



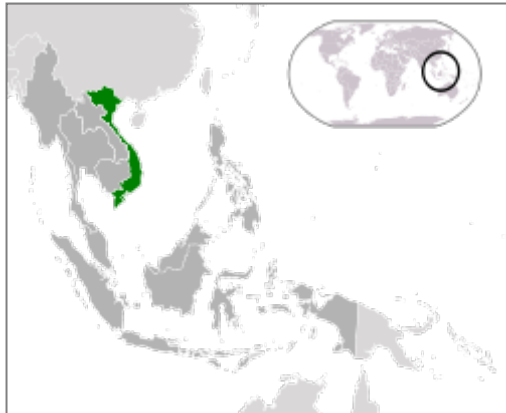
GHN Market Report: Vietnam 2013



Juhie Tak
Manager - Hospitality
Services, India
Cushman & Wakefield

A typical vacationer, today, travels far and wide! The lesser heard travel destinations are fast becoming the new hotspots. The low cost carriers have changed the dynamics of travel across the world, especially in South East Asia. Every city seems accessible! Then there is little surprise when Vietnam emerges as a promising tourist destination.

Vietnam has had a long and hard struggle to establish itself as an independent nation. After the consolidation of North & South Vietnam, the economic growth of the country has been consistent with economic reforms beginning from 1986, *Doi Moi Reforms*, and consequently, the country became a member



of the WTO in 2007. According to IMF, in 2012, the nominal GDP reached USD 138 Bn with a nominal GDP per capita income of USD 1,527. Various market intelligence reports suggest that Vietnam is on its way to becoming one of the fastest growing emerging economies of the world.

The turbulent history of the country held back the tourism potential the country promises. Consequently, it has relatively a young hospitality market with a total of 250,000 units (2011). The primary interest of the government has been to strengthen the economy and improve agricultural & industrial production. Agriculture is the mainstay of the Vietnamese economy. Today,

Top Five Hotel Markets

While we compare these cities based on the number of hotels present in these cities, we understand that the share of the branded inventory is limited, 3%-5%, & a major part of the inventory is unbranded & budget or midscale in orientation.

1. Hanoi, the capital city, houses approximately 475 hotels. The city is located on the banks of Red River & approximately 1,760 Kms north of HCMC.

The city is expected to be the fastest growing city in the world in terms of the GDP Growth (from 2008-2025), as per a study by PWC. Moreover, it offers French architecture, museums, lakes & traditional food to its tourists.

Various prominent brands are present in the city & the pipeline of the upcoming inventory is strong as well. Most business hotel brands like to firm their feet either in Hanoi or HCMC. The range of brands, in this light, is evident.

Brands	Inventory
Sheraton Hanoi Hotel	299
Intercontinental Hanoi Westlake	418
Crowne Plaza West Hanoi	393
Crowne Plaza West Hanoi Residences	135
Hilton Hanoi Opera Hotel	269
Hilton Garden Inn	86
Sofitel Legend Metropole	386
Sofitel Plaza	296
Pullman	242
Mercure Hanoi La Gare	102
Hotel del'Opera Hanoi - MGallery Collection	107
Somerset Grand	185
Movenpick Hotel	154
Melia	306
Daewoo Hotel	411

On an average, the city achieves an AOR of 62% with an ADR of USD 125.



Vietnam is the world’s largest producer of cashew nuts & black pepper. It is also the second largest exporter of rice (after Thailand). Other primary exports include coffee, tea, rubber and fishery products.

Tourism & Hospitality:

Vietnam, as a tourist destination, is supported by strong market fundamentals – rich cultural offering, diversity of destinations, relatively safe & secure, increasing international and domestic tourism demand, strong investment potential and geographical location. In 2012, the budget for tourism promotions was over VND 30 Bn. The country has performed various promotional activities in countries like Germany, Russia, Ukraine, Japan, the Republic of Korea, Britain, China and other Southeast Asian Nations as a part of outside-the-nation promotion. The government offers visa exemption to the nationals of few select countries (ASEAN countries for less than 30 days & South Korea, Japan, Russia, Norway, Sweden, Denmark & Finland for less than 15 days). For the rest, the government offers visa-on-arrival which is issued on arrival at Vietnam International Airports.

The geographical location of Vietnam is of strategic significance given the sensitive nature of historical, political and economic affairs in the region. The country spreads over 331,210 Sq.km, with a 3,444 km long coastline with a terrain which is mostly hilly and under tropical forest cover, topographically making it well suited for a leisure destination.

Air: There are about 9 international airports with limited connectivity to international destinations. The international airports at Hanoi & HCMC are the prominent international airports.

Sea: There are 7 main sea ports – Hai Phong, Quang Ninh, Da Nang, Saigon, Cant Ho, Vung Tau & Phu My. China Beihai-Ha Long Bay is a significant transnational sea route.

Surface: Vietnam is connected to Cambodia (5 crossings), China (2 crossings) & Laos (6 crossings) via international overland border crossings.

Top Five Hotel Markets

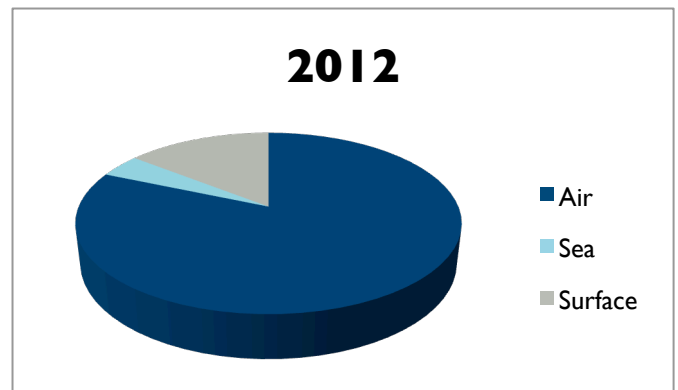
2. HCMC, the largest city in Vietnam, houses approximately 324 hotels. Erstwhile Saigon, the city, is located in the south eastern region of Vietnam.

By the end of 2012, the city's GDP was estimated around USD 28,595 Bn. The public sector forms 33% of the economy while the private sector forms 5% of economy. The rest is in foreign investments. In the economic center of the country, there are various export processing zones, industrial & software parks. The city also attracts tourists for its historical & cultural significance.

The orientation of the hotels is business. The city boasts of more brands than Hanoi.

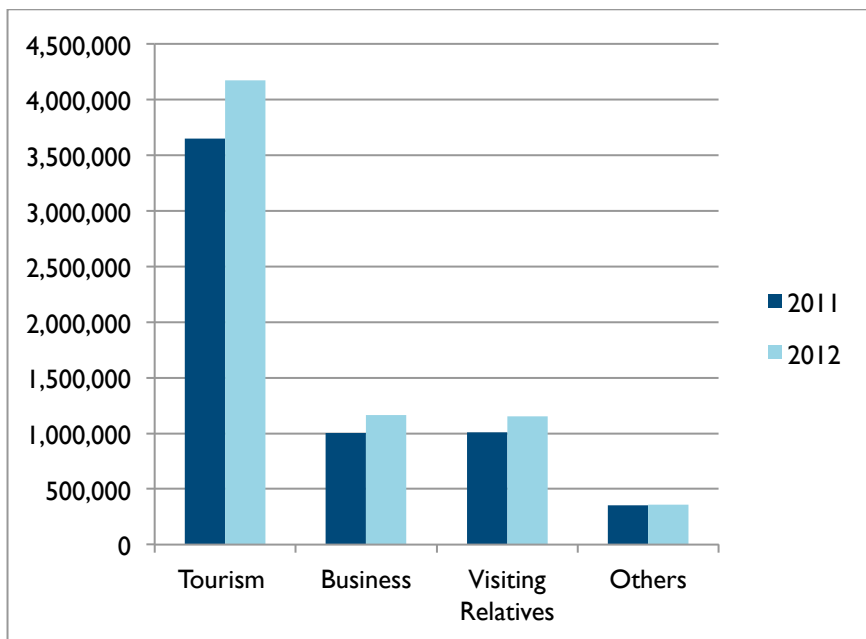
Brands	Inventory
Sheraton Saigon Hotel & Towers	470
Intercontinental Asiana Saigon	305
Intercontinental Asiana Saigon Residences	260
Park Hyatt Saigon	224
Renaissance Riverside Hotel Saigon	336
Hotel Nikko Saigon	334
Hotel Nikko Hanoi	257
Sofitel Saigon Plaza	290
Novotel Saigon Center	247
Ibis Saigon South Hotel	140
Somerset Chancellor Court	172
Somerset Ho Chi Minh City	165
Movenpick Hotel Saigon	278
Caravelle Hotel	335
Lotte Legend Hotel Saigon	283

On an average, the city achieves an AOR of 68% with an ADR of USD 115.





The hospitality market in Vietnam depicts every nuance of a nascent market- limited branded inventory, higher ADRs, lower AORs & increasing curiosity among the investors & hoteliers. The total tourist arrivals in 2012 were approximately 6.8 Mn, growing by 12% over 2011, and are expected to exceed 10 Mn by 2020. The growth in number of visitor arrivals, however, had declined after the GFC. There is an overall sense of recovery due to the rise in domestic tourism. The key feeder markets are China (24%), South Korea (9%), Japan (8%) and USA (7%). Of all the visitor arrivals, about 60% is leisure in nature.



Source: Vietnam Tourism

Leisure is the primary demand segment with around 61% contribution towards the total demand share, while business follows with around 17% demand share. Being well-connected and providing for ample of pre & post event opportunities, the country holds immense potential of being promoted as a MICE destination.

The north & south regions dominate the hotel market. The central area has very few quality hotels & the new supply is limited. Currently, 18% of the inventory is in the 3 – 5-Star categories. Occupancy levels have declined since the GFC but ADRs have demonstrated strong growth as more brands have started operations.

Top Five Hotel Markets

3. *Hue* is located in central Vietnam, on the banks of Perfume River. It is situated about 700 kms south of Hanoi & 1,100 kms north of HCMC. The city houses approximately 105 hotels.

It is a UNESCO World Heritage Site. This quaint town was the capital of Vietnam for 150 years during 1802 to 1945.

The location is favorable for a spa-oriented upscale or luxury hospitality offering. This is evident in the existing products.

Brands	Inventory
Best Western Premeir Indochine Palace	222
Best Western Da Lat Plaza Hotel	92
Ana Mandara Hue	78
Vendana Lagoon Resort & Spa	27
Pilgrimage Village	99
Banyan Tree Lang Co	49
Imperial Hotel	192
La Residence Hotel & Spa - Mgallery Collection	122

On an average, the city achieves an AOR of 60% with an ADR of USD 225.

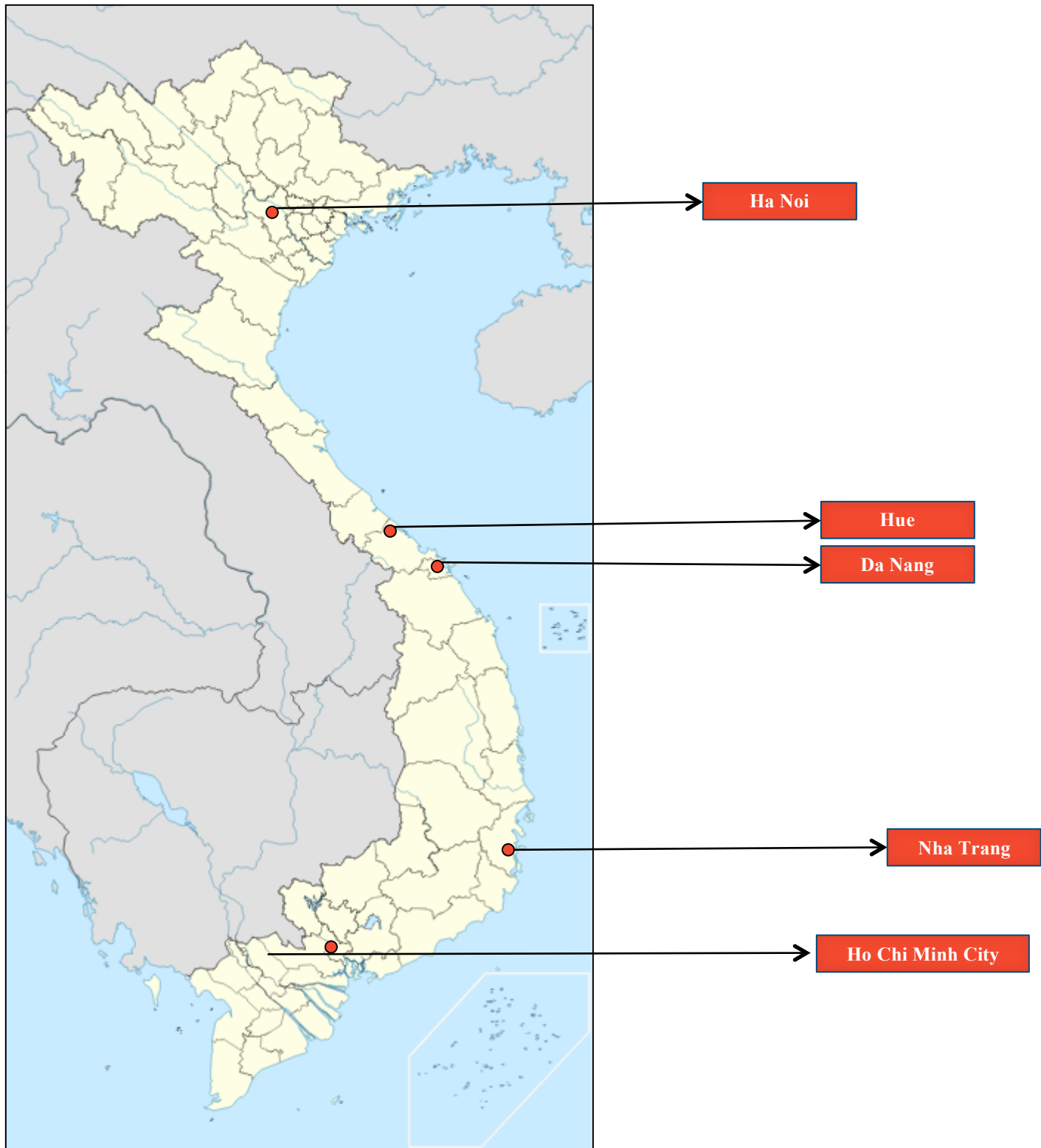
4. *Nha Trang*, a coastal city, lies on the south central coast of Vietnam. It houses approximately 99 hotels.

A popular tourist destination for backpackers, it is known for its beaches & scuba diving. It will host the Asian Beach Games in 2016.

With beautiful beaches & mild temperatures all year round, Nha Trang features some of the best resorts in Vietnam.

Brands	Inventory
Sheraton Nha Trang Hotel & Spa	280
Novotel	154
Six Senses Ninh Van Bay	58
Six Senses Con Dao	50
Best Western Premier Hon Tam Resort & Resi	49
Best Western Sea & Sun	80
Evason Ana Mandara	74
Vin Pearl Resort	485

On an average, the city achieves an AOR of 63% with an ADR of USD 180.





Opportunities:

Vietnam has 118 industrial parks in the southern part and 40 in the northern part. Besides tourism, the country is also emerging as a stable economic center leading to an increased interest by a variety of hospitality stakeholders.

International brands/operators provide comfort to bankers and investors. This is apparent in the list of upcoming inventory. The most significant growth in supply is expected in Da Nang along with HCMC with 4,000 plus units to become operational by 2017 in each destination. Primary tourist centers of Nha Trang, Da Lat & Phan Thiet in the south-central region have a comparatively high proportion of low quality & unbranded supply.

Hanoi

Proposed Hotel	Inventory	Notes/Remark
Intercontinental Landmark	359	2013
JW Marriott	450	2013
Hilton Garden Inn	86	2013
Novotel Ciputra	250	2013
Mercure Hado	380	2013
Holiday Inn Dong Da	300	2013

HCMC

Proposed Hotel	Inventory	Notes/Remark
Le Meridien	350	2013
Pullman Saigon Center	300	2013

Da Nang

Proposed Hotel	Inventory	Notes/Remark
JW Marriott	271	Owned by VinaCapital Da Nang Resort Pvt Ltd/1,400 Sq mtr Meeting Space /To open in 2013
Hilton Da Nang	226	Developer - Bach Dang Hotel Complex Trading Service Company

Da Lat

Proposed Hotel	Inventory	Notes/Remark
Swiss Belhotel Da Lat		2013

Many hotel operators are looking at branded residences as well. Such projects are well perceived because of pre-sale structure and provide comfort to the investors as well. It has been observed that at such leisure destinations, branded residences work well as a

Top Five Hotel Markets

5. *Da Nang* is located 759 Km south of Hanoi & 960 Km north of HCMC. It is the 4th biggest economic center (after HCMC, Hanoi & Hai Phong). A major port city, it houses approximately 93 hotels.

Located in proximity of various UNESCO World Heritage Sites & the capital of the erstwhile kingdom of Champa – *My Son*, it is popular for its Marble Mountains, Ba Na Mountain & other similar scenic locations.

Brands	Inventory
Intercontinental - Da Nang Sun Peninsula Reso	197
Crowne Plaza Da Nang	535
Hyatt Regency Da Nang Resort & Spa	409
Pullman Da Nang Beach Resort	187
Novotel Da Nang Premier Han River	323
Grand Mercure	272
Fusion Mai Da Nang	87
Furama Da Nang Resort & Spa	198

On an average, the city achieves an AOR of 64% with an ADR of USD 220.

The other cities of tourist interest are *Hoi An*, *Da Lat*, *Phan Thiet* & the new island development - *Con Dao* Island. *Da Lat* is a resort destination visited more by domestic travelers. These locations have some iconic hospitality products at the moment. Currently not so popular, these markets are slated for the next surge in branded developments.

Brands	Location	Inventory
The Nam Hai	Dien Bam	100
Ana Mandara Villas Dalat Resort & Spa	Da Lat	78
Anantara Mui Ne Resort & Spa	Phan Thiet	89
Anantara Hoi An Resort & Spa	Hoi An	94



second-home concept. Americans & Europeans are always looking for such options given the warm weather and sylvan locales.

Impediments:

Vietnam, as a country, continues to deal with the woes of poverty, unemployment and infrastructural concerns. The tourist facilities in most cities are basic.

The cost of construction is relatively higher in Vietnam than in other countries in South & Southeast Asia. For a 32 sq.mt, with 50% efficiency, the construction cost adds to USD 11 Mn approximately and for a 28 Sq.mt, with 60% efficiency, it adds to USD 7 Mn approximately.

Outlook: Although Vietnam will continue to struggle with currency issues and entry barriers, it also promises to be a destination that is easily accessible and provides an ideal landscape for holiday-ers.



**CUSHMAN &
WAKEFIELD®**

Juhie Tak, Manager - Hospitality Services, India, Cushman & Wakefield, is a regular contributor of market insights for GlobalHotelNetwork.com.

Cushman & Wakefield is a longstanding member of GlobalHotelNetwork.com.