

Investing in Vietnam Hospitality

Strong domestic market

FDI to boost investment in hotels

June 30, 2020

Prepared by: Colliers International



ROAD TO RECOVERY

“We face a period of enormous uncertainty and volatility where experience and decision-making anticipation will be key for the survival and recovery of hotels”.

COLLIERS HOTELS

80 experts located in Singapore, Hong Kong Sydney, Auckland, Toronto, London, Amsterdam, Madrid, Los Angeles and Dubai

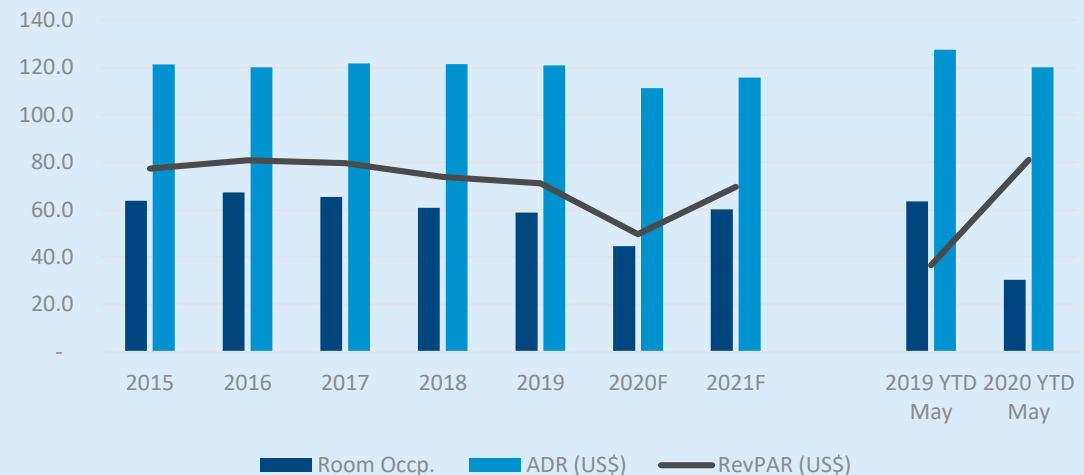
OVER 60 HOTELS UNDER ASSET MANAGEMENT GLOBALLY

Most of our experts have worked in hotels so know operations intimately

We have undertaken over **200 hotel studies across Asia** and transacted over **10 hotels each year**

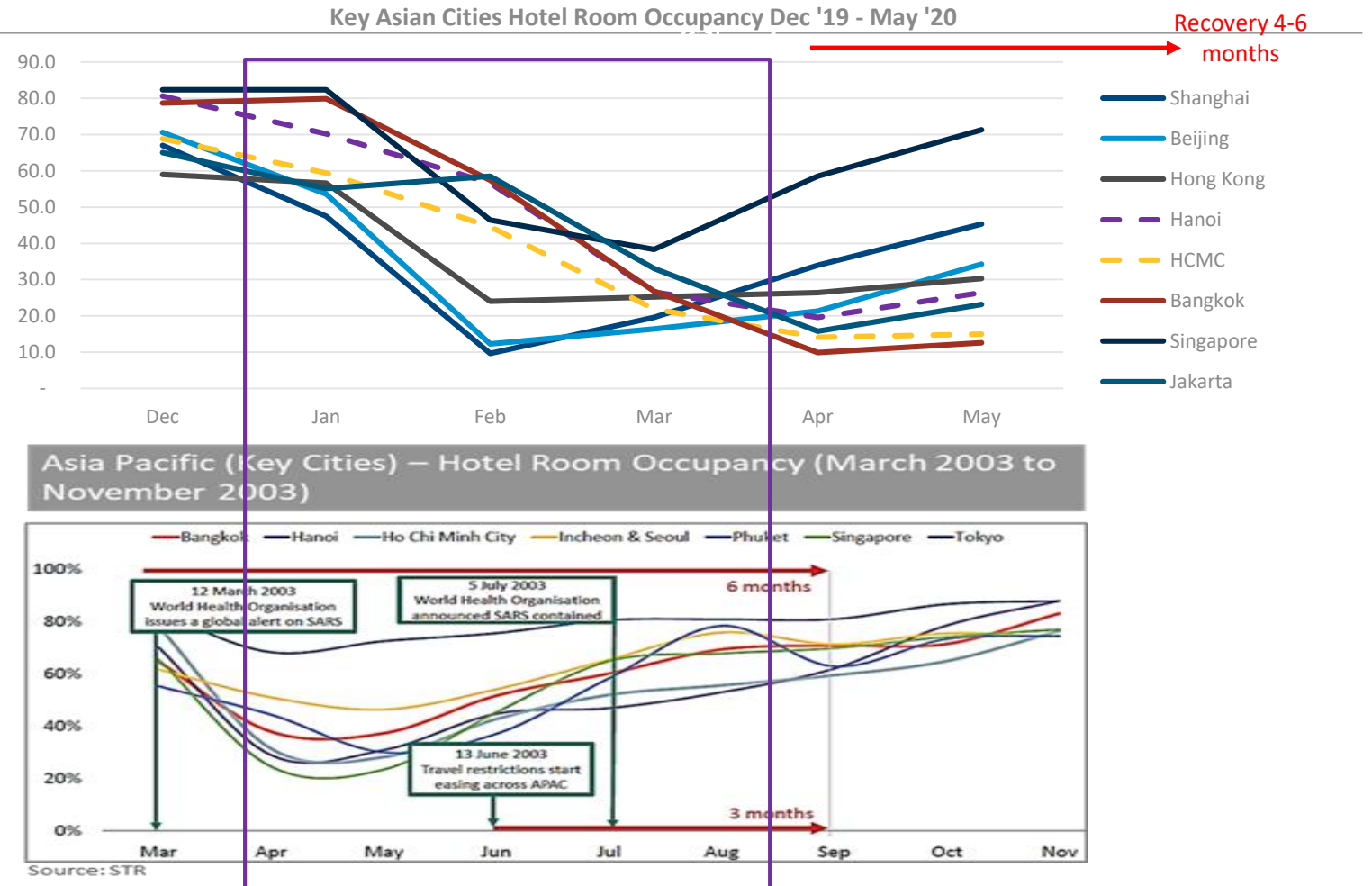
- The hotel sector is one of the most affected by the current crisis. The overall closure of establishments has meant a total reduction in income and job destruction as never seen before.
- The phase of the establishments' reopening will be marked by a weak demand which will make it difficult to reach breakeven levels. Hotels will be forced to use their liquidity reserves or to obtain new financing to guarantee a return to short and medium-term profitability.
- The duration of the crisis for the sector is difficult to predict and will depend largely on containment measures and a perhaps, a successful drug or vaccine.
- Nevertheless, the tourist sector will re-emerge strongly and will become once again, the key driver of Vietnam's economic growth.

Vietnam Hotel KPIs 2015 - 2021F



HOTEL PERFORMANCE: PRE AND POST COVID-19 SARS REDUX?

- “Crises don’t create trends, but accelerate them, positively or negatively”
- Will we see a repeat on 2003? Unlikely
- Same, same but different
- Expect return to 2019 performance levels not before Q4 2021/2022

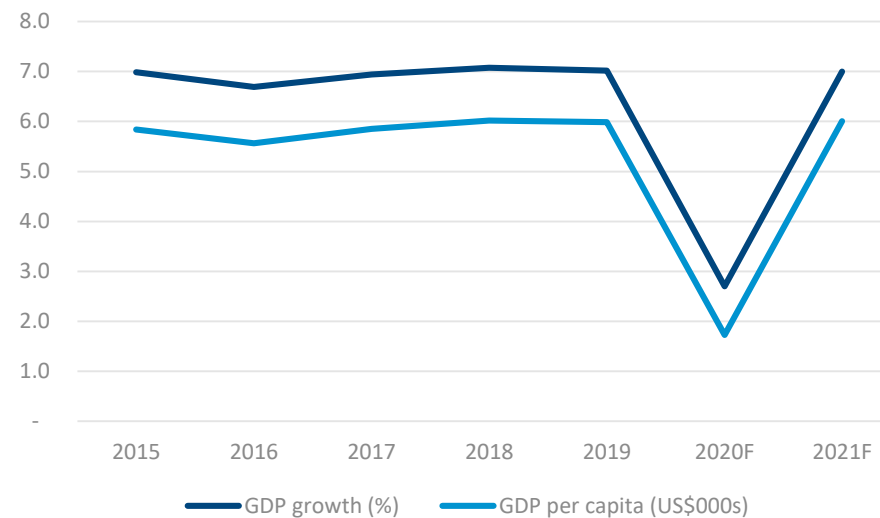


V or SWOOSH – WHEN IS THE RIGHT TIME TO BUY OR SELL IN THE INVESTMENT CYCLE

What's going for Vietnam

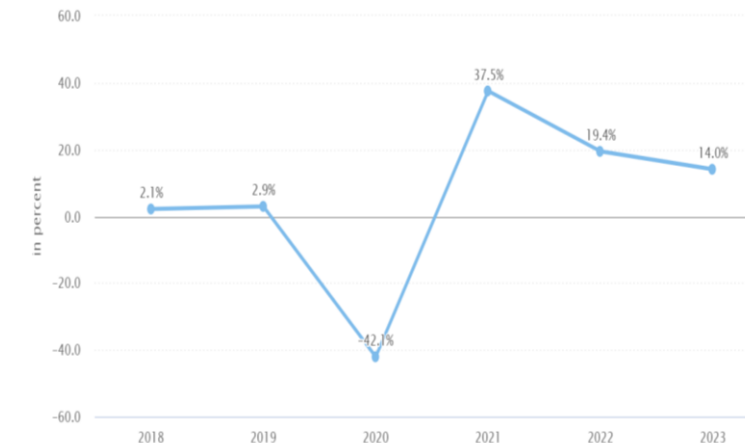
- ✓ Robust economic fundamentals
- ✓ Infrastructure investment
- ✓ 91+ million people – young and educated
- ✓ Increasing GDP per capita
- ✓ Record FDI growth
- ✓ Stable politics
- ✓ The next factory of Asia?
- ✓ Supportive investment laws
- ✓ Strong future growth potential with room for more visa easing and increase in airlift

Vietnam GDP and GDP per capita 2015 - 2021F



Source: IMF

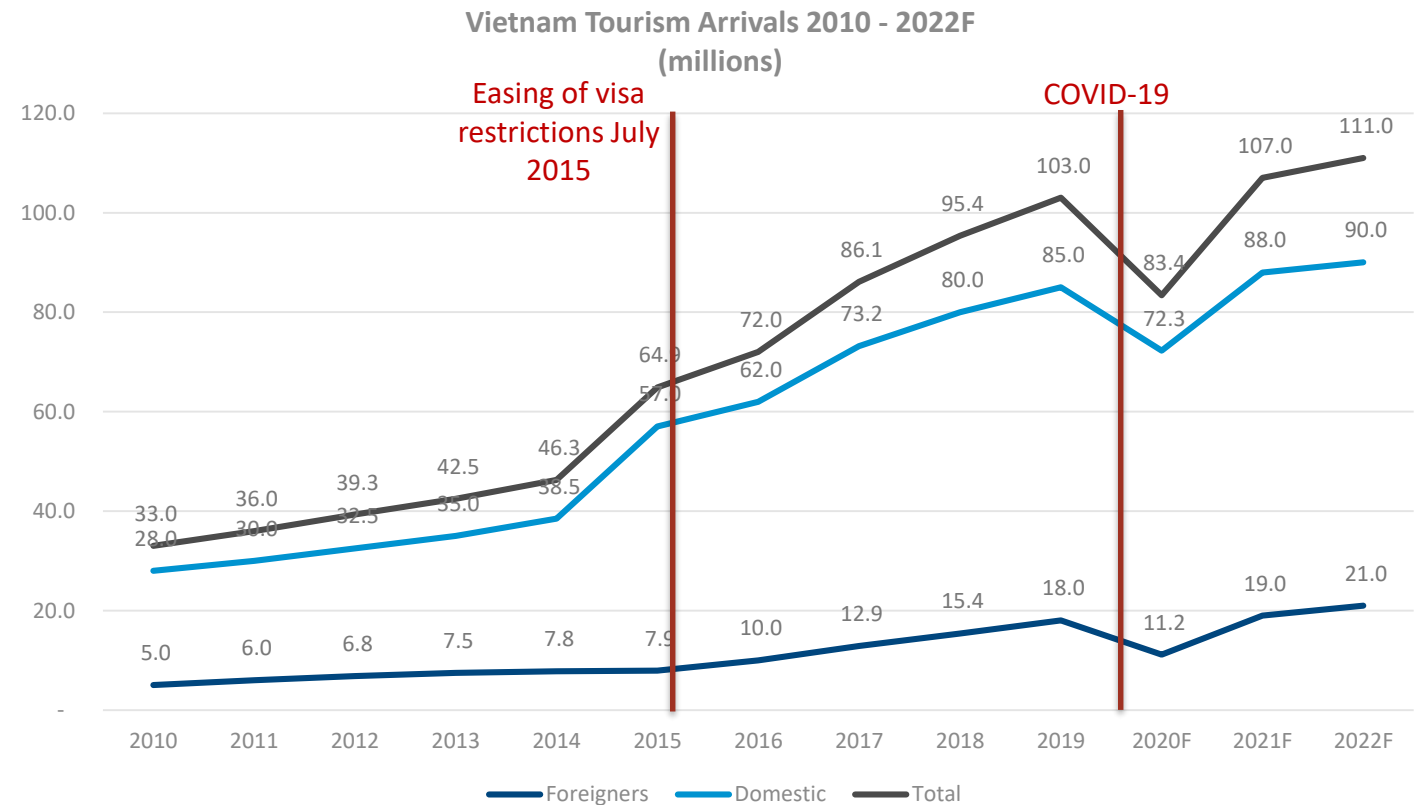
Vietnam Hotel Revenue Growth 2018 – 2023F



Source: Trading Economics

HOTEL DEMAND: PRE AND POST COVID-19

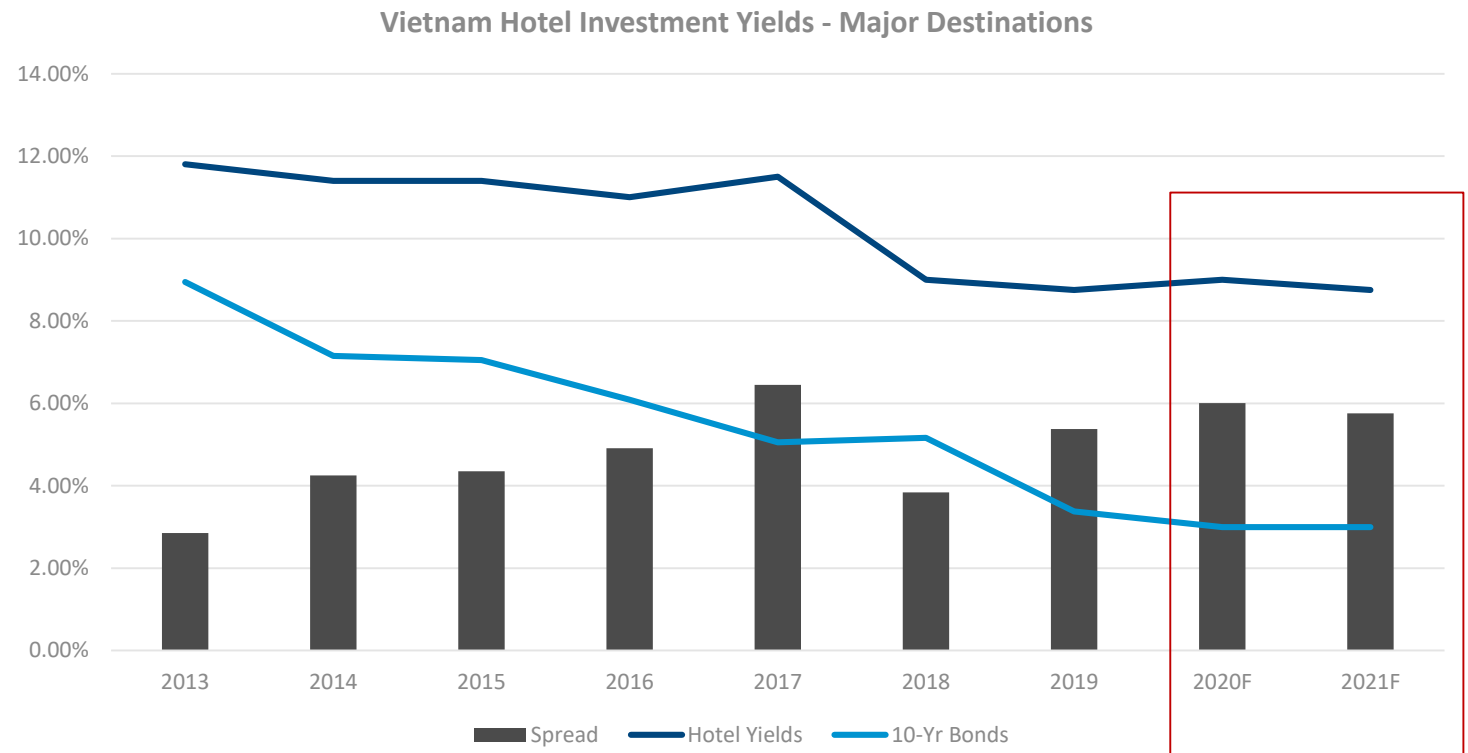
- We expect strong domestic weekend demand followed by extended domestic and business travel to lead the bounce back.
- This will be followed by intra-Asia travel, long-haul and lastly MICE.
- Phu Quoc, Nha Trang, Vung Tau and Da Nang will be top destinations, followed by HCMC and Hanoi.



Source: Vietnam Tourism and Colliers International

INVESTMENT YIELDS - A COMPELLING STORY

- *Attractive yields compared to mature destinations*
- *Opportunity for geographic diversification*
- *Spreads in excess of 5% on local bonds although compressing in key cities*
- *Higher returns compared to office and retail*
- *Widening yields in H22020 giving way to compression by Q22021*



INVESTMENT TRENDS: WHO'S BUYING AND WILL THIS CHANGE POST COVID-19



Source: RCA

INVESTMENT TRENDS: PRE AND POST COVID-19

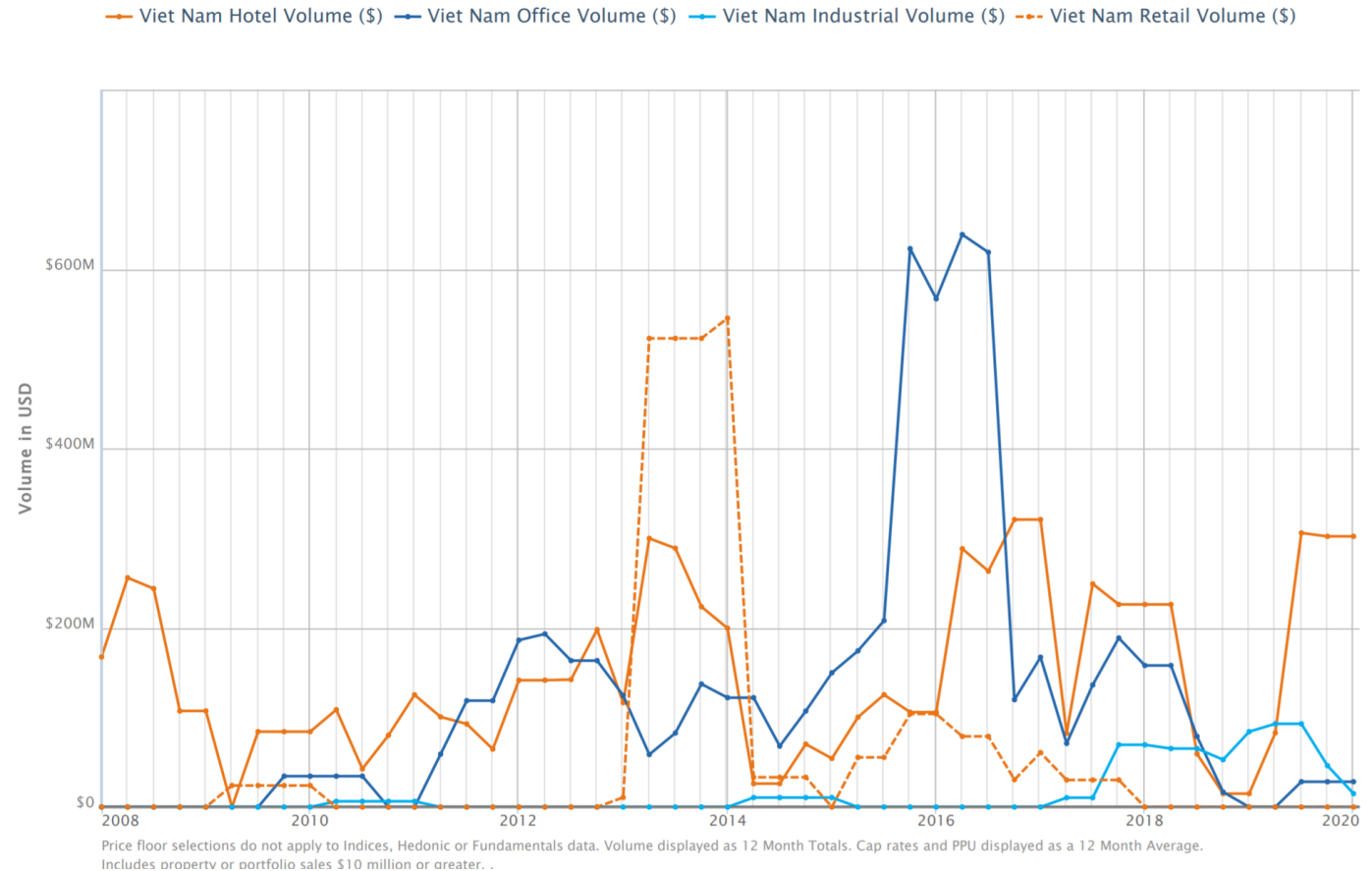
HCMC and Hanoi represent majority of the deal volume.

Increasing activity for Da Nang and Nha Trang.

Inline with emerging market investment to start with key gateway cities and as local knowledge and brand proliferation increases, then investors spread out in search of higher returns.

We expect deal volume to remain subdued until international airlift without quarantines return, with a bounce in investors seeking to snap up deals. Deal volume to significantly increase possibly end Q12021.

It's all about timing and pricing!



Source: Vietnam Tourism and Colliers International