km from the center of big cities. Industrial parks are concentrated mainly in provinces and cities far from big cities (Hanoi, Hai Phong, Da Nang, Ho Chi Minh). In which, the industrial parks of group 1 have a very high occupancy rate, up to 87%. The industrial parks of group 2 and group 3 have the same occupancy rate of 80%. The space of the industrial parks of group 1 is gradually shrinking, the supply is not much, so the industrial parks will be filled up very quickly. In which, the industrial parks of group 3 is a very potential group when the supply is more abundant. In spite of being far from the central cities, with the increasing focus on investment and development of connected transport infrastructure, the attraction of investment to the industrial parks of group 3 is having a very positive prospect.

NUMBER OF IPS (DIVIDED BY DISTANCE GROUPS)



INDUSTRIAL LAND AREA AND OCCUPANCY RATE OF IPS PER REGION



⁽¹⁾ Extensions of Industrial parks are counted as a separate Industrial Park from the existing Industrial Park

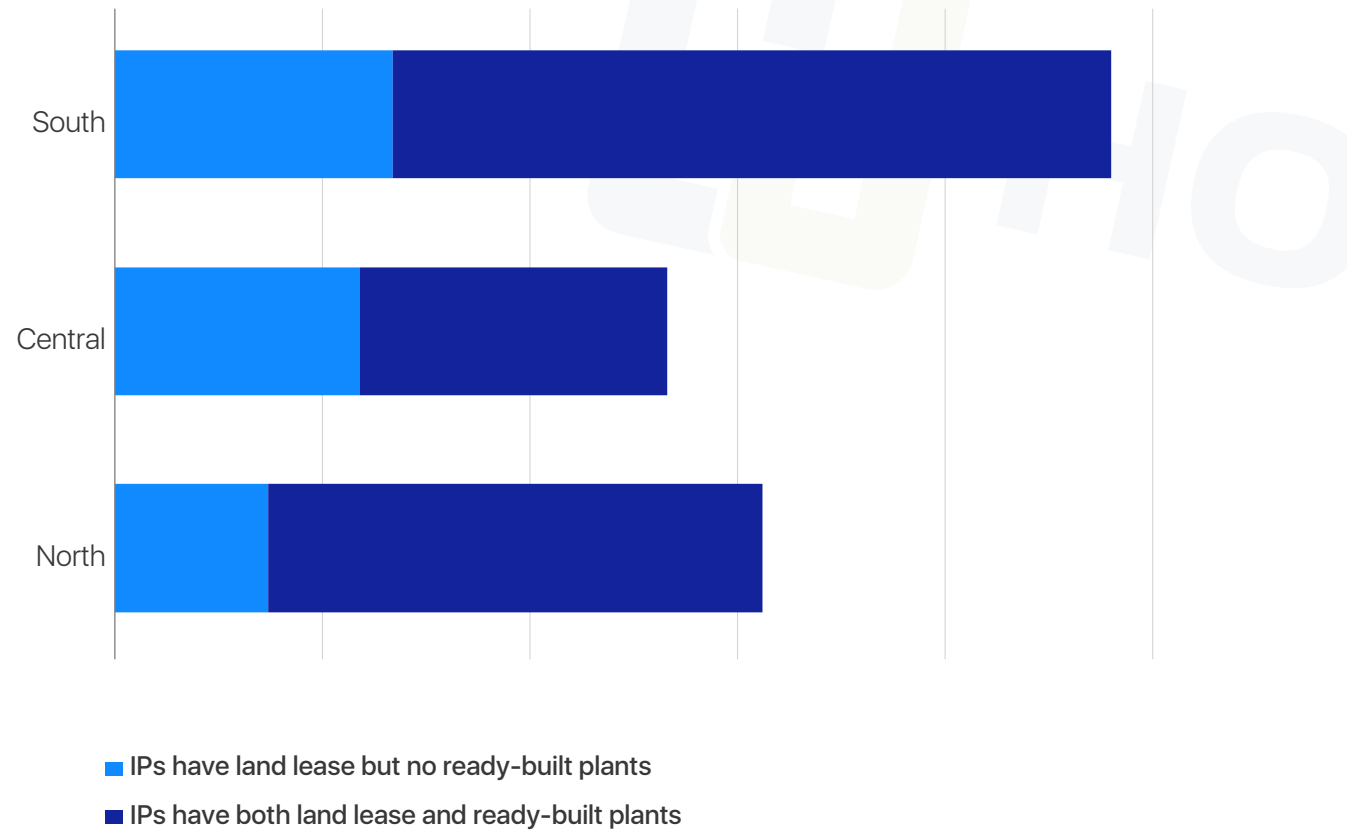
⁽²⁾ The average occupancy rate is counted by arithmetic mean of the occupancy rate of surveyed industrial parks.

Source: HOUSELINK

2.1 Land leasing price and some industrial real estate products

◆ The types of industrial real estate products

CURRENT STATUS OF READY-BUILT PLANTS AND INDUSTRIAL LAND SUPPLY (BY IP'S NUMBERS)



THE PROVINCES HAVE INDUSTRIAL LAND FOR RENT



Source: HOUSELINK

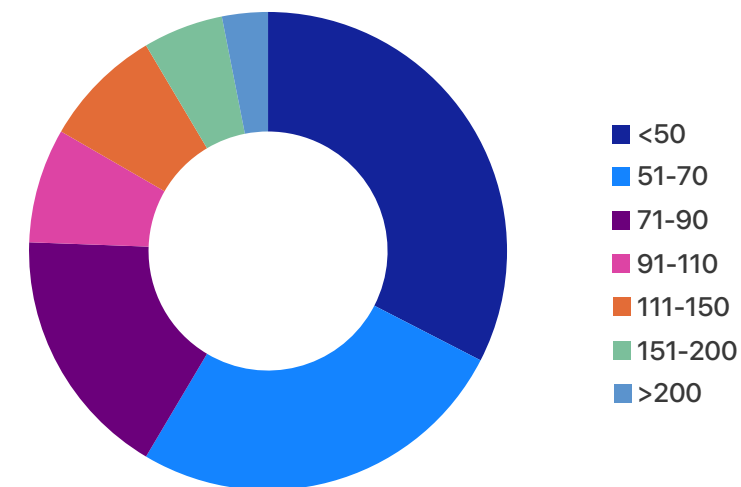
◆ Land leasing price in the industrial parks

Industrial land for rent is the most popular and oldest developed form of industrial real estate in Industrial Parks in Vietnam. Based on a survey of 258 active industrial parks, we found that 33% of industrial land bank are leased for less than 50 USD/m²/lease period, 26% of industrial parks with land leasing prices from 51-70 USD/m²/lease period. Especially in 2022, there have appeared a number of the industrial parks with land leasing price more than 200 USD/m²/lease period, mainly in the South, although it only accounts for 3%, but it also shows that the land rent has increased especially in the Southern region in the past year.

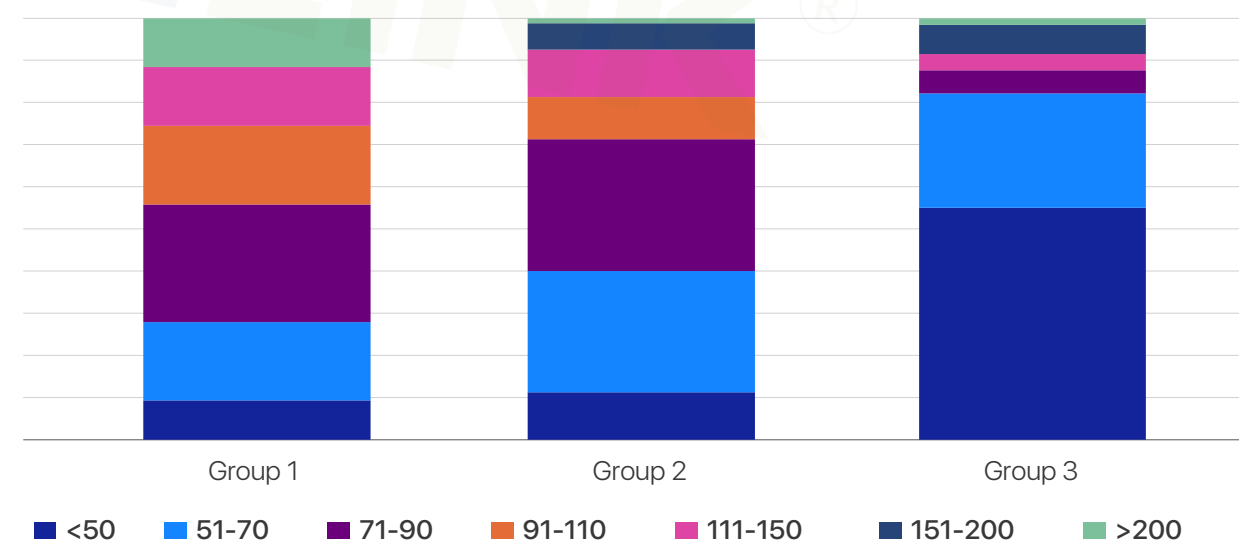
For land leasing price according to distance group to big cities, group 1 mainly has land leasing price from 71-90 USD/m²/lease period with 28% of the industrial parks. The price from 91-110 USD/m²/lease period and 51-70 USD/m²/lease period are equivalent to 19%. The industrial parks of group 1 are the group with many industrial parks with rental rates more than 200 USD/m²/lease period with 12% of industrial parks, while in the end of 2021, this figure is only 3%. The average rent for industrial parks in group 1 is 101 USD/m²/lease period. For industrial parks in group 2, mainly

industrial parks have the rental price range from 71-90 USD/m²/lease period (31%), followed by the price range of 51-70 USD/m²/lease period (29%). In industrial parks of group 2, there has also been an increase of the price compared to the end of 2021 when the price of 71-90 USD/m²/lease period increased by 2% and exceeded other prices. Industrial parks with rental price range more than 110 USD/m²/lease period also accounted for 19%. But in particular, the industrial parks with rental price range more than 200 USD/m²/lease period account for only 1%. The average rental price of group 2 is about 89 USD/m²/lease period. Group 3 is far from the city center, so the rent is also at a lower level, with more than 50% of industrial parks having rents of less than 50 USD/m²/lease period. 27% of industrial parks of group 3 have rents at 51-70 USD/m²/lease period. But the average rental price of group 3 is not too lower than that of group 2, at 83 USD/m²/lease period because the industrial parks in this group have a large land bank, the investment in industrial park infrastructure is also improved and paid more attention, so many industrial parks have high prices.

LAND RENTAL PRICES OF IPS ACROSS THE COUNTRY



RENTAL PRICE OF IPS (DIVIDED BY DISTANCE TO MAJOR CITY)



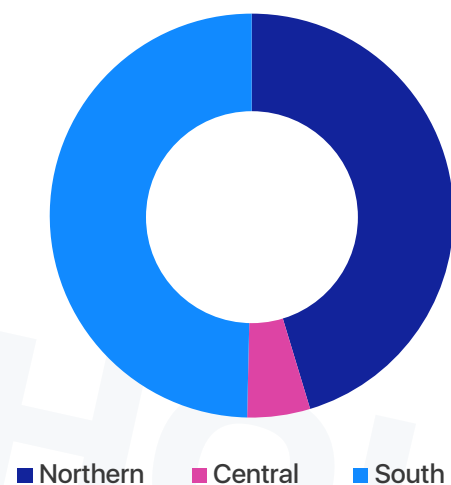
Source: HOUSELINK

2.2 Prefabricated factory leasing price

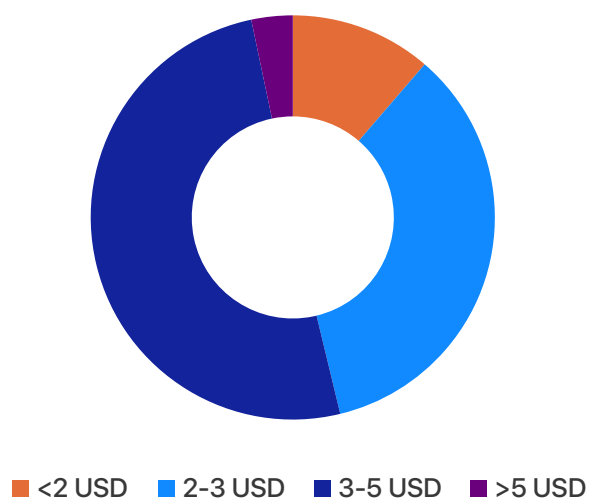
The type of prefabricated factory with space for lease is still mainly concentrated in the South with about 50% of industrial parks having prefabricated factories in here. And in the North, 45% of industrial parks have prefabricated factories. This type in the Central has not almost developed, only nearly 5% of industrial parks having prefabricated factories in here.

Currently, the leasing price of the prefabricated factories/warehouses fluctuates mainly in two price ranges from 2-3 USD/m²/month (35%) and 3-5 USD/m²/month (51%). This cost is at an average level, not too large for investors wishing to rent a factory in the High-Tech Industrial Park. Along with the trend of building the industrial parks, which provide a variety of products from leased land, prefabricated factories, housing for workers and experts, and other utilities, it will contribute to attracting more investors to invest in this type of product.

NUMBER OF IPS HAVE READY-BUILT FACTORIES AND WAREHOUSE



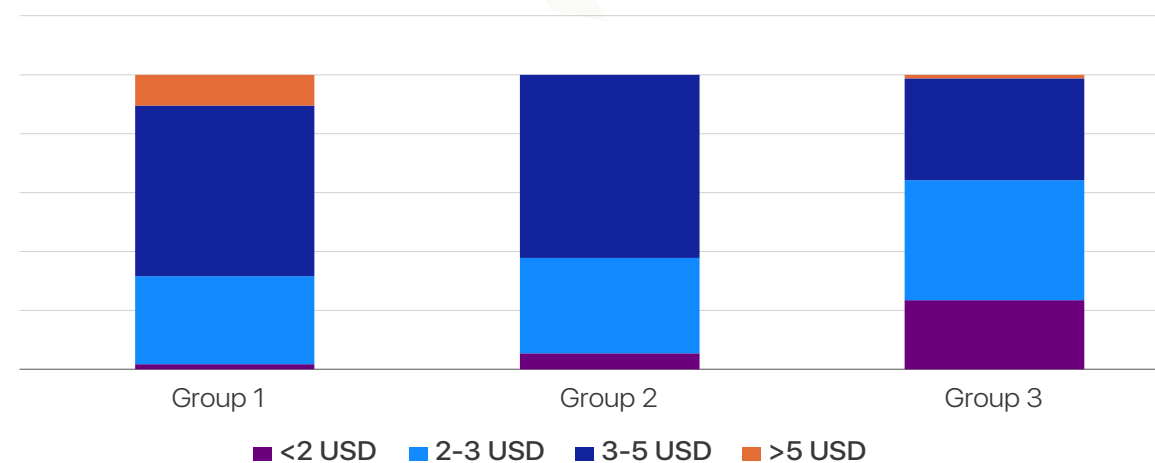
RENTAL PRICE OF READY-BUILT FACTORIES AND WAREHOUSE OF IPS ACROSS THE COUNTRY



Source: HOUSELINK

When grouping by distance to big cities, we found that the industrial parks in group 1 have the main rental price from 3-5 USD/m²/month (accounting for 58%), following by the price range from 2-3 USD/m²/month with 30%. The prefabricated factories have the rental price more than 5 USD/m²/month (accounting for 11%), distributed in the North and in the South. The factory rental price range of the industrial parks in group 1 currently is currently relatively high. Along with that in group 2, also maintaining the same division as group 1, 62% of prefabricated factories have the rental price range from 3-5 USD/m²/month, 32% with the price range from 2-3 USD/m²/month. And in group 3, the largest rate is the rental price range from 2-3 USD/m²/month with 41%, 35% of the rental price range from 3-5 USD/m²/month. Especially the rental price range less than 2 USD/m²/month accounts for 23%, is the highest rate of 3 groups. We considered that the rental price range of the prefabricated factories in 3 groups of the industrial parks does not have any significant difference, the rental price range of all 3 groups still maintains at an average range with no significant difference. However, it can be found that the industrial parks near the centre of big cities still have the rental price range slightly higher than other 2 groups of the industrial parks.

RENTAL PRICE OF READY-BUILT FACTORIES AND WAREHOUSE (DIVIDED BY IPS AND DISTANCE TO MAJOR CITY)



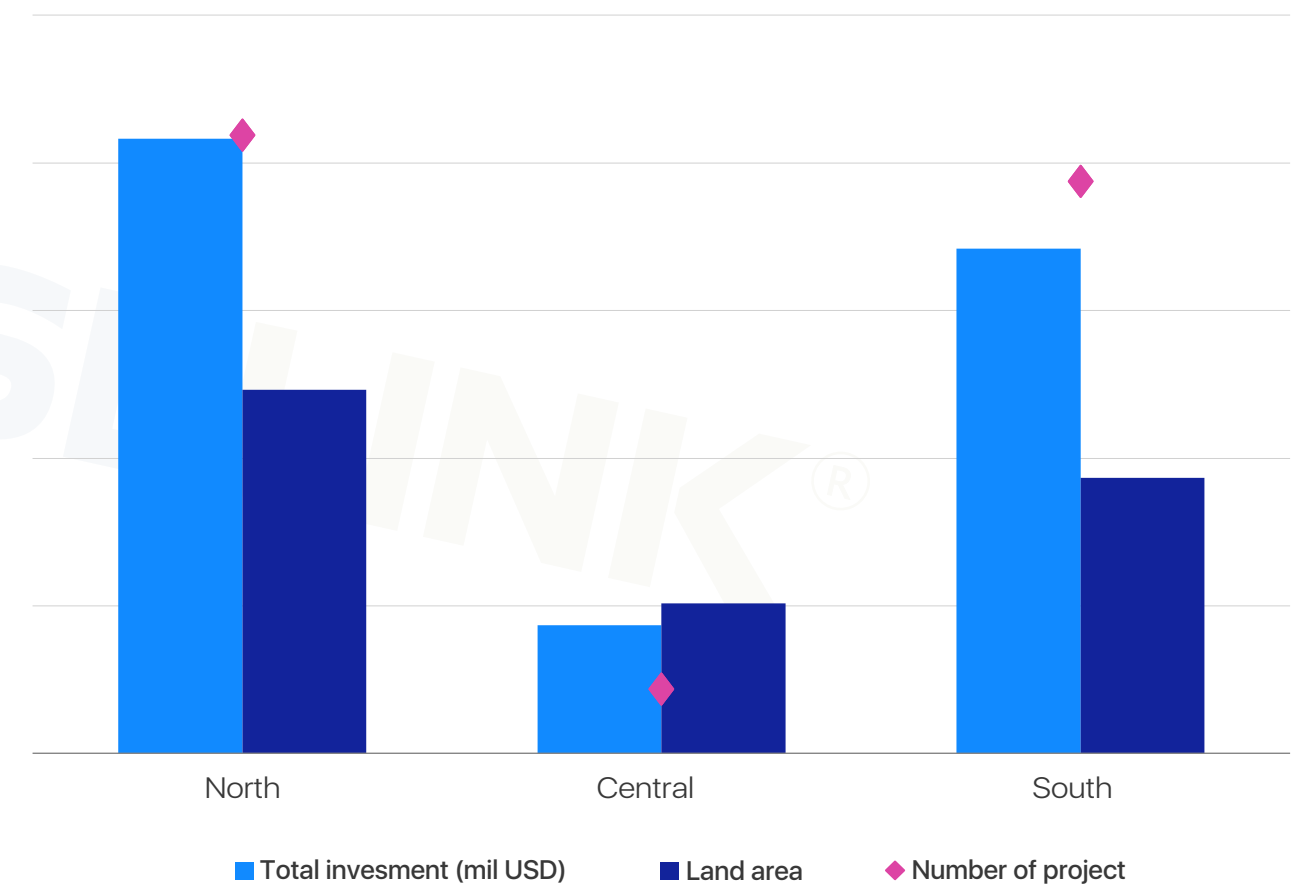
Source: HOUSELINK

2.3 Factory, warehouse are some types of industrial real estate which are more concern by the investors and focus on developing by the investor of industrial park

Nowadays, prefabricated factories are very attractive and have an increasing scale of investment capital but mainly towards the projects with a factory scale that is not too large and complicated as well as requires high technology. High-tech prefabricated factories are tending to increase in recent years because the State has supporting policies, create momentum for the development of high-tech industrial parks. However, this ratio is not much and the fact that currently high-tech industrial parks in Vietnam has not fully developed yet so they have not attracted many investors. Currently, Vietnam still mainly concentrates on the heavy industry with little high technology requirement so this type of real estate has not increased too fast. The increasing need of investors as well as focus on the quality of factories of industrial park investors currently contributes to increasing more choices for the investors when referring the industrial park market in Vietnam.

Currently, prefabricated factories and leased warehouses are the types developed by the investors in the industrial parks. Especially in the North and in the South, the industrial parks mainly concentrates in 2 these regions. The type of leased factories and logistics warehouses is one of 6 most developed industries in 2022 in term of the investment capital total. On the national scale, according to the data compiled and verified by HOUSELINK, we believe that in the future, there are about 2.7 thousand hectares of factory land, logistics warehouses formed with investment capital total more than 4 billion USD. It can be seen that in the future, prefabricated factories and warehouses for rent will be a particularly developed type of industrial real estate.

THE SUPPLY OF READY-BUILT FACTORIES AND WAREHOUSES IN THE FUTURE

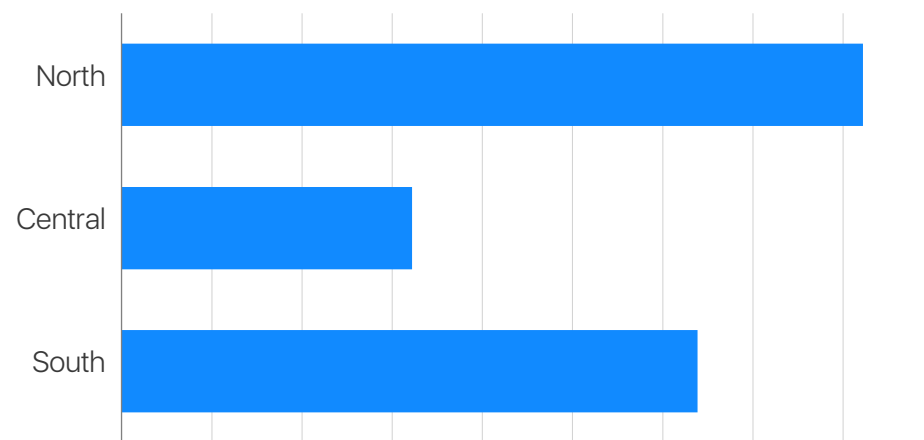


Source: HOUSELINK

3 - THE NEW INDUSTRIAL PARKS IN 2022

In this section, we focus on analyzing the industrial parks having investment policies, investment certificates and 1/2000, 1/5000 planning in the first 6 months of 2022 (an expanded industrial park is counted as a new industrial park). According to the HOUSELINK data, in the first 6 months of 2022, about 27 new industrial parks are added in the country. In which, the Northern region is added the most with 15 parks, the Southern region is 7 parks and in the Central, there is 5 parks. Both quantity and planning area, the new industrial parks in the North account for the majority, shows that the supply of provinces in the North is ready to take over new investment capital in the next years.

NEW IPS AREA FIRST 6 MONTHS OF 2022



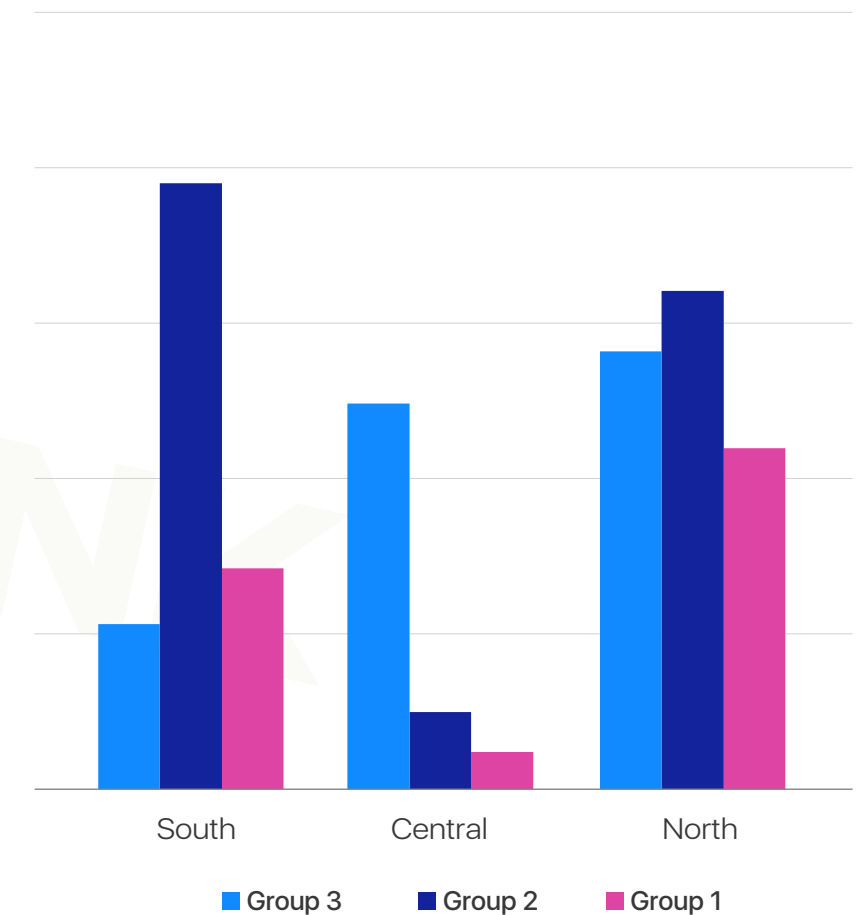
Source: HOUSELINK

With the quantity of new industrial parks as the above data shows that at least in the short and medium term, about nearly 9.000 hectares of finished industrial park land will join in the industrial real estate market in the future.

Except the above industrial parks, the industrial real estate still have many industrial parks which have been granted investment policies or investment certificates for a long time but the implementation of infrastructure construction has many difficulties in land clearance due to increasing the compensation which leads to extend the industrial parks' progress by 1- 2 years. It can be seen that the supply of the industrial real estate is ready to take over new investment capital in the next time but compared to the strong capital flowing into Vietnam after the pandemic, the supply is also quite limited.

When dividing the industrial parks into group 1, 2, 3 depending on geographical distance from big cities, we recognized that in the North, mainly the industrial parks of group 2 are built (9 parks), the industrial parks of group 1 have more 2 parks in Hai Phong city and there are 4 industrial parks of group 3. The industrial real estate market in the North in the next time promises to bring more variety of location as well as increase the supply of the industrial real estate, focus on attracting the investors. While in the South, mainly the industrial parks of group 2 are built in Long An and Binh Duong. In the Central, mainly industrial parks of group 3 are built in Quang Ngai, Quang Tri, Thanh Hoa.

INDUSTRIAL PARKS AREA (DIVIDED BY DISTANCE OF EACH REGION) (HA)



The provinces will be invested more new industrial parks in the future in each region (according to planning area)

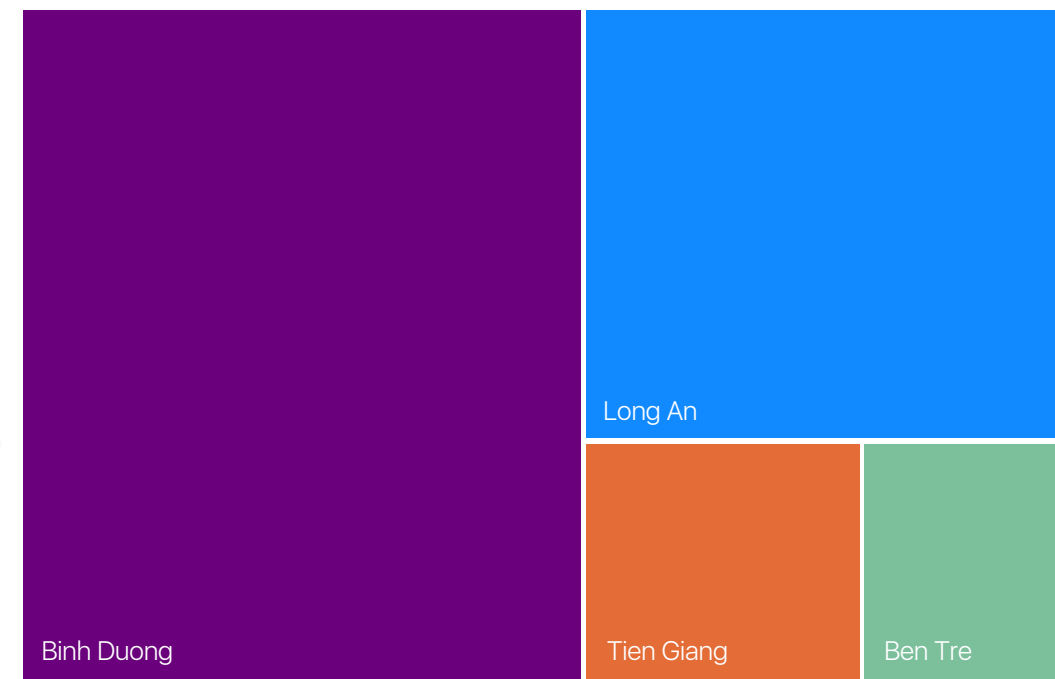
THE AREA OF NEW INDUSTRIAL ZONES IN THE NORTH (HA)



THE AREA OF NEW INDUSTRIAL ZONES IN THE CENTRAL (HA)



THE AREA OF NEW INDUSTRIAL ZONES IN THE SOUTH (HA)



Source: HOUSELINK

IV. STATUS OF INVESTMENT PROJECTS TO INDUSTRIAL PARK



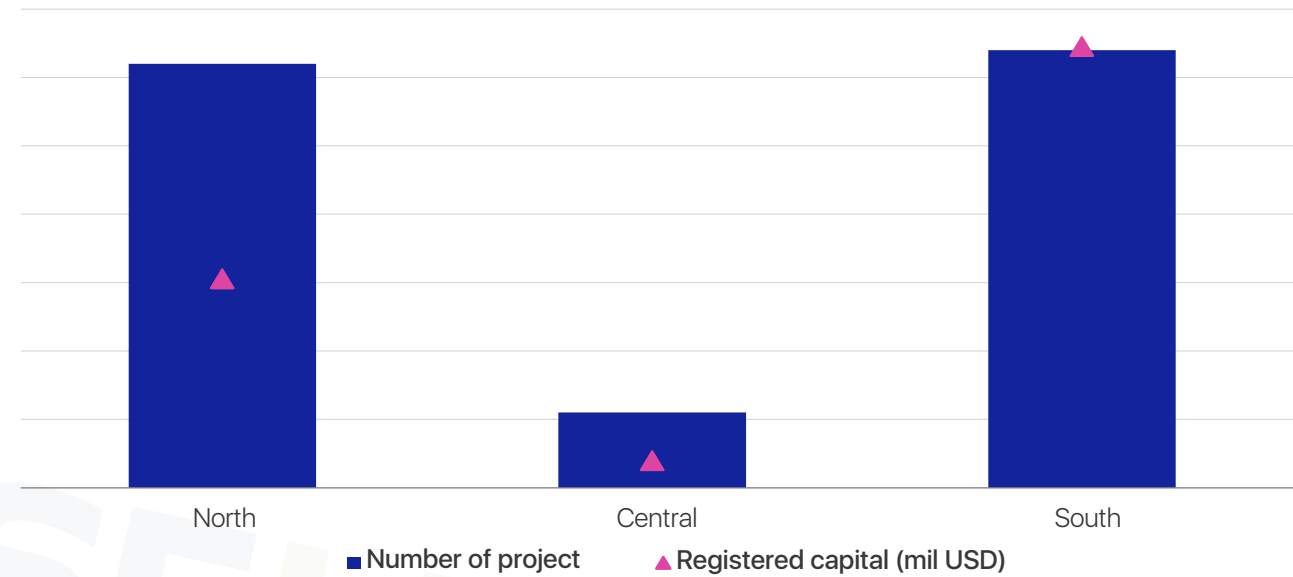
1 - NEWLY REGISTERED FDI PROJECTS FIRST 6 MONTHS OF 2022

In this part, we primarily analyze data of newly registered FDI projects that have investment upon 2 million USD of investors who have the investment project in IPs across the country for the first 6 months of 2022 of processing and manufacturing industry.

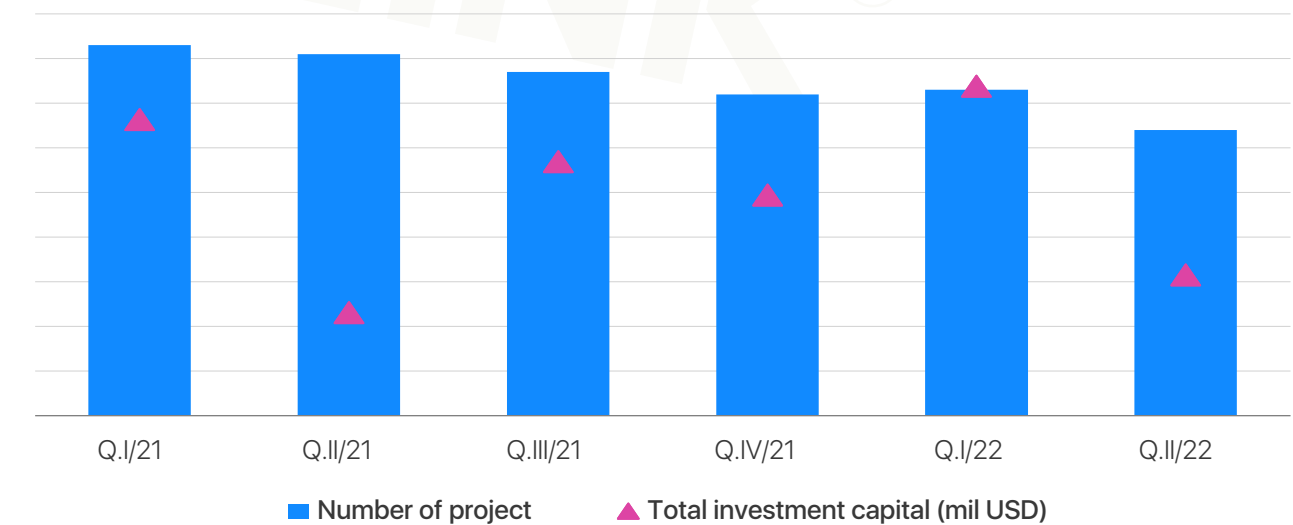
According to data of HOUSELINK, in the first 6 months of 2022, there were 145 newly registered FDI projects nationwide, the number of projects decreased compared to the same period last year (8%) but the total registered investment increased upto 27%. It can be shown that VietNam is not only the most potential country for large scale projects, but also best trustworthy country for all the investors. The number of newly registered FDI projects in the first 6 months of 2022 was the least compared to first 6 months period since 2016. Experiencing a long period of time affected by the epidemic (Especially since end of April 2021 till end of 2021), Vietnam finally opened again, with the upgraded of infrastructure, policy and the benefit from registered FTA agreement, also the investors tended to invest large scale projects, VietNam completely had potential to attract more and more investment projects in the future.

Among the regions, Southern was the attractive region to most investors, both number of projects and registered capital for investment. Especially, although the number of projects compared to Northern were equal, but registered investment capital is more than double. We supposed that the South and the North still had the same attraction in attracting investment, there was a sudden increased about registered investment capital in Southern because of some big capital projects such as LEGO MANUFACTURING factory project in Bình Dương (more than 1 billion USD of registered investment capital), LOUVRE fabric factory project in Tây Ninh (more than 200 million USD of registered investment capital) or COCACOLA factory in Long An (more than 130 million USD), etc

NEWLY REGISTERED FDI PROJECT DISTRIBUTED IN IPS OF THE 3 REGIONS



STATUS OF NEWLY REGISTERED FDI PROJECTS BY QUARTER

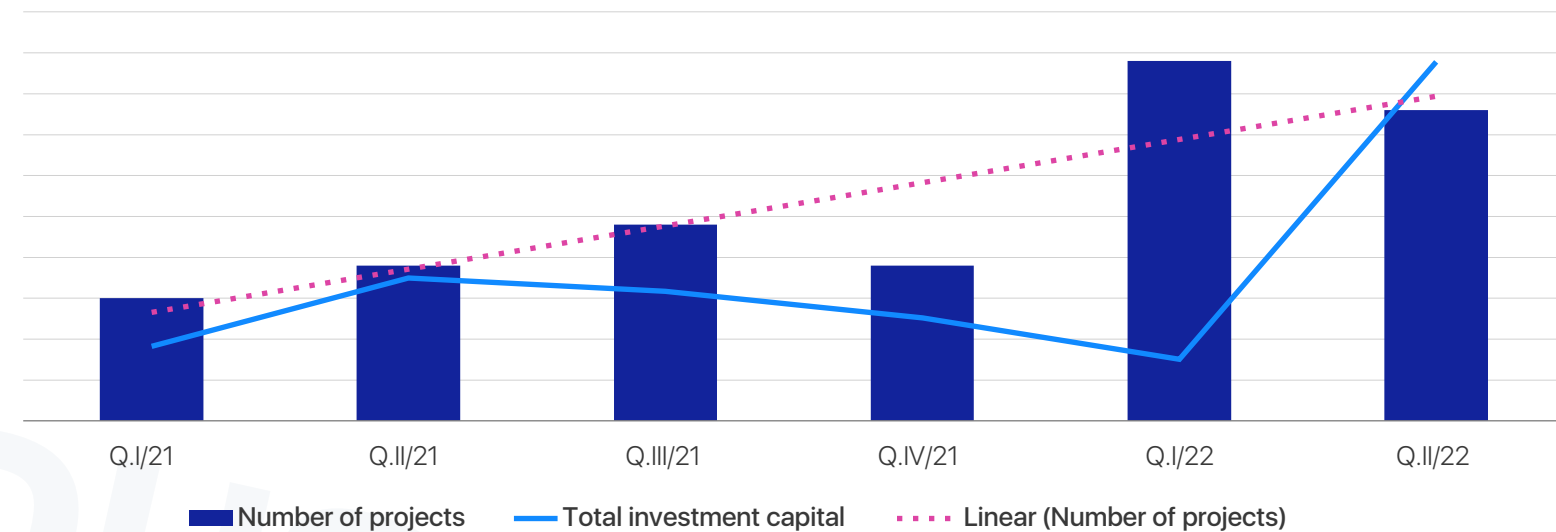


Source: HOUSELINK

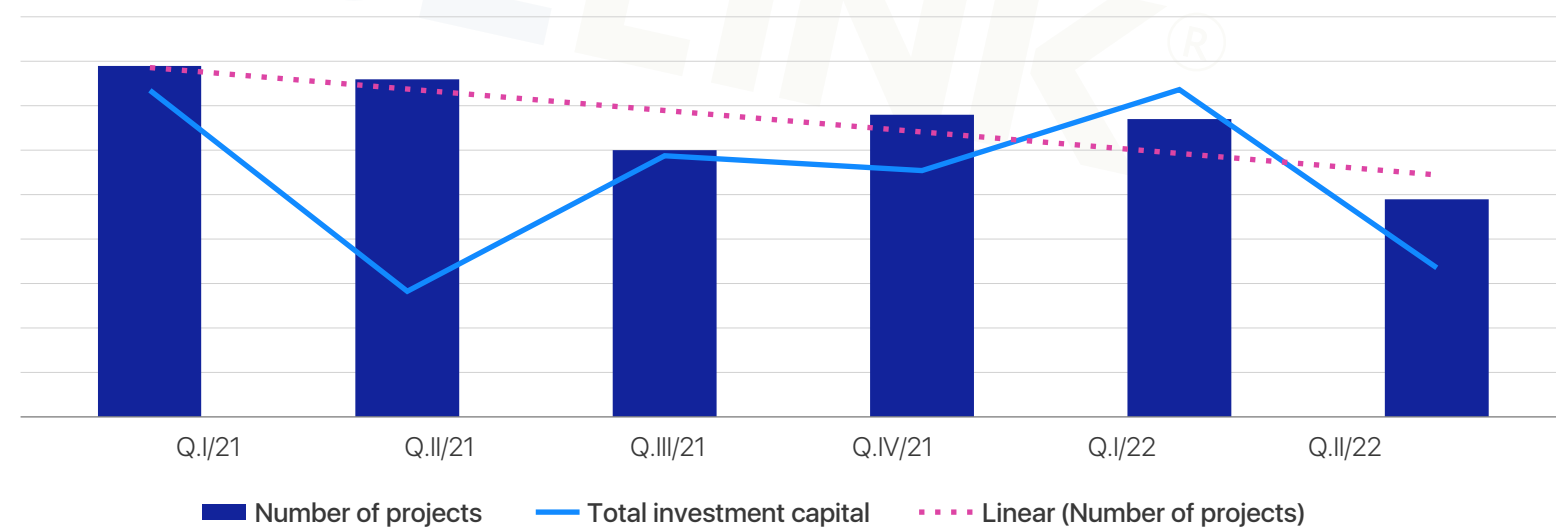
Moreover, real estate of newly registered FDI projects in 2021 and first 6 months of 2022 were very developed. Whereby, we can see that the trend of warehouse rental were raising both side in number of projects and registered investment capital. Especially in 2022, this trend more and more clearly expressed when the number of warehouse rental in first quarter of 2022 raised 132% than fourth quarter of 2021 and raised 193% over the same period of 2021. With second quarter of 2022, the number of warehouse rental projects also raised 100% over the same period of 2021. Scale of investment capital of warehouse rental projects also highly raised when total registered investment of newly registered FDI projects in 6 months of 2022 up to 93% over the same period of 2021. Meanwhile, land lease projects were on the contrary, both number of projects and investment capital scale were trending decreased.

This can be shown that a lots of investor were focusing on warehouse rental model in IPs. About diversification of warehouse, improve quality of warehouse, developed technical infrastructure and utility infrastructure of IPs will contribute to attracting and creating confidence for investors when they invest in Vietnam market.

NEWLY REGISTERED FDI PROJECT RENT READY-BUILT FACTORY



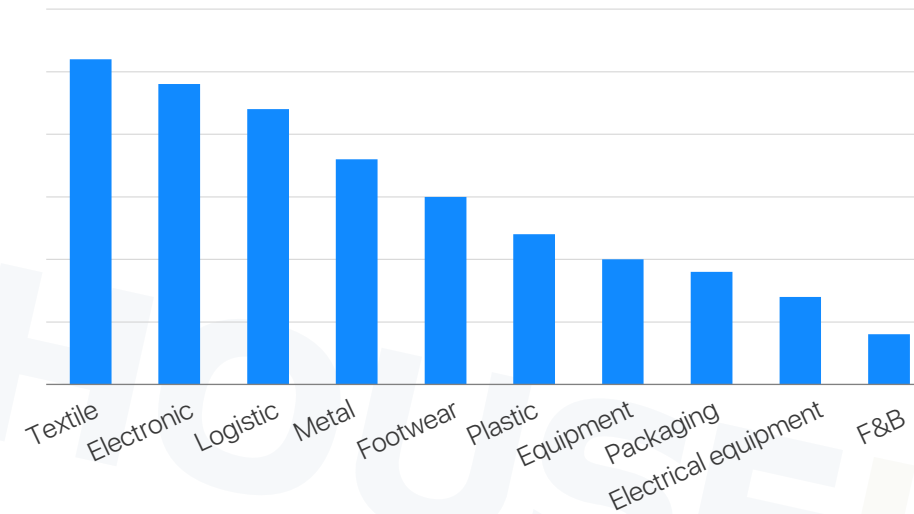
NEWLY REGISTERED FDI LAND LEASE PROJECTS



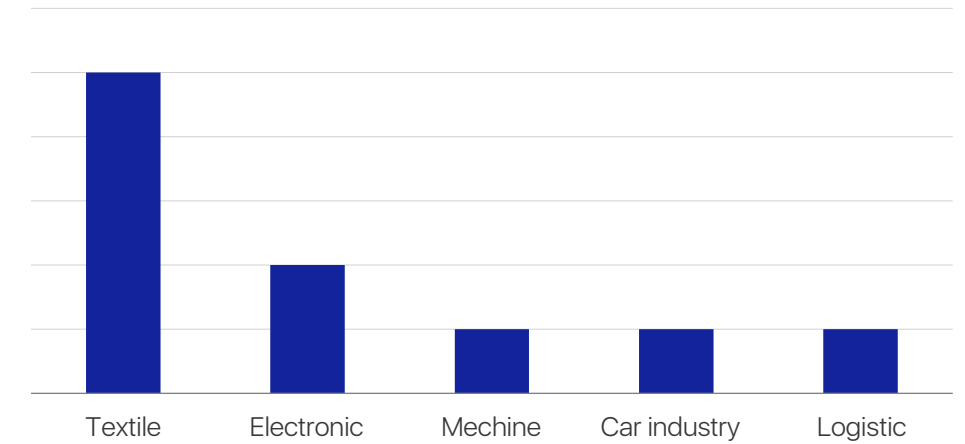
Source: HOUSELINK

In first 6 months of 2022, we concluded that textile industry was the most industry had much newly registered FDI projects. After that was: Electronic, metal, logistic, footwear, v.v. As we can see, textile was the most industry got much FDI capital in all 3 domain. Especially in central an southern, this was the industry that attract the most projects. And in northern, electronic and logistic was still a top industry. This is completely match with industrial park infrastructure in 3 domain. In sothern, long time ago, textile was very developing because this was the convergence of many big textile projects, moreover, IPs from southern had a good infrastructure and abudant number of workers. In northern, factories and warehouse for logistic industry was very focusing on invest. Moreover, Nothern had a lots of IPs which invested in high-tech infrastructure, import of special electronic materials from China had many advantages in terms of geographical location, traffic infrastructure had been improved so that it can attract FDI inflows in the electronic industry.

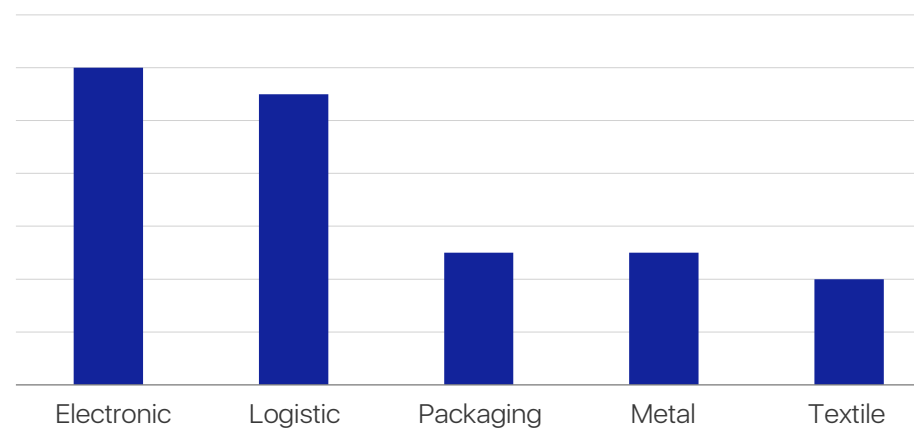
TOP INVESTMENT INDUSTRIES IN FIRST 6 MONTHS IN 2022
(BY NUMBER OF PROJECTS)



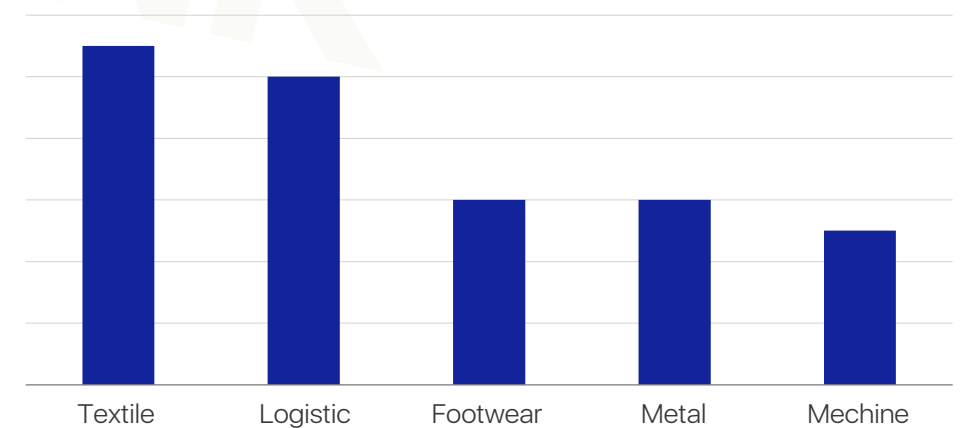
PROCESSING AND MANUFACTURING INDUSTRY IN THE CENTRAL
(NEWLY FDI FIRST 6 MONTHS OF 2022)



PROCESSING AND MANUFACTURING INDUSTRY IN THE NORTH
(NEWLY REGISTERED FDI FIRST 6 MONTHS OF 2022)



PROCESSING AND MANUFACTURING INDUSTRY IN THE SOUTH
(NEWLY REGISTERED FDI FIRST 6 MONTHS OF 2022)



Source: HOUSELINK

◆ **IPs attract most newly registered FDI projects in first 6 months of 2022**

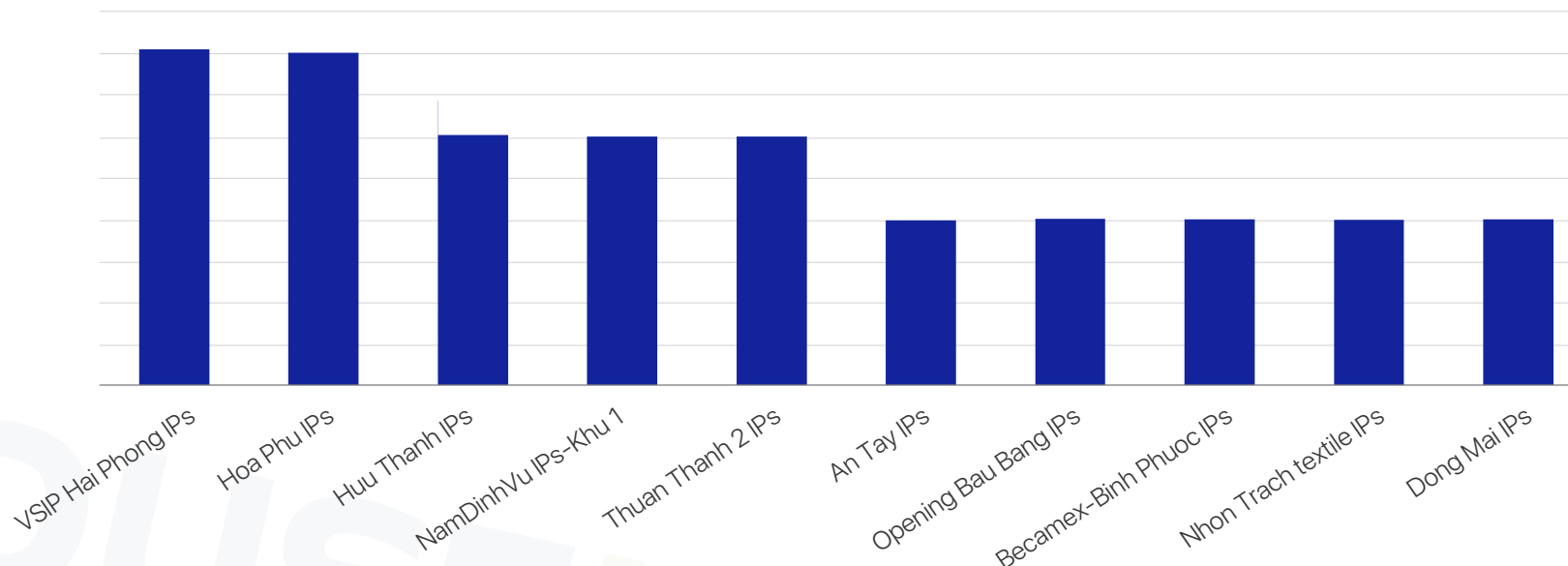
When analysed about this top 10 IPs, we conclude that from the beginning of the year until now, IPs selection trend of FDI investor was still leaning towards the location of IPs that convenient in terms of geographical location. When 80% of every industries adjacent to the route and more than 50% of them only less than 30km from the port / airport / highway.

◆ **The trend attract recycle power projects and factories use green technology**

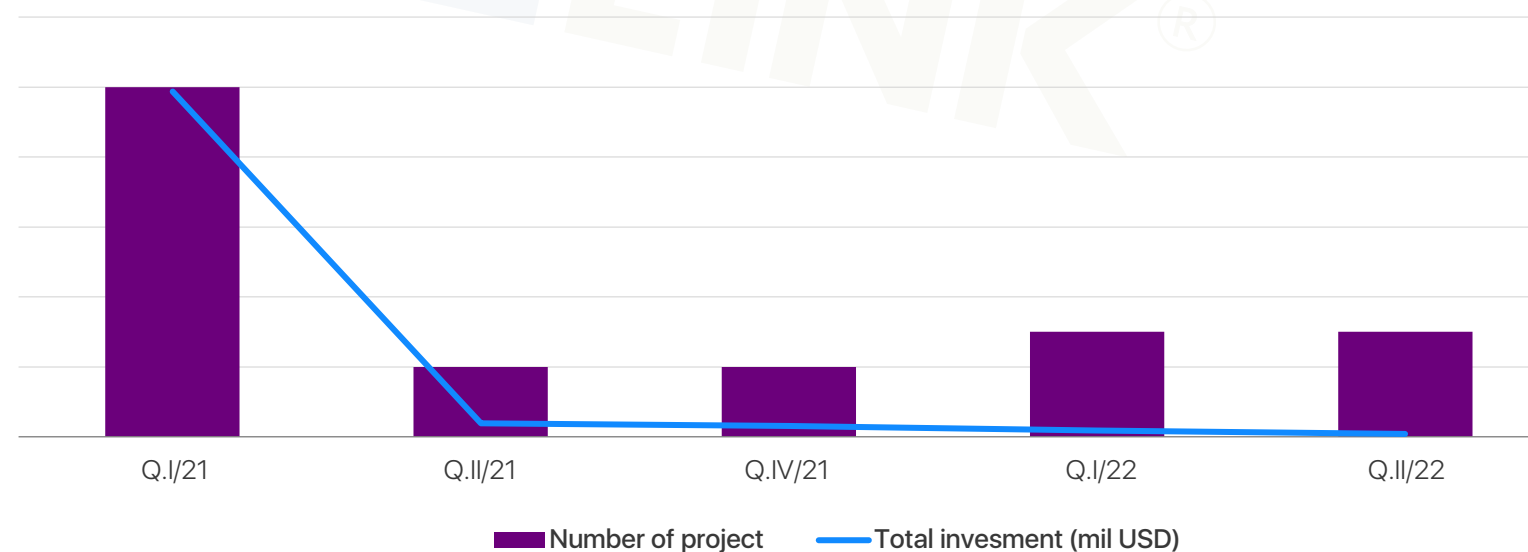
Recycle power projects (wind electricity and solar power were popular) were holding on stable frequency. After the surge in numbers and investment capital scale in first quarter of 2021, after that the number of recycle power projects were trending lightly increase by quarter. Using recycle power was being interested by many foreign investors, especially some big projects like LEGO factories projects, PANDORA projects even though this only in signing phase of the agreement on the factory manufacturing facility in Bình Dương but also committed use 100% recycle power.

This was a common trend of global and advantage of Vietnam when the government also following this trend, especially when big global brands agreed with produced manufacturing in friendly environment way.

TOP 10 IPS ATTRACT MOST NEWLY REGISTERED FDI PROJECTS (BY PROJECT NUMBERS)



NEWLY REGISTERED FDI PROJECT ABOUT RECYCLED ENERGY



Source: HOUSELINK

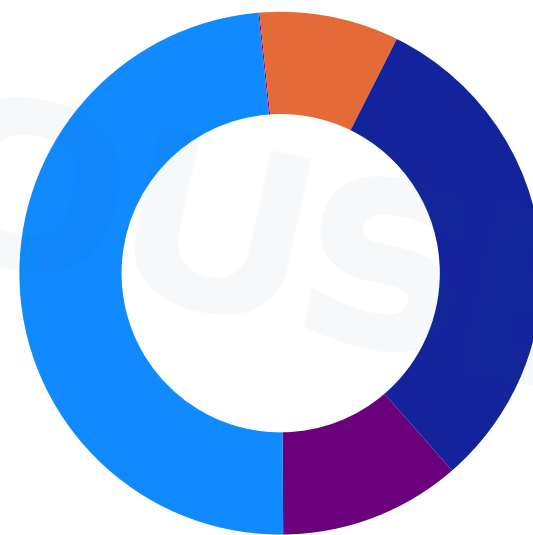
2 - INVESTMENT INDUSTRY TREND AND TYPES OF INVESTMENT CAPITAL IN IPS OF VIETNAM

In this part, we use data of every industrial projects that have invest upon 2 million USD with foreign direct investment (FDI) and domestic direct investment (DDI) on HOUSELINK in industrial field in 2021 and first 6 monthsh of 2022.

◆ Type of capital investment

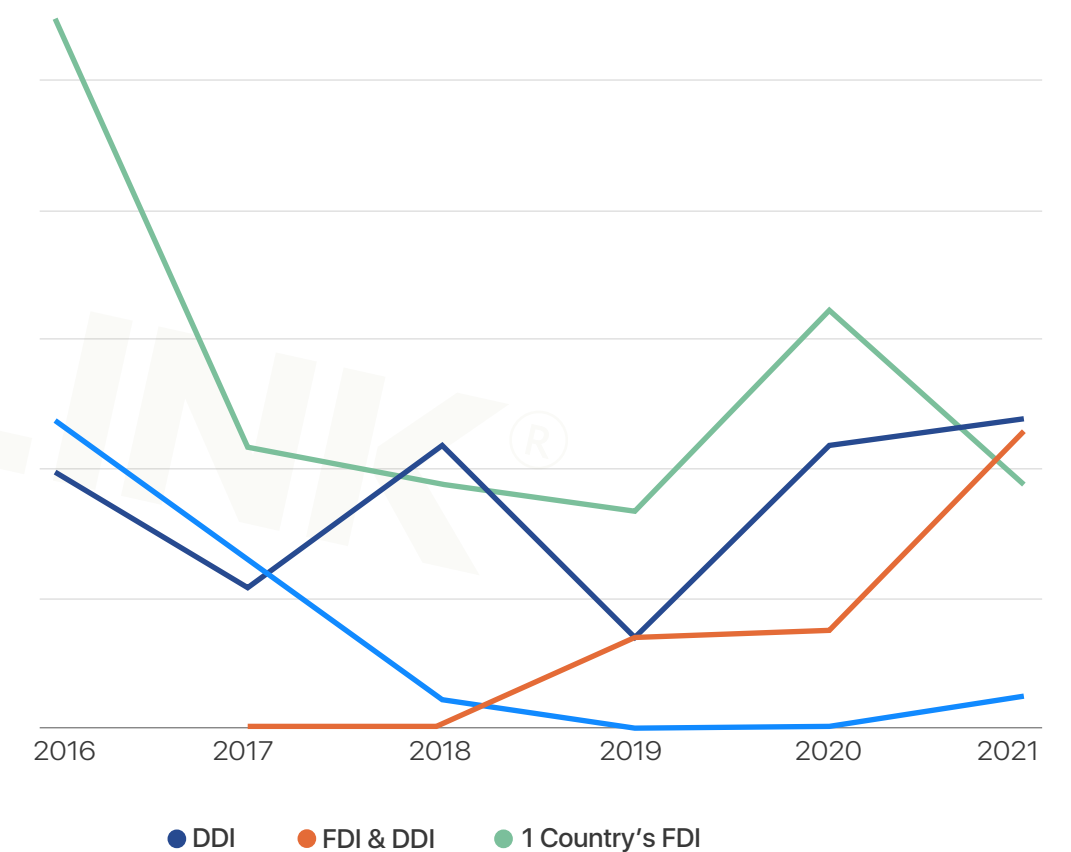
FDI still accounted for the majority of total investment capital in the industry of Vietnam from 2016 till now (49% total investment). But according to the growth, FDI was on a decreasing, especially when world economic situation were under a lot of big changes and affected by disease. On the contrary, DDI only accounted for 31% but was on increasing.

CAPITAL CLASSIFICATION



● DDI ● FDI & DDI ● 1 Country's FDI

CAPITAL CLASSIFICATION PER YEAR

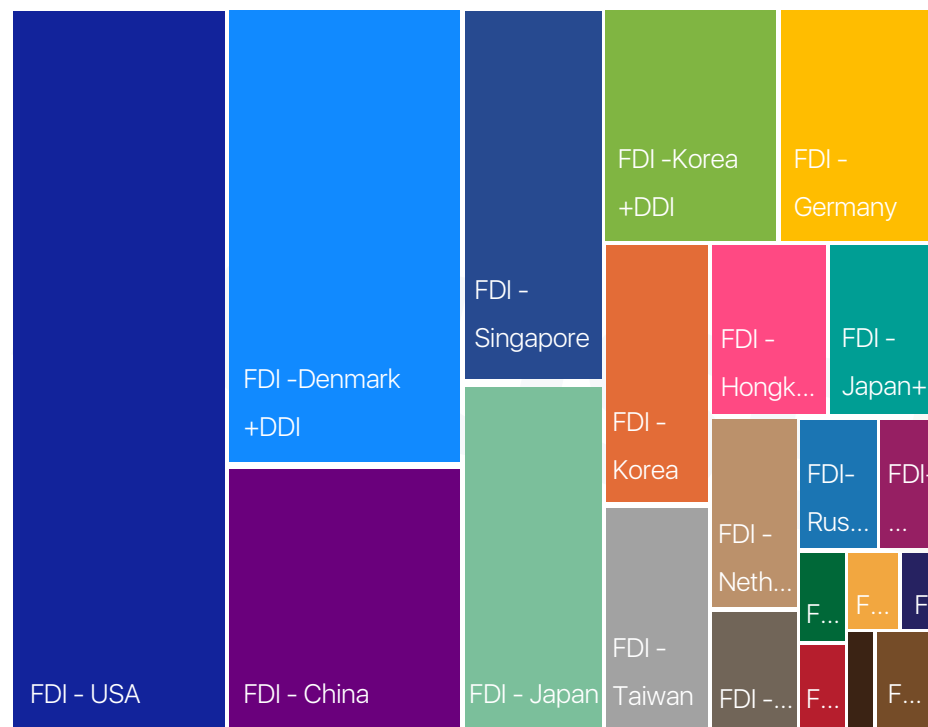


● DDI ● FDI & DDI ● 1 Country's FDI

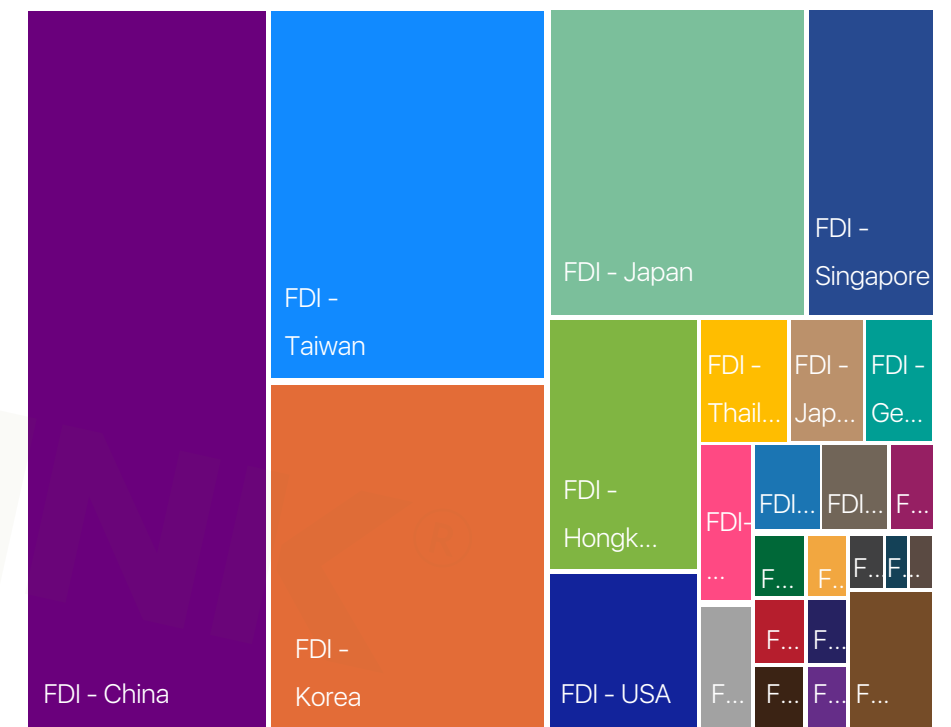
Source: HOUSELINK

There was so many country invested in Vietnam like America, China, Denmark, Singapore, Japan, Korea,v...v. In terms of number of projects, China, Taiwan, Korea, Japan were the leading countries. Most of them have been a long-time invested in Vietnam since many years. To continued attract investment from these countries and quality capital from other countries like Germany, Netherlands, France, Australia,v...v, it required a diversification of IPs infrastructure toward green and clean industry because most of these countries were the countries which joined Cop26 agreement in climate change. In addition, these countries oriented towards clean technology production.

THE SCALE OF FDI INVESTMENT CAPITAL INTO VIETNAM
(BY TOTAL INVESTMENT CAPITAL)



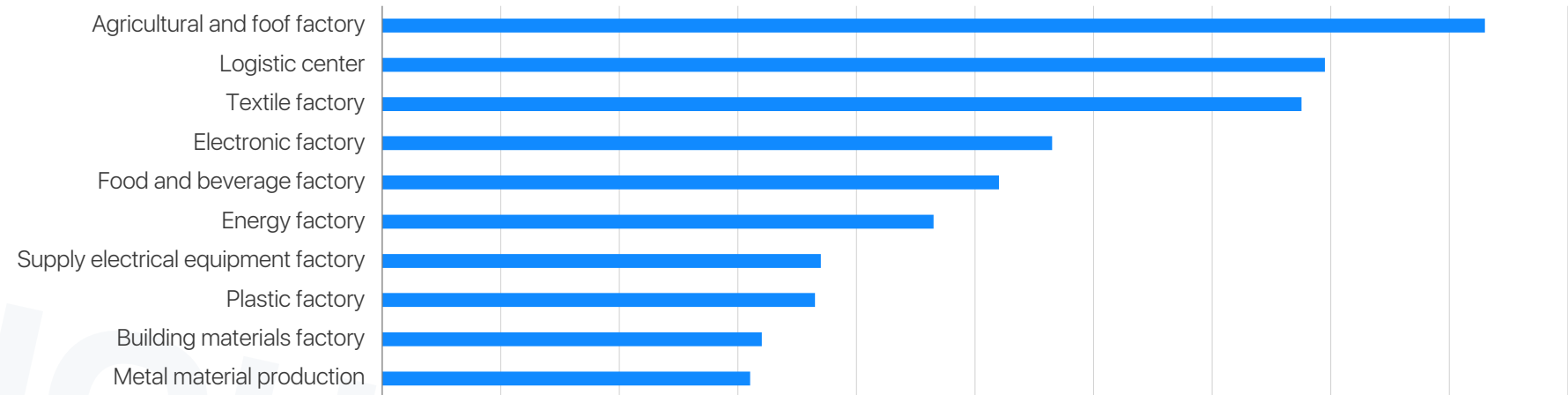
THE SCALE OF FDI INVESTMENT CAPITAL INTO VIETNAM
(BY THE PROJECT NUMBERS)



Source: HOUSELINK

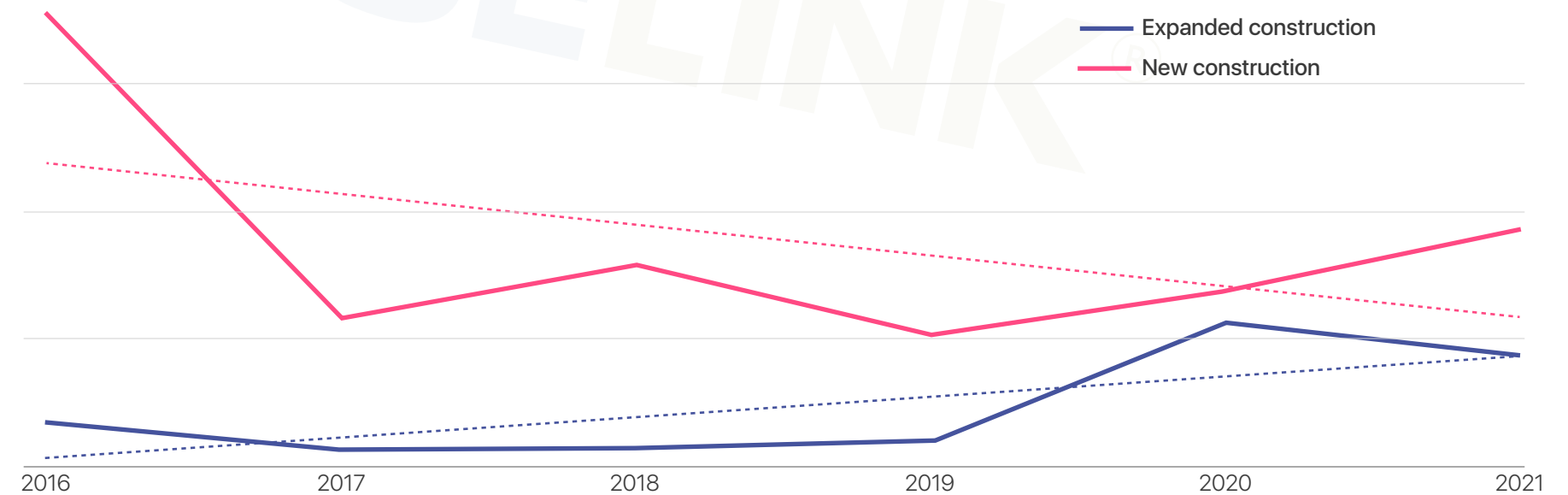
Some industries invested heavily in Vietnam like food agriculture, logistic, textile, electronic, power, v...v. Among these industries, food agriculture, food and beverage, building materials were attracting most DDI capital, others industries were FDI capital. IPs infrastructure improved in diversification of social security infrastructure, updated high technology and included warehouse will attracting more and more projects in the future.

TOP INVESTMENT SECTORS OF FDI AND DDI PROJECTS (BY PROJECT NUMBERS)



And if we separated to extended construction type and new construction, we can clearly see the growth of capital scale of the extended construction. But new construction projects were growing even during the covid-19 pandemic in 2020 and 2021 compared to pre-pandemic period (2018-2019). In conclusion, IPs infrastructure were developing and helping in holding the old investors and increasing new investors.

CAPITAL BY PROJECT TYPE



Source: HOUSELINK

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