Ho Chi Minh – Hanoi - Danang

INDUSTRIAL

QUARTER 1 2020

ECONOMIC OVERVIEW

GDP

In the first quarter of 2020, the GDP of Vietnam is estimated to increase by 3.82% over the same period last year. This is the lowest growth rate of the first quarter of the years in the period of 2011-2020, the reason is due to the negative impact of COVID-19 has on all socio-economic fields.

CPI

Compared to the same period last year, the average CPI of Vietnam increased by 5.5%. There are numerous reasons for this, first is the demand for many types of goods during the Lunar New Year increased compared to the same period last year. Second is the vegetable price skyrocketed since Vietnam can no longer import vegetable from China due to COVID-19. In addition to the causes of CPI 5.5% increase in the first quarter of 2020, there are several factors that contribute slow down CPI such as the oil price being adjusted 5 times and the need for travelling decreased significantly. Also, the inflation rate is increased by 2.95% compared to the same period last year.

FDI

In the first quarter of 2020, the total of Vietnam's capital investment reached 15.4 billion USD, increased by 2.2% compared to the same period last year, the lowest increased rate in the period 2016-2020. Total foreign investment in Vietnam as of March 20, 2020 reached nearly 8.6 billion USD, down 20.9% over the same period last year

Retail sale

For the first time since 2016, rate of total retail sales of consumer goods and services decreased, by 0.8% in March compared to the last month. In the first quarter of 2020, the increase rate is only at 4.7%. The negative effects of the Covid-19 epidemic impact consumer psychology, decreasing the consumer demand.

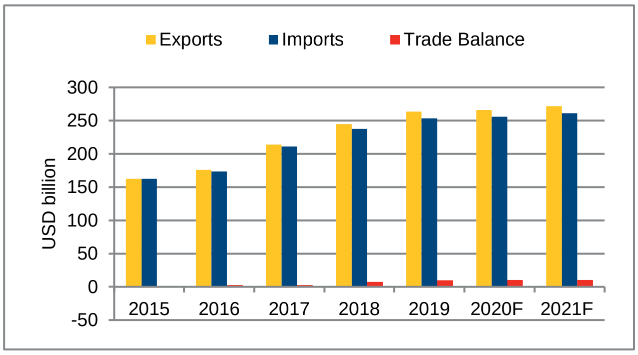
International arrival

There are only 3.7 million international visitors arrived in Vietnam in the first three month of 2020, an 18.1% decrease compared to the same period last year. The sharpest decrease rate was concentrated in major markets such as China, South Korea and the US.

Trade balance

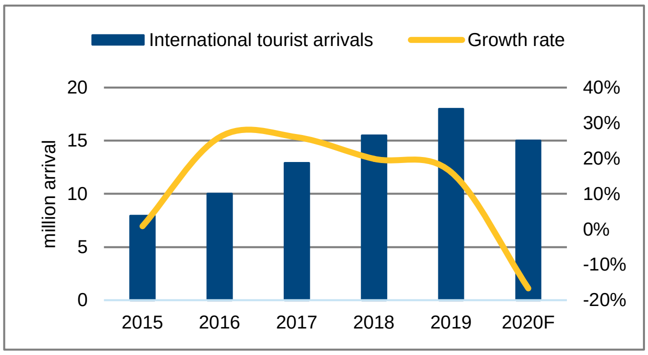
Total import and export turnover in March is estimated at 115.34 billion USD, down 0.7% over the same period last year. The total export turnover is recorded at 59.08 billion USD, went up by 0.5%. On the other hand, the total import turnover is 56.26 billion USD, decreased by 1.9%.

Figure 1: ***Vietnam Export-Import, 2010-2020F***



Source: Colliers International

Figure 2: ***Vietnam International Arrivals, 2010-2020F***



Source: Colliers International

HO CHI MINH

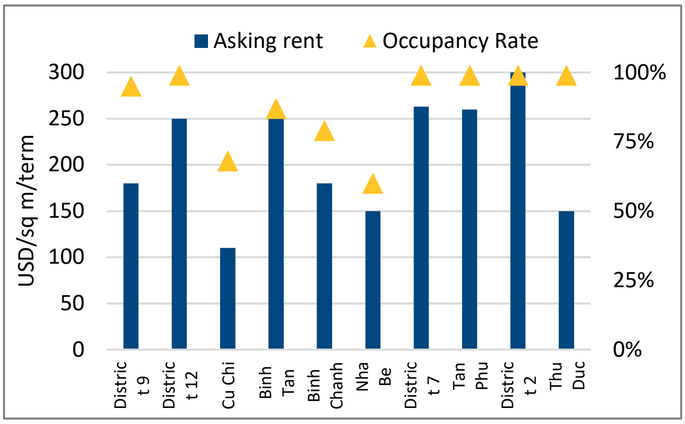
Performance: Rental rate increase

In the first quarter of 2020, Ho Chi Minh City has continued to record the highest rental rate in Southern Industrial market. By the end of March, the average rental rate for industrial lands is increasing to 150 USD/sqm/term which is 15% higher than the same period last year. For factory, the rental rate also went up to aproximately 5 USD/sqm/term. Occupancy rate is moving around 85% due to the advantages of the biggest city as well as a business center of the whole country which attracted many investments from domestic and international firms.

Supply

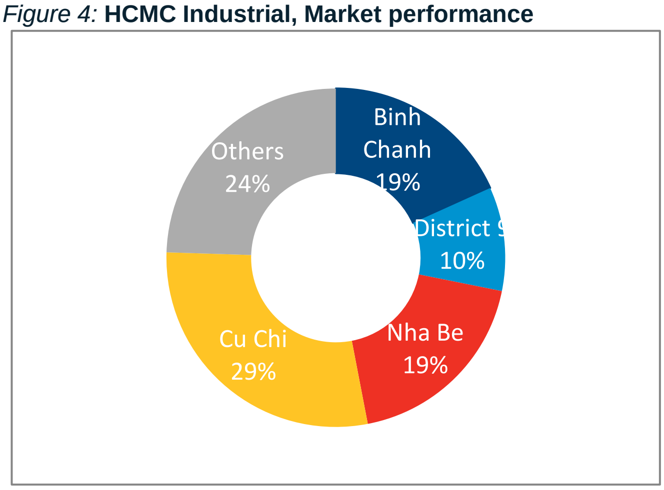
Currently, the tota number of industrial parks in Ho Chi Minh city still remained 18 which provide nearly 3,700 ha of industrial land being available for lease. Meanwhile, only 800 ha left for leash up until now. As mentioned in previous quarter, since May 2019, Ho Chi Minh city had inquired the government for the approval of the project for building a new industrial parks in Binh Chanh district that will supply more than 380 ha to the market. However, the project has not been approved yet which also got impact from COVID-19 pandemic.

Figure 3: : **HCMC Industrial, Average asking price and Occupancy rate**



Source: Colliers International

Figure 4: **HCMC Industrial, Market performance**



Source: Colliers International

HO CHI MINH

Demand

2019 has been a successful year for the market, in which it is highlighted by the entry of new foreign brands such as Uniqlo, Decathlon and the expansion of market share of fashion and cosmetic brands, F&B has been in Vietnam for a long time.

This development is expected to strongly continue in 2020 but due to the sudden impact of the Covid-19 epidemic on the global economy, it has slowed down foreign brands' plans to invest into new markets. Domestic brands also suffer from the same situation, causing them to suspend business activities at the end of the first quarter. As a result, retail space leasing transactions are temporarily frozen.

Outlook

It is expected that in 2020, more than 200,000 sqm of retail space from 5 new retail centers will be added to the total supply of HCMC in case all are built on schedule.

Based on the current situation, business activities will likely begin to balance again after epidemic is under controlled and promise a bustling retail market afterwards.

Table 1: **Ho Chi Minh City – Industrial, Future Supply**

Industrial Park Name	District	GFA (ha)
Le Minh Xuan Industrial Park - Phase 2	Binh Chanh	338.0
Le Minh Xuan Industrial Park - Phase 3	Binh Chanh	242.0
Vinh Loc I - Phase2	Binh Chanh	56.0
Vinh Loc I - Phase3	Binh Chanh	200.0
Vinh Loc Industrial Park III	Binh Chanh	210.3
Tay Bac Cu Chi Industrial Park – Phase 2	Cu Chi	173.0
Hiep Phuoc Industrial Park – Phase 3	Nha Be	1,000.0
Phong Phu Industrial Park	Binh Chanh	148.4

Source: Colliers International

Comment on impact of Covid-19: Despite the negative impact of covid 19 on other economic fields, HCM industrial market still record positive result when the rental rate increased around 15% in 1Q2020. Demands from the market also remain stable and most occupancy rates in Ips are higher than 80%, hence, COVID-19 did not really affect the industrial market in HCMC in the first 3 months.

Table 2: **HCMC Industrial Market**

No	Name of Industrial Park	Location	Distance to CBD (km)	Total Area (ha)	Total leasable area (ha)	Asking Rent (USD/sqm/ term)	Occupancy rate	LUR Term
1	Tan Thuan Export Processing Zone	District7	6.4	300	204	270	90%	2041
2	Linh Trung 1 Export Processing Zone	Thu Duc	18	62	46	65	100%	2042
3	Binh Chieu Industrial Park	Thu Duc	16	27	27	150	100%	2046
4	Tan Binh Industrial Park (P1+2)	Tan Phu	11	129	100	235	100%	2047
5	Vinh Loc Industrial Park	Binh Chanh	15	203	131	250	100%	2047
6	Le Minh Xuan Industrial Park	Binh Chanh	20	100	66	120	100%	2047
7	Tan Tao Industrial Park 1	Binh Tan	17	161	97	240	97%	2047
8	Hiep Phuoc Industrial Park 1	Nha Be	21	311	224	140	100%	2048
9	Tay Bac Cu Chi Industrial Park	Cu Chi	36.5	208	150	85	97%	2048
10	Tan Thoi Hiep	District 12	16	28	20	144	100%	2049
11	Linh Trung 2 Export Processing Zone	Thu Duc	17	62	44	65	100%	2050
12	Tan Tao Industrial Park 2	Binh Tan	17	183	116	240	78%	2050
13	Saigon Hi-tech Park P1	District 9	15	300	300	180	100%	2052
14	Tan Phu Trung Industrial Park	Cu Chi	37	543	359	95	65%	2054
15	Automotive-Mechanical (Hoa Phu) Industrial park	Cu Chi	40	99	67	74	85%	2057
16	Hiep Phuoc Industrial Park 2	Nha Be	22	597	345	140	35%	2058
17	Dong Nam Industrial Park	Cu Chi	30	343	287	70	82%	2058
18	An Ha Industrial Park	Binh Chanh	23	124	124	71	85%	2058
19	Cat Lai Industrial Park (ClusterII)	District 2	21	137	87	90	100%	2061
20	Le MinhXuan III	Binh Chanh	26	300	231	140	80%	2064

HA NOI

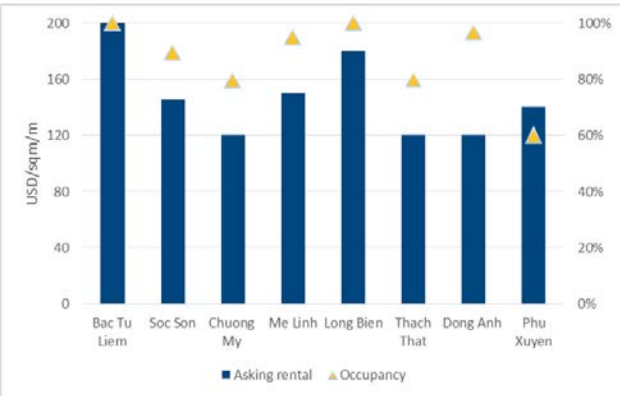
Performance: Both rental rate and occupancy rate increased

By the end of 1Q2020, Ha Noi recorded increased number in rental rate. With 140 USD/sqm/term, the rental price rate increased by 10% compared to the previous quarter. The demand has been gone up while the new supply is limited that clarified the reason why the rental price rate increased. Besides, occupancy rate still remains in stable feedback, with 95.5%. Most industrial projects are presently located in Bac Tu Liem and Long Bien district, making them the most attractive area for industrial investors.

Supply: New supply delayed

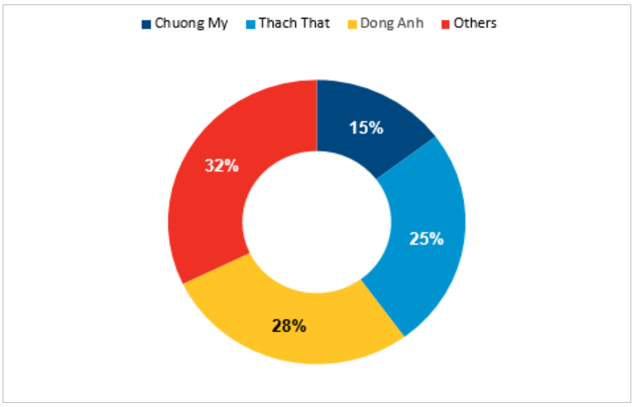
In the present, there are 10 IPs are supplying more than 2,000 hectares, this number will increase to 3,500 hectares in the future with expansion projects on pending. 68% of the total acreage located in Chuong My, Thach That and Dong Anh. 11 new IPs will be available next year, providing nearly 2,856 hectares to the market. 5 of them are expected to be open by the end of next year. For industrial clusters, Hanoi has 70 of them with a total acreage of 1,337 hectares, allowing 3,100 factories to work. In fact, by the first quarter of 2020, 9 new clusters might join the market but the impacts of COVID-19 has delayed them so far.

Figure 5: **Hanoi Industrial, Average asking price and Occupancy rate**



Source: Colliers International

Figure 6: **Hanoi Industrial, Market Performance**



Source: Colliers International

HA NOI

Demand: Demand remain high

There are more than 50% of the IPs have an occupancy rate of 100% in Hanoi which showed the demand is relatively high in this area. In Vietnam, Hanoi is the city that received USD646 million, ranged 4th in the whole country. Because of the negative effects of the novel corona virus, FDI of Vietnam decreased but Ha Noi's FDI was increasing in comparison to the same period last year. Therefore, with such high investment, it is understandable why the demand is going upward.

Outlook: Many opportunities

The next 2 years, Hanoi is expected to increase the amount of IPs twice, bringing the total number of IPs to 19 units. With the Trade war between China and the US in 2019 and especially with the current increasing conflict between these two countries, many foreign companies are proved that they will move their factories to Vietnam. Therefore, the demand for IPs will increase and it will be a huge opportunity for the industrial park market in Vietnam to develop.

Table 3: **Hanoi – Industrial, Future Supply**

Property	Location	Area (ha)
Quang Minh II Industrial Park	Me Linh	266
Thanh My - Xuan Son Industrial Park	Son Tay	108
Soc Son Industrial Park	Soc Son	340
Soc Son II Industrial Park	Soc Son	204
Phuc Tho Industrial Park	Phuc Tho	74

Source: Colliers International

Comment on impact of Covid-19: In fact, industrial market was not affected much like other fields, especially due to the virus outbreak, the trade war between US- China as well as the conflict between China and Western countries that many countries are considering Vietnam as a potential place to shift their production chain and factories

Table 4: **Hanoi – Industrial Market**

No.	Name of Industrial Park	Location	Distance to CBD (km)	Total Area (ha)	Asking Rent (USD/sqm)	Occupancy	LUR Term
1	Sai Dong B (Phase I & II)	Long Bien	11	97	125	100%	2046
2	Thang Long	Dong Anh	16	302	100	100%	2047
3	Nam Thang Long	Tu Liem	15	261	155	100%	2048
5	Hoa Lac Hi-Tech	Thach That	39	549	66	50%	2048
6	Quang Minh	Me Linh	24	344	160	100%	2052
7	Thach That	Thach That	24	150	100	100%	2056
8	Dong Anh	Dong Anh	19	470	105	100%	2057
9	Noi Bai	Soc Son	31	116	150	100%	2058
10	Phu Nghia 1+2	Chuong My	24	170	98	80%	2058
11	Hanssip (phase1)	Phu Xuyen	44	72	140	60%	2060

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