

P R E S S R E L E A S E

CB Richard Ellis (Pte) Ltd
6 Battery Road #32-01
Singapore 049909
T 65 6224 8181
F 65 6221 2232
www.cbrehotels.com

Co. Reg. No.: 197701161R

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For further information:

Robert McIntosh	Raymond Clement
Executive Director	Associate Director
CBRE Hotels Asia Pacific	CBRE Hotels
T +65 6326 1200	T +65 6326 1648
M+65 8123 0208	M+65 9321 8887

STRONG OPPORTUNITIES EXIST FOR VIETNAM HOTEL MARKET, DESPITE CURRENT CHALLENGES

Ho Chi Minh City, VIETNAM (24 September 2009)

The hotel market in Vietnam has faced considerable pressure since the onset of the global financial crisis, with declining occupancy levels and average daily rates forcing revenue per available room and profitability levels down.

Despite the existing challenges in the hotel market, Vietnam has remained relatively more resilient than other regional competitors, with Vietnam still achieving the second highest RevPAR across the region, according to data from STR Global.

“A number of opportunities exist to capitalise on the strengths of the market and ensure that Vietnam is well positioned to respond quickly once demand for tourism bounces back”, says Robert McIntosh, Executive Director, CBRE Hotels. Robert and Raymond Clement (Associate Director CBRE Hotels) have gone from Singapore to Vietnam to give a presentation with the local CB Richard Ellis offices to over 150 investors, developers and financiers in Ho Chi Minh City on the prospects for the hotel industry over the next few years.

“For example, Vietnam lacks the diversity of hotel brands and hotel styles often seen in other locations such as Singapore or Thailand. Vietnam would benefit from expanding the current offering of hotels to include brands which target specific segments of the market, particularly those catering to international tourists” McIntosh said.

Mauro Gasparotti, Manager, Valuation and Advisory, CBRE Vietnam said “A number of new hotel development trends are emerging in Vietnam, such as the development of budget hotels, resorts, hotels in industrial parks and building conversions. Budget hotels are becoming increasingly popular, driven by increasingly cost conscious consumers seeking hotels which offer a great value at an affordable price”.

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The hotel market in Vietnam is supported by strong market fundamentals, providing a unique cultural offering and variety of different destinations, yet has one of the lowest visitor arrivals per capita across the region. "Vietnam needs to develop strong destination marketing initiatives in order to attract international visitors and position Vietnam as a regional and international destination of choice" Gasparotti said.

Raymond Clement said "despite a challenging 2008, we have now started to see a turnaround in 2009, as investors are returning to the market attracted by lower prices, additional liquidity and a more stable economic environment. Improvements to Vietnam's infrastructure, investment regulations and the visa system will also help encourage further investment in Vietnam's hotel and tourism sector in the future" Clement said.

The current market also presents an opportunity for hotel owners and operators to assess how to maximise returns in the short term, and how to ensure their property is well positioned for the future. McIntosh said "It is crucial that the hotel owner evaluates existing operations and facilities to identify how the property could be managed more effectively. Often small changes to business operations or facilities can make a significant difference in the performance of the property".

"A number of different methods of managing a hotel exist, and it is important to ensure that your current management arrangement is effective in generating business, marketing the hotel, servicing guests and is most importantly, achieving room rates and occupancy levels that are comparable to your competitors. If not, then something is wrong and changes are necessary" said McIntosh.

"Overall, I'm very optimistic about the future of the hotel market in Vietnam. Despite the current challenges facing the market, significant opportunities exist going forward. It is crucial that hotel owners and investors are fully informed about current market conditions, and are well positioned to capitalise on opportunities in the future" McIntosh said.

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