VIETNAM’S TOURISM AND HOSPITALITY MARKET
Duong Thuy Dung, Associate Director
October 14, 2014
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4. Hospitality Investment
Regional Hotel Performance

Vietnam has one of the smallest number of international visitor per year in the region.

Tourist Arrivals by Year

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viet Nam</td>
<td>7,861</td>
<td>9,922</td>
<td>11,233</td>
<td>12,118</td>
</tr>
<tr>
<td>Thailand</td>
<td>23,670</td>
<td>23,312</td>
<td>23,696</td>
<td>24,782</td>
</tr>
<tr>
<td>Philippines</td>
<td>3,331</td>
<td>4,208</td>
<td>5,020</td>
<td>5,020</td>
</tr>
<tr>
<td>Singapore</td>
<td>10,615</td>
<td>11,615</td>
<td>12,444</td>
<td>12,926</td>
</tr>
<tr>
<td>Malaysia</td>
<td>28,220</td>
<td>29,854</td>
<td>31,233</td>
<td>31,992</td>
</tr>
<tr>
<td>Indonesia</td>
<td>9,441</td>
<td>10,178</td>
<td>10,524</td>
<td>11,048</td>
</tr>
</tbody>
</table>

Source: Association of Southeast Asian Nations.
REGIONAL HOTEL PERFORMANCE

Occupancy level also lowest compared to other cities

Occupancy Rate (%) – 4-5 star

Source: STR Data.
REGIONAL HOTEL PERFORMANCE

…but ADRs have demonstrated a fair growth

Average Daily Rate – 4-5 star

US$/room/night

Dec-11  Jun-12  Dec-12  Jun-13  Dec-13  Jun-14

Hanoi  HCMC  Kuala Lumpur  Bangkok  Jakarta

Source: STR Data.
REGIONAL HOTEL PERFORMANCE

...ensuring RevPAR levels remain above that of many regional competitors

Revenue per Available Room – 4-5 star

Source: STR Data.
VIETNAM HOTEL PERFORMANCE
INTERNATIONAL ARRIVALS

International visitor arrivals to Vietnam have grown rapidly over the past few years, but will have problems reaching the VNAT target (8 mil in 2014)

China accounts for the largest proportion

International Tourist by Top 5 Countries, 9M 2014

Source: Vietnam National Administration of Tourism, Q3 2014.
INTERNATIONAL ARRIVALS STRUCTURE

Vacation tourists dominate the market

International Tourist by Purpose, 9M 2014

Source: Vietnam National Administration of Tourism, Q3 2014.
Total Supply by Hotel rooms (3-5 star)

Source: CBRE Vietnam, Q3 2014.
Recovery on the way

**Occupancy Rate (5 star)**

Source: CBRE Vietnam, Q2 2014.
VIETNAM HOTEL PERFORMANCE
Da Nang and Phu Quoc are leading the ADR growth

Source: CBRE Vietnam, Q2 2014.
VIETNAM HOTEL PERFORMANCE

Phu Quoc in a different class

Revenue per Available Room (5 star)

Source: CBRE Vietnam, Q2 2014.
A GLIMPSE ON PHU QUOC
Phu Quoc has huge potential to develop into a favoured beach escape.

Potential for eco-tourism and eco-resort development.

Investors: A few number of top-tier hotels/resorts and no existing second home villa creates a good opportunity for the hospitality investors.

Hotel operators: lack of big brand names also creates a good opportunity for international operators.

Source: CBRE Vietnam, Q3 2014.
PHU QUOC HOSPITALITY MARKET

Concerns

**Infrastructure:** Poor infrastructure, low progress on road upgrading

**Facilities and amenities:** Lack of international hospitals, supermarkets or retail chains, nightlife, bars and clubs

**Master plan:** Too many projects under planning while local government keeps changing the island’s master plan

**Labour force:** Lack of skilled workforce

**Development cost:** High cost of construction and operation

Source: CBRE Vietnam, Q3 2014.
PHU QUOC HOSPITALITY MARKET

New airport raises seat capacity by 60%

Old airport
100 Flights per week
90 max pax per flight
450,000 max pax per year

New airport
115 Flights per week (current capacity)
187 max pax per flight (current capacity)
760,000 max pax per year (current capacity)
2,700,000 max pax per year (expected capacity in 2020)

Source: Centre for Aviation (CAPA), Q2 2014.

“Only domestic airlines are operating in Phu Quoc International Airport (Vietnam Airlines, Vietjet Air and Jetstar Pacific)

New flights open soon:

• Phu Quoc - Singapore: 2 flights/week starting on November 2, 2014 (Airbus 321)
• Phu Quoc – Siem Reap: 3 flights/week starting December 18, 2014 (ATR-72)
- 100 establishments offering approximately 2,900 rooms
- Only 15 (with 952 rooms in total) are classified as 3-5 hotels
- All top-tier hotels in Phu Quoc are on the west side of the island
PHU QUOC HOSPITALITY MARKET

Operating Cost

- **ENERGY COST**
  - 4-STAR HOTELS IN MAINLAND: 6-8% TOTAL REVENUE
  - 4-STAR HOTELS IN PHU QUOC: 12-15% TOTAL REVENUE

- **F&B COST**
  - 4-STAR HOTELS IN MAINLAND: 20-25% TOTAL REVENUE
  - 4-STAR HOTELS IN PHU QUOC: 30-35% TOTAL REVENUE

50-60% ENERGY COST DROPS WITH POWER CONNECTED TO NATIONAL GRIDLINE

- **Expected lower ADR**
  - Phu Quoc become more attractive destination

- **Increasing operating revenue** as energy cost is expected to reduce significantly

Source: CBRE Vietnam, Q3 2014.
- Top-tier hotels in Phu Quoc are among the best performers
  - Small-scale hotels (from 17 to 43 keys) can achieve occupancy rates from 80% upward
  - Luxury four-star and three-star categories obtained average occupancy rates of above 80%, standard four-star hotels obtained average occupancy rates of around 60%.
  - Bungalow-style resorts achieve higher occupancy rates than block hotels as most of traveller are holiday-makers and like to stay in a nature-oriented accommodation
PHU QUOC HOSPITALITY MARKET
Future supply – Big Names Lining Up

- Salinda Premium Resort and Spa open for booking now

Source: CBRE Vietnam, Q3 2014.
Big investments are seeping into hospitality sector

<table>
<thead>
<tr>
<th>POSITION</th>
<th>INVESTORS / DEVELOPERS</th>
<th>COMPONENTS</th>
<th>VALUE</th>
</tr>
</thead>
</table>
| Sapa     | Sun Group              | • Fansipan cable car  
           |                        | • Hotel  
           |                        | • Entertainment complex  | $206 mil. |
| Hanoi    | Thanh Hoa Construction Corp. * | • 4-star Hotel  | - |
| Quang Ninh | Nakheel Sovico Holding | • Urban- tourism complex  | $550 mil. |
|          | VinGroup              | • Resort complex  | $45 mil. |
|          | ISC Corporation       | • Casino  
           | Tuan Chau            | • Recreation complex  | $7,000 mil. |
| Hai Phong | VLC                  | • 200-room hotel/Accor  
               |                        | • 24 serviced apartments  | - |
| Thanh Hoa | FLC Group            | • 18-hole golf course,  
                   |                        | • Resort complex  | $257.5 mil. |
| Phu Yen  | Vung Ro Petroleum     | • Resort complex  | $2,500 mil |
| Phu Quoc | VinGroup              | • 27-hole golf course  
           |                        | • Resort complex  | $796 mil. |
|          | CEO Group             | • Resort complex  
           |                        | • 406-room Hotel (Novotel)  | $210.7 mil. |
|          | BIM Group             | • Resort complex  
           |                        | • 400-room Hotel (Crowne Plaza)  | $70.2 mil |

* Acquired project from Ha Do Group
Source: Compiled from various sources, Q3 2014.
HOSPITALITY INVESTMENT

Hotel is the most sought-after property (2011-2014)

- Hotel accounts for 35% transactions and 36% value
- Office accounts for 20% transactions and 29% value
- Development sites account for 26% transactions but only 6% value
- Retail accounts for 21% value although only 6% of transactions
The number of hotel sales in Vietnam has dropped in 2009 as a consequence of lack of liquidity and concern about future performance. In 2009, lower prices, additional liquidity and more stable economic conditions have helped increase the sales volume.
HOSPITALITY INVESTMENT

Highest transacted price per key recorded in 2013

The market experienced the highest transacted price per room in 2013

Source: RCA, Sep 2014
## HOSPITALITY INVESTMENT

### Key indicators

<table>
<thead>
<tr>
<th></th>
<th>Hotel</th>
<th>Office</th>
<th>Retail</th>
<th>Apartment</th>
<th>Dev Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of transactions</strong></td>
<td>19</td>
<td>11</td>
<td>3</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td><strong>Size</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Range</td>
<td>54-411</td>
<td>2,240 - 31,562</td>
<td>6,880 - 55,000</td>
<td>260 - 550</td>
<td>2,994 sqm - 7.8 ha</td>
</tr>
<tr>
<td>Average</td>
<td>171</td>
<td>18,261</td>
<td>33,778</td>
<td>407</td>
<td>18,521 sqm (*)</td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value per unit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Key markets</strong></td>
<td>HCMC, Hanoi, Hoi An</td>
<td>HCMC, Hanoi</td>
<td>HCMC</td>
<td>HCMC, Hanoi</td>
<td>HCMC, Hanoi</td>
</tr>
<tr>
<td><strong>Cap Rate</strong></td>
<td>N/A</td>
<td>8.5%-13.6%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(* ) Exclude Alaska Garden of 7.8 ha

Source: RCA, Sep 2014
HOSPITALITY TRANSACTIONS 2012 - YTD 2014

MOVEMPICK SAIGON
- Location: HCMC
- Seller: VinaCapital
- Buyer: Tung Shing
- Amount: $30.4 mil

VINPEARL LUXURY
- Location: HCMC
- Seller: Vingroup
- Buyer: VIPD Group
- Amount: $155.2 million

SHERATON NHA TRANG
- Location: Nha Trang
- Seller: Vinaland
- Buyer: n/a
- Amount: $42 million

LIFE HERITAGE RESORT
- Location: Hoi An
- Seller: IBUS
- Buyer: Minor International
- Amount: $9.6 million

Life Wellness Resort
- Location: Quy Nhon
- Seller: IBUS
- Buyer: Minor International
- Amount: $6.4 million

LOTTE LEGEND HOTEL
- Location: HCMC
- Seller: Vinaland + Kotobuki
- Buyer: Lotte
- Amount: 65.1

HANOI DAEWOO HOTEL
- Location: Hanoi
- Seller: Daewoo
- Buyer: Hanel
- Amount: $114.0 million

CENTURY RIVERSIDE HOTEL
- Location: Hue
- Seller: Crowndale International
- Buyer: Hue People Committee
- Amount: $5.2 million

Source: RCA, retrieved September 2014.
Koreans are active in both selling (Kumho Asiana, Daewoo) and buying (Lotte, CJ, Asiana Airlines).

Singaporeans have become active buyers (Keppel, Mapletree, Capitaland, Ascott).

Proportion is calculated based on transactions made during 2011 – 1H2014
Source: RCA, Sep 2014
VIETNAM INVESTMENT

Continued pockets of interest from overseas investors

- Significant and varied interest in Vietnam but investors (and agents) frustrated by limited deal opportunities;
- Demand for deals continues to significantly outstrip supply – particularly for operating assets in city centre (HN and HCMC);
- For the majority of ‘deals’ the big four questions still remain - Without a realistic and honest approach to these, foreign investors will look elsewhere.
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Every month – DASHBOARD
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