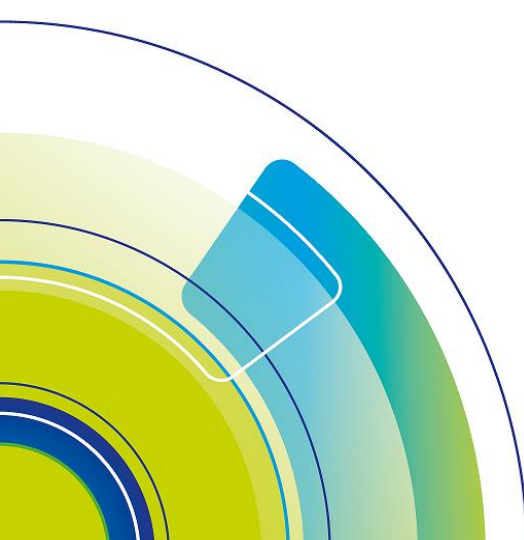




# Industry **Snapshot** – Industrial Property

**Friday, July 12, 2024**

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## Industry snapshot

## Industrial Property Segment

**FDI continues to be a key growth driver:** In 1H2024, registered FDI reached USD15.2 bn (+13.1% YoY) and disbursed FDI was USD10.8 bn (+8.2 % YoY). Bac Ninh rose to be the #1 province in the country in attracting registered FDI in 1H2024 thanks to Amkor's semiconductor material production project with additional investment capital of USD1.07 bn.

**Land rental prices and occupancy rate increased slightly:** In 2Q2024, land rental price in the northern region was USD134/sqm/remaining term (+4.5% YoY) while that in the southern region was USD173/sqm/remaining term (+1% YoY). It is expected that rental prices in the 2024-2026 period will continue to grow by 3-7%/year. The northern region's occupancy rate was around 83% (+0.4% YoY) while the southern region's occupancy rate increased to 92% (+6.5% YoY).

**Warehouse and factory rental prices increased slightly:** Factory rental prices increased by 1.9% YoY in the North and 1% YoY in the South, to nearly USD4.9/sqm/month in 2Q2024. Warehouse rental prices declined 1% YoY in the North and increased 2% YoY in the South, to USD4.5-4.6/sqm/month. It is expected that rental prices will increase slightly by 0-3.5%/year in the 2024-2026 period.

**Opportunities & Challenges:** China+1 trend, China-Taiwan tensions, strengthening relationship with major economies, accelerating infrastructure investment, competitive costs but the cost advantage is on the decline, no unified solution to overcome the global minimum tax problem.

**Industrial land bank is contracting:** Currently, the remaining land available for lease is limited, especially in the southern region, so companies are actively expanding their land bank, in which the advantage is in favor of companies with rubber land that is allowed to transfer to industrial land such as Vietnam Rubber Group (GVR) and Phuoc Hoa Rubber (PHR) or companies that have attracted large international corporations for many years such as Kinh Bac (KBC), Viglacera (VGC) and IDICO (IDC).

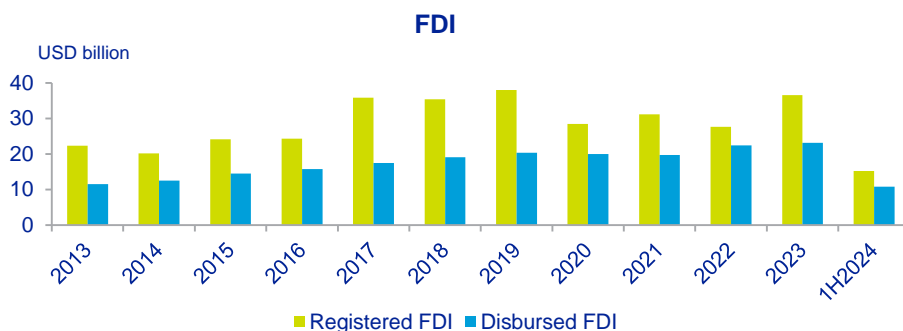
Ticker	Mkt cap (VND bn)	Market price (VND)	Target price (VND)	2024F Revenue (VND bn)	2024F PAT (VND bn)
IDC	20,460	62,000	64,500	8,482	2,111
SIP	16,890	80,790	89,000	7,308	1,083
KBC	21,915	28,550	43,000	4,183	1,478
BCM	67,275	64,600	76,200	6,056	2,142
GVR	146,000	36,500	N/A	N/A	N/A
PHR	8,496	62,700	N/A	N/A	N/A
DPR	3,836	44,150	N/A	N/A	N/A

## Expected to continue to benefit directly from FDI growth

### FDI continues to grow steadily

Industrial parks (IPs) and Economic zones (EZs) account for 35-40% of total annual registered FDI or 70-80% of annual registered FDI to the manufacturing sector. In addition, according to our statistics, industrial land rental fee for building a factory accounts for about 10% of total investment capital of a FDI project. Thus, the industrial property segment is expected to continue to benefit directly from stable growth of FDI.

In 2023, registered FDI was recorded at over USD36.6 bn (+32.1% YoY) while disbursed FDI continued to grow steadily to USD23.2 bn (+3.5% YoY). In the first half of 2024, registered FDI was USD15.2 bn (+13.1% YoY) and disbursed FDI was USD10.8 bn (+8.2% YoY).



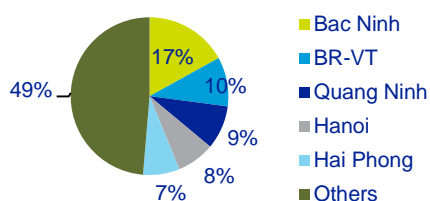
Source: FIA

Bac Ninh rose to be the #1 province in the country in attracting registered FDI in 1H2024 with nearly USD2.6 bn, 3 times higher than the same period last year thanks to Amkor's semiconductor material production project with additional investment capital of USD1.07 bn. Ba Ria - Vung Tau was ranked #2 with registered FDI of over USD1.5 bn, 12 times higher than the same period last year thanks to some large projects such as the Bio-based (1.4 Butanediol) BDO production project in Phu My 2 IP with a total investment capital of USD730 mn.

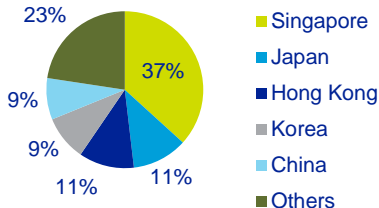
Five countries from Asia (Singapore, Japan, Hong Kong, Korea, and China) continued to be the biggest investment partners in Vietnam, accounting for over three-quarters of total registered FDI in 1H2024.

The manufacturing sector continued to attract the most registered FDI capital in 1H2024 with USD10.7 bn, accounting for 70% of total registered FDI. Real estate continued to be ranked #2 with nearly USD2.5 bn, accounting for 16%.

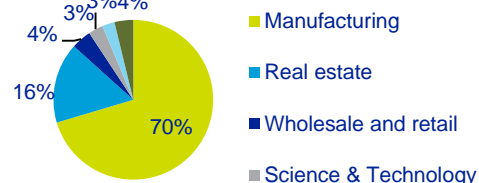
1H2024 FDI by location



1H2024 FDI by country



1H2024 FDI by sector



Source: FIA

**Table: Big FDI projects in 1H2024**

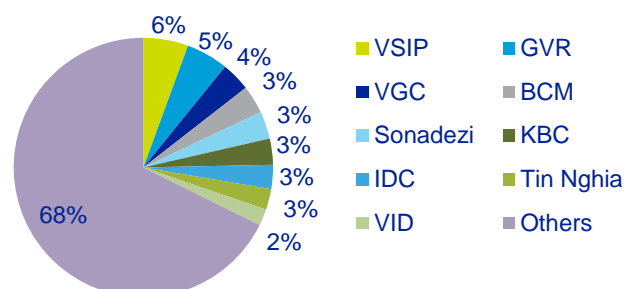
No.	Project	Nation	Sector	Registered FDI (USDmn)	IP	Province
1	Amkor's semiconductor material production	Korea	Electronic device	1,070	Yen Phong 2C	Bac Ninh
2	Bio-based (1,4 Butanediol) BDO	Korea	Chemicals	730	Phu My 2	Ba Ria – Vung Tau
3	Trina Solar Cell	China	Electronic device	454	Yen Binh	Thai Nguyen
4	Printed circuit board	Taiwan	Electronic device	383	Nam Son Hap Linh	Bac Ninh
5	BOE Vietnam Phase 2	China	Electronic device	277	Phu My 3	Ba Ria – Vung Tau
6	Photoelectric cells	Hong Kong	Electronic device	275	Texhong Hai Ha	Quang Ninh
7	Electronic Tripod	Taiwan	Electronic device	250	Sonadezi Chau Duc	Ba Ria – Vung Tau
8	TVP	Japan	Chemicals	176	Phu My 3	Ba Ria – Vung Tau
9	Radiant Opto - Electronics Vietnam Nghe An	Taiwan	Electronic device	120	VSIP Nghe An	Nghe An
10	Solar photovoltaic cell panels	China	Electronic device	120	Cong Hoa	Hai Duong

Source: ACBS summary

## Land rental prices continued to grow while occupancy rates remained stable

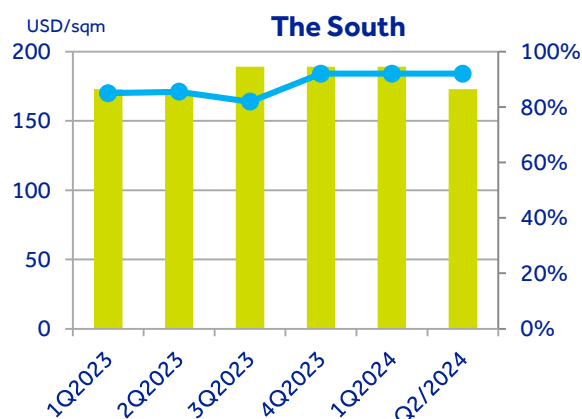
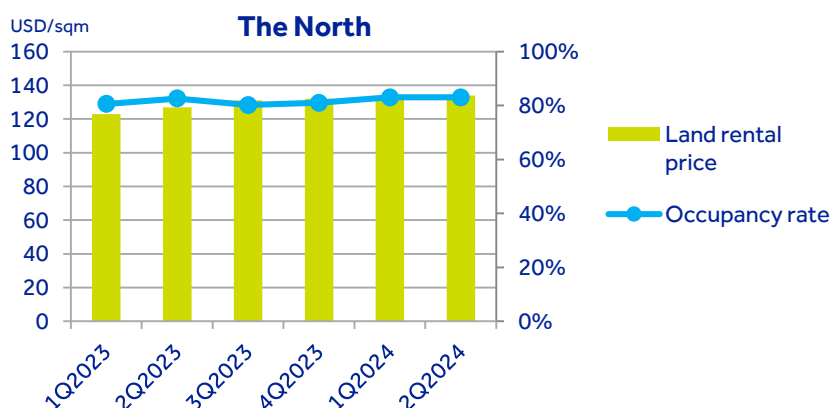
By the end of June 2024, Vietnam had 429 established IPs with a total land area of over 134,500 ha. The industrial land market in Vietnam remained very fragmented with VSIP (a joint venture between Becamex (HOSE: BCM) owning 49% and Sempcorp owning 51%) continuing to be the leader with more than 7,500 ha of industrial land and a market share of 5.6%. Vietnam Rubber Group (HOSE: GVR) was ranked second with over 7,000 ha, accounting for 5.2% market share.

### Industrial land market share as of June 2024



Source: ACBS summary

According to CBRE, by the end of 2Q2024, average land rental price in Tier-1 market in the North (including Hanoi, Hai Phong, Bac Ninh, Hung Yen and Hai Duong) reached USD134/sqm/remaining term (+4.5% YoY) while occupancy rate was 83%, a slight increase compared to 82.6% in the same period last year. The Tier-1 markets in the south (including HCMC, Binh Duong, Dong Nai and Long An) had an average land rental price of USD173/sqm/remaining term (+1% YoY). Occupancy rate increased to 92% compared to 85.5% in 2Q2023.



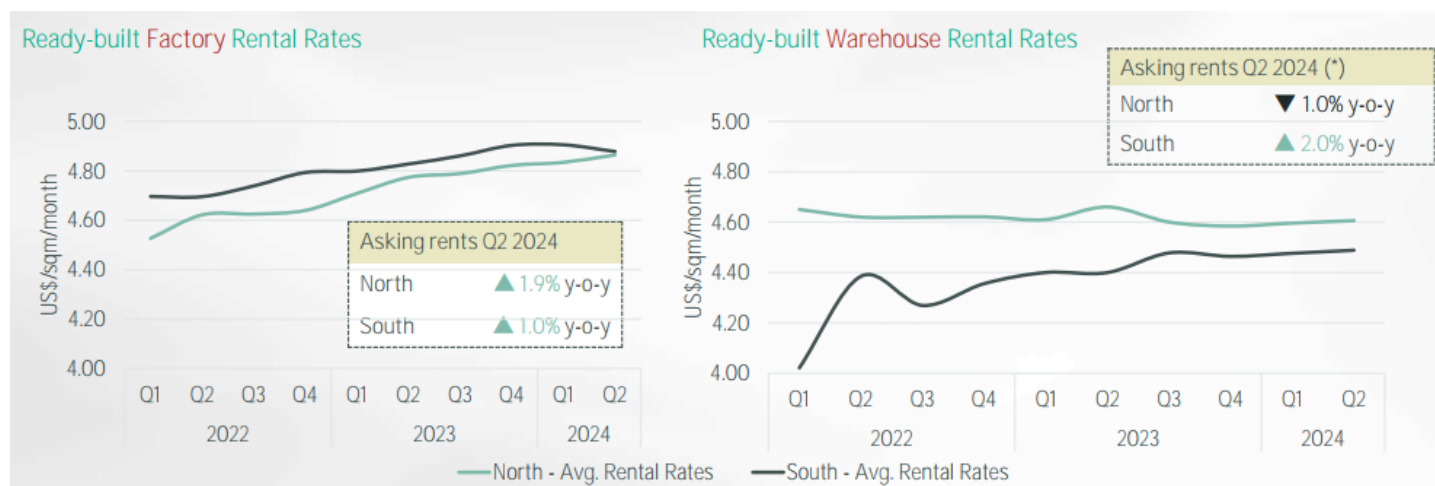
Source: CBRE

It is expected that land rental prices in the 2024-2026 period will continue to grow by 6-7%/year in the North and 3-7% in the South. New supply is gradually moving to Tier-2 markets (Quang Ninh, Bac Giang, Vinh Phuc, Ha Nam, Thai Binh, Nam Dinh, Ba Ria-Vung Tau, Tay Ninh and Binh Phuoc) where there are lower rents and improved traffic connections to Tier-1 market thanks to ongoing and potential Expressway and Ring road projects. The trend of developing smart & ecological IPs using renewable energy and better water & waste treatment systems will become increasingly popular as manufacturing corporations must reduce emissions and save energy according to their net-zero commitments.

### Ready-built factory and warehouse rental prices were stable; factory's average occupancy rate was higher than warehouse's

After the boom period during the COVID, the demand for warehouses for online shopping is expected to continue to grow because the e-commerce market in Vietnam is expected to reach a CAGR of 22% in the 2023-2025 period, according to e-Economy SEA 2023 report. BWID - a joint venture between BCM (25.5%) and Warburg Pincus - is one of the leading investors in the ready-built factory and warehouse market with more than 50 projects covering a land bank of over 900 ha to develop more than 3 mn sqm of factories/warehouses. BWID plans to add 12 more projects in 2024 and build about 700,000-800,000 sqm of warehouse/factory each year.

According to CBRE, factory rental prices increased by 1.9% YoY in the North and 1% YoY in the South, to nearly USD4.9/sqm/month in 2Q2024. Warehouse rental prices declined 1% YoY in the North and increased 2% YoY in the South, to USD4.5-4.6/sqm/month. The factory's average occupancy rate was 86-87% while the warehouse's average occupancy rate was only 63-79%. It is expected that rental prices will increase slightly by 0-3.5%/year in the 2024-2026 period. Products that can be flexibly converted between warehouses and factories, and multi-storey warehouses/factories will become more popular in cities with limited land.



Source: CBRE

## Opportunities and Challenges

### China+1 trend and China – Taiwan tension

We think the China+1 trend may not revert in the next few years and international companies will continue to diversify their factories to reduce the risk of supply chain disruption which happened during COVID. Besides, China-Taiwan tension encourages a relocation of many Taiwanese manufacturers to Vietnam. In 2023, Taiwan's registered FDI was USD2.9 bn, doubled that of 2022. In 1H2024, it was recorded at nearly USD1.1bn (+17.5% YoY).

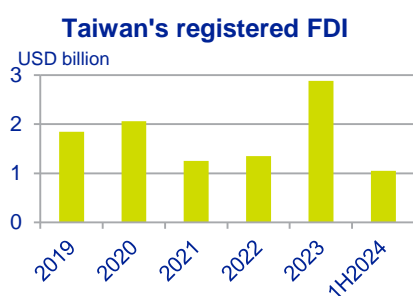
### Strengthen relationship with major economies

Vietnam officially upgraded its comprehensive strategic partnerships with the US and Japan in 2023 and with Australia in March 2024. In addition, Vietnam has actively signed trade agreements to promote exports as well as attract more foreign investment capital into the industrial property market. Up to now, Vietnam has signed 16 FTAs and is negotiating 3 FTAs (Vietnam - EFTA, Asean - Canada and Vietnam - UAE). Notably, in ASEAN, only Vietnam and Singapore have signed CPTPP and FTA with the EU.

### Accelerate infrastructure investment

Vietnam has made significant efforts to improve its infrastructure system to reduce logistics costs and shipping time as well as to attract more investors to the country. According to ADB, in recent years, Vietnam has spent one of the highest amount on infrastructure as a percentage of GDP in Asia with an average of 5.7%.

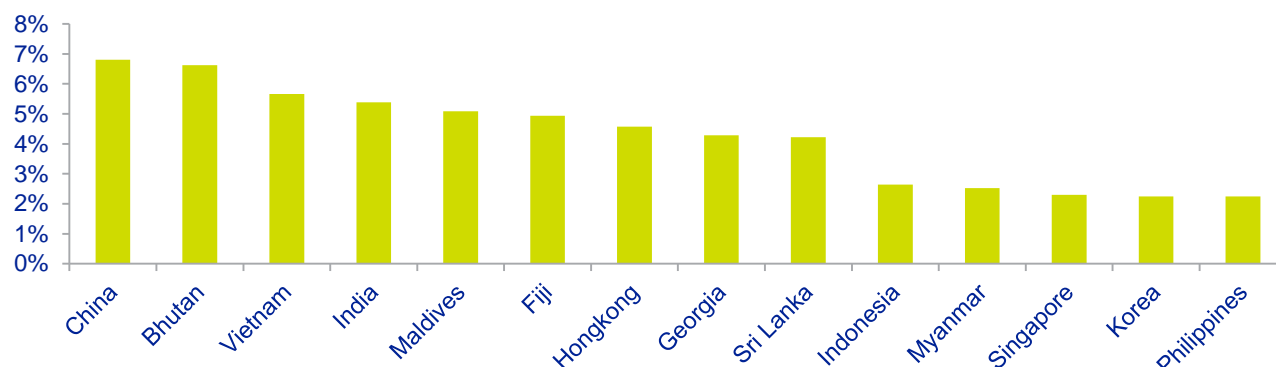
As of June 2024, Vietnam has more than 2,100km of Expressways and the government aims to reach 3,000km by the end of 2025. This is an ambitious goal, however, it clearly shows the government's determination to accelerate infrastructure investment across the nation. In addition, the largest key project Long Thanh international airport (Phase 1) is ahead of schedule and is expected to be completed by 2026.



Source: FIA



### Infrastructure Investment Rate as % of GDP



Source: ADB.

Key infrastructure projects	Location	(Expected) investment (USD bn)	(Expected) start	(Expected) completion
Long Thanh international airport (Phase 1)	Dong Nai	109,112	2021	2026
Terminal 3 of Tan Son Nhat international airport	HCMC	10,990	2022	2025
Ring Road No. 2 (4 incomplete parts)	HCMC	32,988	2017	n/a
Ring Road No. 3 (3 incomplete parts)	HCMC	60,024	n/a	n/a
Ring Road No. 1 (Hoang Cau – Voi Phuc)	Hanoi	7,200	2021	2025
Metro No.1	HCMC	43,700	2012	2024
Metro No. 2	HCMC	47,900	2024	2030
Metro No. 5	Hanoi	65,400	2026	n/a
Huu Nghi-Chi Lang Expressway	Lang Son	11,024	2024	2026
Ninh Binh-Hai Phong Expressway	Ninh Binh, Hai Phong	6,865	2024	2029
Dong Dang-Tra Linh Expressway Phase 1	Lang Son, Cao Bang	14,300	2024	2026
HCMC-Moc Bai Expressway	HCMC, Tay Ninh	19,617	2025	2029
Chon Thanh-Gia Nghia Expressway	Binh Phuoc, Dak Nong	25,540	2025	2026
Bien Hoa-Vung Tau Expressway	Dong Nai	17,800	2023	2025
Dau Giay-Tan Phu Expressway	Dong Nai	8,776	2024	2027
Tan Phu-Bao Loc Expressway	Dong Nai, Lam Dong	18,120	2024	2027
Bao Loc-Lien Khuong Expressway	Lam Dong	19,521	2024	2027

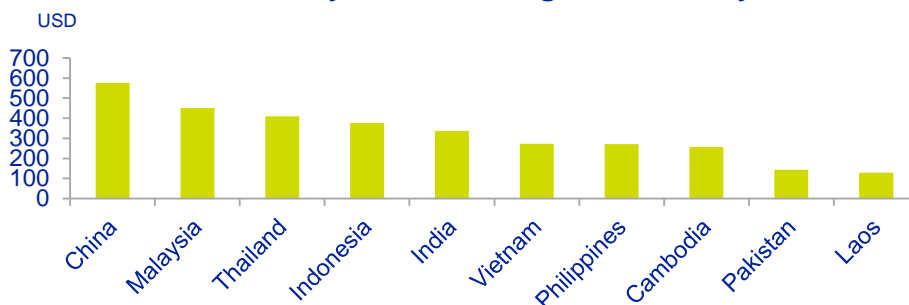
Source: ACBS summary

### Relatively competitive costs ...

Besides the reasons stemming from geopolitical factors and trade cooperation, Industrial property segment is still attracting FDI inflows thanks to competitive costs compared to many countries in the region, i.e. (1) Labour force, (2) Land rental price and (3) Electricity cost.

**Labour is the largest component that usually accounted for c.50% of total operating costs** in most Southeast Asia countries. Vietnam's working population was over 56mn people, ranked #2 in the Southeast Asia after Indonesia (141 mn people), according to World Bank. Monthly manufacturing worker salary in Vietnam in 2023 was estimated at USD273, lower than India, Indonesia and Thailand and equivalent to less than half of China and 2/3rd of Malaysia

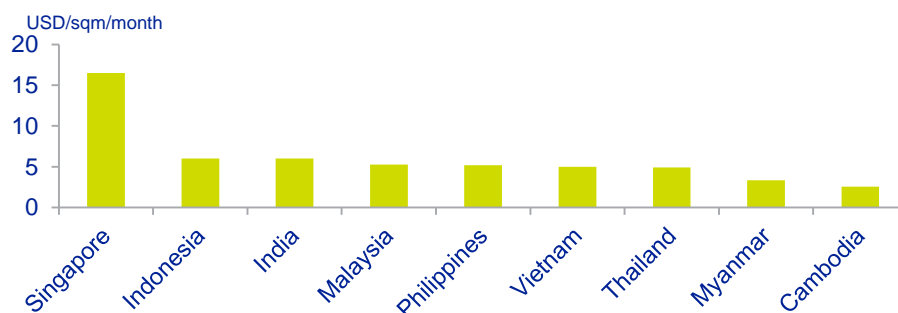
### Monthly manufacturing worker salary



Source: JETRO

**Leasing cost is the second largest component of total operating costs** in most Southeast Asia countries. Singapore had the highest warehouse leasing cost in the region with the average rate of USD16.5/sqm/month. Vietnam offered similar warehouse rental rates with Malaysia, Thailand and Philippines at around USD5/sqm/month, lower than India and Indonesia (USD6/sqm/month) but higher than Myanmar (USD3.4/sqm/month) and Cambodia (USD2.5/sqm/month).

### Warehouse rental rate

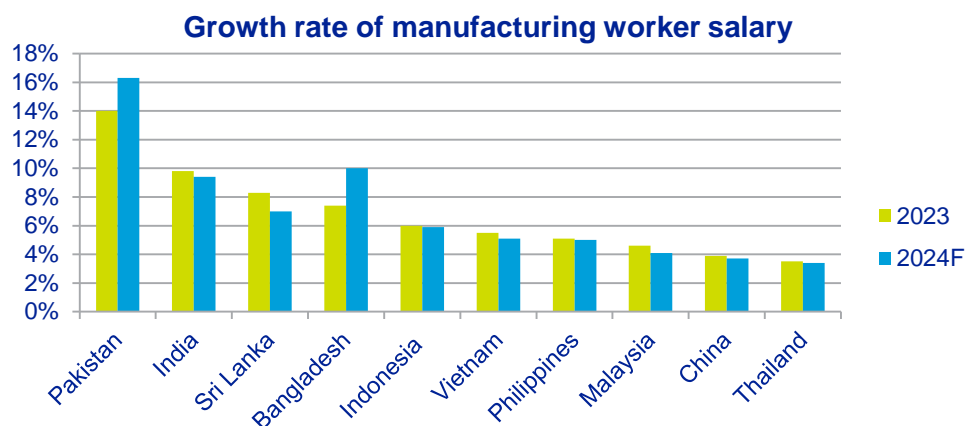


Source: TMX.

### ... but the cost advantage is fading

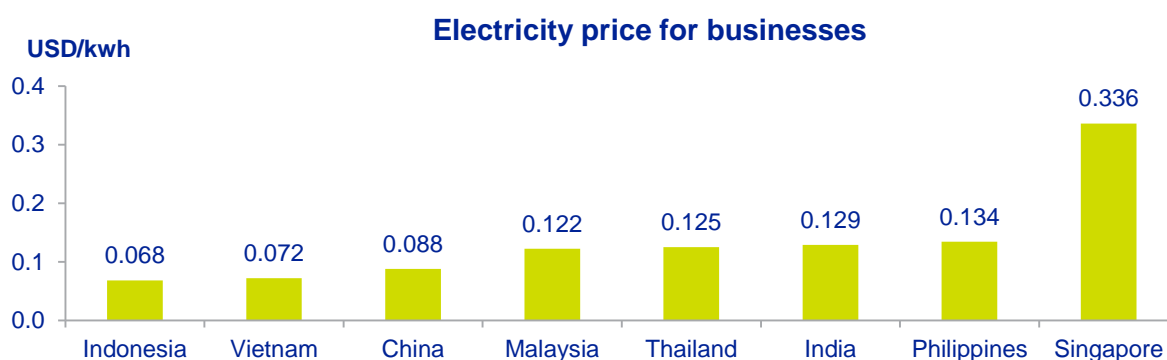
Land speculation activities and rapid urbanization lead to a sharp increase in compensation costs and a lengthy site clearance process, which can push up industrial land rental prices. In addition, the growth rate of manufacturing worker salary is also a factor affecting the ability to attract investment capital to Vietnam. In 2023, Vietnam has a manufacturing worker salary growth rate of 5.5%, higher than those of the Philippines, Malaysia, China and Thailand.





Source: JETRO

Electricity costs are also an important factor to consider for manufacturing businesses, especially companies that consume a lot of electricity such as textiles, tires, steel, and paper. Compared to other countries in the region, Vietnam's electricity price was quite low at USD0.072/kwh, equivalent to half of the world average of USD0.151/kwh.



Source: Globalpetrolprices.com.

However, the probability that EVN may continue to increase electricity prices will affect Vietnam's cost advantage in the future. Besides, power shortage and rotating power cuts greatly affected production and business activities in the North of Vietnam in 2Q and 3Q of 2023. Main reasons for the power shortage were: record-high hot weather, the development of new power sources slower than the demand for power consumption, transmission capacity and the uneven distribution of power sources. Meanwhile, large projects such as Na Duong II, Cam Pha III, and Hai Phong III Thermal power plants are prolonged and behind schedule, leading to the risk of power shortage to reoccur like in 2023.

However, on July 3, 2024, the Government issued Decree No.80/2024/ND-CP regulating the direct electricity trading mechanism between renewable energy generators and customers. This can help improve electricity efficiency.

### **There is no unified solution to overcome the global minimum tax problem**

The global minimum tax is a tax initiated by the Organization for Economic Cooperation and Development (OECD) and has now been agreed by more than 140 countries. Vietnam applied the Global minimum tax from 1/1/2024. A tax rate of 15% is applied for international companies with consolidated revenue of over EUR750 mn or USD800 mn in two years out of the 4 latest consecutive years.

On December 15, 2022, the European Union (EU) officially approved a plan to apply a minimum tax rate of 15% from 2024. Countries such as Korea, Singapore, and Japan have also confirmed the application from 2024. These are countries with a large amount of foreign investment in Vietnam and these countries also have many businesses subject to the global minimum tax.

This tax directly affects the benefits of foreign invested enterprises during the period of tax exemption and reduction, with an effective tax rate lower than 15%, thereby affecting the attractiveness of the investment environment in Vietnam. According to the General Department of Taxation, there are about 122 foreign corporations investing in Vietnam that are affected by the global minimum tax.

Because Vietnam's current investment incentive policies are mainly tax/land fee exemptions and reductions, the government needs to consider converting and expanding other forms of incentives to overcome the problem of the Global minimum tax. For example, the government can establish an Investment Support Fund from global minimum tax revenue, support R&D costs, support infrastructure investment, human resource training, reform administrative procedures, and develop supporting industries, etc. However, up to now the government has not issued specific solutions because it takes time to discuss and amend relevant legal documents.

### **Industrial land bank is contracting**

Currently, the remaining land available for lease is limited, especially in the southern region, so companies are actively expanding their land bank, in which the advantage is in favor of companies with rubber land that is allowed to transfer to industrial land such as Vietnam Rubber Group (GVR) and Phuoc Hoa Rubber (PHR) or companies that have attracted large international corporations for many years such as Kinh Bac (KBC), Viglacera (VGC) and IDICO (IDC).

According to our statistics, among listed companies, Saigon VRG (SIP) has the largest remaining net leasable area (NLA) of over 1,000ha concentrated in Tay Ninh (772 ha), Dong Nai (133ha) and HCMC (130ha). Next is Becamex (BCM) with the remaining NLA of 848ha in Binh Duong and Viglacera (VGC) with 848ha.

In the first half of 2024, 3 listed companies were approved for new IPs:

- Viglacera (VGC) was approved to invest in Song Cong 2 IP in Thai Nguyen (296ha) and Doc Da Trang IP in Khanh Hoa (288ha),
- Vietnam Rubber Group (GVR) was approved to invest in Hiep Thanh IP - Phase 1 in Tay Ninh (495ha)
- IDICO (IDC) was approved to invest in Tan Phuoc 1 IP in Tien Giang (470ha).

Ticker	Remaining NLA available for lease (ha)	New NLA which is waiting for government's approval or under compensation process (ha)*	New NLA which is planned to seek for government's approval (ha)*
SIP	1,036	n/a	454
BCM	848	n/a	n/a
VGC	848	397	1,450
IDC	554	632-898	1,020
SZC	500	n/a	n/a
GVR	326	1,888	11,283
KBC	200	1,665	2,277
LHG	30	197	n/a
NTC	0	256	n/a
PHR	0	137	1,885
DPR	0	542	n/a

Source: ACBS summary

Note: \*We assume NLA = 68% of total land area of an IP.

## Stocks in ACBS's cover list

We currently have 4 IP stocks in our current cover list: IDC, SIP, KBC and BCM. However, we are also interested in rubber companies that are converting rubber land to industrial land such as GVR, PHR and DPR.

Ticker	Market price (VND)	Target price (VND)	% Upside (incl. dividends)	ROE	Net debt/Equity	P/E	P/B
IDC	62,000	64,500	10.5%	37.8%	14.9%	10.5	4.0
SIP	80,790	89,000	11.8%	26.7%	-64.0%	17.5	4.4
KBC	28,550	43,000	50.6%	5.7%	-20.3%	21.8	1.2
BCM	64,600	76,200	19.5%	13.8%	93.7%	29.0	3.6
GVR	36,500	n/a	n/a	5.1%	-18.6%	57.3	2.9
PHR	62,700	n/a	n/a	12.8%	-46.3%	18.3	2.3
DPR	44,150	n/a	n/a	8.7%	-50.4%	18.6	1.6

## IDICO Corporation – JSC (HNX: IDC, target price: 64,500)

IDICO currently has 10 operating IPs with the remaining NLA of 554ha in Phu My 2, Phu My 2 expansion, Huu Thanh, Que Vo 2 and Cau Nghin IPs. The company planned to lease 145 ha this year. IDC had the final approval of Tan Phuoc 1 IP in Tien Giang province with a scale of 470 ha in June 2024 and expected to start leasing this IP from the end of 2025. The company is recording IP rental revenue under both annual allocation and one-off accounting methods and is in the process of converting from annual allocation method to one-off method.

In addition, IDICO is operating two hydropower plants Dak Mi 3 and Shrok Phu Mieng with a total capacity of 114MW which are expected to benefit from Lanina period when rainfall increases. The company is one of a few listed companies besides Saigon VRG (HOSE: SIP) licensed by the Ministry of Industry and Trade to build a 110kV transformer station to distribute electricity directly to tenants in IPs. Therefore, IDC's electricity distribution profit margin is higher than those of other IP companies who are simply intermediaries between EVN and tenants.

On the other hand, IDC has a stable income source from the BOT An Suong - An Lac project with annual revenue of over VND400 bn and gross margin of over 40%.

In general, IDC has stable income from the electricity and BOT segments, proven ability to attract tenants to its IPs, good financial health and high cash dividends of 30-40%/year which are expected to maintain until 2026. We estimate 2024 revenue at nearly VND8.5 trn (+17% YoY) and PBT at around VND2.6 trn (+28% YoY). Using the NAV method, we give a target price of VND64,500/share by the end of 2024.

Project	Location	IDC's stake	Total investment (VNDbn)	Total area (ha)	NLA (ha)	Remaining NLA (ha)	Occupancy rate 1Q2024	Avg. rental price (USD/sqm/term)	Note
<b>Fully occupied IPs</b>			<b>1,925</b>	<b>1,271</b>	<b>949</b>	<b>0</b>	<b>100%</b>	<b>n/a</b>	
Kim Hoa	Vinh Phuc	100%	252	50	46	0	100%	n/a	
My Xuan B1	Ba Ria- Vung Tau	51%	544	227	160	0	100%	n/a	
My Xuan A	Ba Ria- Vung Tau	100%	342	302	229	0	100%	n/a	
Nhon Trach 1	Dong Nai	100%	458	382	284	0	100%	n/a	
Nhon Trach 5	Dong Nai	100%	329	309	229	0	100%	n/a	
<b>Ongoing IPs</b>			<b>13,740</b>	<b>1,996</b>	<b>1,392</b>	<b>554.0</b>	<b>60.2%</b>	<b>134</b>	
Cau Nghin	Thai Binh	100%	1,160	184	76.1	76.1	25.9%	78	
Huu Thanh	Long An	100%	7,300	524	258.0	258.0	34.7%	156	
Phu My 2	Ba Ria- Vung Tau	100%	1,900	621	62.9	62.9	85.8 %	124	
Phu My 2 ext.	Ba Ria- Vung Tau	100%	1,880	398	104.6	104.6	61.7%	126	
Que Vo 2	Bac Ninh	51%	1,500	270	52.3	52.3	70.5%	136	
<b>Upcoming IPs</b>			<b>2,430-2,820</b>						
Tan Phuoc 1	Tien Giang	65%	5,937	470	320*	320*	n/a	70*	Received final approval of investment
My Xuan B1 ext.	Ba Ria- Vung Tau	n/a	n/a	110-500	n/a	n/a	n/a	n/a	Waiting for final approval of investment
Vinh Quang	Hai Phong	n/a	n/a	350	n/a	n/a	n/a	n/a	Had 1/2000 Planning
6 IP	2 in the north, 1 in the middle and 3 in the south	n/a	n/a	1.500	n/a	n/a	n/a	n/a	Waiting for the approval of master planning 1/2000

## Saigon VRG Investment Corporation (HOSE: SIP, target price: 89,000)

SIP is one of the largest listed IP developers in the South with over 1,000 ha of remaining NLA in 4 IPs in Tay Ninh, HCMC and Dong Nai. New land area leased is 20-40 ha/year and is expected to increase when transportation infrastructure projects such as Long Thanh international airport and HCMC - Moc Bai Expressway come into operation. The land leasing plan for 2024 is 47ha (+153% YoY). SIP records IP rental revenue by the annual allocation method, so its business results grow steadily over the years and are less affected by fluctuations in investment capital inflows to IPs compared to other developers.

Like IDC, SIP is one of a few companies licensed by the Ministry of Industry and Trade to build a 110kV transformer station to distribute electricity directly to tenants in its IPs. Therefore, SIP's electricity distribution profit margin is higher than those of peers. SIP has 4 transformer stations with a total capacity of 567 MVA. The company is operating nearly 50 MWp of rooftop solar power with a margin of over 40% and plans to invest an additional 8 MWp each year.

In general, SIP has strong financial health (cash and cash equivalents accounted for 1/5 of total assets), a stable income source from electricity and water distribution and stable cash dividends. We estimated 2024 revenue at ~VND7.3 trn (+9% YoY) and PAT at ~VND1.1 trn VND (+8% YoY). Using the NAV method, we set a target price of VND102,300/share by the end of 2024.

Project name	Location	SIP's stake	Total investment (VNDbn)	Total area (ha)	Total NLA (ha)	Remaining NLA at 1Q2024 (ha)	Occupancy rate at 1Q2024	Average rental price (USD/sqm/remaining term)
			11,918	3,205	2,450	1,036		
Phuoc Dong IP	Tay Ninh	100%	5,906	2,189	1,728	772	55.0%	100
Dong Nam IP	HCMC	100%	1,963	287	207	25	88.0%	250
Le Minh Xuan 3 IP	HCMC	100%	2,065	231	155	106	31.9%	350
Loc An Binh Son IP	Dong Nai	69%	1,984	498	361	133	63.1%	230

## Kinh Bac City Development Holding Corporation JSC (HOSE: KBC, target price: 43,000)

Kinh Bac is operating 7 IPs in Bac Ninh, Hai Phong, Bac Giang and HCMC with the remaining NLA of around 200 ha in 3 IPs: Quang Chau expansion, Nam Son Hap Linh and Tan Phu Trung. The company is very active in expanding its land bank with new NLA under legal completion and compensation processes of nearly 1,700 ha in Hai Phong, Long An and Hung Yen. Compared to peers, KBC has proven ability in attracting huge corporations such as LG and Foxconn, leading to many satellite companies relocating/expanding production to Vietnam.

KBC's business results fluctuate strongly quarterly and annually as it records IP rental revenue under one-off accounting method.

KBC plans to lease 150ha in 2024 in Nam Son Hap Linh IP, Quang Chau IP, Tan Phu Trung IP, Trang Due 3 IP and industrial clusters (ICs) in Hung Yen and Long An. Because Trang Due 3 IP has not received final approval from the Prime Minister and the site clearance progress of Nam Son Hap Linh IP has not met expectations, completing the leasing target is challenging even though many Asian investors are interested in KBC's IPs.

In 1Q2024, KBC received a deposit of VND 5,650 bn from Saigon Ham Tan Tourism JSC to ensure the signing and implementation of a real estate brokerage service contract at Trang Cat urban area project. This amount is being deposited at the bank for a short-term with an interest rate of 3.5-6%/year. The project is undergoing procedures to increase NLA by additional 73 ha and KBC may pay an additional VND4 trn in land use fees for this increased area.

After receiving a deposit of VND5,650 bn in 1Q2024, the company's financial status continued to improve. Net debt decreased by over VND5 trn and Net Debt/Equity ratio decreased from 4.7% to -20.3% in 1Q2024. In addition, KBC plans to privately issue 250 million shares (equivalent to 32.6% of outstanding shares) with an offering price not lower than 80% of the average closing price of 30 days before the date that SSC approves this issuance. Proceeds from this issuance are mainly used to invest in new projects.

Overall, KBC has a good financial health and many potential projects in the future. KBC's business results depend heavily on legal progress and site clearance, so from a cautious perspective, we estimate 2024 revenue at around VND4.2 trn (-26% YoY) and PAT at around VND1.5 trn (-34% YoY). We expect business results to improve in 2025 when Trang Due 3 IP starts leasing with estimated revenue of over VND6 trn (+44% YoY) and estimated PAT of over VND1.8 trn (+24% YoY). Using the NAV method, we give a target price of VND43,000/share by the end of 2024.

No.	Project name	Location	Stake	NLA (ha)	Occupancy rate 1Q2024	Avg. rental price (USD/sqm/remaining term)	Progress
<b>Fully occupied IPs</b>							
1	Que Vo 1 IP	Bac Ninh	100.0%	192	100.0%		
2	Que Vo 2 IP	Bac Ninh	100.0%	173	100.0%		
3	Quang Chau IP	Bac Giang	89.0%	307	100.0%		
4	Trang Due 1 IP	Hai Phong	89.3%	129	100.0%		
5	Trang Due 2 IP	Hai Phong	89.3%	133	100.0%		
<b>IPs available for lease</b>							
6	Nam Son Hap Linh IP	Bac Ninh	100.0%	204	49.9%	146	Around 60ha has not been cleared Remaining NLA of 102ha
7	Quang Chau expansion IP	Bac Giang	89.0%	67	76.7%	130	Remaining NLA of 16ha
8	Tan Phu Trung IP	HCMC	72.8%	346	68.5%	180	Around 33ha has not been cleared Remaining NLA of 82ha
<b>Upcoming IPs</b>							
9	Trang Due 3 IP	Hai Phong	89.3%	456	n/a	n/a	Had 1/2000 Plan. Waiting for final approval of investment
10	Trang Due IC	Hai Phong	89.3%	n/a	n/a	n/a	Had 1/500 Plan
11	Trang Cat IP	Hai Phong	100.0%	126	n/a	n/a	
12	Phuoc Vinh Dong 1 IC	Long An	100.0%	35	n/a	n/a	Had final approval of Investment. Implement compensation plan, basic design and appraisal of environmental impact assessment report. Work with banks to arrange capital sources.
13	Phuoc Vinh Dong 2 IC	Long An	89.0%	31	n/a	n/a	
14	Phuoc Vinh Dong 4 IC	Long An	72.8%	36	n/a	n/a	
15	Tan Tap IC	Long An	89.3%	42	n/a	n/a	
16	Tan Tap IP	Long An	66.0%	461	n/a	n/a	Had final approval of Investment. Waiting for 1/2000 Plan. Implement compensation plan. Invested VND349 bn in 2023.
17	Loc Giang IP	Long An	72.8%	327	n/a	n/a	Had final approval of Investment. Waiting for 1/2000 Plan. Invested VND47 bn in 2023.
18	Hung Yen IC	Hung Yen	93.9%	151	n/a	n/a	32ha has been cleared.



## INVESTMENT AND INDUSTRIAL DEVELOPMENT CORPORATION (HOSE: BCM, target price: 76,200)

BCM has 7 operating IPs with a total area of over 4,700 ha in Binh Duong province, accounting for more than 30% of Binh Duong province's market share and 3.5% of the national market share. The company has about 848 ha of remaining NLA. Cay Truong IP is a key project in the near future and is expected to start leasing from 2025.

BCM holds 49% of VSIP - the leading IP developer in Vietnam with 15 established IPs with a total area of over 7,500 ha and 5.6% of the national market share. In 2023, VSIP started construction of 4 new IPs: VSIP Bac Ninh 2, VSIP Nghe An 2, VSIP Can Tho - Phase 1 and VSIP Quang Tri with a total area of nearly 1,500 ha and we expect VSIP will record revenue from these IPs from 2024. In 2024 VSIP is expected to start construction of Bac Thach Ha IP, VSIP Thai Binh IP, VSIP Lang Son IP and Hamlet 4 residential area - Vinh Tan in Binh Duong.

In addition, BCM also holds 25.5% of BWID - the leading ready-built factory and warehouse company in Vietnam with a total land bank of over 900 ha which can develop over 3 mn sqm of factories and warehouses. BWID plans to add 12 more projects in 2024 and build about 700,000-800,000 sqm of warehouses/factories each year.

BCM's largest residential real estate project is Binh Duong New City (BDNC) with a total area of 1,000 ha. BCM often sells land lots in BDNC to sub-developers such as IJC, Becamex Tokyu and CapitaLand to develop component projects.

According to Decision No.426/QĐ-TTg dated May 17, 2024, the Government approved to reduce the state's ownership at BCM from 95.44% to over 65% by the end of 2025. To implement this decision, BCM plans to sell 300 million shares (equivalent to 29% of outstanding shares) to the public in 2024-2025 through public auction with starting price that satisfies three conditions: (1) at least VND50,000/share, (2) not lower than the average closing price of 30 trading days before the issuance announcement date, and (3) not lower than the book value in the most recent financial statement. BCM expected to collect about VND15 trn from this issuance to invest in Cay Truong IP (VND2.8 trn), Bau Bang expansion IP (VND3.5 trn), contribute capital to member companies (VND3.6 trn), and restructure debts (VND5.1 trn).

We project 2024 revenue of VND6 trn (-23% YoY) due to a decrease in residential real estate revenue because 2023 recorded a transfer of 18.9 ha in BDNC to CapitaLand with a value of USD242 mn. PAT is estimated to decline at a lower rate than revenue, to ~VND 2.1 trn (-6% YoY), thanks to a higher proportion of revenue from IPs and increased profit shared from VSIP.

No	Project name	Location	Stake	Total area (ha)	NLA (ha)	Remaining NLA (ha)	Total investment (VND bn)	Occupancy rate	Rental price (USD/sqm)
1	My Phuoc 1	Binh Duong	100%	377	274	33	451	88%	120
2	My Phuoc 2	Binh Duong	100%	477	344	12	746	96%	120
3	My Phuoc 3	Binh Duong	100%	978	671	51	2,864	92%	120
4	Thoi Hoa	Binh Duong	100%	199	153	23	666	85%	120
5	Bau Bang	Binh Duong	100%	998	735	49	3,334	93%	120
6	Bau Bang expansion	Binh Duong	100%	1,000	755	189	5,762	68%	120
7	Cay Truong	Binh Duong	100%	700	490	490	6,000	n/a	n/a
<b>Total</b>				<b>4,729</b>	<b>3,421</b>	<b>848</b>	<b>19,823</b>		

In addition to traditional IP companies mentioned above, we also appreciate rubber companies such as GVR, PHR and DPR that have strategies to promote the conversion of rubber land to industrial land given their large rubber land bank and faster compensation and land clearance process of rubber land compared to residential land.

## Vietnam Rubber Group - JSC (HOSE: GVR, unrated)

The Group is investing in 11 companies operating in IP development with 16 projects on a total area of 6,566 ha mainly in HCMC, Dong Nai, Binh Duong, Binh Phuoc, Tay Ninh and Gia Lai. In 2025-2030 period, GVR plans to develop additional 16,592 ha of industrial land, of which the Group is the main investor of 10,977 ha and member companies are main investors of 5,615 ha mainly in Tay Ninh, Binh Duong, Dong Nai and Ba Ria - Vung Tau. The total industrial land area is expected to increase to 23,444 ha. In March 2024, GVR received final approval of investment in Hiep Thanh IP - phase 1 project in Tay Ninh province with a scale of 495 ha and a total investment capital of VND2,350 bn.

**Table: Key upcoming IP projects of GVR**

Project	Location	Total area (ha)
Nam Tan Uyen 3	Binh Duong	346
Tan Lap 1	Binh Duong	201
Rach Bap expansion	Binh Duong	360
Hiep Thanh Phase 1	Tay Ninh	495
Bac Dong Phu expansion	Binh Phuoc	317
Nam Dong Phu expansion	Binh Phuoc	480
Minh Hung 3 expansion	Binh Phuoc	577

## Phuoc Hoa Rubber JSC (HOSE: PHR, unrated)

In recent years, PHR received compensation from converting rubber land to industrial land, specifically VND864 bn from Nam Tan Uyen 3 IP project and VND898 bn from VSIP 3 Binh Duong IP project. In addition, the company also enjoys 20% of gross profit from leasing VSIP 3 Binh Duong IP but not lower than VND1.2 bn/ha.

PHR holds 80% of Tan Binh IP JSC, the owner of Tan Binh IP with an area of 353ha in Binh Duong province with an occupancy rate of nearly 100%. Currently, PHR is in the process of completing legal documents to develop Tan Lap 1 IP with an area of 201 ha. In the future, PHR plans to invest in an additional 2,772 ha of industrial land, including Tan Binh expansion IP (1,055 ha), Hoi Nghia IP (715 ha) and Binh My IP (1,002 ha).

## Dong Phu Rubber JSC (HOSE: DPR, unrated)

DPR holds 51% of Bac Dong Phu IP JSC, the owner of Bac Dong Phu IP with an area of 189ha and Nam Dong Phu IP with an area of 69ha in Binh Phuoc province. These two IPs are nearly fully occupied. DPR is implementing 2 new IP projects with a total area of nearly 800 ha, including Bac Dong Phu expansion IP (317 ha) and Nam Dong Phu expansion IP (480 ha) in Binh Phuoc province.

According to Decision No. 227/QĐ-TTg approved in March 2024, the Government adjusted to increase the industrial land use target of Binh Phuoc province by 2025 to

4,908 ha; an increase of 650 ha compared to the plan in Decision No. 326/QD-TTg issued in 2022.

According to the company, the approval of the Bac Dong Phu expansion IP (317ha) is nearly completed and phase 1 of 133ha will be approved to develop from now to 2025 while the remaining area will be approved in 2026-2030.

For the Nam Dong Phu expansion IP (480 ha), the documents have been submitted to the Ministry of Planning and Investment but cannot be completed due to financial capability condition (ensuring an equity to total investment capital of 15%).

It is expected that after phase 2 of the Bac Dong Phu expansion IP is approved, DPR will increase capital of Bac Dong Phu IP JSC to complete documents for the Nam Dong Phu expansion IP.

## Appendix: Some financial ratios of industrial property stocks

Ticker	Mkt cap (VND trn)	Gross margin	ROE	Net debt/Equity	Net debt/ EBITDA	Dividend yield	Avg. daily traded value (VND bn)	P/E	P/B
GVR	146.0	23.5%	5.1%	-18.6%	-2.0	1.0%	150.9	57.3	2.9
BCM	66.9	70.8%	13.8%	93.7%	5.9	1.2%	49.9	29.0	3.6
VGC	23.7	28.0%	15.5%	34.3%	0.7	1.9%	30.4	19.2	2.9
KBC	21.9	48.5%	5.7%	-20.3%	-2.4	n/a	164.9	21.8	1.2
IDC	20.5	44.5%	37.8%	14.9%	0.3	6.5%	119.1	10.5	4.0
SIP	16.9	14.9%	26.7%	-64.0%	-2.3	1.7%	31.4	17.5	4.4
PHR	8.5	22.4%	12.8%	-46.3%	-5.0	3.1%	25.2	18.3	2.3
SZC	7.4	46.1%	11.5%	45.8%	1.9	2.4%	74.5	24.1	2.5
NTC	5.2	74.1%	35.8%	-99.4%	-6.2	0.9%	3.0	17.4	5.4
DPR	3.8	43.8%	8.7%	-50.4%	-5.3	3.4%	31.4	18.6	1.6
LHG	2.1	53.3%	9.2%	-59.5%	-5.5	4.6%	8.8	14.2	1.3
MH3	1.6	31.3%	10.3%	-148.3%	-28.3	4.2%	40.4	11.9	1.4
IDV	1.4	68.0%	21.7%	-22.1%	-2.1	2.2%	1.6	8.7	1.8
SZL	1.2	40.0%	13.7%	1.9%	0.1	3.9%	0.4	11.6	1.9
<b>Average</b>		<b>44.2%</b>	<b>13.0%</b>	<b>-21.2%</b>	<b>-2.3</b>	<b>2.2%</b>	<b>30.9</b>	<b>17.9</b>	<b>2.4</b>

Source: Bloomberg

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