Hotel, Tourism and Leisure

Asia Pacific Hotel Review
Hanoi

September 2017

Asia Pacific Hotel Review

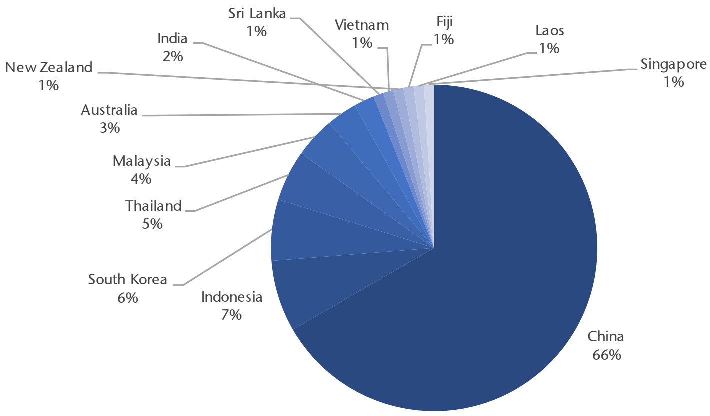
Hotel Openings

- Asia Pacific hotel openings as of YTD June 2017 continued in robust fashion with 225 new hotel openings, representing 31,304 rooms.
- As there are more hotel groups participating in Horwath HTL's deal signings and hotel openings report, the growth is not necessarily reflective of the market's growth year-on-year.
- China recorded the highest number of new properties opened in 2017, contributing 6% of total market, followed by Indonesia and South Korea accounting for 7% and% respectively.

QUARTER 1	2016	2017	% CHANGE
Number of Hotels	114	123	8%
Number of Rooms	15,649	14,951	-4%
QUARTER 2			
Number of Hotels	118	102	-14%
Number of Rooms	22,377	16,353	-27%
YTD Q1-Q2			
Number of Hotels	232	225	-3%
Number of Rooms	38,026	31,304	-18%

Source: Horwath HTL

Hotel Openings By Country



Source: Horwath HTL

Deal Signings

- During the first two quarters of 2017, the Asia Pacific Market recorded a total of 468 deals signed, with a total of 76,782 rooms.
- The overall average key count was 164 rooms.
- Deals were signed across 12 countries with top 5 being China, Australia, India, Indonesia and Japan. China continued to be the most active market with a total 364 new deals signed, representing 73 percent of total market, Australia came second with 25 deals signed.
- The breakdown of 468 deal signings is as follows: 160 management contracts, representing 34 percent of all deals signed in 2017, 307 franchise contracts and 1 investment contract.
- Approximately 192 of the deals are scheduled for opening within the same year of signing.

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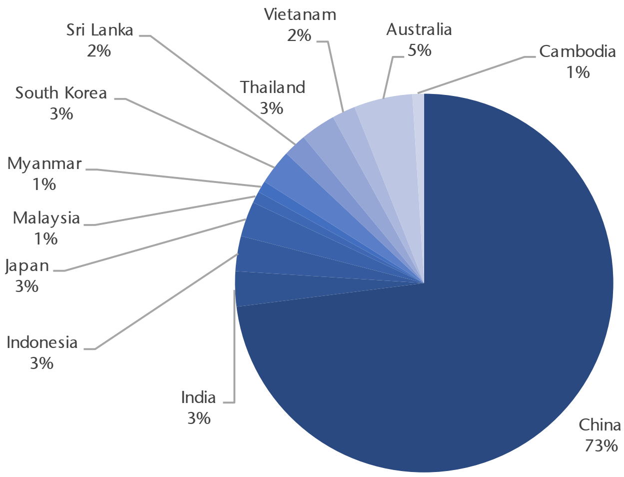
Deal Signings By Country



Source: Horwath HTL

Vietnam Hotel Market Review

Vietnam has become one of the world's great development success stories. Political and economic reforms launched in 1986 transformed Vietnam from an inward-looking country to one of the fastest growing emerging economies in SEA. Vietnam has recorded strong GDP growth since 2007, at a compound average annual growth rate (CAAG) of 6.2 percent, while GDP is projected to further grow 6.5 percent annually until 2021.

The tourism industry has made considerable progresses over the past decades, thanks to the "Vietnam – Timeless Charm" campaign, the entrance of international hotel operators, improved air connectivity, visa exemption policy and growing infrastructure investments. Tourist arrivals increased at a CAAG of 10.1 percent between 2005 and 2016.

In 2016, international visitors exceeded the 10-million mark with Korea and Japan consolidating their positions as second and third largest feeder markets (after China, which is heavily linked with daily cross border traffic). Considering the increasingly tight economic relations and tourism cooperation programmes with these two nations, arrivals are expected to continue to grow over the medium term.

Growth in tourism has spurred investment in the hospitality sector in recent years. In addition to the main economic centres of Hanoi and HCMC, other coastal destinations (Danang, Nha Trang, and Phu Quoc) have been developing quickly, driven by improved tourism infrastructure and enhanced accessibility. Many large domestic property developers, including SunGroup, VinGroup, and VinaCapital, have started investing in hotel and tourism related projects, quickly dominating the market with several large-scale developments across the country

Room supply is expected to increase by 22 percent between 2016 and 2020, with the majority concentrated in Hanoi, HCMC, Phu Quoc, and Danang. Approximately 80 percent of these new developments are affiliated with international operators and about 52 percent are in the Upscale segment and above.

The government's effort to stimulate the tourism industry through incentives and loosening of visa policies will continue to drive demand. Furthermore, the on-going incentives to foreign companies to promote an open and diverse environment for investors is expected to attract more FDI and stimulate the corporate market in the coming years.

Vietnam Hotel Market Review

Hotel Openings

- Vietnam's hotel openings have remained fairly constant over the past two years.
- Vietnam's hotel supply is centralized in three main markets - Hanoi, Central Coast, and Ho Chi Minh City. Majority of branded hotels are situated in these locations.
- During the first quarter of 2017, the Vietnam market recorded 1 new hotel opening with 224 rooms. This hotel was a 5-star Luxury ranked JW Marriott in Phu Quoc.

QUARTER 1	2016	2017	% CHANGE
Number of Hotels	1	1	0%
Number of Rooms	336	224	-33%
QUARTER 2			
Number of Hotels	1	-	-100%
Number of Rooms	332	-	-100%
YTD Q1-Q2			
Number of Hotels	2	1	-50%
Number of Rooms	668	224	-66%

Source: Horwath HTL

Deal Signings

- Vietnam is expected to become a prominent destination for tourists and international travellers within SEA.
- By 2020, major projects such as Hilton, Ritz Carlton, and Okura Nikko will be developed. These projects will accommodate the growing demand of international travellers.
- There were 5 new deal signings, totalling 1,471 new rooms for the first two quarters of 2017.

QUARTER 1	2016	2017	% CHANGE
Number of Hotels	-	4	-
Number of Rooms	-	1,197	-
QUARTER 2			
Number of Hotels	-	1	-
Number of Rooms	-	274	-
YTD Q1-Q2			
Number of Hotels	-	5	-
Number of Rooms	-	1,471	-

Source: Horwath HTL

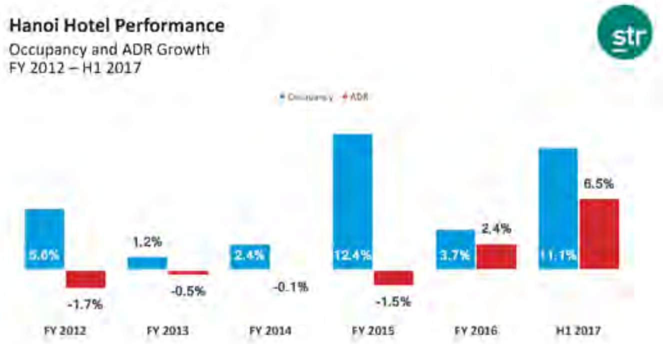
2017 Ytd Deal Signings By Rating

- 4-star and 5-star hotels are set to remain the dominant hotel class in Vietnam. Of the 5 new deal signings, 2 hotels are ranked 5-star (luxury and upper upscale), 2 are ranked 4-star (Upscale) with only 1 ranked upper midscale.

Hanoi Hotel Market Review

Hotel Openings & Deal Signings

- During the first two quarters of 2017 there were no new hotel openings and deal signings in Hanoi.



Source: STR

Hanoi Performance, Ytd June 2017

- Hanoi's hotel market recorded growth in all key performance indicators during the first half of 2017. A double-digit increase in occupancy (+11.1 percent o 85 percent) paired with strong ADR growth (+6.5 percent to VND 2,552,082) resulted in an 18.3% growth in RevPAR to VND 2,173,102. Demand also increased by double digits (+11.1 percent), substantially outpacing the rate of supply growth (+0.1 percent).

- For the past 5 years, occupancy has been the main driver of Hanoi's hotel performance, with an annual growth rate of 4.8 percent between 2011 and 2016. Rate performance has been a different story. After four consecutive years of decline, growth was seen in 2016 and continues into 2017. With gradual increases in demand paired with limited supply growth, ADR is expected to keep growing over the next few years.

- In addition to being one of Vietnam's main tourist destinations, Hanoi is also the country's second economic hub after Ho Chi Minh City. The country's conomic growth has helped the hotel sector flourish, with a strong domestic consumer base as well as a continuing inflow of foreign direct investment.

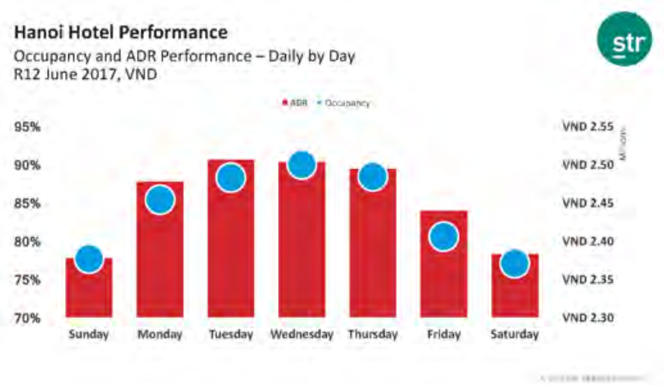
- According to Vietnam National Administration of Tourism (VNAT), Vietnam recorded a 30.2 percent year-over-year increase in inbound tourists during the first half of 2017. China remained the largest tourism source market, accounting for 1.8 million arrivals (+56.7 percent) in H1.

- Domestic tourism is also growing steadily, supported by the growth of disposable income for Vietnam's middle class. For 2015, the Vietnam National Administration of Tourism (VNAT) recorded that 57 million Vietnamese citizens travelled domestically, a 48 percent increase over the prior year. In 2016, according to World Travel and Tourism Council (WTTC), domestic tourism expenditure in real prices touched VND 171,278 billion, up 7.8 percent year-over-year.

- Hanoi currently holds the second largest hotel supply in Vietnam, comprising about 21.3 percent of the c been slow over the last five years, with only 3,400 rooms added to the market – most notably the JW Marriott Hotel Hanoi (448 rooms), the Lotte Hotel Hanoi (318 rooms) and the Novotel Suites Hanoi (151 rooms).

- Hanoi is set to add 3,100 rooms over the next five years, a 27.5 percent increase to the market's pipeline ompared with June 2017. Around 67.5 percent of the total pipeline is in the upper tier classes. Several projects are expected to come online before the end of this year, including the InterContinental Hanoi Landmark72 (359 rooms) and the Somerset West Central Hanoi (252 rooms).

- Zooming in on Hanoi's last 12 months performance, there was growth across all KPIs across day of the week. In terms of actual performance, weekdays came in significantly higher than weekends, while both saw double-digit year-over-year increases. For weekdays, RevPAR increased 12.8 percent to VND 2,126,923. For weekends, RevPAR rose 13.8% to VND 1,902,055. Wednesday was the strongest day of the week, with RevPAR up 12.3% to VND 2,252,971. Occupancy was lso highest on Wednesdays, up 7.2% to 90.0%.



Source: STR

Hanoi Performance, Ytd June 2017 (cont.)

Source: STR

- When a market's occupancy exceeds the 90% level, ADR increases significantly as the rooms still available become more valuable. This is known as compression.

- Analyzing Hanoi's compression levels for the last 12 months, Hanoi was one of the most compressed markets in the Asia Pacific region, with 121 nights of occupancy above 90%.

- Hanoi had 65 nights over the last 12 months with occupancy levels between 90% - 95%. For those nights, ADR was 7.1% higher than non-compression nights (below 90%), coming in at an average of VND 2,546,138. The market's occupancy exceeded 95% on 56 nights in the last 12 months, with ADR 11.2% higher than non-compression nights, with an average of VND 2,644,356.

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