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IN FOCUS:
VIETNAM

A PRISTINE TALE

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Vietnam

Vietnam is a coastal country located on the eastern edge of the Indochina Peninsula. It boasts 3,260 kilometres of coastline, which does not include the few offshore islands along its coastline. Vietnam is home to 90.7 million people, making it the world's 13th most populous country.

Country Overview

Vietnam is a development success story. Political and economic reforms launched in 1986 transformed the country from one of the poorest in the world to one of the *fastest growing emerging economies* in Southeast Asia. With an estimated real GDP growth of 6.0% in 2014, the World Bank forecasts Vietnam's growth to reach 6.5% by 2017. The growth accelerated in the third quarter to 6.81% from the year-earlier quarter, posting a faster growth than neighbouring countries in the region. This growth is greatly supported by the increasing FDI inflow and manufacturing exports.

The country is becoming more attractive as an alternative to China to manufacture hardware products, mainly due to lower labour and production costs and low corporate income tax.

The government is also focusing on improving the business environment and removing obstacles to doing business in Vietnam so that most of its important indicators catch up with those of top ASEAN countries.



Figure 1: Map of Vietnam

According to the World Travel and Tourism Council, tourism directly contributed 4.6% to the nation's GDP in 2014 and is forecasted to increase by 7.9% in 2015; the growth is expected to continue throughout the period of 2015 to 2025 at 6.6% per annum. Vietnam climbed 5 positions on the Tourism Competitiveness Index to the 75th position in 2015 (out of 141 economies) from the 80th position in 2013.

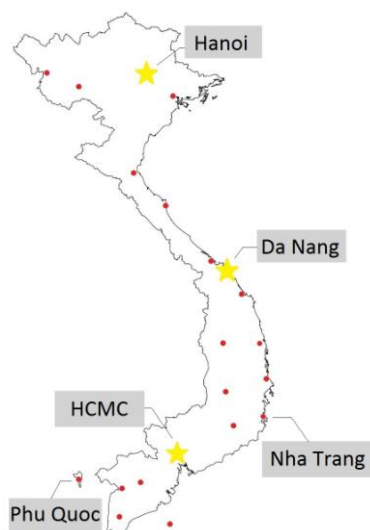
To enable Vietnam to accomplish its transition to an industrialised and modern economy by 2020, the latest Socio-Economic Development Strategy (2011-2020) identifies the country's key priorities, which may be summarised as stabilising the economy, building world-class infrastructure, creating a skilled labour force, and strengthening market-based institutions.

Air Infrastructure

There are currently 21 airports operating in the nation, with three main hubs in the three main regions of Vietnam: Hanoi's Noi Bai International Airport in Northern Vietnam, Da Nang International Airport in Central Vietnam, and Ho Chi Minh City's Tan Son Nhat International Airport in Southern Vietnam. Under the aviation master plan, the Vietnamese government plans to have 26 operating airports by 2020. One international airport is being developed east of Ho Chi Minh City (HCMC), while a few others such as Tien Lang International Airport in Hai Phong city and Quang Ninh International Airport in Van Don Island are under planning stage. Additionally, the Vietnamese government is refurbishing and expanding the capacity of its existing airports. For instance, as of January 2015, Terminal 2 of Noi Bai International Airport in Hanoi is now fully operational, accommodating all international flights to Hanoi while increasing the annual capacity of passengers to 10 million. There are also expansions plan of Phu Quoc International Airport and Cam Ranh International Airport in Nha Trang.

Tan Son Nhat International Airport, the nation's busiest and largest airport located in HCMC, catered to 22 million passengers in 2014; the airport reached its designed capacity in 2013 when it received its 20 millionth passenger. To alleviate congestion in HCMC in the short run, the Airports Corporation of Vietnam (ACV) has proposed the expansion of Tan Son Nhat International Airport in 2016 from 20 million to 25-26 million passengers. Parts of the new terminal are envisaged to start operating by 2020, and upon full-completion in 2030 the terminal will have 120 check-in counters (additional 40), ten boarding bridges for passengers (additional two), 19 boarding gates (additional seven), and 82 airport aprons (additional 42). Additionally, the ACV has undertaken the development of Long Thanh International Airport, located approximately 40 kilometres from HCMC. The US\$ 16-billion project will undergo three

rounds of developments and the airport is expected to start undergoing construction in 2018 and operating by the end of Phase I in 2023. By the end of the third phase, it is expected to be the largest airport in Vietnam with an annual capacity of 100 million passengers and five million tonnes of cargo a year.



Source: ACV

Figure 2: Existing 21 Airports in Vietnam.

Conforming to the increasing demand for both domestic and international flights, major airlines operating in the region such as the national carrier, Vietnam Airlines, and VietJet Air are opening new domestic and international routes to Vietnam. Budget airlines like VietJet Air added new international flight routes from HCMC and Hanoi to Seoul and Yangon, while increasing the frequency of its flights to Bangkok and Singapore. It also added domestic flight routes, mainly from Hanoi and HCMC to smaller cities such as Pleiku, Chu Lai, Dong Hoi and Quy Nhon.

Travel from Russia was affected by the rouble crash at the end of 2014, leading to a plummeting of the Russian tourists and dormancy of charter flights between Russia and HCMC. Plans to resume operations by Pegas Travel Vietnam (starting October 2015) have been scrapped as the currency still remains volatile. Additionally, Transaero, Russia's second-largest airline in terms of passenger turnover, filed bankruptcy in early October and will cease operations on December 15, 2015 – including its current service from Moscow to HCMC and Cam Ranh (which supports both Cam Ranh and Nha Trang).

Other Infrastructure

In order to maintain its competitiveness in the region, Vietnam has committed itself towards the development of infrastructure, which includes road construction and general necessities in its key economic zones (KEZ). This will facilitate the aim of developing the country as a leading manufacturing nation, trading hub in Southeast Asia as well as enhancing tourism growth. The major infrastructure developments are summarised by region below.

Northern Region Developments:



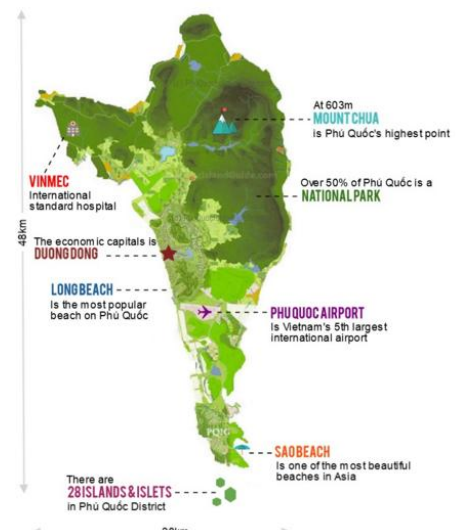
Source: Google Maps

Figure 2: Hanoi Infrastructure Map

- Inauguration of the Nhat Tan Bridge (cau Nhat Than on the map) in January 2015, directly connecting Hanoi, the capital, with the new Terminal 2 of Noi Bai International Airport, consequently halving the travelling time.
- Completion of part of Ring Road 2 by Q4 2015, connecting Hanoi city centre and its soon-to-be new CBD area, Cau Giay district.
- A 760-kilometre-long highway connecting Hanoi with Vientiane, capital of Laos, initiated in November 2015, is currently in its planning phase. The project is a part of a bigger masterplan by the Vietnamese Ministry of Transport to connect the capital cities of Thailand, Myanmar, Vietnam and Laos.
- Commencement of at least 75 out of 105 kilometre of Vietnam's most modern highway, connecting Hanoi and Northern Vietnam's main port city Hai Phong, with six traffic lanes and two shoulders. The Hanoi-Hai Phong Highway started construction in May, 2008 and is expected to be fully operational in December 2015.

Southern Region Developments:

- Approval of Phu Quoc Seaport by the government of Vietnam. It is located in Duong Dong city and is slated to open in 2017.
- Connection of Phu Quoc with the national grid, thus, cutting down the electricity cost throughout the island.
- Construction of a cable car system connecting Phu Quoc with the 28 islands and islets in the south, scheduled for operations in 2017.



Source: Phu Quoc Island Guide

Figure 3: Phu Quoc Map



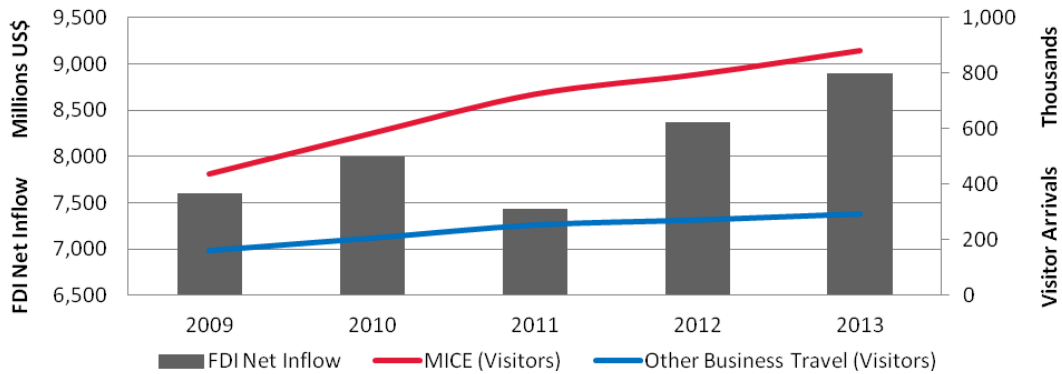
- Opening of HCMC – Long Thanh – Dau Giay Expressway in February 2015. As a part of the North-South Expressway, it provides direct connectivity from the centre of HCMC, Vietnam’s largest economic hub, to economic growth areas in provinces to the north of HCMC along National Highway 1, which connects HCMC to Hanoi. The expressway is planned to be connected to the expressway development between Dau Giay and Phan Thiet. The project involves the development of a 98.7-kilometre-long, four-lane expressway passing through the industrial zones in Dong Nai and Binh Thuan provinces. The concession period proposed for the project is 30 years.

Source: Ministry of Transportation

Figure 4: HCMC – Long Thanh – Dau Giay Expressway Development

Foreign Direct Investment (FDI)

FDI Net Inflow in Comparison to MICE and Other Business Travel Penetration



Source: World Bank, Euromonitor

Figure 5: FDI Net Inflow in comparison to MICE and Other Business travel Penetration

Net foreign direct investments (FDI) inflow into Vietnam has grown strength to strength in the past several years, led by strong gains in FDI disbursements in the manufacturing (54% of total registered capital in 2013), real estate (21%), construction & accommodation (5%) and food service sectors (4%). The bulk of Vietnam’s FDI inflow comes from Asian countries, with its three largest sources being Japan, Singapore and South Korea as of 2013. According to the Vietnamese Ministry of Planning and Investment, the first nine months of 2015 saw the country receiving an estimated \$9.65 billion in FDI disbursement, an 8.4% growth over the same period last year. The relocation of export-oriented manufacturing operations to Vietnam and general attractiveness of the market as an investment destination has had a direct impact on hospitality, driving up demand for Business/Commercial and MICE travel to the country.

Between 2009 and 2013, the net inflow of FDI into Vietnam grew at a compound annual growth rate of 4.03%, while penetration in the MICE and Business visitor segments saw a similar positive trend in CAGR at 19.22% and 15.74%, respectively.

Tourism Market Overview

The ‘Vietnam – Timeless Charm’ campaign, the logo of National Tourism Promotion programme from 2012 to 2015, had a successful start but its effectiveness was hindered in the last two years due to the political unrest in the region and the economic downturn in Russia.

Visitor Arrivals



* Does not include Domestic Arrivals

** Target domestic arrivals of VNAT

Source: Vietnam National Association of Tourism (VNAT)

Figure 6: Visitor Arrivals in Vietnam

In Vietnam, domestic tourism is predominant; in 2014, it constituted 83% of the total arrivals. Domestic arrivals have grown at an average rate of 8.4% per annum, increasing from 25 million arrivals in 2009 to 37.5 million in 2014. This increase is expected to continue in the next few years fuelled by higher disposable incomes of the middle class and various local incentive programmes launched by the Vietnam National Administration of Tourism (VNAT). Budget airlines such as VietJet Air have also done their share by heavy discounts and increase in flight frequency, making travelling economical and accessible.

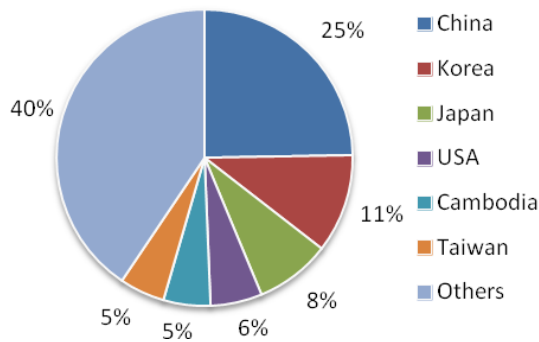
While foreign tourist arrivals steadily increased from 2010 to 2014, the growth has slowed down since. From January to July 2015, Vietnam welcomed about 4.5 million international tourists, a decline of 7.9% from 2014. The decrease of international visitors in Vietnam was attributed to the series of unfavourable global economic events, ranging from the appreciation of the US dollar, plummeting crude oil price, and

the weakening of the Euro and Japanese Yen. The increasing crime rate and tourist scams across the nation are also blamed for the slower growth.

Vietnam has a free-visa policy for visitors from South Korea, Japan, Norway, Finland, Sweden, Denmark, Russia as well as the citizens of all ASEAN members. Additionally, as of July 1, 2015, citizens of Britain, Germany, France, Italy, Spain, and Belarus are eligible for Vietnam’s visa-free travel policy. Tourists from these six European countries can travel to Vietnam for a maximum of 15-day stay per entry. However, the free-visa period of 15 days is considered short especially for long-haul visitors. In addition to that, tourists who wish to re-enter Vietnam within 30 days of their exit have to apply for a visa, thus, making the intended purpose of the visa waiver programme to be ineffective.

Source Markets and Purpose of Trip

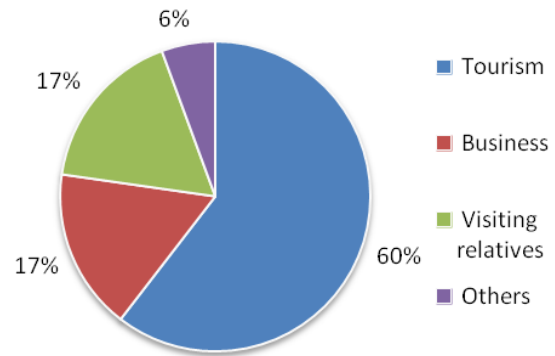
Source Markets (2014)



Source: VNAT

Figure 7: Vietnam’s Source Markets Breakdown

Purpose of Trip (2014)



Source: VNAT

Figure 8: International Arrivals: Purpose of Trip

China, Korea and Japan have been Vietnam’s top three feeder markets since 2010 until today. Between 2011 and 2014, influx of tourists from China, Korea, Japan and Russia increased at a CAGR of 11.2%, 16.5%, 10.4%, and 53.1%, respectively. The purpose of the trip, as displayed in Figure 5, has remained relatively stable over the past half a decade with more than half of the international arrivals to Vietnam being for leisure purposes.



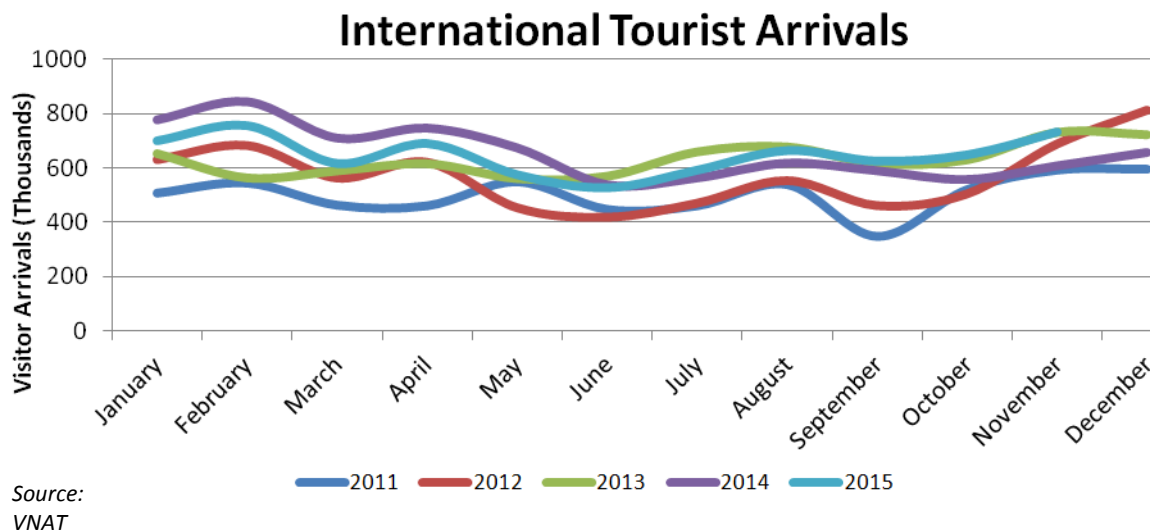
The international arrivals from January to July 2015 saw a decline in the numbers of tourists from Cambodia, China and Russia by 43.9%, 24.4%, and 12.1%, respectively, as compared to the same period last year. This was due to Vietnam’s tensions with Cambodia and China over territorial disputes and the deterioration of the Rouble in

Russia. In some cities, such as HCMC, occupancy of hotels focusing on Chinese tourists was hit to as low as 20% recorded in May and June 2014. The Chinese tourist arrivals are slowly recovering; in the short-

term, the pace of recovery will be impeded by the sudden devaluation of Chinese Yuan and China’s stock market crash.

In contrast to the slowdown of the previous source markets, South Korea and Japan are consolidating their positions as Vietnam’s second and third largest feeder markets. Korea has contributed 626,335 tourists to Vietnam in the last seven months since January 2015, an increase of 35.5% over the same period last year – consequently bolstering Korea’s position as Vietnam’s second-largest feeder market; Japan follows as the third-largest feeder market with 430,215 tourists. Considering the increasingly tight international relations and cooperation programme in tourism and business between Vietnam and these two nations, this growth is expected to remain fairly consistent in the medium to long term. In the short and medium-term, we expect that there will be an increasing number of arrivals from these two nations, both for leisure and business purposes. It is critical for the Vietnamese government to strengthen the relationships with these two respective countries as it seeks to rely less on China.

Seasonality



Source: VNAT

Figure 9: Seasonality of International Tourists in Vietnam

High season in tourist arrivals in Vietnam falls during the winter season in the northern countries as travellers search for tropical weather. Travellers start arriving in early November and the number gradually peak during the Vietnamese New Year – the *Tet* – in February. Vietnam experiences low season between September and November, which is likely due to the rainy season in the region. Vietnam hotels in the region tend to focus on domestic travellers, which are also on the rise.

Hotel Performance and Pipeline

Hanoi

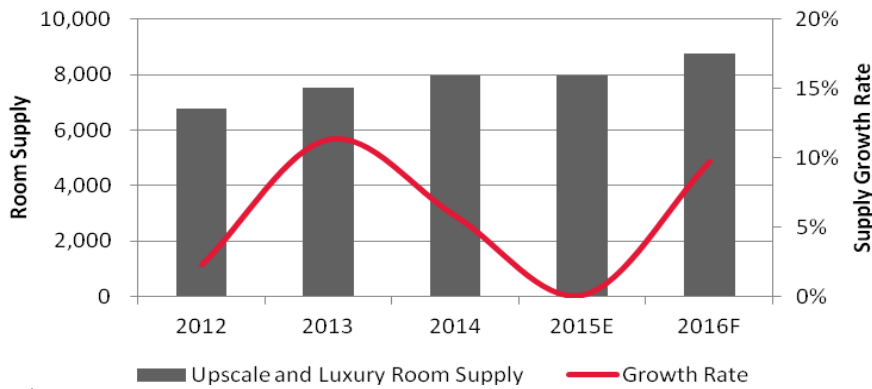
Hanoi, an ancient city, is the capital of reunified Vietnam since 1976. It is also the country’s second-largest city after HCMC. Hanoi is more of a cultural and administrative city, while HCMC is the commercial hub of Vietnam. Hanoi has been instrumental in attracting foreign investments into Vietnam in the manufacturing, banking, and infrastructure sectors. According to the Ministry of Planning and Investment, Hanoi is ranked

Some high-profile FDI included the Tay Ho Tay New Town development (US\$234 million), Lotte Hotel (US\$54 million) and Coca-Cola Vietnam (US \$170 million). In November 2014, Samsung Electronics had applied for a license to build a second smartphone factory in north of Hanoi, with investments potentially reaching US\$3 billion.

among the top cities in Vietnam in terms of FDI attraction, alongside HCMC, Binh Duong and Hai Phong, accounting for 17.3% in volume of projects in the country in 2015. As of June 2015, the city plays host to 3,206 FDI projects with a combined investment capital exceeding US\$ 24 billion. The flourishing manufacturing export, finance and pharmaceutical sectors are expected to increase the penetration of MICE and corporate demand in the market.

In Hanoi, currently there are approximately 8,000 rooms in the upscale and luxury market. This comprises about 31% of the marketwide room supply. In the short term, there is no significant change in the supply of upscale and luxury hotel rooms; the 80-room Prestige Hotel was rebranded into 87-room La Casa Hanoi Hotel in May 2015, adding seven rooms to the supply. However, the supply is expected to rise by about 10% in 2016, as some projects were postponed this year. We note that a few of the openings in 2016 will be located within the scope of Cau Giay District, slated to become the new CBD of Hanoi. As the district rises in prominence and accessibility becomes easier, we expect the region to attract more and more companies in the future, consequently inducing corporate demand.

Hanoi Supply Outlook (2012 — 2016F)

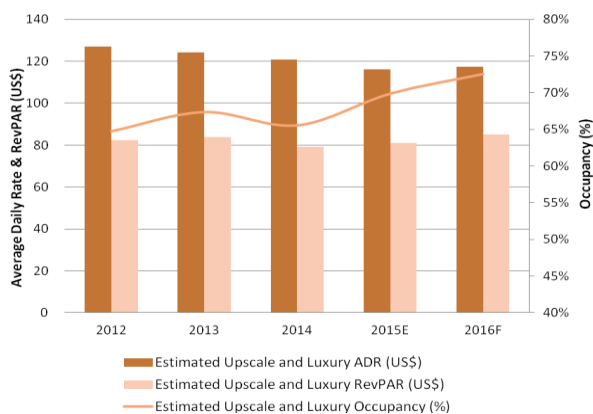


Source: HVS Research

Year	2012	2013	2014	2015E	2016F
Upscale and Luxury Room Supply	6,763	7,529	7,964	7,971	8,745
Growth Rate	2.3%	11.3%	5.8%	0.1%	9.7%

Figure 10: Hanoi Supply Outlook

Upscale and Luxury Hotel Market Performance



Source: HVS Research

Upscale and Luxury Hotel Market	Occupancy (%)	ADR (US\$)	RevPAR (US\$)
2015E	↑4%	↓-4%	↑2%
2016F	↑3%	↑1%	↑5%

Source: HVS Research

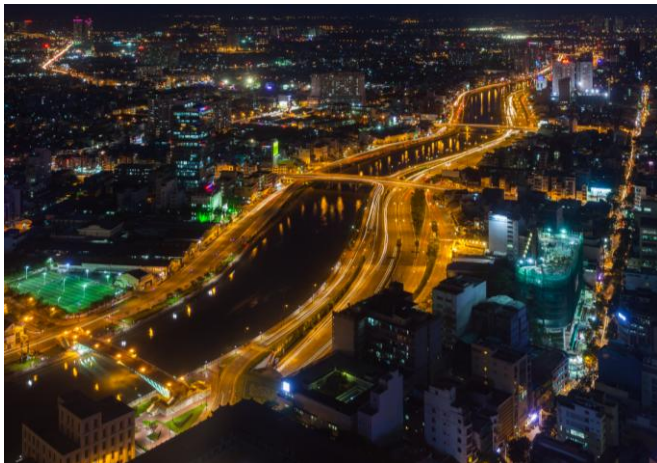
Figure 11: Upscale and Luxury Hotel Performance Outlook - Hanoi

The aggregate performance of the upscale and luxury hotel market in Hanoi is shown in Figure 11. Historically, the market has performed relatively well, demonstrating a stable RevPAR from 2012 to 2013, fuelled by a 2 percentage point growth in occupancy and a 2% decline in average rate. However, in 2014, Hanoi's hotel market weathered a period of particularly low demand as a result of a significant decline in Chinese visitors arising from political tensions and conflict over the nations' maritime border. Occupancy declined by approximately two percentage points from 2013 to a low of 65% in 2014. Average rate, too, fell further by 3% in 2014, due to new supply entering the market in 2013 and 2014 and increased competition for corporate-driven demand in the Hanoi market.

On the upside, it is expected that RevPAR will recover marginally in 2015 and 2016 as occupancy recovers and continues to grow, while average rate stabilises. The upscale and luxury market has displayed signs of recovery and has absorbed new supply with relative ease. In the first half of 2015, occupancy increased by around 13 percentage points over the same period last year. Occupancy is expected to grow on the back of a strong Korean led corporate-driven demand, recovery of the Chinese and European feeder markets in the medium term, and a limited supply growth in the upscale and luxury segment in the short term. Average rate is expected to stabilise at the lowered rate in 2015 and 2016 as existing hotels maintain rates in order to compete for volume.

Ho Chi Minh City

As the gateway city to Vietnam, HCMC has retained its role as a major tourism and business centre in Vietnam, receiving 70% of total visitor arrivals to the country in 2015. Between January and August 2015, the city saw 2.83 million international visitors, a year-on-year increase of 5%. HCMC is served by Tan Son Nhat International Airport, the nation's largest and busiest airport. The planned expansion of the airport will not only reduce the current strain on capacity but also facilitate growth in international visitor arrivals.



HCMC is Vietnam's largest economic hub, significantly contributing to the country's growth, and accounting for over 20% of its annual GDP. There are more than 300,000 enterprises located in the city, which are mainly from the high-tech, electronics, machine processing, construction, and agricultural product industries. Additionally, 15 industrial parks including Quang Trung Software Park and Saigon Hi-Tech Park (SHTP) are located here, highlighting the city's importance as the country's economic centre. In the six months leading up to June

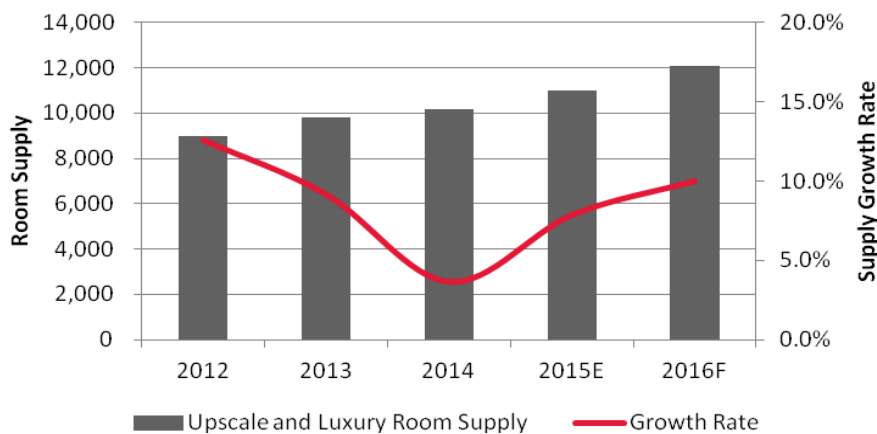
2015, the city's export processing zones and industrial parks saw a surge in capital investment of 87% over the same period last year to US\$ 623 million.

While accommodation demand in HCMC is largely driven by business purposes, the city is also famous for its history in the wars for independence from French and US colonialism, with relics such as Independence Palace (associated with the fall of Saigon), War Remnants Museum and Saigon Notre Dame Cathedral Basilica (the chief cathedral of Saigon). In its efforts to generate tourism demand, improve and standardise tourism quality, the city's tourism authority has launched a programme to identify its 100 top attractions, covering aspects of culture, cuisine and tourism services. The city has also recently cleaned up

the once polluted Nhieu Loc-Thi Nghe Canal and introduced a boat tour that spans the canal to serve as an attraction for tourists.

HCMC saw three major openings this year, which totals an addition of 781 rooms into last year’s room count of 10,174, consequently increasing the supply by 11% at the end of the year as compared to 2014. The upscale and luxury market supply grew at a CAGR of 8% between 2012 and 2015E, and is expected to rise as the city will see some delayed openings in 2016 and 2017.

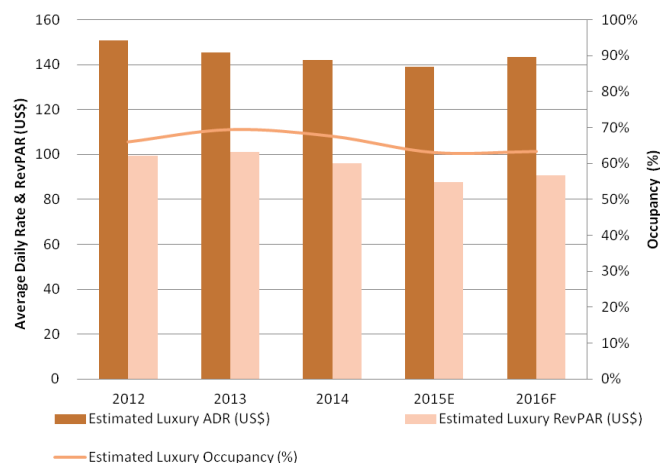
HCMC Supply Outlook (2012 — 2016F)



Source: HVS Research

Year	2012	2013	2014	2015E	2016F
Upscale and Luxury Room Supply	8,992	9,814	10,174	10,973	12,069
Growth Rate	12.5%	9.1%	3.7%	7.9%	10.0%

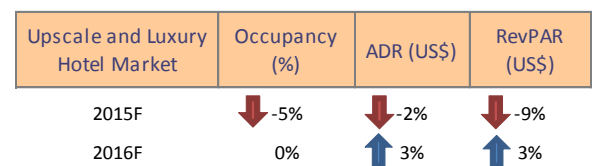
Figure 12: HCMC Supply Outlook



Source: HVS Research

Figure 13: Upscale and Luxury Hotel Performance Outlook - HCMC

The aggregate performance of the upscale and luxury hotel market in HCMC is shown in Figure 13. Market performance had been similarly affected by the decline in Chinese arrivals in 2014, with occupancy falling by one percentage point and average rate declining by 2.2%, resulting in a 5% shrink in RevPAR from a previously stable US\$100 to approximately US\$96. While average rate has seen a



Source: HVS Research

declining trend, as existing upscale and luxury hotels increasingly pursue the strong but price sensitive corporate demand, occupancy had grown steadily before 2014.

It is expected that the market will continue to face pressure in occupancy growth as new supply joins the market in 2016. Average rate is expected to rebound as a result of quality hotel products, which have penetrated the market in 2015 at high rates, and the completion of Park Hyatt's full renovation of its existing room supply.

Highlights of Emerging Markets



The following section discusses the four emerging markets with underlying potential for hospitality development. The façade of the four markets have vastly changed – with the exception of Hoi An due to heritage preservation measures – in the past few years as major developments entail the fast-paced economy growth, and the trend is poised for further growth as the Vietnamese economy growth accelerates in the near future.

Phu Quoc – Highlights

- Phu Quoc, an island district in the province of Kien Giang, sits in the Gulf of Thailand and is famous for its pristine beaches. It is a part of the UNESCO World Biosphere Reserve. The island district, with Phu Quoc the largest island, has been designated a special economic zone and is undergoing a transformation process to become an international tourism hub. The Kien Giang province has been highlighted by the government through the Visit Vietnam Year 2016 – Phu Quoc – Mekong Delta campaign.
- A 30-day visa exemption policy for any foreign nationals introduced in March 2014 attracted 585,000 tourists throughout 2014, recording an increase of 37.6% as compared to arrivals in 2013.
- Phu Quoc is in dire need of more direct international connections should the island expect a faster growth in foreign arrivals.

Development update:

- Opening of an international port in 2017 in Duong Dong, the economic capital. It will accommodate cruise liners carrying up to 6,000 visitors.
- Construction of a seven-kilometre-long cable car system connecting Phu Quoc with the Hon Thom islet is scheduled for 2017.
- Development of a 567-hectare land parcel in Bai Dai for tourism and recreational services, including a golf course, resorts, a casino, and craft villages by 2030.
- Development of a 500-hectare zoo by Vingroup, which is expected to be one of the largest zoos in the world upon its completion. The zoo is expected to open upon completion of phase one at the end of December 2015.

39.3% CAGR of upscale and luxury hotel room supply in Phu Quoc between 2012 and 2015E. As of Q3 2015, there were 13 hotel projects recorded in the pipeline, reflecting expecting supply of 2,800 rooms.



3.74 million tourists visited Da Nang between January and September 2015 – a 23.6% rise compared with the same period last year. This represents 83.11% of the year's target of 4.5 million tourists.

Highlights of Emerging Markets

Da Nang – Highlights

- Da Nang, in Central Vietnam, was awarded TripAdvisor Travellers' Choice Destination on the Rise 2015.
- Besides its scenic beaches, Da Nang is located between three UNESCO heritage sites - Hoi An, My Son and Hue, which enhances its attractiveness as a leisure destination.
- Da Nang is emerging as a MICE destination as the city plays host to various international conferences.
- From 2011 to 2014, visitor arrivals to Da Nang grew by a CAGR of 16.6%, and this growth rate is expected to sustain.
- The government has introduced annual stimulus programmes to draw tourists to Da Nang; for instance, MICE visitors can earn 10-16% discount on rooms and 20-25% off conference halls at local hotels from September 2015 to March 2016.

Development update:

- Construction of a new terminal at Da Nang International Airport, starting in 2016 and to be completed by 2017 with an aim to increasing capacity from six to eight million passengers a year.
- Development of a two-lane 140 km highway connecting Da Nang and Quang Ngai, aimed for completion in 2018.
- Inauguration of Harems 2 Cruise in July 2015. The three-level vessel, having capacity to carry 200 people, is the first of its kind and currently operates at the Han River of Da Nang.

Nha Trang – Highlights

- Nha Trang, a coastal city in southern Vietnam is famous for its pristine beaches. It was lately dubbed as “Little Russia of Vietnam” due to the influx of Russian tourists during the tourism boom. However, the decline of the economy saw subsequent decline of Russian tourists, with Koreans and Chinese emerging as alternative source markets.
- Despite the declining arrivals of Chinese tourists into Vietnam, Nha Trang received 22,000 Chinese tourists in Q1 2015 – increasing by 173% as compared to the same period last year. Additionally, Nha Trang welcomed 60,000 Korean tourists in 2014 – an increase of 95% as compared to the number of arrivals in 2013. Starting from late April 2015, Korean Air doubled the frequency of its existing direct route from Seoul to Nha Trang to four times a week.
- There are approximately 3,100 rooms in the upscale and luxury hotel segment in Nha Trang. The number grew at a CAGR of 15.4% between 2012 and 2014. The year 2015 saw a limited hotel supply growth in the market, which is only based on the recent opening of the 70-key Cam Ranh Riviera Resort.
- The four-day-long biannual Nha Trang Sea Festival to honour sea-island culture was held in July 2015, attracting 111,350 visitors (10.5% up as compared to 2013) and generating nearly US\$ 5.79 million of tourism revenue, which was 18% more as compared to last year. It is expected to continue attracting tourists in the future, too.

Development update:

- The Nha Trang Port, which is 34.7% owned by Vingroup, will be converted into a tourist port capable of handling international cruise ships – the first of its kind in Vietnam.
- The Khanh Hoa province is planning to build an additional terminal by 2018 at the Cam Ranh International Airport, which will be used exclusively for international flights. Its current terminal will be converted only for domestic use.

Russians comprised 29% of international arrivals to Khanh Hoa province in 2014. The number has since dropped, and the city is now targeting alternative source markets such as China and Korea.



Highlights of Emerging Markets

Hoi An – Highlights

- Hoi An is famous for its historical and well-preserved Old Town – a UNESCO World Heritage site – and traditional crafts. Today, tourism sector contributes 65% to the Hoi An economy.
- Hoi An strongly focuses on ecotourism in the area. To protect the sustainability of Cu Lao Cham Islands, a UNESCO-recognised World Biosphere Reserve off Hoi An coast, the authorities allow only 3,000 visitors a day effective from July 1, 2015.
- The destination welcomed 1.7 million visitors in 2014, and the number is expected to grow to 1.95 million in 2015. Through the Tourism Stimulus Program 2015, the government offers financial incentives to tourism enterprises to engage in promotional campaigns, build new tourism products, partake in and organise events, and improve service quality. Due to its proximity to Da Nang, Hoi An will also get a spill-over of arrivals as accessibility to Da Nang improves.

Development update:

- Opening of the 6,000-square-metre Thanh Ha Cultural Terracotta Park, a terra-cotta park with museums of pottery products and traditional crafts, exhibition area of miniature famous sites in Vietnam.
- ONYX Hospitality Group is set to open OZO Hoi An in late-2016 in New Hoi An City Area. The 364-room hotel is the group's first hotel in Vietnam, adding more branded hotels into the brand-scarce Hoi An market.

Conclusion

In the future, the Vietnamese hospitality market has great potential, but the pace of international arrival growth relies on how the nation addresses existing issues while differentiating itself as a distinct tourism product as compared to its neighbouring countries. The tourism industry of Vietnam is expected to progress in the medium to long-term, despite the recent slowdown in arrivals during the second half of 2014 and the first half of 2015. The leisure market remained resilient and has shown a sign of recovery with increase in international arrivals in the second half of 2015 relative to the same period in 2014. The government's efforts to stimulate the tourism industry through incentives and loosening of visa policies may also aid the recovery process. As Vietnam gives incentives to foreign companies to promote an open and diverse environment for investors, FDI inflows surged over 53 percent year-on-year in the January to September 2015 period with factories starting opening across the nation. This is expected to stimulate the corporate market in Vietnam in the following years. All in all, owing to the aforementioned factors, Vietnam holds potential as a growing hospitality destination.



About HVS

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