HCMC HOTEL MARKET
Past, Present and Future

Presented by:
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CB Richard Ellis (Vietnam) Co., Ltd.
Growing – Young Market

- Tourist arrivals in Vietnam have increased by an average of 10% per year in the past few years.
- Tourist arrivals in HCMC have increased by an average of 12% in the past few years.

Tourist Arrival to Vietnam

- Tourist arrivals in 2000 were nearly half compared to 2008.
- With only 4.2 Mil arrivals in 2008, Vietnam is still a young market in comparisons to in Thailand (14Mil tourists) or Malaysia (22 Mil tourist).
- Also HCMC only 2.6 Mil visitors versus Bangkok 10 Mil or Singapore 10Mil.
……... Where is the real market?

“Tourism sector expects to welcome 4.2 Mil international visitors and 28 Mil domestic travelers this year” The Saigon Times

Local travelers will count for more than 85% of total travelers.

In 2009, despite the economic downturn, the number of local travelers increase in almost every area of Vietnam supporting the occupancy rates in every category.

…… Why they travel?

Approximately 65% of visitors in 4-5 star hotel come for business purposes. Increasing compared to past years.

Where is the future? .... Vietnamese Business Travelers.

Source CBREvietnam

Source CBREvietnam
As of Q2, 2010, in HCMC there are only 52, 3 to 5 star rated properties, providing about 8,000 rooms.

Shortage of rooms? ....maybe

<table>
<thead>
<tr>
<th>Hotel Market</th>
<th>HCMC</th>
<th>MILAN</th>
<th>BANGKOK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of 3-4-5 star hotels</td>
<td>52</td>
<td>248</td>
<td>&gt;300(estimated)</td>
</tr>
<tr>
<td>Population(Exc urban areas)</td>
<td>6 Mil</td>
<td>1.5 Mil</td>
<td>6.3 Mil</td>
</tr>
<tr>
<td>International Visitors (08/09 appx)</td>
<td>2.6 Mil</td>
<td>2 Mil</td>
<td>10 Mil</td>
</tr>
</tbody>
</table>

Source CBREvietnam, GOS
Where are the properties located? Only three main clusters.

Future? .... Relocation, Relocation, Relocation.
… who owns the properties?

- HCMC dominated by **State Owned companies** (Saigon Tourist-Hanoi Tourist …)
- Also, single high net worth **Families** will play an important role in the two-three star market.

**Hotel Ownership in HCMC**

More than 50% of the four star market and 30% of the five star market is owned/minority participation by State Owned Companies

Almost 30% of three star is own as a **Family Business** (Own the land-Build the hotel-Run the hotel)

**Vietnamese Hotel Chains** in rapid expansion: A&M (Family), Liberty Group (Gov Participation), and Dragon Hotels (Family) ….
2010 Image

2-3 Star Hotels by number of rooms

Economy Market

2-3 Star Hotels by Districts

2 Star

- District 1
- District 3
- District 10
- District 7
- Tan Binh District
- District 5

3 Star

- District 1
- District 3
- District 5
- Can Gio District

< 30 rooms 30-50 rooms > 50 rooms

< 50 rooms 50-80 rooms > 80 rooms
Limited land available for 4-5 star development in central locations.
Land Price/m² (15,000-25,000/m² in central D1 HCMC)
Unclear Infrastructures timeline
Unclear Compensation systems
Hotel business license/Star granting
Volatile Performance (complicated to forecast ROI)
High Inflation Risk/Currency Risk
Volatile constructions costs
Shortage of skilled labors
Past and Present

… who manages the hotels?

International management companies expanding in Vietnam.

<table>
<thead>
<tr>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accor</td>
<td>Accor</td>
</tr>
<tr>
<td>Starwood</td>
<td>Starwood</td>
</tr>
<tr>
<td>Marriot</td>
<td>Marriot</td>
</tr>
<tr>
<td></td>
<td>Hyatt</td>
</tr>
<tr>
<td></td>
<td>SwissBelhotel</td>
</tr>
<tr>
<td></td>
<td>Pan Pacific</td>
</tr>
<tr>
<td></td>
<td>Norfolk</td>
</tr>
<tr>
<td></td>
<td>Movenpick</td>
</tr>
<tr>
<td></td>
<td>BestWestern</td>
</tr>
</tbody>
</table>

Source CBRE research, South Vietnam only

In South Vietnam, in 2000 there were only 3 International Hotel Companies, currently 10 International Management companies are operating hotels in South Vietnam.
A number of new international operators are considering properties/projects in Vietnam:

Carlson, Raffles, Wyndham, Centara, Golden Tulip, Invision, Best Western, Alila, Pan Pacific, Sol Meliá, Langham Hotels …

Operators with presence in Vietnam are planning to launch or already announced new brands:

Ritz Carlton-LeMeridien-Westin-Courtyard-Pullman-Ibis-Holiday Inn-Doubletree …
Outstanding Vietnamese companies challenge international operators. They build/own/manage resorts:

Anamandara, Life Resort…

Foreign company entirely dedicated to Vietnam/Cambodia:

Victoria resort, Exotissimo…

Also local Vietnamese companies offer Hotel Management:

Celadon, SS Hotel…

Other Vietnamese Brand growing fast:

E&M Hotel-Liberty Group-Dragon Hotel…
Past and Present  
Evolving Market (4-5 Star Hotel Performance)

➢ Crisis … ? … What Crisis?
Vietnam still volatile market
Past and Present

Evolving Market (4-5 Star Hotel Performance)

[Image of a chart showing the evolution of RvPAR (Revenue Per Available Room) for different countries and regions, with data from June 2007 to June 2010. The chart highlights trends and performance changes over the years.]

Source: STR Global/CBRE Hotels
The volume of sales peaked in 2007 followed by 2009.
The value per room peaked in 2007 (end of) with two major acquisitions in Hanoi.
Still limited number of quality properties offered for sale.
Past and Present  HCMC  Occupancy rates 2008 – 2010

Average occupancy rates 3-5 star hotels in HCMC (2009-2010)

<table>
<thead>
<tr>
<th>Overall</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Q3/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-star</td>
<td>83,0%</td>
<td>67,0%</td>
<td>59,1%</td>
<td>60,0%</td>
</tr>
<tr>
<td>4-star</td>
<td>80,0%</td>
<td>70,4%</td>
<td>58,2%</td>
<td>73,0%</td>
</tr>
<tr>
<td>5-star</td>
<td>70,6%</td>
<td>45,0%</td>
<td>52,4%</td>
<td>62,0%</td>
</tr>
</tbody>
</table>

Source CBRE research
Past and Present HCMC ADR 2008 – 2010

**Average Achievable Room Rates, 3-5 Star Hotels, HCMC (2009-2010)**

![Chart showing average achievable room rates for 3-5 star hotels in HCMC over Q1 2009 to Q2 2010.]

**Average Room Rates, 3-5 Star Hotels, HCMC (2007-2010)**

![Chart showing average room rates for 3-5 star hotels in HCMC from 2007 to Q2 2010.]

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>Q2/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-star</td>
<td>$85,00</td>
<td>$54,10</td>
<td>$42,00</td>
</tr>
<tr>
<td>4-star</td>
<td>$101,27</td>
<td>$77,62</td>
<td>$75,00</td>
</tr>
<tr>
<td>5-star</td>
<td>$160,40</td>
<td>$136,59</td>
<td>$120,00</td>
</tr>
</tbody>
</table>

Source: CBRE research
Past and Present HCMC

- More direct flights to HCMC and Hanoi (Myanmar, Lao, Beijing, Istanbul)
  - Difficulties in increasing international flights to Danang, Nha Trang, Dalat, Can Tho and other secondary destinations due to weak demand

- Hotel renovations
  - Movenpick, Grand Hotel, Rex Hotel Retail Arcade

- Occupancy rates increased y-o-y but decrease in room rates due to the increased competition

- New hotels trending towards business three star

- Increase in the number of international operators seriously looking to enter (Centara and Hilton)

- Many upgraded two and three star hotels in 2010 but limited new four or five star hotels until 2012
Present and Future

Where the market is moving?

➢ New type of properties are being built or recently completed
  • Boutique Hotels
  • International Hotels in Industrial Areas
  • Convention Centers
  • Mixed use complex (office-retail-hotel)
  • Condo-hotel and Villa Rental Pools

➢ …or other types are under planning
  • Theme Parks
  • Casino/Entertainment Hotel complex
  • Limited service hotel
  • Island resorts

➢ … or same properties but different ownership structures
  • Rental Pools
  • Timeshare
### Present and Future

#### New supply

**Approximately 4663 rooms will enter the market in the 4-5 star segment, indicating a roughly 15% increase per year.** The three star Market will expect 11 new project in the next two-three years.

<table>
<thead>
<tr>
<th>Category</th>
<th>Name Project</th>
<th>Address</th>
<th>District</th>
<th>Supply (Units)</th>
<th>Year of Completion (estimated)</th>
<th>Project Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5-STAR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Nikko Saigon</td>
<td>Nguyen Van Cu</td>
<td>1</td>
<td>335</td>
<td>2011</td>
<td>Sup completed</td>
</tr>
<tr>
<td>2.</td>
<td>Royal Residences Resort</td>
<td>Phu My Hung</td>
<td>7</td>
<td>15</td>
<td>2011</td>
<td>Under construction</td>
</tr>
<tr>
<td>3.</td>
<td>Le Meridien Saigon</td>
<td>3C, Ton Duc Thang</td>
<td>1</td>
<td>357</td>
<td>2012</td>
<td>Foundations</td>
</tr>
<tr>
<td>4.</td>
<td>Time Square</td>
<td>22-36 Nguyen Hue</td>
<td>1</td>
<td>231</td>
<td>2012</td>
<td>Under construction</td>
</tr>
<tr>
<td>5.</td>
<td>Pullman Hotel</td>
<td>14B Tran Hung Dao</td>
<td>1</td>
<td>350</td>
<td>2013</td>
<td>Developmetn site-Land testing</td>
</tr>
<tr>
<td>6.</td>
<td>Saigon Airport Plaza</td>
<td>1 Bach Dang</td>
<td>Tan Binh</td>
<td>239</td>
<td>2013</td>
<td>mass piling</td>
</tr>
<tr>
<td>7.</td>
<td>Vinpearl Hotel</td>
<td>Dong Koi</td>
<td>1</td>
<td>tba</td>
<td>2013</td>
<td>Demolition ex building</td>
</tr>
<tr>
<td>8.</td>
<td>SG Convention and Exhibition Centre</td>
<td>Phu My Hung</td>
<td>7</td>
<td>1000</td>
<td>2013</td>
<td>site clearance</td>
</tr>
<tr>
<td>10.</td>
<td>Sabeco</td>
<td>Hai Ba Trung</td>
<td>1</td>
<td>350</td>
<td>2013</td>
<td>Planning Stage</td>
</tr>
<tr>
<td>11.</td>
<td>CT Five star hotel</td>
<td>tba</td>
<td>1</td>
<td>tba</td>
<td>2013</td>
<td>Planning Stage</td>
</tr>
<tr>
<td>12.</td>
<td>Berjaya</td>
<td>tba</td>
<td>10</td>
<td>tba</td>
<td>2014</td>
<td>Planning Stage</td>
</tr>
<tr>
<td>13.</td>
<td>Majestic (Extension)</td>
<td>1 Dong Khoi</td>
<td>1</td>
<td>205</td>
<td>2014</td>
<td>Planning stage</td>
</tr>
<tr>
<td>14.</td>
<td>Boutique Hotel (next to vincom)</td>
<td>Hai Ba Trung</td>
<td>1</td>
<td>Tba</td>
<td>2013</td>
<td>Land Clearance</td>
</tr>
<tr>
<td>15.</td>
<td>M&amp;C</td>
<td>tba</td>
<td>2</td>
<td>tba</td>
<td>2014</td>
<td>Planning stage</td>
</tr>
<tr>
<td><strong>4-STAR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Saigon Givral (Star City)</td>
<td>NKKN</td>
<td>Phu Nhuan</td>
<td>209</td>
<td>2010</td>
<td>Superstructure Completed</td>
</tr>
<tr>
<td>17.</td>
<td>Grand (Extension)</td>
<td>8 Dong Khoi</td>
<td>1</td>
<td>170</td>
<td>2011</td>
<td>under construction</td>
</tr>
<tr>
<td>18.</td>
<td>Novotel Saigon Centre</td>
<td>167 Hai Ba Trung</td>
<td>1</td>
<td>252</td>
<td>2012</td>
<td>under construction</td>
</tr>
<tr>
<td>19.</td>
<td>Saigon Pearl</td>
<td>tba</td>
<td>BT</td>
<td>tba</td>
<td>2014</td>
<td>Planning stage</td>
</tr>
<tr>
<td><strong>3-STAR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Elegant Hotel</td>
<td>122F Bui Thi Xuan</td>
<td>1</td>
<td>92</td>
<td>2010</td>
<td>completed, not yet inaugurated</td>
</tr>
<tr>
<td>20.</td>
<td>Nhat Ho Hotel</td>
<td>Thi Sach - Cao Ba Quat</td>
<td>1</td>
<td>150</td>
<td>2010</td>
<td>Furbishing</td>
</tr>
<tr>
<td>21.</td>
<td>Au Lac Hotel</td>
<td>87-91 Ho Tung Mau</td>
<td>1</td>
<td>76</td>
<td>2010</td>
<td>Furbishing</td>
</tr>
<tr>
<td>22.</td>
<td>22 Th Sach</td>
<td>22 Th Sach</td>
<td>1</td>
<td>180</td>
<td>2010</td>
<td>Topping out</td>
</tr>
<tr>
<td>23.</td>
<td>175/4 Pham Ng Lao</td>
<td>175/4 Pham Ng Lao</td>
<td>1</td>
<td>84</td>
<td>2010</td>
<td>Topping out</td>
</tr>
<tr>
<td>24.</td>
<td>125-133 Ly Tu Trong</td>
<td>125-133 Ly Tu Trong</td>
<td>1</td>
<td>40</td>
<td>2011</td>
<td>Topping out</td>
</tr>
<tr>
<td>25.</td>
<td>Moonlight &amp;Spa Hotel</td>
<td>180-184 Nguyen Trai</td>
<td>1</td>
<td>48</td>
<td>2011</td>
<td>under construction</td>
</tr>
<tr>
<td>26.</td>
<td>A Au Hotel</td>
<td>32 Thu Khoa Huan</td>
<td>1</td>
<td>42</td>
<td>2011</td>
<td>under construction</td>
</tr>
<tr>
<td>27.</td>
<td>IBIS Saigon South</td>
<td>Phu My Hung</td>
<td>7</td>
<td>170</td>
<td>2012</td>
<td>under construction</td>
</tr>
<tr>
<td>28.</td>
<td>189-195 Ly Tu Trong</td>
<td>189-191 Ly Tu Trong</td>
<td>1</td>
<td>80</td>
<td>2012</td>
<td>Mass piling</td>
</tr>
<tr>
<td>29.</td>
<td>IBIS Ben Thanh Palace</td>
<td>Nguyen Van Cu</td>
<td>1</td>
<td>338</td>
<td>2012</td>
<td>Site clearance</td>
</tr>
</tbody>
</table>

**TOTAL 3-5 STAR (29 projects)** 4,663

Source: CBREVietnam
More concrete will be poured in 2011 than in the last 2000 years

1. 164 Dong Khoi
2. Lim Tower
3. Le Meridien Hotel
4. Sabeco Tower (Hotel)
5. Vietcombank Tower
6. Times Square (Hotel)
7. CT Plaza on LTT
8. Savico
9. Golden Tower NKKN/Ham Nghi
10. Saigon Plaza
11. Pythis Tower
12. Grand Hotel (expansion)
13. Majestic Hotel (expansion)
14. Pullman Hotel (Metropole)
15. Saigon M&C Tower
16. BIDV Tower
17. Diep Bach Duong Boutique Hotel
18. SATRA Tax Centre
19. Eden A
20. Saigon Centre (phase II)
21. SJC Tower
22. Gemadept Plaza (Hotel)
23. Ben Thanh Twin Towers
24. VietinBank
25. River Tower
26. Nikko Royal Hotel
27. CT Group site on NDC
28. Sunny Tower
29. Ngan Binh
30. Novotel Saigon Centre
Are Developers adapting to market changes?
In some cases yes.... In other cases no ....

Do they need to change to “international standard”?
In some cases yes.... In other cases no ....

In some areas still 90% is a Vietnamese market (Pleiku-Dalat)
In some segment 90% is an International market (4-5 Star City hotel)
This rapid progress has lead to Confused Segmentation/Clients/Categories

4 star pricing more than 5 (in some cases)
3 star pricing more than 4 (in some cases)
3 star offering more facilities than 4 star (in some cases)

What will happen?

➢ Re-branding
➢ Re-segmentation
➢ Room Rates still not in defined
➢ Service and Facilities developed as addition value

… What makes a “five star” in Vietnam .. ? …Service … ?... Italian marble on the lobby ?
The Future

New Reservation systems
- Agoda.vn (in Vietnamese!!) - Hotel.com - Wotif.com -
- Hotel Web sites (two-three-four star)

New Marketing systems (Email) - Magazine
- Newsletter from Sofitel Saigon.
- Saigon times-Time Out .... Local magazines ...
- Furama Resort-Sheraton HCMC on Star World Channel

New airlines
- Air Asia investment in VietJet
- Charter Jets (China, Russia, Singapore and Taiwan)

New Information Sharing in and about Vietnam
- Trip advisor, Travel blogs...

Consumers evolving
- more choices
- more information
- more demanding
The Future

Existing Hotel

Improvement in Service in F&B
- Breakfast from “Pho only” to “Pho and Lavazza”

Improvement F&B alliances
- Liberty Group with Highland coffee in Pham Ngu Lao.

Improvement in facilities
- From “Massage room” to “S.p.a treatments”
- From VTV1 to Bloomberg television
- From General Service to Tailored Service (Russian or Korean Menu)

Under Construction

Improvement in Design - Efficiency

Improvement in Management (Is your job to build or to managed hotel???)

New Marketing Strategies (example a Pre-opening Process)

Plan, plan, plan… before you act…
- Who will it be your Client?
- Who will be your Management Company?
- What return do you target?
- What is your exit strategy?

Where is the market going?
The Future

STAY COMPETITIVE

Differentiate design
Improve management
Build your Brand
Additional Amenities
Different Marketing
Additional Services
Identified Segmentation

..Choose the right operator – Choose the right brand ...

....*Plan before you build* ...
CBRE Vietnam – Hospitality Services

• Valuation and Advisory services
• Market Studies
• Feasibility Studies
• Investment
• Operator Finding
• Management consultancy
• Project management
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