

Nha Trang Hotel MarketView 2009 Vietnam

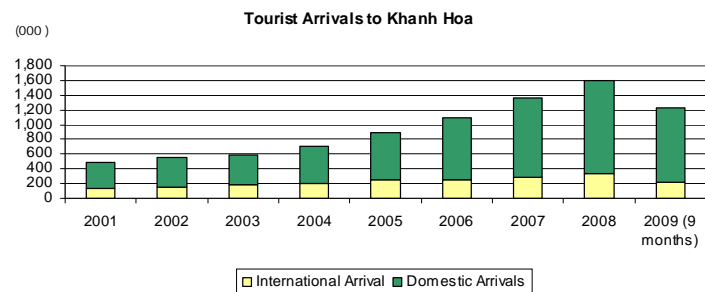
Hotel performance in 2009 has continued to be affected by a prolonged decreasing number of international tourists due to the global recession and the spread of the H1N1 flu which has increased concerns for many travelers. However, interestingly, the occupancy rates of city hotels, especially in the budget segment, have been well supported by the growing number of Vietnamese visitors. Even though the Cam Ranh international airport, serving Nha Trang, has been completed, the absence of international flights and the limited number of local flights is still the major limiting factors to the tourism expansion in the area. The increased number of room supply in the last twelve months and the reduced international arrivals, have forced the majority of hotels/resorts begun to significantly reduce room rates in order to compete for occupancy. Whilst this strategy may help to achieve occupancy in the short run, it is likely to have a long term effect on ADR.



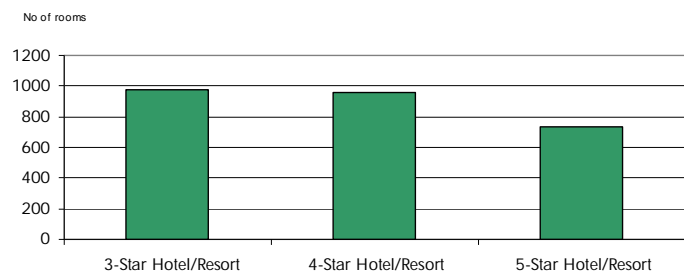
International and Local Travelers

The total international tourist arrivals to Vietnam in the first nine months of 2009 was approximately 2.77 million a decrease of 16% compared to the same period of 2008. Historically, some 5% to 15% of total international arrivals to Vietnam plan a visit to Khanh Hoa as part of the trip.

According to the Khanh Hoa tourist department the tourist arrivals to Khanh Hoa in 2008 were 1,597,228, of which 315,585 were international, an approximately 12% increase in comparison to 2007. In 2009 (first nine months), the total arrivals was 1,222,308 of which 223,908 were international. This is a 3% decrease in comparison to the same period in 2008. In the same period, local tourist arrival was 998,400, a substantial increase in comparison to the same period in 2008. Unfortunately, no data forecasts for 2010 are available from the Khanh Hoa Tourist Department. In the second quarter of 2009, international tourist arrivals to Khanh Hoa Province were 72,552, a slight 4%-decrease q-o-q while local tourist arrivals were 375,900 a remarkable 14% increase q-o-q.



Source: General Statistic Office of Vietnam, Tourism Vietnam National Administration of Tourism



Source: Khanh Hoa Office of Statistics

Khanh Hoa Hotel Market Situation and Future Supply

According to the Khanh Hoa Tourist Department, in 2009(to date), there are a total of approximately 400 accommodation facilities, including resorts and budget hotels, offering a total of 9,850 rooms. At the present, there are **25 three- to five-star properties (hotel/resorts), supplying approximately 2,660 rooms.** In 2008 and 2009 a number of new supply has entered the market including one four star, four three-star and a number of smaller “no star” or family run hotel.

The majority of the hotel/resort projects in Nha Trang announced in 2006-07 were put on hold or cancelled as a consequence of the economic downturn. However, in the past few months, a number of hospitality projects have recommenced construction works. **Another 882 rooms within four projects are scheduled to open by 2011**, while an additional 15 other hotel/resort developments are planned or are in the early construction stage.

Occupancy and Average Daily Rates (ADR)

After having experienced strong growth in 2007 and part of 2008, the Nha Trang market has begun to feel the consequence of a decrease in the tourism market in the second part of 2008 and the whole of 2009 (to date). In addition, a number of new hotel have entered the market in late 2008 and early 2009.

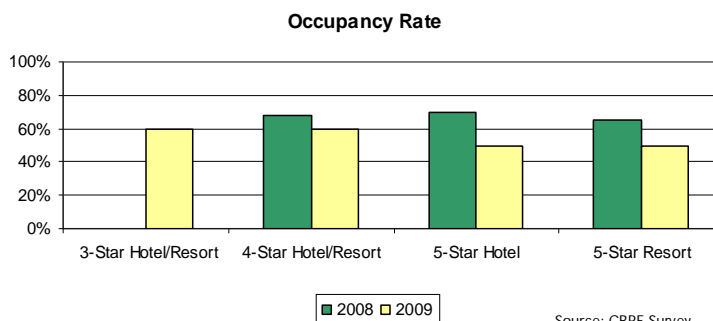
As a consequence, the occupancy rates of the three to five star hotels and resort have weakened in 2009. Conversely, in the economy segments, the increase in the number of Vietnamese guests compared to 2008 has helped the occupancy rates to remain resistant well to the downturn market, mainly in the two and three star properties as well as the four star hotel and resorts that are targeting the local market.

The biggest decline in occupancy has been registered in **top end hotels** and resorts, with a decline on average of between 10 to 20 percentage points compared to the peak of the market in 2008. The **four star market** has reached a better level of occupancy, ranging from 55% to 65% in 2009, a decrease of 5 to 10 percentage points compared to 2008. This is a satisfactory performance if considered the entrance of the Novotel in late 2008 adding 154 rooms in the four star market. **The three-star market** has registered an average occupancy rate of approximately 60%, with some properties recording occupancy rates of above 75%.

As a consequence of a weak 2009, hotels and resorts in every category have had to lower rates to increase their attractiveness. As a result, room rates in the top-end segment, with the exclusion of the luxury resorts, averaged at US\$108 per night (room only), down by approximately 8% to 14% in comparison to 2008. The common belief among the major hotel/resort in the high end market is that the peak in room rates were seen in the first two quarters of 2008 and will probably not be matched in the next two to four years. The international luxury resort segment has continued to record a significantly higher room rate compared to other five-star hotels, with an published rate for a standard villa being more than US\$500 per night. The four-star market has followed with similar pricing strategies with

No	Hotel/Development site	Type of Development	Status
1	Nha Trang Central	Mix used with hotel component	Under Construction
2	Sheraton Hotel	Hotel	Opening at late February 2010
3	Crown Plaza	Hotel & Apartments	Site Clearance
4	Nha Trang Plaza Hotel	Hotel	Under Construction
5	48 Tran Phu Hotel	Hotel	Site Clearance
6	Evening Star Hotel	Hotel	Under Construction
7	Ocean View Hotel	Hotel	Site Clearance
8	Thang Loi Hotel	Hotel	Under Construction
9	Vien Dong Hotel	Hotel	Under Construction
10	Cactus Cam Ranh Resort & Spa	Mix used with hotel component	No Construction Activity
11	The Westin Resort & Spa- Phat Dat Resort	Resort & Spa	No Construction Activity
12	Tam Huong Resort	Hotel	No Construction Activity
13	High Ecological Tourist and Resort	Resort & Spa	No Construction Activity
14	Morning Star Resort	Resort	No Construction Activity
15	Oceanview Villas	Villa&Resort	No Construction Activity
16	Blue Hills Hotel and Beach Resort	Hotel & Resort	No Construction Activity
17	Cam Ranh Bay Resort and Spa	Resort & Spa	No Construction Activity
18	Ngoc Suong Resort in Cam Ranh Bay	Mix used with hotel component	No Construction Activity
19	Light House Building	Mix used with hotel component	No Construction Activity

Source: CBRE Survey



Source: CBRE Survey

the reduction in ADR at a slightly lower rate than the top-end market, ranging from 5% to 15% year to year, to approximately \$65 ADR in 2009.

According to our survey, cancellations by tour groups due to the spread of swine flu have directly impacted the four and three-star hotel markets, while the weakening of leisure free independent traveler (FIT) and corporate has affected the most the five star category.

The average room rate gathered by surveying the top-tier three-star hotels showed a decrease of approximately 12% to 18% y-o-y. Interestingly, in some of the hotels surveyed, rates saw only a 3%-5% decrease y-o-y or, in exceptional circumstances, an increase y-o-y. This happened mainly in for the hotels with soft opening in 2008.

The average daily rate for the top-tier three-star hotels during the second quarter was US\$38. That said, some three-star hotels offer room rates below US\$30, primarily to attract budget international visitors.

International and Local Players

The Nha Trang hotel market remains dominated by family owned property for the mid-tier market, the properties owned by state owned enterprise are relatively few if compared to HCMC and Hanoi. In the past two years, international hotel chains have been rapidly expanding into the market. At present, in the resort sector, Six Senses is still the only international chain with operating properties and Novotel is the only hotel internationally managed. However an additional five international operators are planned to enter the market in the next two to four years. At the present, there are 6 branded hotels in Nha Trang, including three existing and three under construction, it is however likely that other international companies will consider Nha Trang market for as potential market.

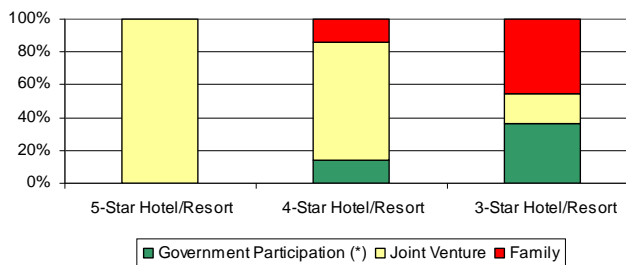
Average Daily Rate



(*) Room only, excluding the luxury five star resorts

Source: CBRE Survey

Hotel Ownership



(*): majority control

Source: CBRE Survey

Name	High - end to Luxury	Mid - range to Economy
Accor		Novotel
Hilton	Doubletree (Planned)	
IHG	Crowne Plaza (Under - construction)	
Marriot	N/A (Planned)	N/A(Planned)
Starwood	Sheraton (Under construction)	Westin (Planned)
Best Western International		Best Western (Under construction)
Six Senses	Six Senses Hideway Evason	

Source: CBRE Survey

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