



HotelBeat

Destination: Vietnam

November 2012



DESTINATION OVERVIEW

Vietnam's strategic geopolitical location – neighbouring China to the north and being situated parallel to the great sea trade routes of Asia – has long made the country an important player in the region's economic and security affairs. Since unification of the north and the south in 1975, Vietnam has emerged as one of Asia's success stories. The country transformed itself from a nation ravaged by wars, power struggles and outside domination (notably by China and France), to a fledgling economy open to international trade, resulting in high inflows of Foreign Direct Investment and soaring international tourist arrivals. Vietnam's large (88 million, 2012 est.), young (over 50% are still below the age of 30) and increasingly more affluent population, is considered a great advantage for strengthening domestic tourism. This is reflected by a growing number of luxury hotels and resorts across the country. Vietnam is becoming a progressively upscale, but still relatively virgin and inexpensive, destination. Despite recent economic woes, the prospects for Vietnam's tourism industry are upbeat with a significant hotel pipeline and airlift expansions.

ECONOMIC TRENDS

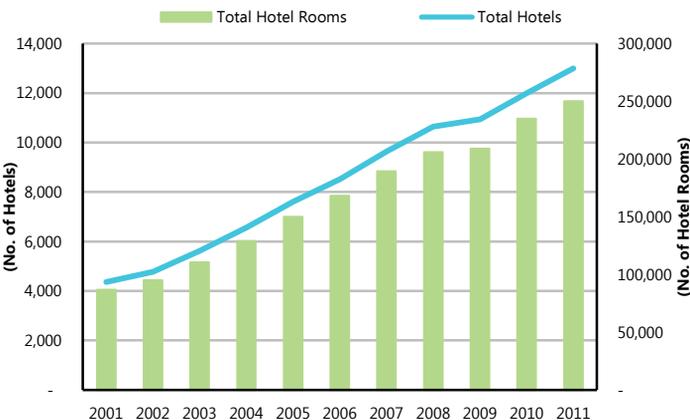
Since Vietnam began its economic reforms in 1986, the country recorded one of the best economic performances in the region, with GDP growing by a CAGR of 5.4% until 2011. Following a recent period of subdued growth (due to the global financial crisis, weakened exports and rising inflation), faster growth rates are expected in the medium term. Tourist arrivals to Vietnam are set to reach a record 6.5 million this year and could exceed 10 million by 2020. Key source markets in 2011 were: China (24%), South Korea (9%), Japan (8%) and the USA (7%), with 60% leisure visits.



Source: VNAT & Euromonitor International

HOTEL SUPPLY

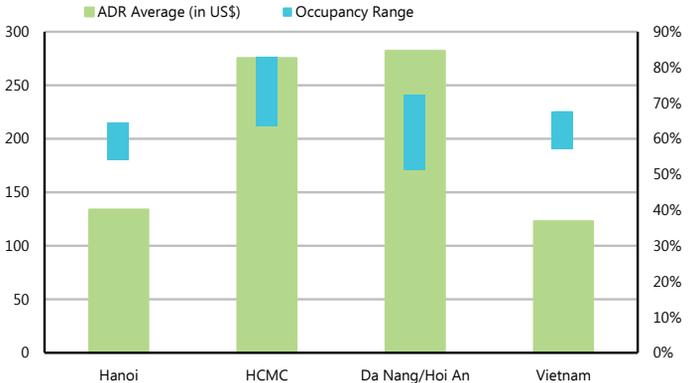
Vietnam's hotel sector is relatively young with the war hindering its development. In the 1990s and 2000s, after the country introduced its open door policy, foreign hotel investors helped to spread awareness and hotel supply grew rapidly to a total of c. 250,000 rooms in 2011 (compared to just shy of 87,000 rooms in 2001). Vietnam's tourism strategy is targeting a doubling of existing room supply by 2020. At present, only 18% of room supply is of three to five-star quality. More than 63% of the currently identifiable pipeline is expected to be of five-star quality.



Source: VNAT

HOTEL PERFORMANCE TRENDS

High-end resort hotels tend to achieve significantly higher ADRs than their city equivalents and high-end HCMC hotels reach slightly higher ADRs than their Hanoi equivalents. On average, high-end hotels in HCMC achieve the highest occupancy (c. 67%). Predominantly domestic resorts, such as Da Lat, achieve the lowest levels (c. 40%), whilst resorts in more established international tourist destinations (such as Da Nang) can achieve occupancy levels in excess of 60%. The general trend within the high-end hotel sector is for internationally branded hotels to achieve the highest occupancy levels.



Source: Whitebridge Hospitality research

DESTINATION MAP

- The North and South regions dominate the hotel market, each accounting for c. 35% of total room supply.
- The most significant growth in supply is expected around Da Nang and HCMC, with 4,000+ identifiable rooms to come on line by 2017 in each destination.
- The Central area has very few quality hotels and identifiable new supply is limited at present.
- The tourist centres of Nha Trang, Da Lat and Phan Thiet in the South-Central region have a comparatively high proportion of low quality and ungraded hotel stock.



Source: Google Maps 2012

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