



Grant Thornton

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Vietnam Lodging Industry Hotel Survey Update H1 2014

Grant Thornton Vietnam September 2014



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H1 – 2014 Tourism Overview

Whilst the international arrivals continuously decreased in May and June by 9.62% and 19.94% compared to the previous months of the year as a direct result of the East Sea issue, the total number of international arrivals in the first 6 months of 2014 was 4.3 million, a significant increase from 3.5 million in H1-2013¹. Compared to the target of 8 million international visitors for this year, the number accounts for 53.7%, which is a positive sign for Vietnam’s tourism industry. With the growth in arrivals from other origins and a significant growth in number of international arrivals from Hong Kong, Japan and Germany, this will help the Vietnam tourism to cover the loss from Chinese tourists, and achieve the industry target. In order to actively respond to the negative impact of the East Sea issue which occurred in May 2014, the Ministry of Culture, Sports and Tourism of Vietnam, and VNAT has planned to improve the quality of services in the coming period, as well as to promote Vietnam as the “safe, friendly, and quality” tourist destination globally through media and direct communication.

In terms of revenue, according to VNAT, total revenue contributed by the tourism sector reached approximately VND125,000 billion in H1-2014, increasing by 22.5% compared to the same period in 2013, and contributing to 50% of total budgeted amount for 2014.

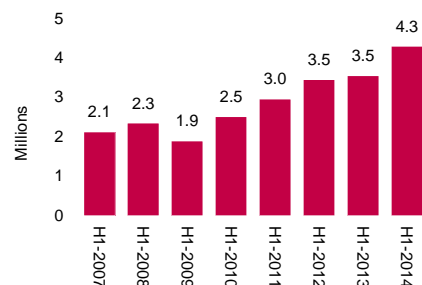
The rapid increase in arrivals from China in the first 4 months of 2014 helped Vietnam achieve over 50% of the annual target in the H1 2014. In addition, the above achievements could be also attributed to the success of a series of events held by cities and provinces nationwide during the last 6 months promoting local tourism products as well as the image of the nation, namely:

- Anniversary of 410 years and new tourist destinations in Quang Binh province, such as Sinh Ton Valley, Thuy Cung Cave, Nuoc Mooc Spring... especially the largest Cave in the World, namely Son Dong Cave.
- Festival Hue 2014 from 12 – 20 April which attracted the participation of approximately 2.4 million people
- The International Kite Festival 2014 in Ba Ria – Vung Tau held from 8 to 12 May 2014, has welcomed the participation of 80 Vietnamese kite artisans and 75 international ones from 29 countries and territories around the world
- 2014 Ha Long Carnival which opened on 30 April 2014 has attracted a huge number of tourists
- Over 20 countries participated in the Vietnam International Travel Mart: with participants from, Japan, China, Russia and France, which was held in Hanoi on 3 April 2014.

For the first six months of 2014, the international arrivals’ growth reached 21.1%, from 2.6% in H1-2013.

Vietnam International Visitors (H1- 2007-H1-2014)

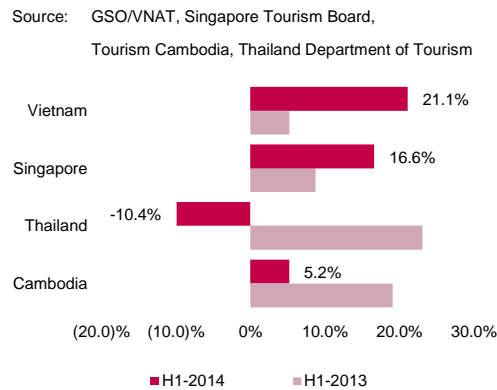
Source: GSO/VNAT



¹ Sources:
<http://vietnamtourism.gov.vn/english/index.php/items/7434>

During H1-2014 Vietnam, Singapore and Cambodia all experienced a significant increase in international arrivals. Among these countries, Vietnam had the highest growth rate of 21.1% in the first 6 months of 2014, followed by Singapore at 16.6%. On the other hand, Thailand experienced a drop of 10.4% in number of international arrivals in the first 6 months of 2014, followed by a reduction in revenue of around 8% which were mainly due to the country's political instability.

International Arrivals Growth Rate in H1-2014 for Selected Countries

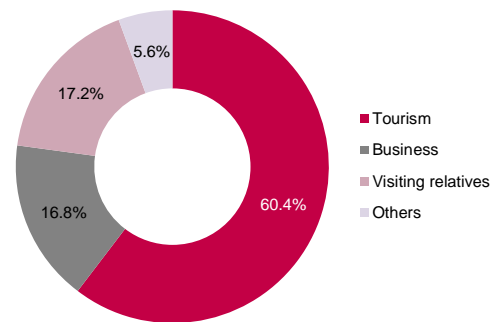


Purpose of visits²

There were no significant changes in the international arrivals' structure from last year. Tourism still continues to stand in first place among those categories, however with a slight decrease of 0.9%. On the other hand, visiting relatives and visitors coming for business increased slightly over the previous period, increasing to 16.8% and 17.2% respectively.

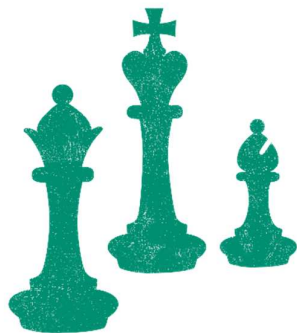
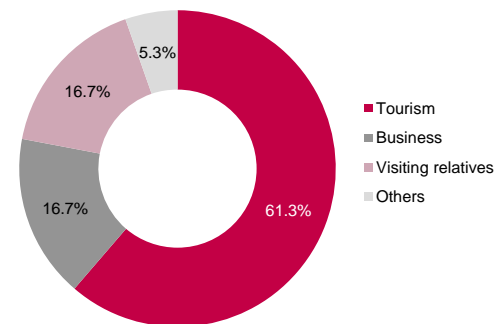
Purpose of International Visits to Vietnam, H1-2014

Source: GSO/VNAT



Purpose of International Visits to Vietnam, H1-2013

Source: GSO/VNAT



² Sources:

<http://vietnamtourism.gov.vn/english/index.php/items/7434>

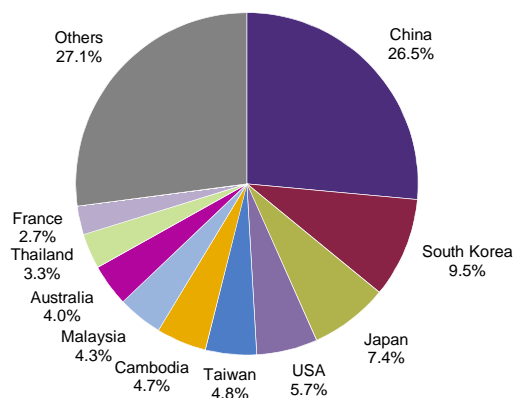
Origin of Guests³

Looking at the composition of international arrivals, Chinese, South Korean, Japanese and American contributed to the majority of tourists to Vietnam in the first 6 months of 2014. In which, Chinese was still the biggest contributor, increasing to 1.1 million, which accounted for 26.5% of total international arrivals; however due to the unrest in East Sea in May 2014, the number of Chinese coming to Vietnam in June 2014 decreased significantly by 29.53% compared to May 2014.

The notable increase was German visitors which indicates a new potential market for Vietnam tourism. Vietnam has attracted more European, especially German visitors by its long white sand coast in Hoi An, Nha Trang and Mui Ne. In order to attract more tourists from Germany, one of the big tour travel agents, Vietravel has announced that in the following period, it will cooperate with German tour companies to promote Vietnam tourism, and focus on training its staff in speaking German.

Countries of Origin for International Arrivals to Vietnam (H1-2014)

Source: GSO/VNAT



In 2013, Russian tourist growth increased by 71.1% over 2012 and ranked the 9th among the top 10 source markets for Vietnam tourism. In H1-2014, Russian visitors to Vietnam rose by 25.9% over the same period last year, reaching more than 193,000 arrivals. In addition, on 24 July 2014, the Ministry of Culture, Sports and Tourism of Vietnam announced their document sent to the Prime Minister to propose the extension of visa exemption from 15 to 30 days for Russians, which might encourage more tourists to come to Vietnam in the near future.

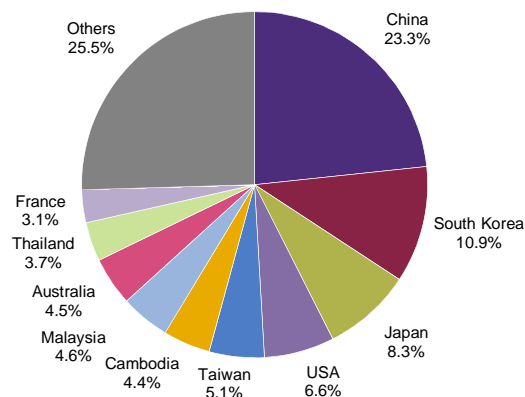
Vietnam's International Tourists Composition H1-2014 vs H1-2013

Source: GSO/VNAT

Countries of Origin	H1-2013	H1-2014	%Changes
China	825,664	1,134,878	37.5%
South Korea	385,870	405,634	5.1%
Japan	294,487	317,849	7.9%
USA	232,634	246,290	5.9%
Taiwan	182,144	207,730	14.0%
Cambodia	155,869	202,770	30.1%
Russia	153,899	193,829	25.9%
Malaysia	163,337	182,307	11.6%
Australia	160,480	170,036	6.0%
Thailand	129,356	143,058	10.6%
France	109,112	116,278	6.6%
United Kingdom	91,040	109,357	20.1%
Singapore	91,192	98,327	7.8%
Germany	34,224	73,880	115.9%
Laos	50,412	69,988	38.8%
Canada	55,974	61,088	9.1%
Hong Kong	4,194	10,091	140.6%
Others	424,709	554,585	30.6%

Countries of Origin for International Arrivals to Vietnam (H1-2013)

Source: GSO/VNAT



³ Sources:

<http://vietnamtourism.gov.vn/english/index.php/items/7434>

Achievements⁴

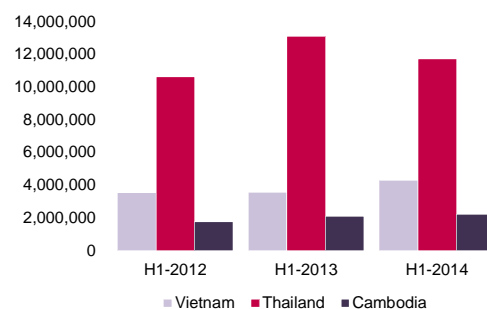
In the first 6 months of 2014, Vietnam has welcomed 4.3 million international tourists and 23.4 million domestic tourists. In addition to the success in the number of tourists, Vietnam has also had a year of achievement, including:

- Vietnam Women’s Museum and Vietnam Museum of Ethnology in Hanoi, and Hanoi Old Town have been named as Certified Outstanding Service in 2014 by Trip Advisor. The two museums are the 2 out of 3 destinations honoured for three continuous years by Trip Advisor (2012, 2013, and 2014).
- In June 2014, UNESCO officially recognised Trang An Scenic Landscape Complex as the World Heritage in the 38th meeting of the organization in Doha, Qatar. Trang An complex comprises three areas: Trang An - Tam Coc - Bich Dong ecological site, Hoa Lu imperial capital, and Hoa Lu primitive forests, and is the first Vietnam’s Complex World Heritage.

Compared to Thailand, one of the most attractive destination in Asia, the number of international tourists coming to Vietnam in H1-2014 accounted for 36.6% of number of international tourists to Thailand in the same period.

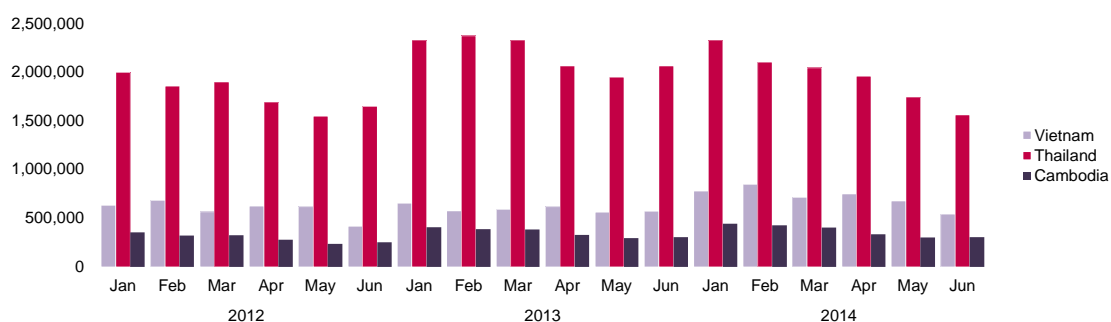
Looking at the performance of these three countries in the first 6 months of 2014, both Vietnam and Cambodia’s international arrivals increased by 21.1% and 5.2% respectively compared to H1-2013, while Thailand faced a drop of 10.4%.

International Arrivals to Vietnam, Cambodia and Thailand H1-2012, H1-2013 and H1-2014



Monthly International Arrivals for Vietnam, Cambodia and Thailand H1-2012, H1-2013 and H1-2014

Source: GSO, Tourist Authority of Thailand (Department of Tourism), Tourism of Cambodia



⁴ Source: <http://vietnamtourism.gov.vn>

High-end Hotel Industry

Northern Region highlighted events

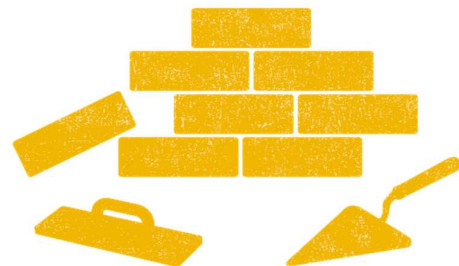
- After the grand opening in 2013, in June 2014, the Bitexco-invested JW Marriott Hanoi was awarded the Best New Hotel Construction and Design in the Asia-Pacific region at the 2014 International Property Awards

Central and Highlands Region

- In April 2014, the Premier Village Resort a 5-Star hotel located in Da Nang, opened for business.
- According to Smart Travel Asia, a travel magazine, has announced that Danang was on the list of the “Top 10 most attractive destinations in Asia in 2014”
- Muong Thanh opened its first 4-Star hotel in Nha Trang, at the beginning of 2014
- The 5th Congress of Asian Beach Sports took place for 10 days in June 2014, with 2,016 participants from 45 different countries and territories in Asia. The Congress held tournaments in 17 sports including football, volleyball, handball, water polo and basketball
- Moreover, the hotel Six Senses Ninh Van Bay, located in Khanh Hoa also won the prestigious 2014 Certificate of Excellence by TripAdvisor.

Southern Region

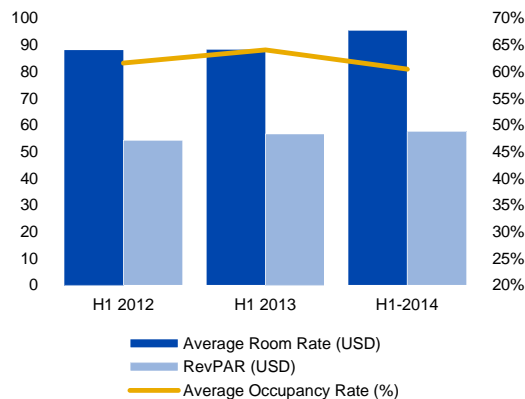
- On 24 – 26 April 2014, Cosmobeauté Vietnam – with 7 years of excellence and industry endorsements officially opened at SECC. This event welcomed a number of guests from Italy, Singapore, Taiwan, Korea, Malaysia, Hong Kong, China, Thailand, Indonesia, Japan, India, Bulgaria, and France
- On 7th May, the Conference on tourism development cooperation between Nghe An Province and Ho Chi Minh City took place in Cua Lo Town (Nghe An)
- In June 2014, Hotel Nikko Saigon was honoured with the "Certificate of Excellence – 2014 winner" by Tripadvisor.



Revenue Per Available Room (RevPAR)

Overall, RevPAR, a standard industry measure, in H1-2014 increased by 1.7% compared with the growth of 4.2% in H1-2013, growing from USD56.6 to USD57.6. This increase was impacted by a significant rise in average room rates of 7.9%, which was much higher than the 0.1% increase in H1-2013. On the other hand, occupancy overall experienced a big drop of 5.7% in H1-2014.

Average Room rates, occupancy rates and RevPAR

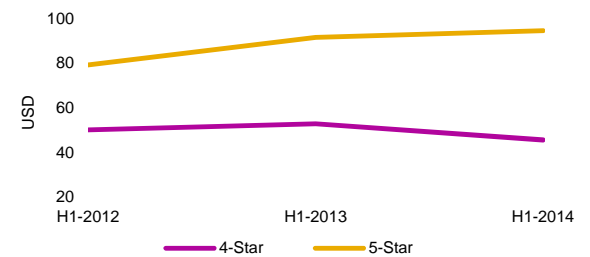


Average Room Rate, Occupancy Rate and RevPAR by Hotel brand

	Domestic brand	International brand
Average Room Rate (USD)	70.1	125.2
Average Occupancy Rate (%)	61.4%	59.4%
RevPAR (USD)	43.0	74.3

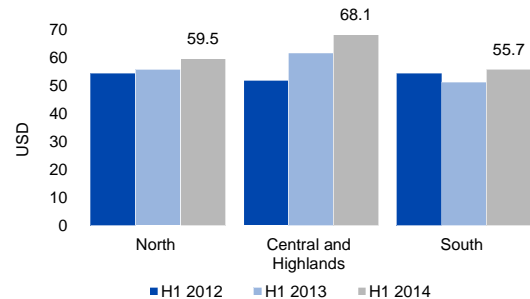
Looking at analysis of RevPAR by hotel brand in H1-2014, International brands show almost double the increase in RevPAR than that of Domestic brands, despite a lower average occupancy rate. A higher average room rate for International hotel brands was also a contributing factor for this higher RevPAR, compared to Domestic hotel brands.

RevPAR (USD) by Star ranking ⁵



Compared with the performance of H1-2013, RevPAR of 4-Star hotels significantly decreased by 13.8% while RevPAR of 5-Star hotels continued increase by 3.3% in H1-2014 compared to the previous period. An increase in RevPAR of 5-Star might be attributed to the increase in average occupancy rate by 5.1% in H1-2014. In addition, 5-Star hotels in the North also experienced an increase in RevPAR by 25.8% in the first 6 months of 2014, compared to the same period last year.

RevPAR (USD) by Regions



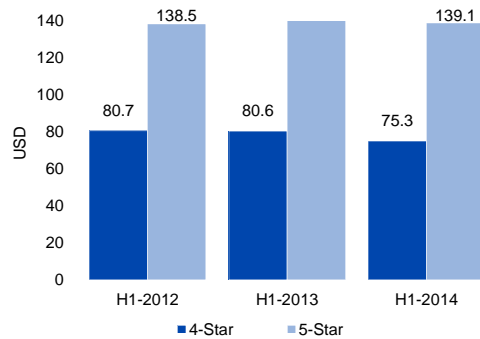
RevPAR by Regions shows an overall increase across Vietnam, with a growth rate from H1-2013 to H1-2014 by 7% for the North, 10.7% for the Central and Highlands and 8.8% for the South.

⁵ Due to the limitation in number of participants from 3-Star hotels, this categories shall not be included in Star ranking analysis through the report

Room Rates

By Star ranking

Average Room Rates (USD) by Star ranking

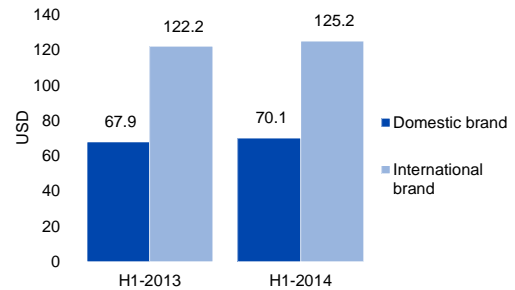


There was a significant growth in overall average room rates of 7.9% in H1-2014 for the high-end lodging in Vietnam, which was higher than the growth of 0.1% in H1-2013.

Looking at the average room rate by Star ranking, both 4 and 5-Star hotels experienced a decrease of 6.6% and 1.9% respectively in the first 6 months of 2014.

By Hotel brand

Average Room Rates (USD) by Hotel brand



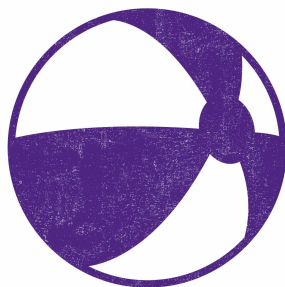
When analysing average room rate by hotel brand, there is always a significant gap between International brands and Domestic brands. In H1-2014, average room rate of both Domestic and International brands increased over the corresponding period in 2013, by 3.2% and 2.4% respectively.

By Region

Average Room Rates (USD) by Region

USD	H1-2012	H1-2013	H1-2014
North	88.7	84.0	97.1
Central and Highlands	87.2	92.2	100.5
South	90.0	87.0	89.4

When analysing average room rates by Regions, there was a significant increase in average room rates in the North and Central and Highlands, by 15.6% and 9.1% respectively in H1-2014. This was due to a significant increase in average room rate of International hotel brands in these two locations, by 47.5% and 43.7% respectively. With a slower growth rate, the South also experienced an increase in average room rate by 2.7% in the first 6 months of 2014, compared with the same period last year.



Occupancy Rates

Overall average occupancy rate in H1-2014 decreased significantly to 60.4% from 64.1% in H1-2013, dropping by 5.7%. A decrease in occupancy rate could be attributed to the East Sea tension in the 2nd quarter and also by increase in new rooms in main destinations, including Hanoi gained three additional 3 – 4-Star hotels with 200 rooms in Q1-2014.

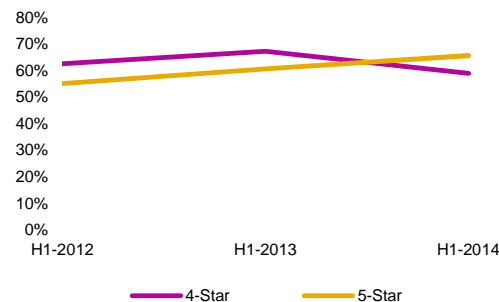
By Star Ranking

Average Occupancy Rates (%) by Star ranking

	H1-2012	H1-2013	H1-2014
4-Star	62.6%	67.3%	59.0%
5-Star	55.2%	60.7%	65.7%

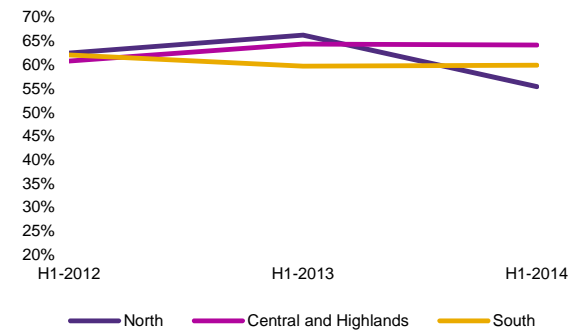
In term of Star ranking, average occupancy rates of 4-Star hotels decreased by 8.4% in H1-2014 compared to an increase of 4.7% in H1-2013. The decrease in 4-Star hotels might be explained due to the fall by 27.4% in the North and 6% in the Central and Highlands markets. 5-Star hotels, on the other hand, showed a continuous increase in occupancy rates over the same period in previous years, reaching to 65.7% in H1-2014.

Average Occupancy Rates (%) by Star ranking



By Region

Average Occupancy Rates (%) by Region



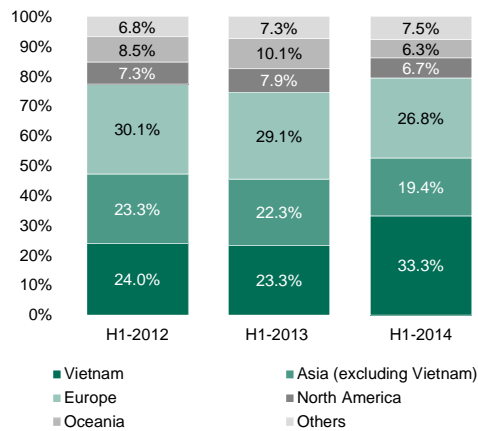
By analysing of average occupancy rates by Regions, the North and Central and Highlands showed a reduction of 10.8% and 0.2% respectively in the first 6 months of 2014, compared with the same period in the previous year. Meanwhile, the South had a better performance with a slight increase in average occupancy rate of 0.2%.

Average Occupancy Rates (%) by Regions

	H1-2012	H1-2013	H1-2014
North	62.5%	66.2%	55.4%
Central and Highlands	60.7%	64.3%	64.1%
South	62.0%	59.7%	59.9%

Source of Guests

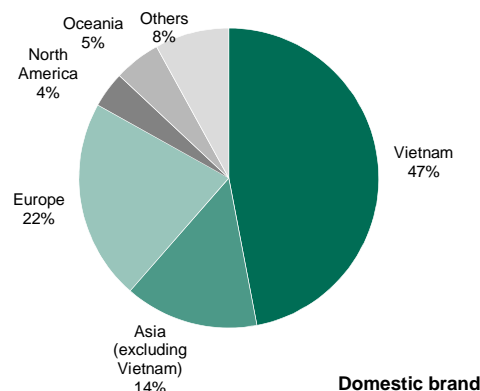
Source of Guests by Origins



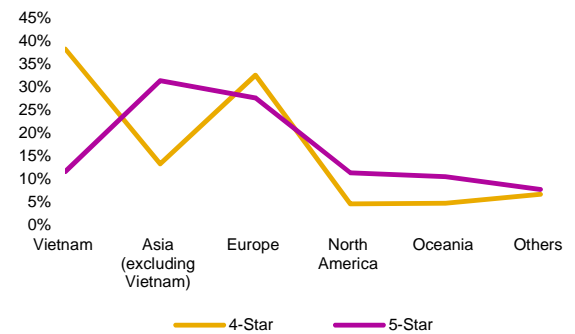
Asian and European visitors continued to be the two leading source of guests staying at Vietnam’s high-end hotels in H1-2014, accounting for 52.7% and 26.8% respectively.

In addition, guests from North America and Oceania **continued to** contribute a small proportion with 6.7% and 6.3% respectively in H1-2014, corresponding to a reduction of 1.2% and 3.8% compared with the same period in previous year.

Source of Guests by Hotel brand in H1-2014

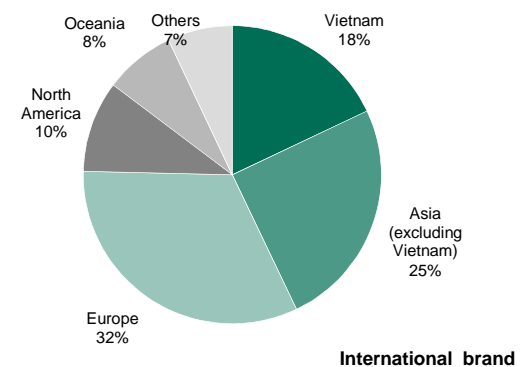


Source of Guests by Star ranking in H1-2014



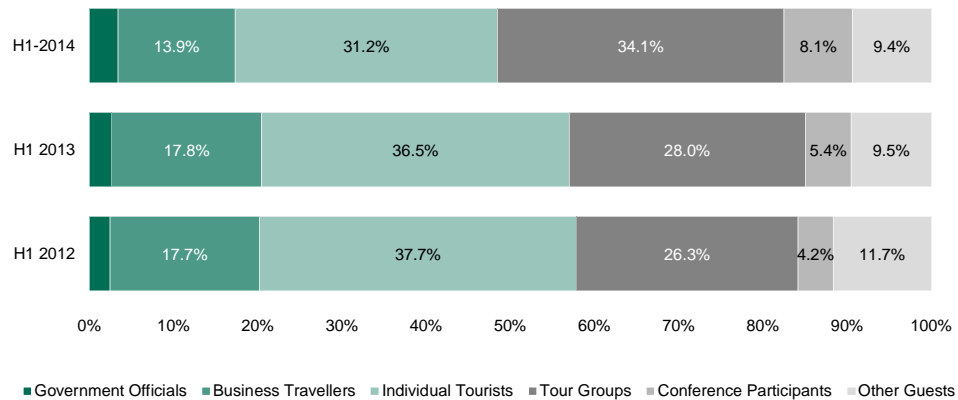
The source of guests by star ranking in H1-2014 was similar to previous periods, European guests led the origin of guests staying at 4 and 5-Star hotels, accounting for 32.5% and 27.6% respectively. In H1-2014, guests from Vietnam staying at 4-Star hotels increased significantly by 15.1% compared with H1-2013, reaching 38.2%, while those staying at 5-Star hotels decreased by 2.7%.

In term of brand preference, Vietnamese guests largely dominated the domestic market with 47% preferring local brands. On the contrary, foreign visitors from Europe, North America, Oceania, and other Asia countries displayed much more favour towards international hotel brands.



Purpose of Stay

Purpose of Stay

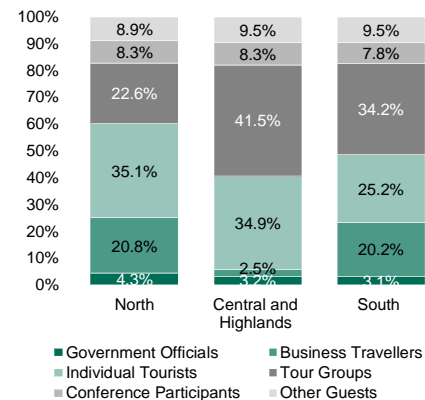


A similar pattern was observed in the movement in the purpose of stay's over the surveyed periods, in which the purpose compositions remained stable between H1-2012 and H1-2013, but changed to a great extent in H1-2014. Individual Tourists and Tour Groups continued to be the two leading categories, collectively accounting for almost two-thirds of the total proportion. There was a noticeable shift in travelling preference as tour travel (34.1%) has surpassed individual travel (31.2%). Meanwhile, Business travellers, despite consistently falling from 17.7% to 13.9% over the years, remained the third major source of arrivals in the first 6 months of 2014.

Of the more minor arrival purposes, the most significant improvement was seen in Conference Participants which registered a 100% growth between H1-2012 and H1-2014. Government-related purpose, on the other hand, continued to occupy the bottom tier of guest stays.

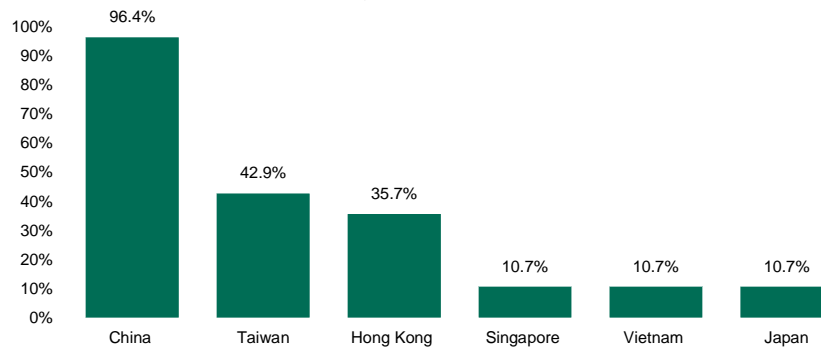
Concerning the purpose of stay by region, the North and the South, with inclusion of the two largest financial hubs namely Hanoi and Ho Chi Minh City, compared more favourably to Central and Highlands in terms of business destination, with 20.8% and 20.2% respectively. However, Central and Highlands boasted the highest proportion of arrivals related to tourism, with both tour groups and individual tourists accounting for 76.5% of guests staying at high-end hotels in H2-2014

Purpose of Stay by Region in H1-2014



Impact of East Sea Issue

Top markets for cancellation impacted by the East Sea Issue



According to data collected from the surveyed high-end hotels in Vietnam, the total room cancellation due to East Sea issue amounted to 21,893 rooms from May to July 2014, which is equivalent to a loss of USD3,529,027 in revenue. In addition, 96% of total surveyed hotels mentioned that China was the top market for room cancellation. Other regional arrivals also suffered cancellations with Taiwan (43%) and Hong Kong (36%), both related to China, also capturing the second and third positions.

The Chinese rig's departure from the disputed area has eased the tension to a certain extent; though the inbound tourists from China mainland is still expected to be sluggish in the near future barring a significant improvement in the much deteriorated political relationship between Vietnam and China.

Last but not least, while visitors originating from China represent the largest number of inbound tourism to Vietnam, spending data by VISA, a global gateway, demonstrated that other Asia Pacific and Western nations are the more major contributors to tourism revenues. Until the first half of 2010, the United States and Australia remained the top two sources of revenue for the Vietnam tourism industry, with South Korea capturing the third position. China, despite its largest number of arrivals, did not even make the top ten. Thus, the significant dip in arrivals from China may not be as worrying as it seems.

Impact from the East Sea Issue by Star ranking from May to July 2014

	4-Star	5-Star
Revenue lost	354,624	2,868,653
Room cancellation	4,667	16,241

Further Information

Grant Thornton provides a wide range of services to the Hospitality sector, including:

- Audit and Assurance
- Tax advice
- Transaction advice (buying and selling properties)
- Negotiation of management contracts
- Diagnostic and performance reviews
- Feasibility studies
- Valuations
- Internal audits and control reviews
- Outsourcing services.

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