

Attracting Tourism Investment & Investment Financing in Key Hospitality Areas: Tourism, Transportation, Hotels & Resorts

Vietnam Case Study

Presented by

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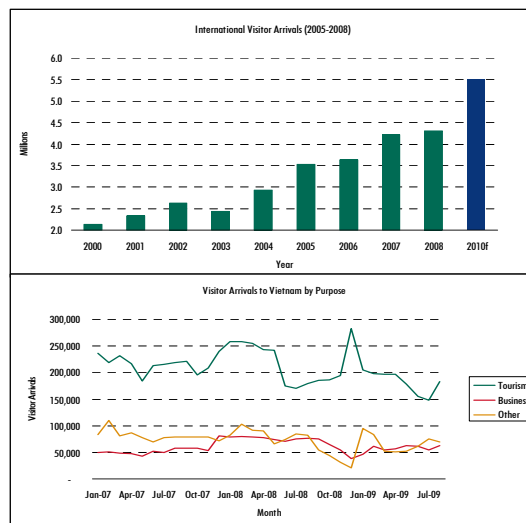
Managing Director, CB Richard Ellis (Vietnam)

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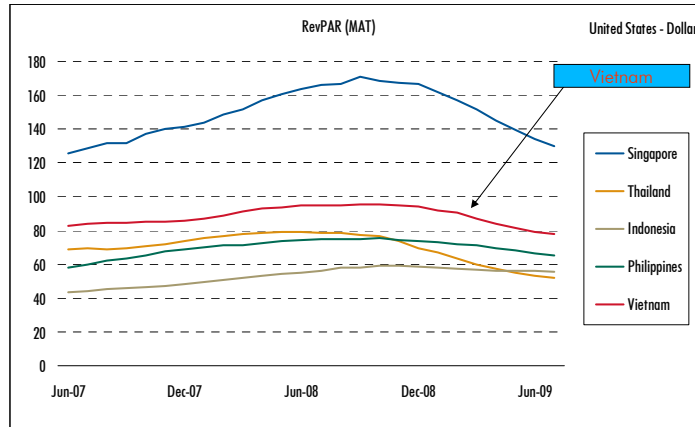
Hotel Performance - Vietnam

- International visitor arrivals to Vietnam have grown rapidly over the past few years, but will have problems reaching the VNAT target
- Visitor numbers have declined since the onset of the global financial crisis, with visitor numbers in the first 8 months of 2009 declining by 19.7 percent compared to the same period in 2008
- However the number of business visitors in 2009 is still higher compared to 2007.



4 and 5 star Hotel Performance – Regional

- ...ensuring RevPAR levels remain above that of many regional competitors



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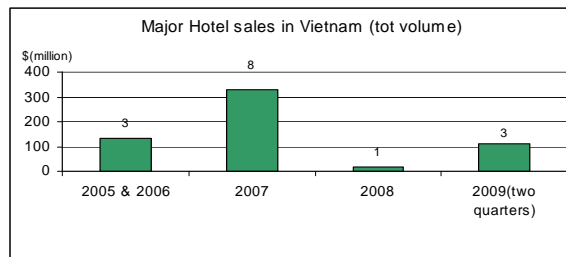
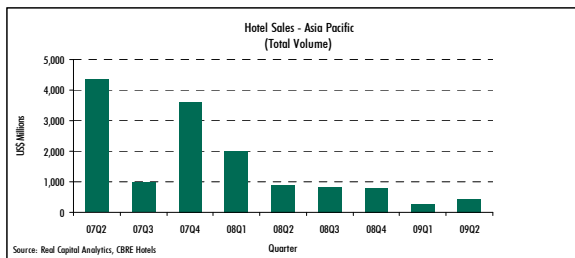
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Hotel Investment – Regional & Vietnam

- Asia Pacific hotel sales (volume) declined 69 percent in the past year

- The number of hotel sales in Vietnam has dropped in 2008 as a consequence of lack of liquidity and credit restrictions.

- In 2009, lower prices, additional liquidity and more stable economic conditions have helped increase the sales volume.

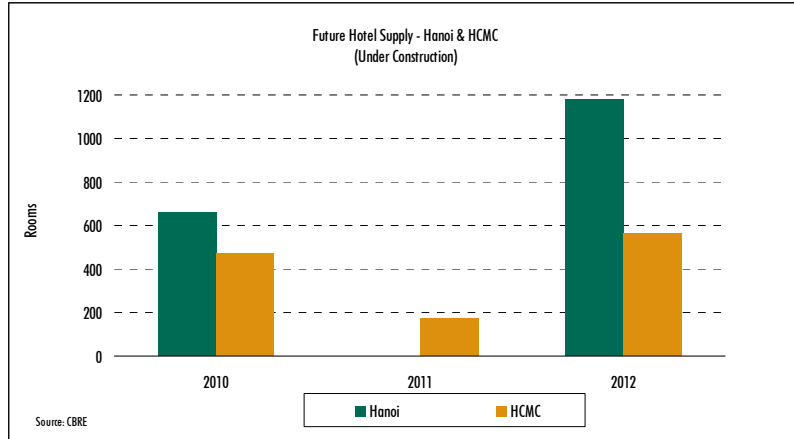


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Hotel Performance

- Major cities and resort destinations across Vietnam are expecting an increase in hotel supply (three to five star) over the next few years



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Tourism Infrastructure Development

Airports

- Only Hanoi- Danang – HCMC has direct international flights
- Upgrading of Cam Ranh, Danang, Hue, Phu Quoc
- New airport for HCMC at Long Thanh
- Increasing international and domestic tourism demand
- Reducing travel time from regional and international cities
- Legislation and visas

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Tourism Infrastructure Development

Road system

- Cat Lai – Long Thanh – Dau Giay
- New road from Nha Trang to Da Lat
- Upgrading of highway from Hanoi to Haiphong
- New road planned from HCMC to Da Lat
- Road system in Phu Quoc
- Road connecting with regional cities



Tourism Infrastructure Development

Trains & Ports

- Express train to tourism destination – Nha Trang, Mui Ne, Sapa
- Upgrading existing train system and station quality
- Currently not proper tourism port exist in Vietnam
- Tourism port planned in Hue, Danang, Nha Trang, Phu Quoc
- Upgrading industrial port with increase of business tourism



Vietnam Future Opportunities

- **Vietnam is supported by strong market fundamentals:**
 - Strong cultural offering
 - Diversity of destinations
 - Relatively safe and secure
 - Geographical location within the region
 - Increasing international and domestic tourism demand
 - Strong investment potential



Future Opportunities

- **Opportunities exist:**
 - **Diversity in hotel brands**
 - **Diversity of locations and target markets**
 - Destination marketing and coordination
 - Business and regulatory environment
 - Visa system
 - Infrastructure



Future Opportunities – Hotel Differentiation

- **Opportunities for Hotel Investments**
 - Hotels development catering to different market segments
 - Building conversions
 - Budget hotels
 - Hotels in industrial parks
 - Resorts
 - Boutique Hotels
 - Greenfield no longer hot, but may have long term potential



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Future Opportunities – Hotel Differentiation

Market characteristics:

- Price, product, service
- Shift from luxury to budget
- Low cost airlines
- Rise in domestic tourism
- Local, regional and international demand
- Tourism and business



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Future Opportunities – Hotel Differentiation

Physical Characteristics:

- Number of rooms
- Average room size
- Staff to room ratio
- Restaurants
- Bar
- Banquet/Meeting
- Breakfast
- Location
- Gymnasium
- Pool
- Cable TV
- Business centre
- Wireless internet
- 24-hour reception
- Retail outlets

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Investment Opportunities - Resort Hotels

- **Prime focus:** leisure, recreation and relaxation.
- **Location:** Island, beachfront, mountains, cultural areas.
- **Target clientele:**
 - Larger resorts = group leisure, MICE, FIT.
 - Small resorts = FIT seeking luxury and privacy
- **Typical Facilities:**
 - Rooms
 - Villas
 - Recreation
 - Function
 - F&B – Typically extensive, with no requirement to leave resort
 - Health club/spa
- **Trends:** Branded condo resorts, spa resorts, urban resorts.
- **Costs**
- **Performance**
- **Vietnam market**
 - Shortage of international branded resorts
 - Airports' expansion (Nha Trang, Phu Quoc ...)
 - Road systems improvement (Mui Ne, Vung Tao, Hai Long Bay)
 - Increasing local demand for high quality resorts
 - New Island developments (Con Dao Island)

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Investment Opportunities - Hotels in Industrial Parks

- **Prime focus:** corporate
- **Location:** in proximity to industrial hubs
- **Target clientele:** junior to middle management business executives
- **Typical Facilities:**
 - Rooms - small
 - Recreation - limited
 - Function – meeting rooms
 - F&B – basic, but may extend if location generates a captive audience
- **Costs**
- **Performance**
- **Vietnam Market:**
 - Severe shortage of hotels in industrial parks
 - 118 Industrial parks in the South Vietnam* and no four star hotels
 - 40 Industrial parks in North Vietnam* and 1 four star hotel
 - Growing industrial production in Vietnam and Industrial parks
 - Growing number of IPs located far from the cities' hub.

* Major industrial areas.



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Investment Opportunities - Boutique Hotels

- **Prime focus:** High degree of individual character and design,
- **Location:** CBD, cultural and trendy locations
- **Target clientele:** FIT and Corporate seeking a different experience than that offered by many large scale hotel chains.
- **Typical Facilities:**
 - Site: often located in converted historic buildings
 - Rooms - vary
 - Recreation – often limited
 - Function – limited if at all
 - F&B – a small number of specialty restaurants and bars
- **Costs**
- **Performance**
- **Vietnam Market**
 - Limited number of real boutique hotels in Vietnam



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