



Horwath HTL™

Hotel, Tourism and Leisure

Asia Pacific
Quarterly Update
Volume 4

Spotlight: Vietnam

ASIA PACIFIC HOTEL REVIEW

QUARTER 1	2013	2014	% CHANGE
Number of Hotels	35	42	20%
Number of Rooms	8,736	10,579	21%

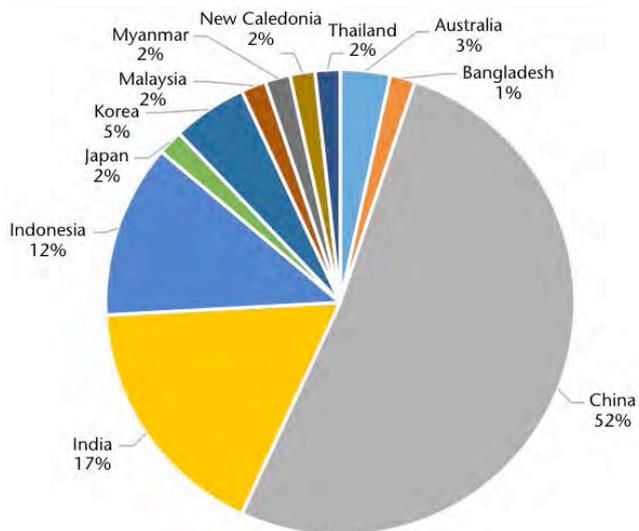
QUARTER 2	2013	2014	% CHANGE
Number of Hotels	35	53	31%
Number of Rooms	8,232	10,436	27%

QUARTER 3	2013	2014	% CHANGE
Number of Hotels	31	58	87%
Number of Rooms	6,504	14,075	116%

YTD Q1-Q3	2013	2014	% CHANGE
Number of Hotels	101	153	51%
Number of Rooms	23,472	35,090	49%

Source: Horwath HTL

HOTEL OPENING BY COUNTRY



Source: Horwath HTL

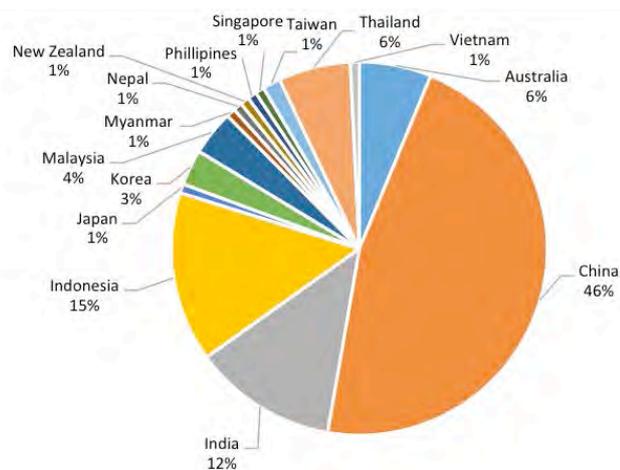
HOTEL OPENINGS

- Q3 2014 was a busy quarter for hotel openings, with 58 hotels opened, increasing supply by 14,075 rooms. This is a significant jump in activity from the same period last year with an 87% increase in openings and more than double the number of rooms opening (14,075 rooms opened compared to 6,504 opened in Q3 2013).
- In terms of management structure, of the new openings this quarter, only 10 hotels or 19% of hotels were opened on a franchise basis, the majority opened under management agreement basis.
- Continuing the trend seen throughout the year as well as last year, the majority (91%) of the new hotel openings are new build hotels, only 5 of the 58 hotels opened this quarter were hotel conversion projects.
- In terms of opening locations, China continues to dominate, with more than half (52% of the hotels opened this quarter are located in China.) Indian hotel openings accounted for 17% percent of the total openings, while Indonesia was ranked the third most popular location in Q3 2014, with 12% share of the total hotels opened.

QUARTER 1	2013	2014	% CHANGE
Number of Hotels	132	128	-3%
Number of Rooms	33,514	29,623	-12%
QUARTER 2	2013	2014	% CHANGE
Number of Hotels	113	106	-6%
Number of Rooms	25,837	25,296	-2%
QUARTER 3	2013	2014	% CHANGE
Number of Hotels	123	129	5%
Number of Rooms	28,428	29,873	5%
YTD Q1-Q3	2013	2014	% CHANGE
Number of Hotels	368	363	-1%
Number of Rooms	87,779	84,792	-3%

Source: Horwath HTL

DEAL SIGNING BY COUNTRY



Source: Horwath HTL

Note: Deal signing refers to management and franchise agreements signed by the international hotel management companies.

DEAL SIGNING

- Q3 2014 was also a positive quarter for deal signings, with 129 new deals signed a 5% increase on the 123 deals signed in Q3 2013. This corresponds to an increase of 5% in the number of rooms signed when compared to the same period last year.
- The increase in deal signings this quarter added to the decreased signings earlier in the year means that when comparing year to date performance, Q1-Q3 2014 lags only marginally behind Q1-Q3 2013, with 363 deals compared with 368, a lag of 1%.
- Around a fifth (19%) of all deals signed were franchise agreements. This type of agreement is most common in South Korea accounting for 50% of the South Korea management deals, while just over a quarter (27%) of new deal signings in China in Q3 2014 were for hotels on a franchise agreement contract.
- Almost half (47%) of the deals signed this quarter are for hotels located in China, while Indonesia was the second most popular country for new deals with 19 new hotels representing 3,651 rooms. Looking at the same period last year, China dominated deal signing by country, followed by India and then Indonesia.
- New build hotels are the preferred choice for international management companies, with 88% of all Q3 2014 deal signings being new build hotel. Only 16 deal signings were for hotel conversions. Following the trend seen throughout the year, conversion deals seem to be more common in Australia, with 37% of the total deals signed in Australia this quarter being in relation to conversion properties.

ASIA PACIFIC - HOTEL OCCUPANCY AND ADR



Source: STR Global

ASIA PACIFIC - HOTEL PERFORMANCE ACROSS SELECTED MARKETS



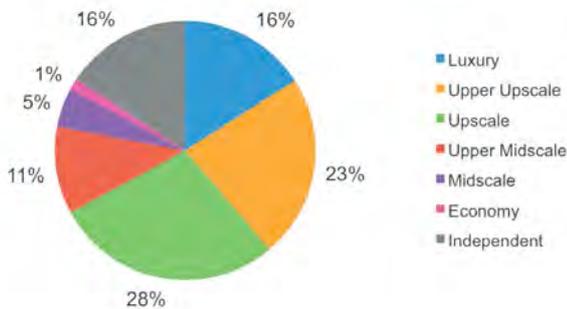
Source: STR Global

ASIA PACIFIC HOTEL PERFORMANCE

- Philippines (+4.5%), New Zealand (+3.0%) and China (+2.8%) experienced the strongest increase in occupancy September 2014 YTD within the region, while Thailand (-17.2%) is still impacted by the political unrest and continual uncertainty.
- Maldives showed the largest increase in average daily rate (ADR, +13.7%), measured in local currency, resulting in double digit growth in revenue per available room (RevPAR, +10.9%) compared to September 2013 YTD.
- Indonesia (+9.3%) and Japan (+7.7%) came second and third in terms of ADR growth, while China (-2.9%) and India (-2.9%) were the only countries posting declines in this measure.
- The constant supply growth continued to impact the ADR performance for China and India. Albeit demand is up, resulting in a positive occupancy trend for both countries.
- Delhi-NCR (-6.2%) and Beijing (-4.0) have experienced the largest drop in ADR of the key markets, measured in the respective local currency.
- Bangkok (-22.8%) continued to report the most significant decline in hotel performance, driven by a dropping occupancy, while Osaka (+19.3%) and Bali (+13.0%) were the top markets in terms of RevPAR growth.

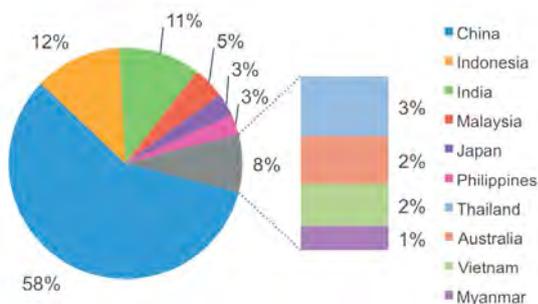


ASIA PACIFIC ACTIVE ROOM PIPELINE BY SCALE



Source: STR Global

ASIA PACIFIC ACTIVE ROOM PIPELINE BY COUNTRY



Source: STR Global

ASIA PACIFIC ACTIVE ROOM PIPELINE

- China (+291k rooms) remains the country with the strongest under contract room pipeline for the region, followed by Indonesia (+61k rooms), moving up to second, and India (+57k rooms).
- In the coming years, more than 2,300 hotels with +530k rooms are expected to enter the region.
- The Upscale class (+151k rooms) is currently expected to grow the fastest, followed by the Upper Upscale (122k rooms) and Luxury (85k rooms) segments.
- September YTD 2014, room supply for the Midscale and Economy class grew strongest (+6.4%), followed by Luxury (+4.9%) and Upscale classes (+3.6%).

SPOTLIGHT: VIETNAM

VIETNAM HOTEL MARKET REVIEW

QUARTER 1	2013	2014	% CHANGE
Number of Hotels	0	1	--
Number of Rooms	0	279	--
QUARTER 2	2013	2014	% CHANGE
Number of Hotels	2	1	-50%
Number of Rooms	499	62	-88%
QUARTER 3	2013	2014	% CHANGE
Number of Hotels	0	0	--
Number of Rooms	0	0	--
YTD Q1-Q3	2013	2014	% CHANGE
Number of Hotels	2	2	--
Number of Rooms	499	341	-32%

Source: Horwath HTL

Note: the above data does not include all hotels in the Vietnam market, Horwath HTL opening and signing data is sourced from selected International management companies.

HOTEL OPENINGS

- The Vietnamese hotel market is less active than some of its Asian counterparts, perhaps due to the economic difficulties the country has experienced over the last five. Additionally Vietnam still has a small number of international visitors compared to neighbouring countries like Indonesia, Thailand, and Malaysia. Both factors have resulted in a number of hotel projects being stalled.
- It is also a regional market with differing trends depending on location: for example, the trend in Hanoi is different to that in HCMC or regional Vietnam.
- This year, we have witnessed only two hotel openings, a 62 key hotel in Danang and a 279 key hotel in Nha Trang. This compares equally to the two openings witnessed in the same period last year. Statistically, this correlates to a 32% decline in the number of rooms.
- Last year, for the whole of 2013, there were only 4 openings comprising of 1,255 rooms. Two openings in Q2 and another two in Q4 2013. The activity was spread across the country with two hotels in Hanoi, one in HCMC and one in Danang. Activity was also slow in 2012 with 4 hotel openings representing 794 rooms.
- Despite the slow pace witnessed over the past few years, assuming no projects are abandoned, there is a relatively healthy pipeline of new supply. The focus of this new inventory is largely in regional Vietnam, particularly Phu Quoc, Danang and Nha Trang.

DEAL SIGNINGS

- Deal signing activity in Vietnam shows a healthier trend than the deal opening activity.
- In Q3 2014, there was one hotel signing for a 406 key new build hotel in Phu Quoc. When compared to the same period last year, whereas the number of signings is the same, the number of rooms increased by 142%.
- Year to date performance is positive, with 100% increase in the number of deals signed and a 166% increase in the number of rooms when compared to year to date 2013.
- The 2014 new signings are spread across the country, with Hanoi, Danang, Hoi An, and Phu Quoc all seeing one new deal while Nha Trang has attracted two new deals.
- All deals signed both this year so far and last year, are for new build hotels on a management agreement basis.

QUARTER 1	2013	2014	% CHANGE
Number of Hotels	2	3	50%
Number of Rooms	360	401	11%
QUARTER 2	2013	2014	% CHANGE
Number of Hotels	0	2	--
Number of Rooms	0	599	--
QUARTER 3	2013	2014	% CHANGE
Number of Hotels	1	1	0%
Number of Rooms	168	406	142%
YTD Q1-Q3	2013	2014	% CHANGE
Number of Hotels	3	6	100%
Number of Rooms	528	1,406	166%

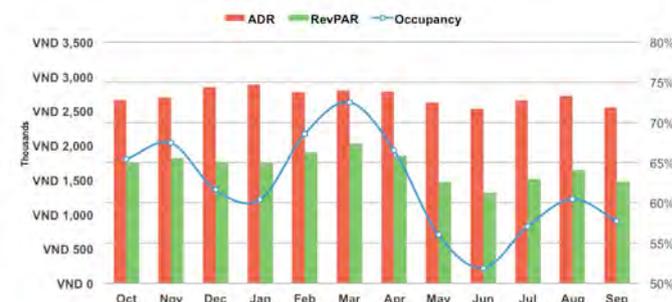
Source: Horwath HTL

OVERALL HOTEL PERFORMANCE

- September 2014 YTD, Vietnam reported a strong growth ADR, offsetting the negative occupancy performance which resulted in a flat RevPAR increase to VND1.7 million (+0.2).
- With February 2014 as an exception, occupancy declined in every month in 2014, as a result of declining demand, and supply growing around 3-4% for the majority of the months.

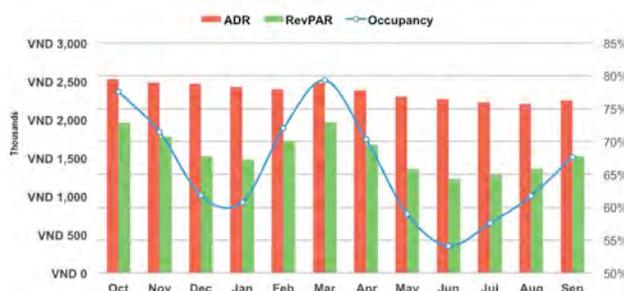
	SEPT 2014 YTD	SEPT 2013 YTD	% CHANGE
Occupancy	61.2%	63.6%	-3.8%
ADR (x1000)	VND 2711	VND 2612	+3.8%
RevPAR (x1000)	VND 1659	MYR 1662	-0.2%

VIETNAM OVERALL HOTEL PERFORMANCE BY MONTH



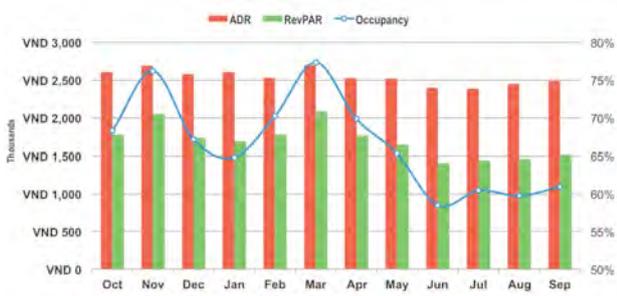
Source: STR Global

HANOI



Source: STR Global

HO CHI MINH



Source: STR Global

VIETNAM REGIONAL

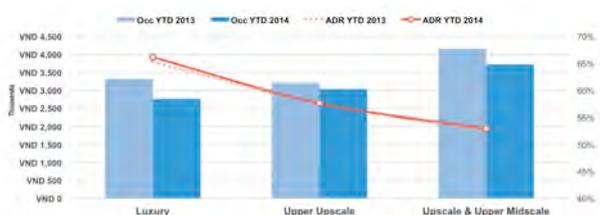


Source: STR Global

HOTEL PERFORMANCE BY CLASS

- The Luxury class in Vietnam experienced the strongest increase in ADR (+3.4%) of all classes, but also the most significant decline in occupancy (-6.0%).
- The Upper Upscale class reported only a -2.0% decline in occupancy, and flat performance in terms of ADR (+0.2%).
- Upscale & Upper Midscale grew ADR by +3.2%, but at the expense of occupancy, which fell by -4.3%.

OCCUPANCY & ADR LEVELS BY CLASS



Source: STR Global

HOTEL PERFORMANCE BY MARKET

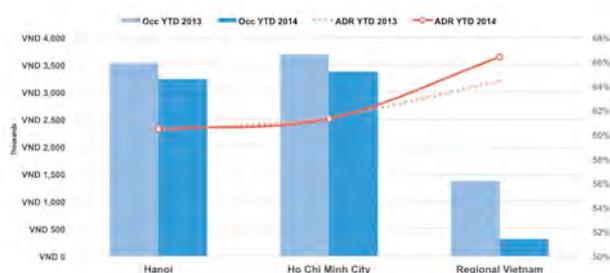
- Across all markets, supply grew faster on average than demand YTD. Regional Vietnam was the only market with both significant declines in demand (-5.7%), and growing supply.
- Hanoi and Ho Chi Minh City maintained occupancy levels above 65%. However, both are more than VND1million below the ADR levels of Regional Vietnam. However, it should be noted that there are several Luxury and Upper Upscale resorts included in the regional sample.
- Ho Chi Minh City was the only market to decrease in ADR (-1.1%) YTD, while Regional Vietnam reported the strongest increase of all markets in this measure (+13.7%), at the expense of occupancy, which declined to 51.4% (-8.5%).
- In terms of RevPAR levels, all markets are within the range of VND1.4 million and VND 1.8 million.

SUPPLY AND DEMAND % CHANGE BY MARKET



Source: STR Global

OCCUPANCY & ADR LEVELS BY MARKET
LEVELS BY MARKET



Source: STR Global

REVPAR LEVELS BY MARKET



Source: STR Global

VIETNAM UNDER CONTRACT* PIPELINE

- Vietnam currently has an existing supply of 490+ hotels with 48k+ rooms, and experienced an increase in supply by +3.5% in September 2014 YTD.
- In particular the Luxury class (+12.5%) showed by far the largest increase in supply YTD, while Upper Upscale grew by +0.2% and Upscale by +0.1%.
- With an under contract room pipeline of +20.4% on top of the existing supply. In terms of volume, Vietnam has the ninth largest under contract room pipeline within APAC, following Thailand (7) and Australia (8), and being ahead of Myanmar (10) and South Korea (11).

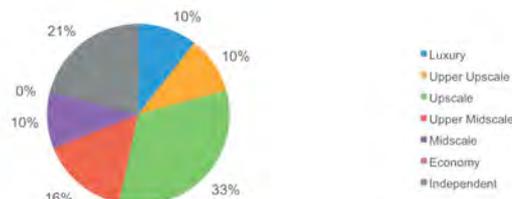
VIETNAM UNDER CONTRACT* HOTEL PIPELINE BY PROJECT PHASE

	IN CONSTRUCTION	FINAL PLANNING	PLANNING
VIETNAM	17	4	24
HANOI	1	0	4
HO CHI MINH CITY	2	1	25
REGIONAL VIETNAM	14	3	18

Source: STR Global

*"Under Contract" includes projects currently under construction, in final planning or planning phase

VIETNAM UNDER CONTRACT* HOTEL PIPELINE BY PROJECT PHASE



Source: STR Global

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STR GLOBAL CONTACT DETAILS

ASIA PACIFIC

BEIJING, CHINA
apinfo@strglobal.com

GUANGZHOU, CHINA
apinfo@strglobal.com

JAKARTA, INDONESIA
apinfo@strglobal.com

MUMBAI, INDIA
apinfo@strglobal.com

SINGAPORE, SINGAPORE
apinfo@strglobal.com

SYDNEY, AUSTRALIA
apinfo@strglobal.com

TOKYO, JAPAN
apinfo@strglobal.com

EUROPE & CENTRAL SOUTH AMERICA

LONDON, UK
info@strglobal.com

MILAN, ITALY
info@strglobal.com

MIDDLE EAST & AFRICA

DUBAI, UNITED ARAB EMIRATES
info@strglobal.com

NORTH AMERICA

HENDERSONVILLE, USA
support@str.com

ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
ishweder@horwathhtl.com

BEIJING, CHINA
beijing@horwathhtl.com

HONG KONG, SAR
hongkong@horwathhtl.com

JAKARTA, INDONESIA
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA
kl@horwathhtl.com

MUMBAI, INDIA
vthacker@horwathhtl.com

SHANGHAI, CHINA
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE
singapore@horwathhtl.com

SYDNEY, AUSTRALIA
jsmith@horwathhtl.com.au

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

DAKAR, SENEGAL
bmontagnier@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL
mcarrizo@horwathhtl.com

MEXICO CITY, MEXICO
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC
sotero.peralta@crowehorwath.com.do

SANTIAGO, CHILE
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA
mjgutierrez@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

FRANKFURT, GERMANY
rknospe@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LONDON, UK
eheiberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

MOSCOW, RUSSIA
mohare@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbacic@horwathhtl.com

SALZBURG, AUSTRIA
gkroell@horwathhtl.com

WARSAW, POLAND
jmitulski@horwathhtl.com

ZAGREB, CROATIA
scizmar@horwathhtl.com

ZUG, SWITZERLAND
hwehrle@horwathhtl.com

NORTH AMERICA

ATLANTA, USA
mbeadle@horwathhtl.com

ATLANTA, USA
pbreslin@horwathhtl.com

DALLAS, USA
jbinford@horwathhtl.com

CHICAGO, USA
tmandigo@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

LOS ANGELES, USA
ynathraj@horwathhtl.com

LAS VEGAS, USA
lboll@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

NEW YORK, USA
sdavis@horwathhtl.com

SAN FRANCISCO, USA
jhiser@horwathhtl.com

TORONTO, CANADA
horwath@horwathhtl.com