



*Achieve
Ambitions*

JLL Research Report

Hai Phong

A vision for *growth*

April 2019



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Introduction

Vietnam has gathered momentum over the past few years to establish itself as the production hub for Southeast Asia (SEA) and now offers a viable alternative for companies looking to establish their operations outside of China. This is backed by a number of key fundamentals, which include: strategic zlocation, business friendly environment and competitive labour costs. In 1986 there was 335 hectares of land dedicated to industrial land, since then, Vietnam has quickly become one of the brightest manufacturing hot spots in SEA. The country now boasts more than 80,000 hectares of industrial land, a phenomenal growth over the past two decades.

With a coastal line stretching over 3,200 kilometres along the East Sea, Vietnam possesses an advantageous geographical location that provides great access to the world's major shipping lanes. As a result, sea transport has been the

most prominent mode of freight transportation facilitating international trade, with the majority of cargo going through the shipping hubs located at either end of the country. The South with the presence of long-standing ports such as Cat Lai Port, Hiep Phuoc Port and the deep sea Cai Mep Port typically contributes more than half of the country's total sea cargo throughput while its counterpart in the North with the port cluster in Hai Phong, accounts for more than 30% of the total. With an increasing proportion of FDI pouring into the north over the past decade, Hai Phong is fast becoming a focal point, providing companies with easy accessibility to transport their goods on a global basis, which will create considerable growth opportunities. In light of this backdrop, this paper will discuss how Hai Phong will gear up to become an internationally recognized trading hub and a driving force for development in northern Vietnam.

Vietnam's

Unique Fundamentals

Fostering Industrial and Logistics Growth



Economic Backdrop

Vietnam's GDP growth in 2018 reached 7.08%, an eleven-year record which surpassed the year's target of 6.7%. The prevailing transition of economic structure from primary to tertiary industry is expected to result in wealth creation growth, rising consumption, and a growing trained labour force that all bolster the further development of the Vietnam economy. The country's GDP is set to grow by 6.0-6.5% on average per annum until 2025.

FDI SEA countries have received increasing foreign direct investment, net FDI flow into SEA rose by 11% y-o-y to \$150 billion in 2018, outperforming the global figure of minus 5.1% over the same period¹. With FDI influx exceeding \$19 billion, Viet Nam was the third largest recipient within SEA in 2018 and accounted for more than 60% of flows to CLMV countries². This trend is set to continue as escalating U.S. - China trade tensions and increasing cost in China prompt manufacturers to relocate to Vietnam. With 25 FTAs currently agreed, Vietnam is on a journey to become an export-driven economy and one of the most opened economies in the region.

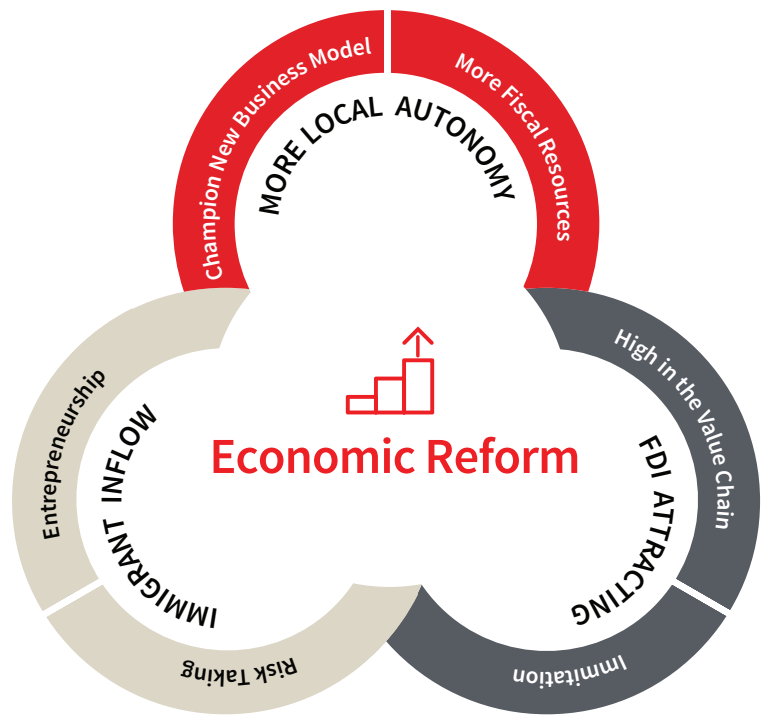
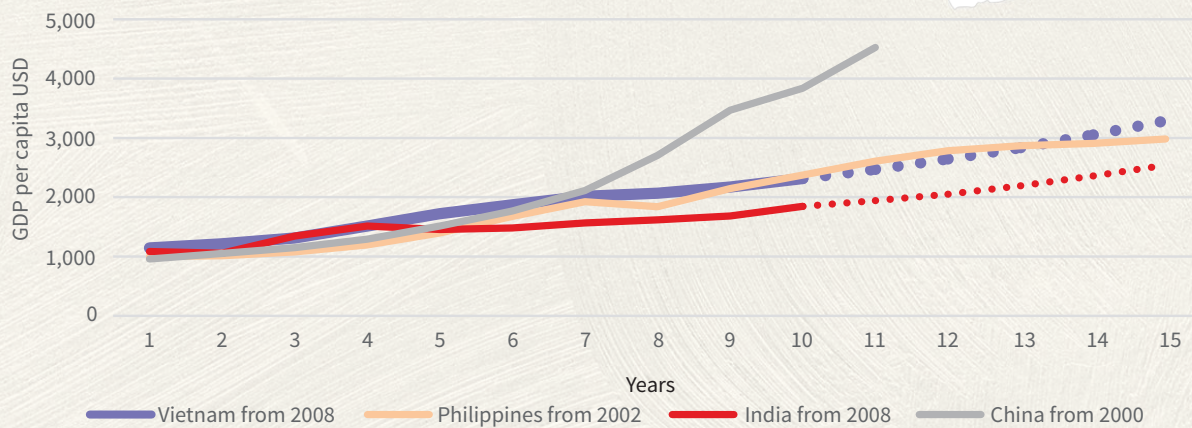
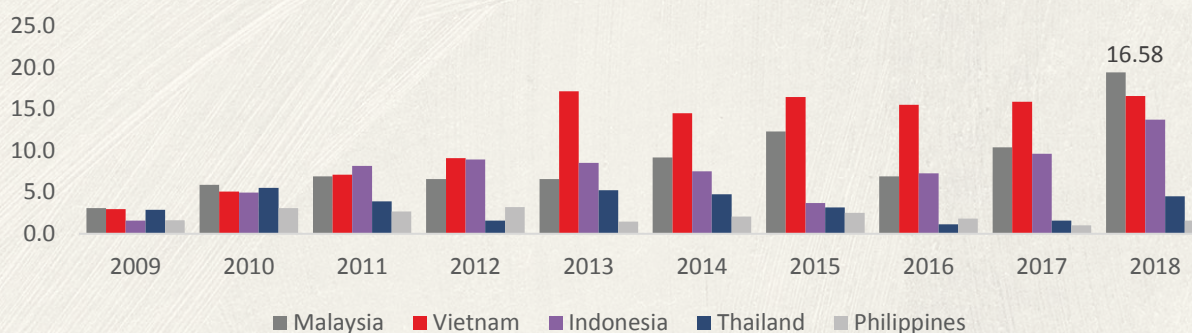


Figure 01: Pace of growth after GDP exceeds USD1,000 per capita



Source: IMA, JLL Research

Figure 02: Vietnam top the SEA in FDI in manufacturing sector, 2009-2018 (USD bn)



Source: National State Bank, JLL Research

¹ Oxford Economics, JLL estimate

² Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam

Favourable Demographic Landscape

Excellent Labour Market

Lower labour costs is one major reason why foreign manufacturers are attracted to Southeast Asia and Vietnam stands out as the country's labour cost remains competitive when compared to the region. In 2018, the country's total working population aged 15 or older accounted for 77% total population.

For a developing country, Vietnam scores exceptionally well globally on education of the workforce and labour market flexibility. According to IMA Asia survey, Vietnam scores in global standardized mathematics competency tests are in the same level as Japan, Switzerland and Singapore. This generation will be part of Vietnam's workforce for the next five decades, providing companies the quality talent required for growth.

Urbanisation has been constantly improving, particularly in key economic zones that have attracted a large number of migrants from nearby provinces as well as foreigners. Only 36% of population live in cities in 2018, fast forward to 2025, Vietnam is projected to attract 41 million urban residents, 45-50% of total population.

Growing middle income class

Households earning more than USD 20,000 annually is expected to be seven times higher by 2030 and make up 23% of the population in 2030 compared to just 4% currently.

Figure 03: Manufacturing wage in Southeast Asia compared to China

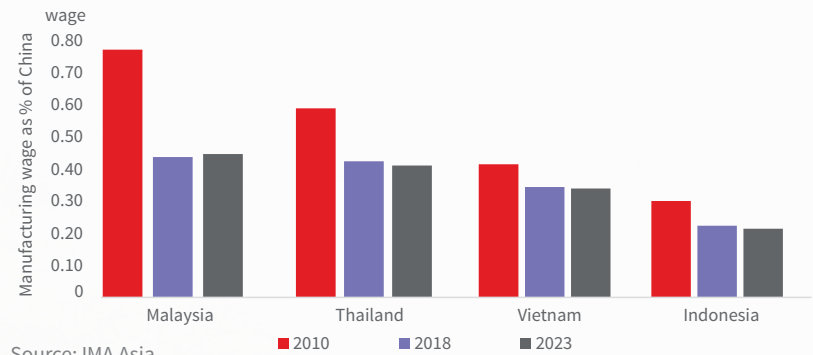


Figure 04: Vietnam has the fastest urban population growth in SEA

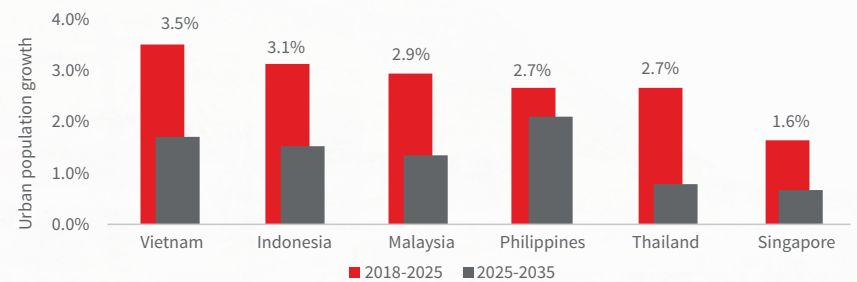
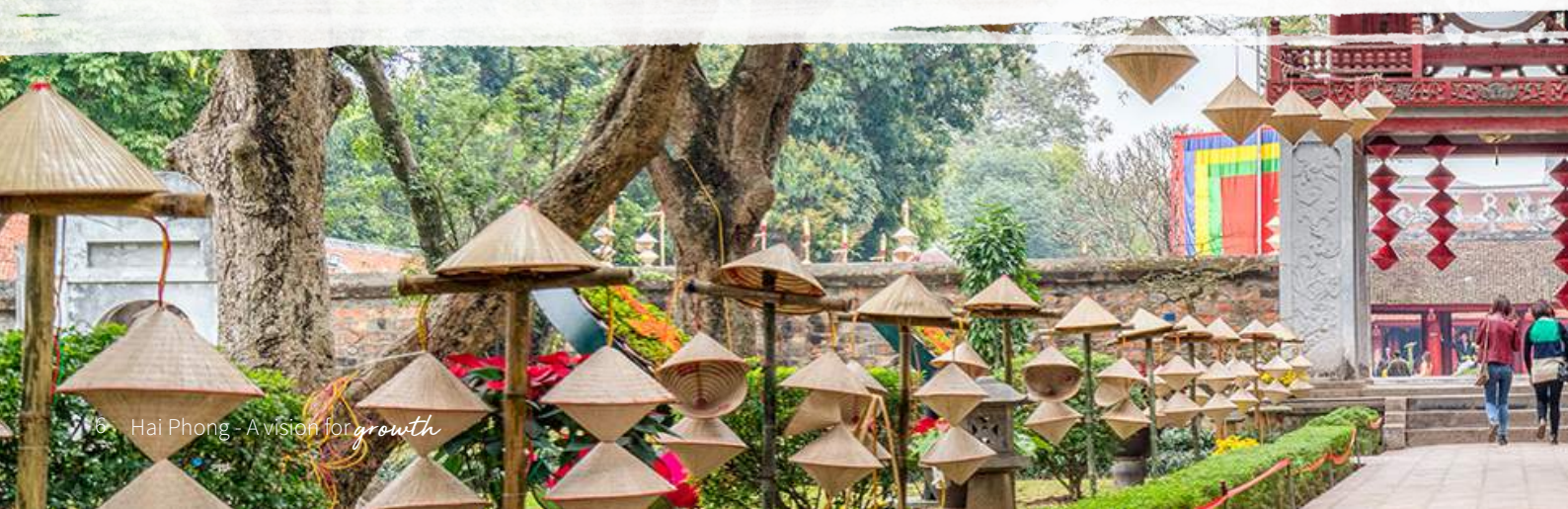
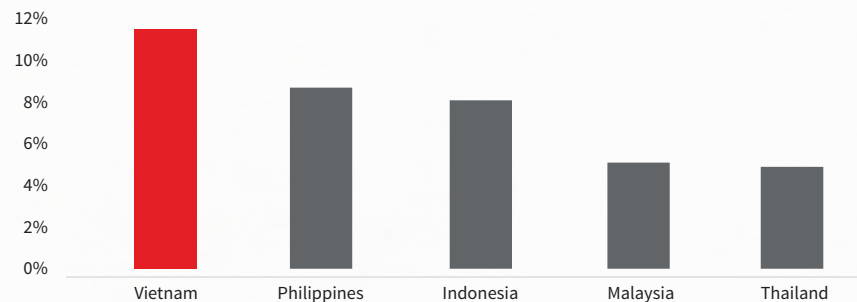
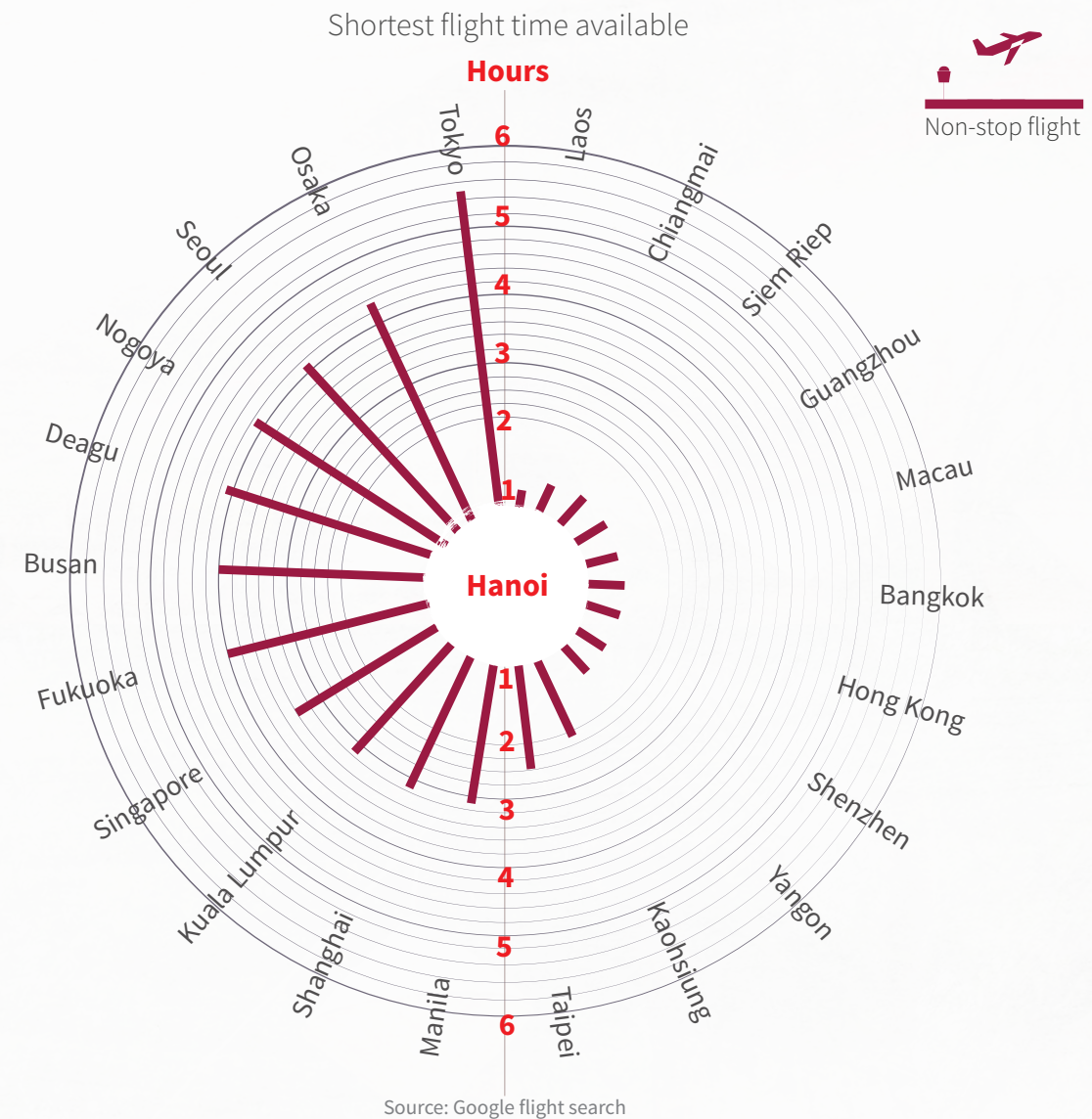


Figure 05: Vietnam's middle income population to grow 12% CAGR in 2018-2030 (Constant 2015 prices)



Vietnam Strategic Location

Located in SEA, one of the fastest-growing regions and in close proximity to major market such as China and India, this S-shaped country with its 3,260 km coastal line offers easy access to a market of over three billion population within five days of shipping or four hour flight time.





2 Strong Infrastructure Spending

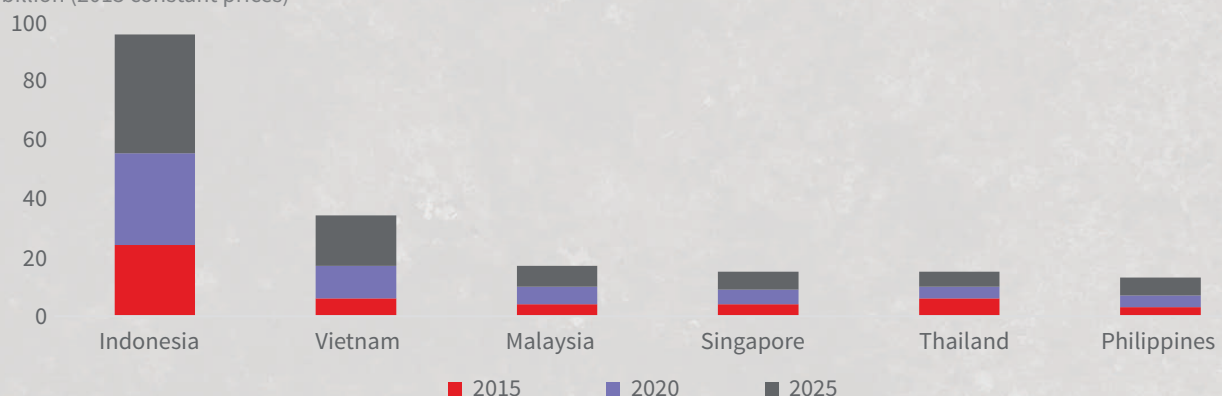
Vietnam spends 5.8% of its GDP on infrastructure, the highest level in SEA and the second highest in terms of total spending on transport infrastructure. According to the 2018 World Bank report, Vietnam, for the first time, has featured in the top five PPI countries with ten projects at a total of USD 3.4 billion.

Vietnam is playing an increasingly important role in the global supply chain, which has raised the interest of an increasing number of logistic companies, who are eyeing Vietnam as their next port of call.

The country is keen to improve its inefficient port infrastructure to further support its attractiveness. According to Vietnam Maritime Administration, the country aims to achieve the annual throughput of 1,040-1,160 million tonnes by 2030.

Although the lack of well-developed infrastructure still prevails across the country, constant improvements in the transportation network under the Government's effort to position the country as a regional manufacturing hub is expected to continue to tempt companies and investors into the country.

Figure 06: Vietnam has the second highest spending on transport infrastructure (road, rail, sea and airports).
In USD billion (2015 constant prices)



Source: Oxford Economics, cited in PwC "Understanding infrastructure opportunities in ASEAN", 2017



3 Business Environment



¹ Mordor Intelligence, cited in Vietnam Freight & Logistics Market Study - Market Trends, Analysis & Forecasts to 2023 report

Hai Phong *A vision for Growth*

Hai Phong is one of five major municipalities in Vietnam, with direct connection to the central authority. Located on the main economic corridor, along the north-eastern coastal area, Hai Phong is set to become the main gateway for import and export for the Northern Region.

Given its proximity to China, being only 200 km from the border, the city is widely regarded as the China+1 manufacturing base in ASEAN to take advantage of China-ASEAN FTA.

Hai Phong has been the spotlight for FDI investment, garnering attention and support from the central authority, supported by a major infrastructure boom and numerous governmental incentives.

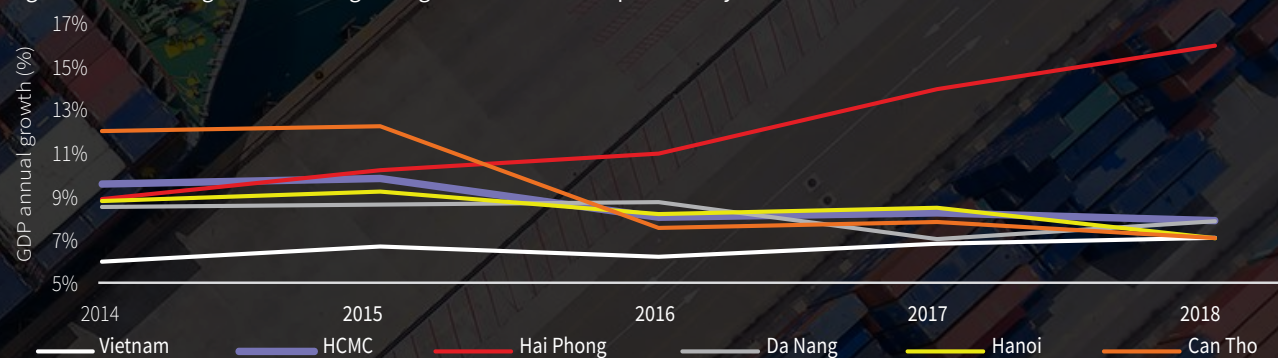
The Hai Phong Economic Zone, which offers companies preferential treatment when they set up operations, is also acting as a catalyst to tempt more investors to the region.

Hai Phong Economic - One of the best performers

Home to nearly 2 million inhabitants, Hai Phong is the third largest city in Vietnam, after HCMC and Hanoi. The city's rapid urbanisation has underpinned its exceptional growth over the past five years.

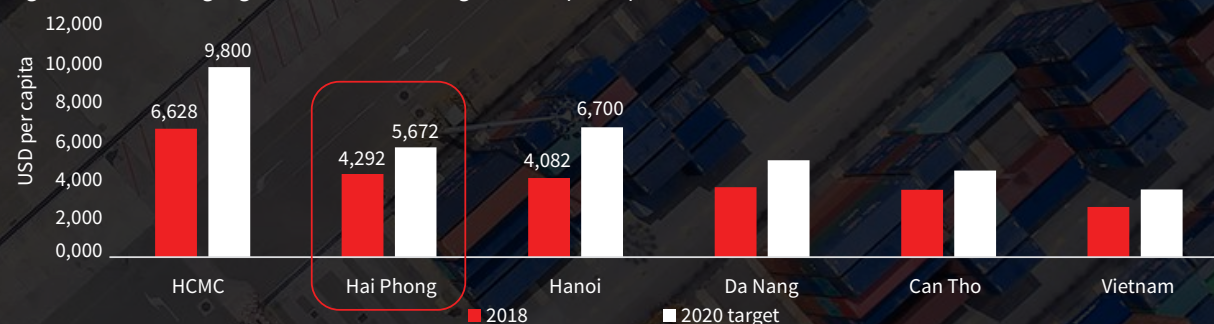
The central government has shown its commitment to continue Hai Phong's exponential growth by offering numerous special tax incentives, which has paved the way for it to become a foreign investment magnet, as streams of FDI pour its way into the city's economy. The constant improvement of Hai Phong's Provincial Competitiveness Index (PCI) rating demonstrates the authorities continued efforts to enhance the business environment, which will further bolster the attractiveness of Hai Phong.

Figure 07: Hai Phong is the fastest growing localities over the past three years



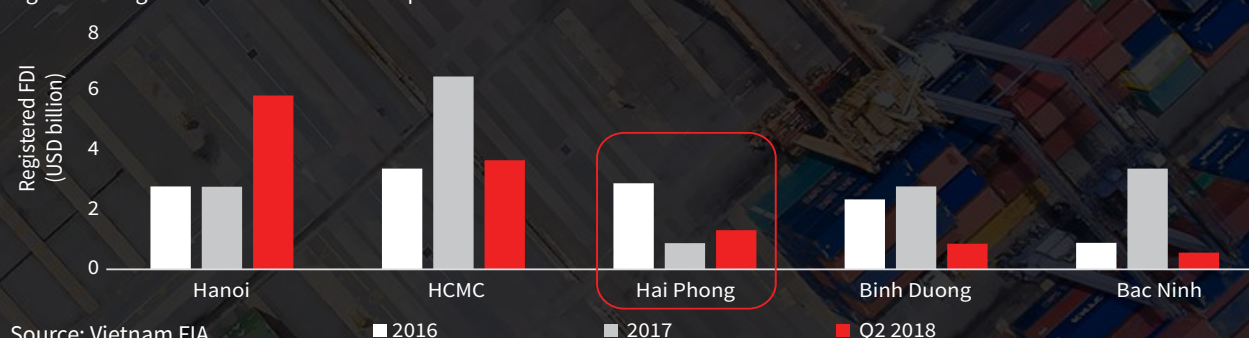
Source: Vietnam GSO

Figure 08: Hai Phong registered the second highest GDP per capita in 2018



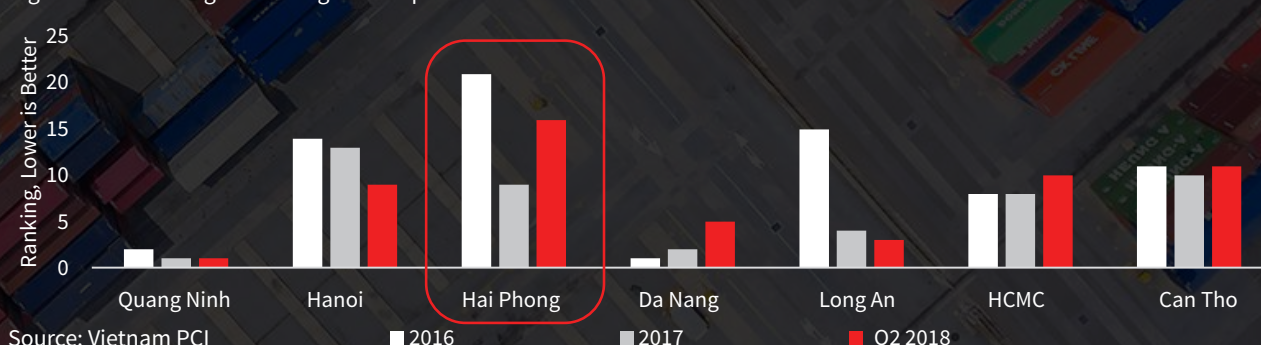
Source: Vietnam GSO

Figure 09: Registered FDI in Vietnam - Top 5 Localities



Source: Vietnam FIA

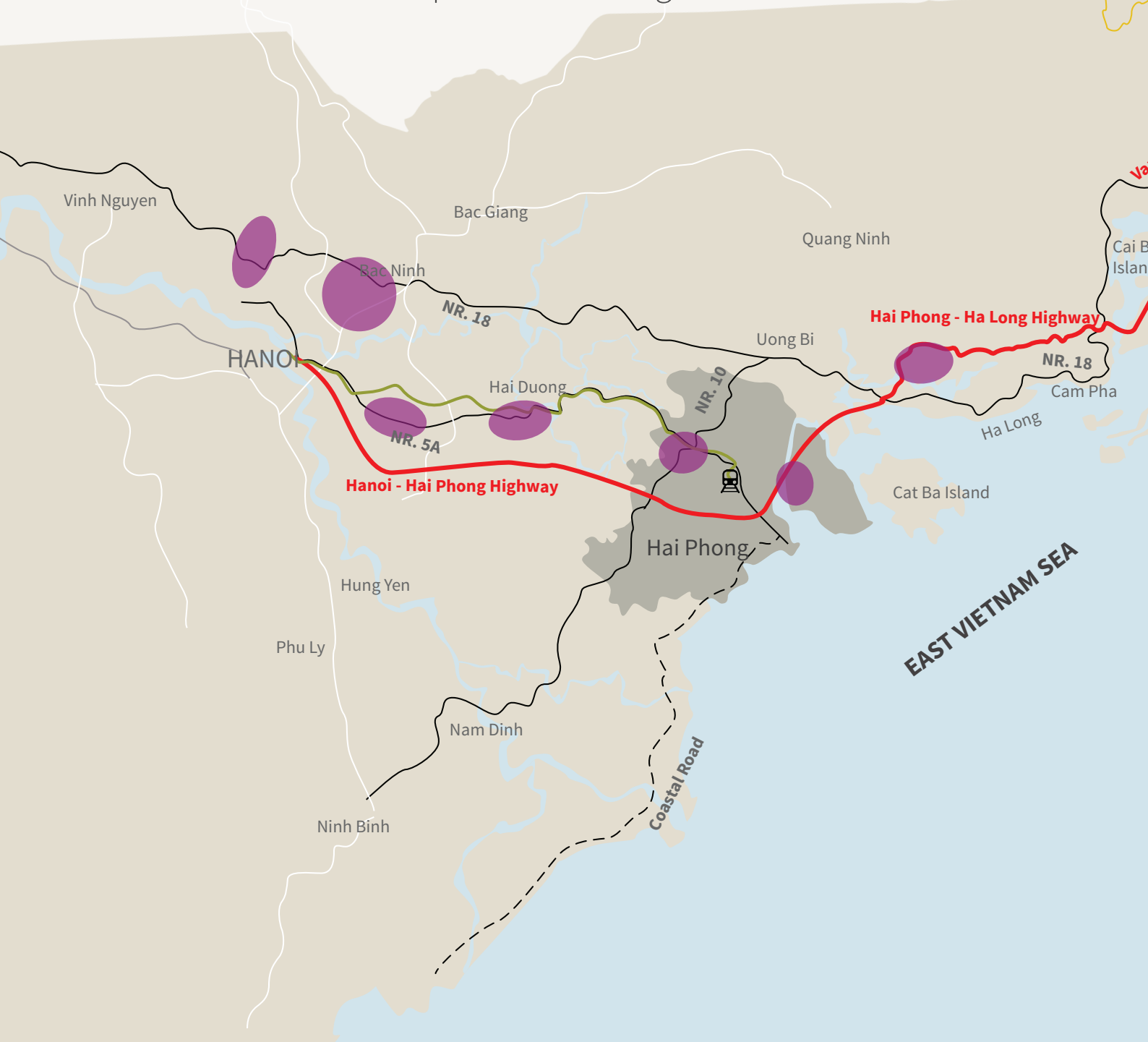
Figure 10: Hai Phong PCI amongst the top three in the north



Source: Vietnam PCI

Hai Phong Infrastructure

Development of Strong Infrastructure Backbone



LEGEND

- Highway - - Future Highway
- Railway
- National Road
- Existing Roads
- - Future Roads
- Cat Bi International Airport
- Major Ports
- Haiphong Railway Station
- Industrial clusters

PORT SYSTEM

Lach Huyen Deep Sea Port	
Draft	-14 m
Annual capacity	32 mil. tons in 2020
No. of berth	23
Hai Phong Port	
Draft	-7 m
Annual capacity	92 mil. tons / year
Port throughput growth	16.67% (2016-2017)

ROAD NETWORK

Hai Phong – Hanoi Expressway	105 km
Hai Phong – Ha Long - China	200 km
Coastal Highway	550 km

CAT BI INTERNATIONAL AIRPORT

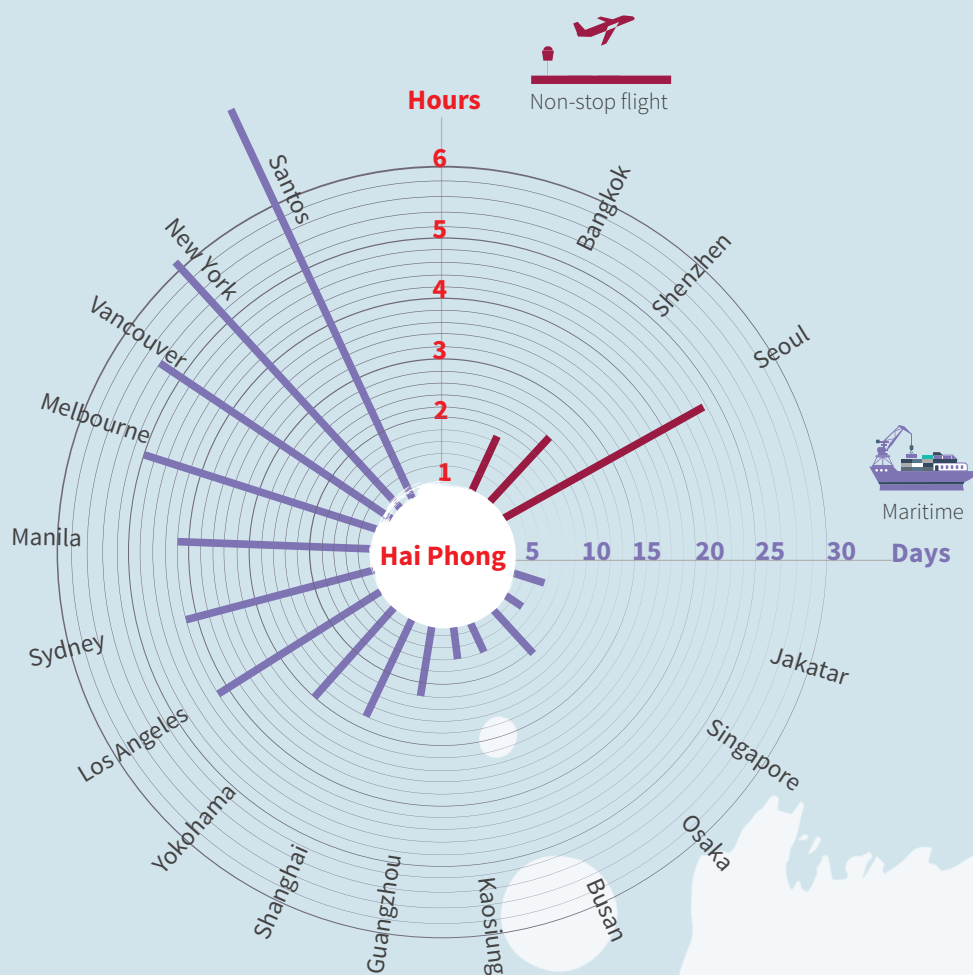
No. of Passengers	2.7 mil (2018, ▲ 28.5% y-o-y)
No. of Cargo	17,128 T/year (2018, ▲ 50% y-o-y)



Recognizing that infrastructure is a crucial element to leverage economic development, Hai Phong will mobilise its resources to develop modern and synchronous transportation infrastructure, which will improve connections to key surrounding regions. This will contribute to establishing Hai Phong as the main maritime trade gateway of the economic corridor in the northern region.

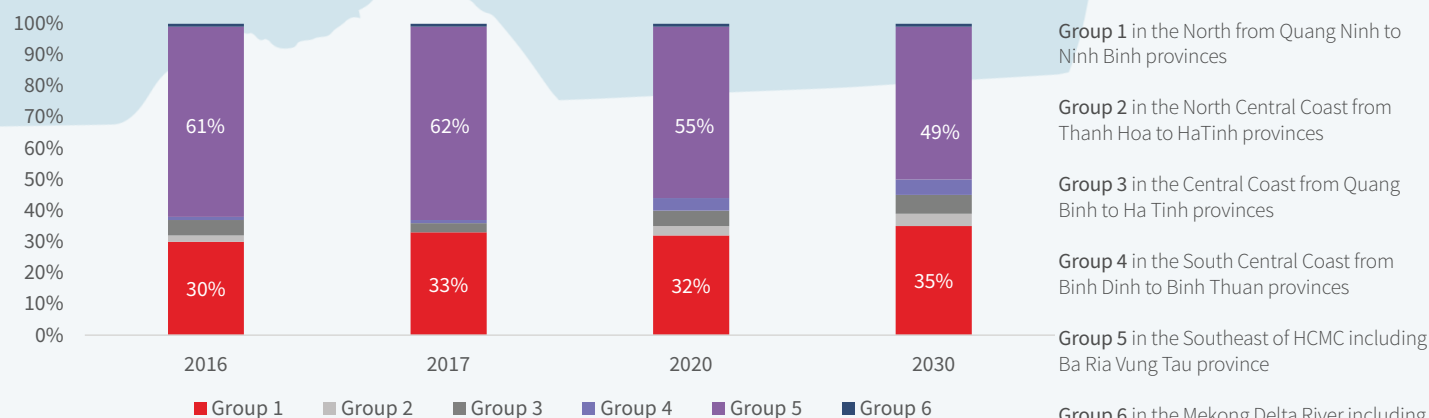
City's infrastructure has undergone significant improvements through the completion of three core projects of Hanoi-Haiphong Expressway, Tan Vu – Lach Huyen Highway, and Dinh Vu – Cat Hai Bridge. By facilitating the linkages to the Hanoi-Lao Cao Express Way, these projects will reportedly help reduce the commute time between the northern province of Lao Cai and Hai Phong International Gateway Port (HIGP) to approximately six hours.

Shortest flight and shipping time available



Source: Google search

Figure 11: Vietnam's container cargo throughput by 2030



Source: Vinamarine

Group 1 in the North from Quang Ninh to Ninh Binh provinces

Group 2 in the North Central Coast from Thanh Hoa to Ha Tinh provinces

Group 3 in the Central Coast from Quang Binh to Ha Tinh provinces

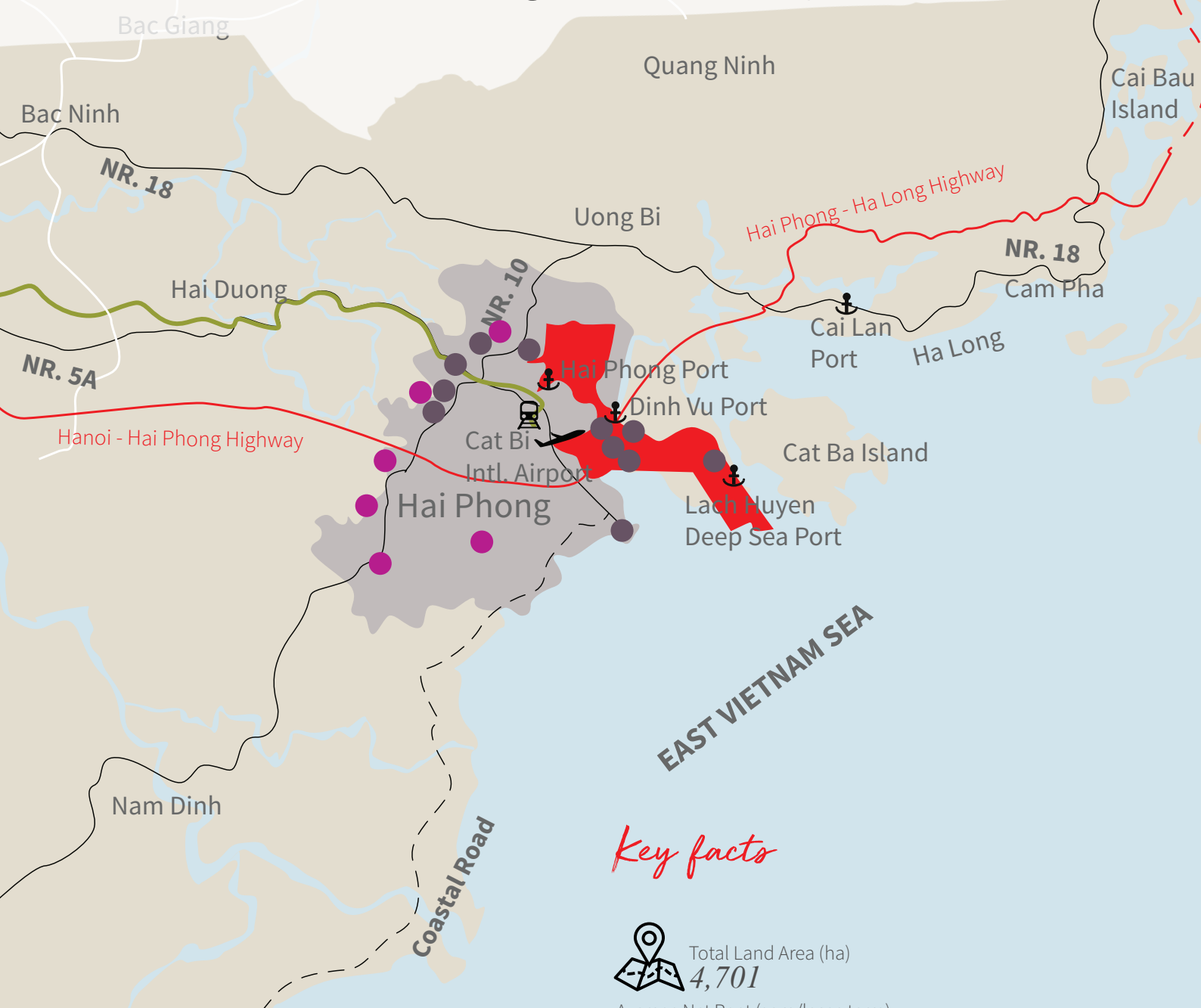
Group 4 in the South Central Coast from Binh Dinh to Binh Thuan provinces

Group 5 in the Southeast of HCMC including Ba Ria Vung Tau province

Group 6 in the Mekong Delta River including Phu Quoc Island and southwest islands

Hai Phong

Industrial and Logistics Landscape



LEGEND

- Highway - - Future Highway
- Railway
- National Road
- Existing Roads
- Future Roads
- Cat Bi International Airport
- Major Ports
- Haiphong Railway Station
- Existing Industrial Parks
- Future Industrial Parks
- Dinh Vu Cat Hai Economic zone

Note: Map only illustrate future projects having clear address and development plans.

Key facts



Total Land Area (ha)

4,701

Average Net Rent (sqm/lease term)

USD 92

Occupancy Rate

52%



Total Ready Built (sqm)

395,000

Average Net Rent (sqm/month)

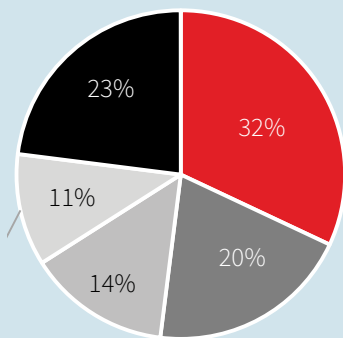
USD 4.6





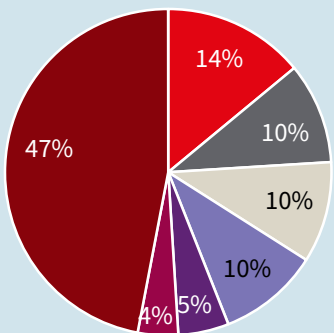
Over the past years, Hai Phong had established itself as a core industrial hub in Vietnam. Benefiting from the positive effect of the China – ASEAN FTA, and the Official Development Assistance (ODA) from Japan, Hai Phong is the preferred destination for manufacturing giants in high-tech industries. Along with numerous incentives available to interested investors, Hai Phong, together with Bac Ninh, are transforming the industrial landscape across the Northern region.

Key Developers

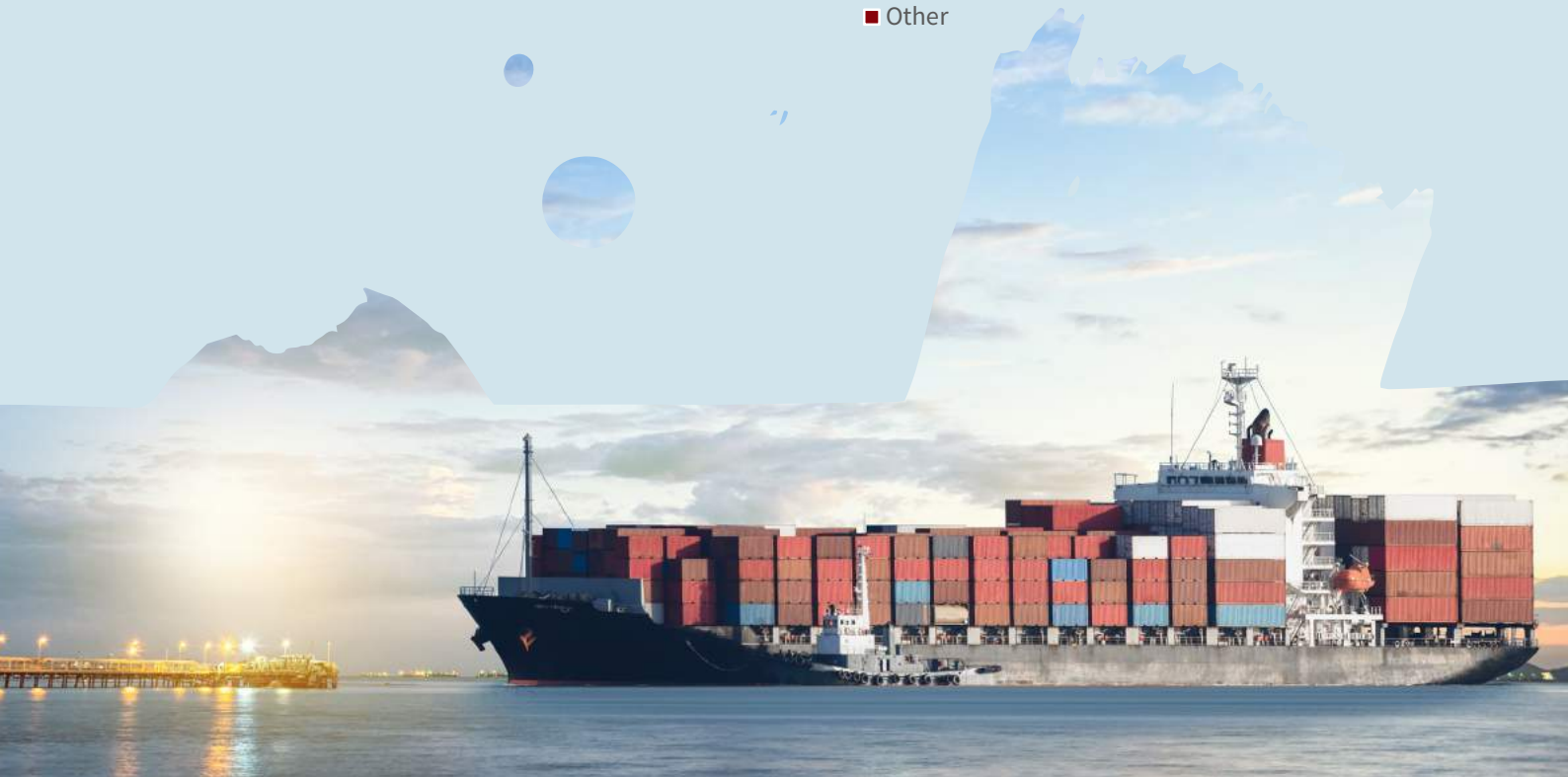


- Deep C Industrial Zone JSC
- Sao Do Investment Group JSC
- Kinh Bac City
- Vietnam Singapore IP JVC
- Others

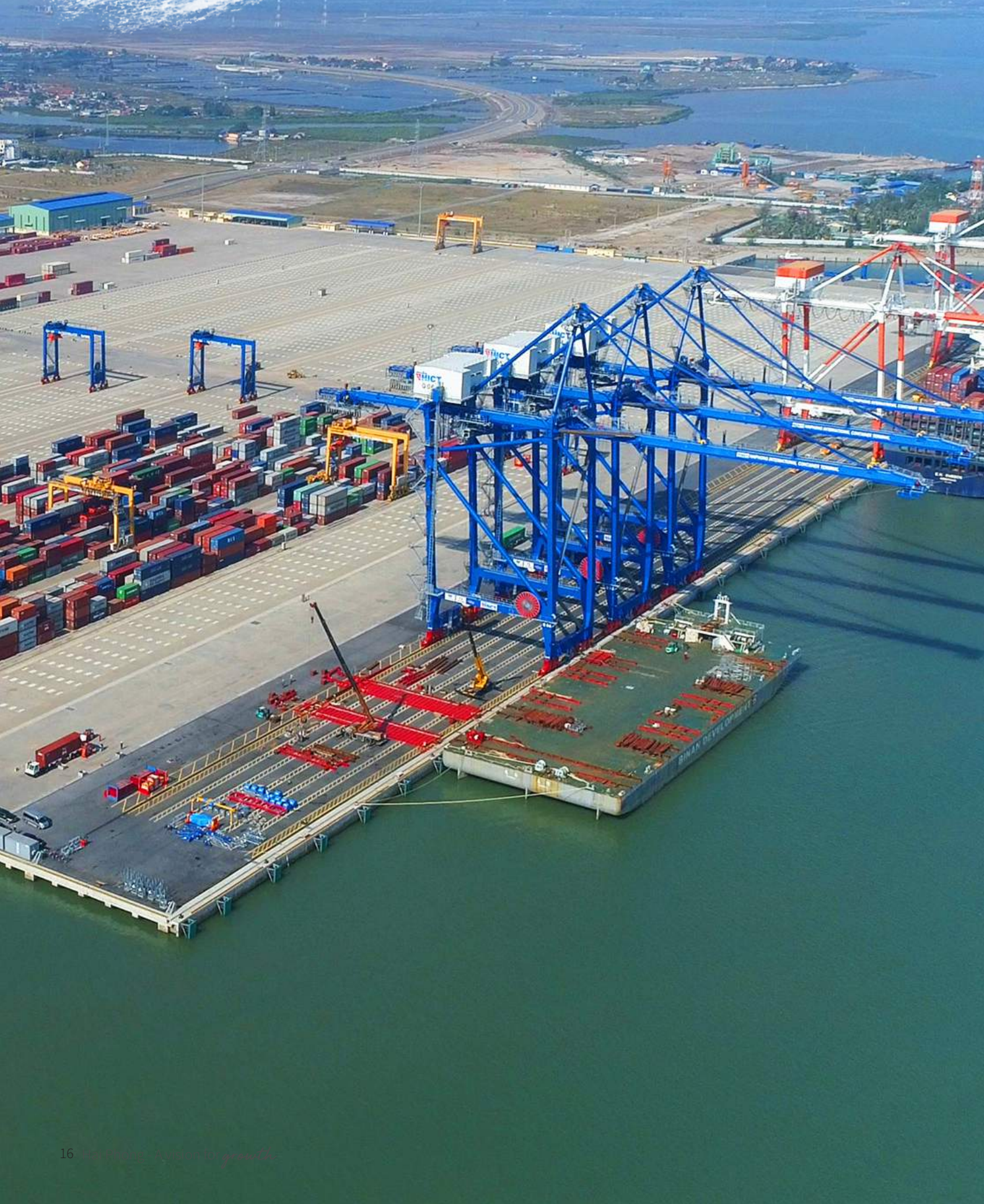
Key Occupiers by Sector



- Computer Electronic and Optical Products
- Machinery and Equipment N.E.C
- Chemicals and Chemicals Products
- Logistics
- Plastic and Rubber Products
- Textile and Apparel
- Other



Case study



DEEP C INDUSTRIAL ZONES

Who

Founded in 1997, DEEP C had established itself as one of the biggest industrial land developer groups in Vietnam. It was derived from a successful partnership, between:

- Rent-a-Port – A Belgian company specialized in industrial zones, renewable energy and marine infrastructure development
- Hai Phong People's Committee

Why

DEEP C has recognized the strong potential of Haiphong and Quang Ninh to become a core industrial and logistics hub in Vietnam, giving its strategic location, proximity to China, logistics infrastructure, diversified economy along with its population density.

DEEP C wants to foster the growth of manufacturing and supporting services to turn the region into leading destination for sustainable investment.

What

Deep C Industrial Zones consist of five subprojects in the industrial area upstream of the Lach Huyen Port, with over 3,386 ha of industrial land. DEEP C offers a variety of options for investment consideration, including:

- Industrial land for lease
- Ready-built-factory
- Logistic warehouse
- Built-To-Suit solutions
- Offices for lease

How

DEEP C has made green growth, sustainability and reliability a key priority for its Industrial parks. Besides advanced synchronous infrastructure and special tax incentives, all investors will be benefitting from the reliable utilities such as redundant underground energy supply partially sourced from renewables, iso-certified waste water treatment facilities as well as advanced telecom systems. The company is also investing in a hybrid barging service via its inland waterway terminal. All these efforts made DEEP C a truly eco-industrial park and the best choice for investors in north Vietnam.



An aerial photograph of Hai Phong, Vietnam, showing a dense urban landscape with various buildings, including a prominent white multi-story building with a green roof. A large, bold red brushstroke graphic sweeps across the left and center of the image, partially obscuring the city view. In the background, the city meets the sea under a clear blue sky.

A Way Forward

Unlocking Hai Phong Potential

There are many examples of port cities around the world including London and Amsterdam. When developed successfully, they can drive economic activity and serve as a crucial connection between sea and land transport. Hai Phong has all the necessary ingredients to develop into a true global port city and with continued investment in the development of new roads, improvement of the city's traffic management system, improvement of rail and inland waterways, increase in labour productivity, efficient custom and administration procedures, development of supporting industries and embracing innovation and technology we firmly believe that Hai Phong has a vision for growth which is set to continue for many years to come.





*Achieve
Ambitions*

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