

Supply-chain transformation is driving new opportunities in Asia's real estate landscape

In an era where the commercial real estate sector in Western, developed markets is grappling with significant challenges, investors are seeking alternative avenues for growth in the sector. The key to unlocking success in these times lies in aligning thematic investment strategies with robust, secular demand trends and an in-depth understanding of the real estate market dynamics on a granular level. This approach is proving particularly effective in Asia's expansive real estate market, a vibrant ecosystem teeming with untapped potential and, crucially, a diversity of opportunities.

As a leading global investor in sustainable infrastructure, Actis has identified four global themes that present lucrative growth opportunities in real estate – digitalisation, supply-chain transformation, health and wellness, and climate transition. These key themes are underscored and accentuated by secular demand trends, and together will shape the future real estate landscape.

These secular demand trends include demographic shifts, relating to urbanisation and the densification of wealth in cities; real estate supply deficiencies, where current property supply is not fit for purpose, affordable or sustainable enough to attract demand; and demand for yield, the nascent but growing aggregation of local institutional capital that is key to delivering exits on investments.

By investing behind these three secular demand trends and the four big themes shaping the global economy these trends support, Actis is investing in the real estate serving the "new economy" to deliver compelling returns to investors. In practice, this means investing in assets including data centres, industrial and logistics hubs, life sciences facilities, as well as the repurposing of older urban stock to better support the new economy.

It is in Asia that Actis is pursuing these investments – the largest continent in terms of geography, population, and contribution to global growth, with a multitude of diverse markets ripe with opportunities. The global themes driving the new economy and the secular trends underpinning them are particularly strong in the region, making it an attractive investment destination.

Asia also lacks some of the structural risks present in Europe and North America. It is a region where growth markets have not relied on cheap or abundant leverage to drive returns, resulting in investment performance that remains resilient through economic cycles, and Asia is far less affected by remote working and the uncertainties this has brought to property markets and the vibrancy of cities.

Additionally, Asia provides geographic and economic-cycle diversification. In more mature markets such as South Korea and China, there are opportunities for repricing due to higher interest rates and reduced liquidity in South Korea, and a host of macro-challenges in China. Meanwhile, it is all about the continuation of growth in markets such as India, or across Southeast Asia, such as Vietnam and Malaysia.

Actis' investments in the region provide a case in point, with the firm invested in a variety of projects, including state-of-the-art life sciences facilities in India through platform Rx Propellant; data centres in South Korea, Malaysia and Taiwan; or logistics hubs and industrial parks in Vietnam through our partnerships with An Phat Holdings and Tuong Vien Group (TVG).

Capitalising on supply-chain realignment through local partnerships

Maximising on the opportunities within this investment landscape requires a high degree of operational competency and a deep understanding of how different types of real estate are developed, constructed and operated. This necessitates a high level of specialisation and a builder-operator mindset that aims to meet the needs of corporate tenants by delivering high-quality and affordable assets specifically suited to their requirements.

It is for this reason that Actis either (1) builds platforms itself, from the top down and bottom up, by putting in place a specialist management team on the ground, allowing Actis to control key variables while benefitting from local experts, or (2) sets up joint ventures with specialist in-market partners to jointly execute projects and manage risks, this time securing a competitive advantage through strong alignment with best-in-class and proven operators.

The partnership with An Phat Holdings in Vietnam, in particular, demonstrates how Actis is working with high-quality operating partners on the ground to create aligned joint ventures to capitalise on the supply-chain transformation opportunity.

Vietnam has become one of the most attractive destinations for companies looking to diversify their supply chain and meet demand for manufacturing facilities outside of China. The country has notably reaped the benefits of China Plus One policies, thanks to its strategic location, advantageous demographics and workforce, political stability, and free-trade agreements granting export access to more than 52 markets. And the data paints the same picture, with disbursed foreign direct investment into the country reaching US\$22.4 billion in 2022, double the level recorded a decade prior.

With Vietnam now a key location for cost-effective manufacturing and supply-chain diversification, Actis has teamed up with An Phat Holdings, a leading manufacturer of high-technology and environmentally friendly plastics in Vietnam, to develop industrial parks in the country with the aim of providing the flow of manufacturers entering the country with the real estate infrastructure for their manufacturing operations.

An Phat Holdings is one of the largest manufacturing groups in Vietnam, with 17 group companies, 15 factories, more than 5,000 employees and exporting to more than 70 countries (including the United States, European Union and Japan), so it presents an ideal, specialised local partner to work with on

the development of Vietnamese industrial parks. The business has a deep understanding of the needs of target clients of an industrial park, having previously successfully developed and sold industrial parks, as well as operating them for its own use. An Phat Holdings has also developed a comprehensive business ecosystem that can be leveraged to attract and support tenants.

The partnership is mutually beneficial and makes strong business sense. Actis brings its global real estate development and operational experience; expertise in adjacent areas such as energy, energy efficiency and sustainability; and an extensive global network in countries where many of the industrial parks' target tenants are headquartered. An Phat Holdings, on the other hand, brings local expertise and connections as well as first-hand experience of what tenants need and a one-stop shop for tenants that helps them obtain a variety of licences they need to operate, together with customs declarations for exports.

An Phat 1 Industrial Park: A model to replicate

The first joint venture Actis and An Phat Holdings undertook together was An Phat 1 Industrial Park (An Phat 1 IP), a 180-hectare sustainable industrial park in Hai Duong. The development was a resounding success and created a template for how the partnership will work, moving forwards.

Located in Vietnam's northern key economic zone, a region with excellent connectivity and an abundant supply of skilled labour, An Phat 1 IP was developed as a best-in-class industrial park with sustainability at its core. Actis' sustainability team worked closely with An Phat Holdings to identify, evaluate and implement a series of sustainability initiatives. These included drawing on the local workforce during the construction and operation stages, procuring materials from local suppliers, delivering 17 percent more green area than required, reducing light pollution, minimising impacts to wildlife, and creating a good environment for the surrounding community.

These sustainability policies not only helped secure a local licence to operate from the local community, which itself is important for risk mitigation, but also helped achieve significant construction and operating-cost savings – enhancing the project's financial performance. An Phat 1 IP's strong financial performance also benefitted from the project's completion ahead of time, without any compromise on cost or quality,

allowing Actis to outperform its investment thesis in both exit timeframe and returns.

The industrial park has already attracted two of Apple's global suppliers, which are expected to bring 25,000 jobs to the local community, further cementing Vietnam's reputation as a global manufacturing hub and generating significant tax revenue for the country.

Actis is now replicating the An Phat 1 IP playbook through a new partnership with TVG to acquire and develop high-quality ready-built factories for lease in Hai Phong City, a major gateway city and manufacturing hub in Vietnam's northern key economic zone. TVG is the most active and successful local developer of ready-built factories in Hai Phong, with a strong development and leasing track record. Actis is investing with TVG to benefit from the strong economic growth and FDI inflow forecast for Vietnam, particularly in the industrial and logistics space, as the China Plus One strategy continues.

A world of opportunities

The transformation of global supply chains is creating new real estate investment opportunities in Asia. By aligning with key investment themes and trends, and by integrating top-down and bottom-up market approaches, Actis is well positioned to capitalise on these opportunities.

The partnership with An Phat Holdings in Vietnam serves as a compelling case study of this approach in action. It exemplifies how investors can leverage strategic partnerships, deep market understanding and operational competency to unlock exciting opportunities in Asia's vast supply-chain and logistics real estate market. And this is just the case study of one partnership in one market. Actis is replicating the strategy through its joint ventures with TVG and also deploying a different, yet related, strategy to cater to the life sciences supply-chain realignment benefitting India through platform Rx Propellant.

With 27 investments to date across five countries, Actis' Asia real estate team is delivering on proven strategies with defensive characteristics – generating attractive returns, with no losses, in 13 years of investing. Asia's real estate landscape is set to play an ever-more prominent role in underpinning the global economy, and this is creating terrific opportunities for investors to seize.

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CORPORATE OVERVIEW

Actis is a leading global investor in sustainable infrastructure, delivering competitive returns for institutional investors and measurable positive impact for the countries, cities and communities in which it operates. Actis invests in structural themes that support long-term, equitable growth in defensive, critical infrastructure across energy transition, digitalisation transition, and supply-chain transformation.

The firm's decades of global experience, operational know-how and strong culture allows it to create global sustainability leaders at scale. Since inception, Actis has raised US\$25 billion to invest in a better tomorrow. Actis is a signatory to the United Nations-backed Principles for Responsible Investment (UNPRI), an investor initiative developed by the UNEP FI. Actis has consistently been awarded the highest rating score in the UNPRI independent assessment.

You can learn more about Actis at www.act.is

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