



FINAL  
REPORT

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DECEMBER 2023

# HOSPITALITY MARKET RESEARCH 2023

## Principles of Valuation

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# MARKET OUTLOOK

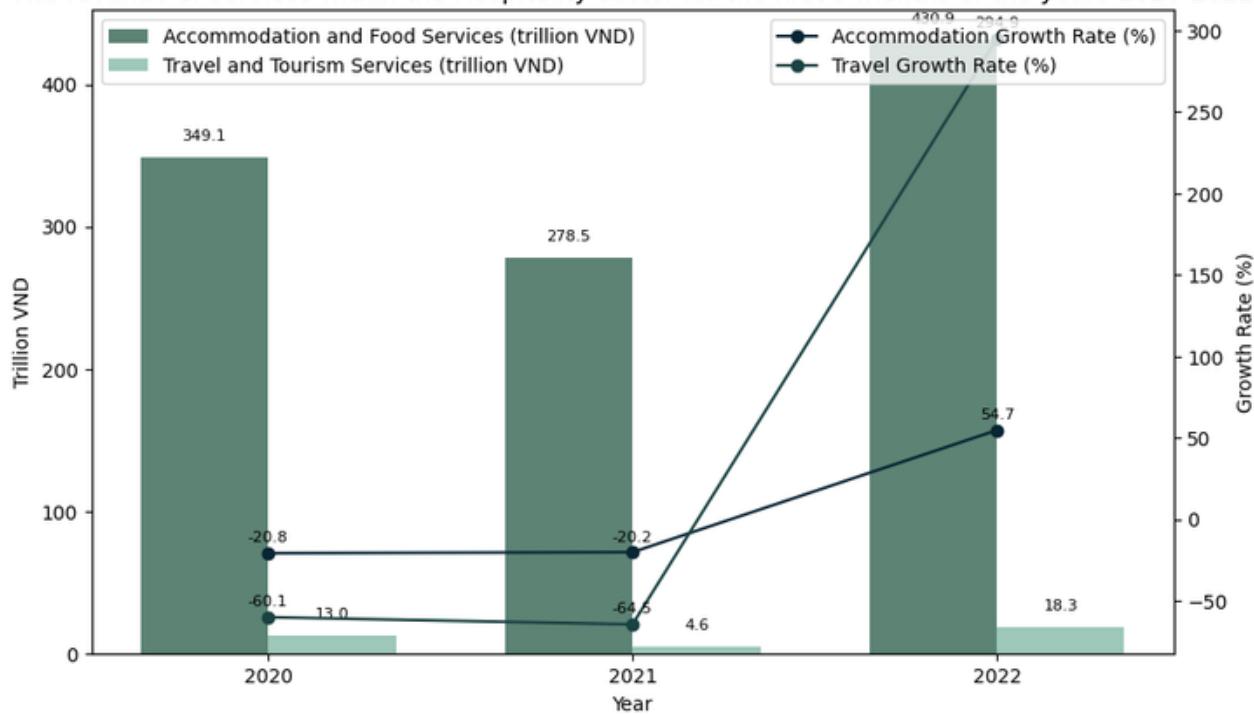
## Market Evolution

### Vietnam's Hospitality Market

The statistical information from the General Statistics Office of Vietnam indicates that the revenue from accommodation and dining services for the first 9 months of 2022 is estimated at 430.9 trillion Vietnamese dong, representing a 54.7% increase compared to the same period in 2021. The revenue from travel and tourism is estimated at 18.3 trillion Vietnamese dong, showing a significant growth of 294.9%.

With this impressive increase in the first 9 months of 2022 compared to the same period last year, it can be observed that these two service sectors have experienced a positive recovery as economic, cultural, and social activities have returned to a normal state. The demand for leisure and travel among the population has increased, especially during the summer season.

The revenue of services within the Hospitality sector for the first 9 months of the years 2020-2022

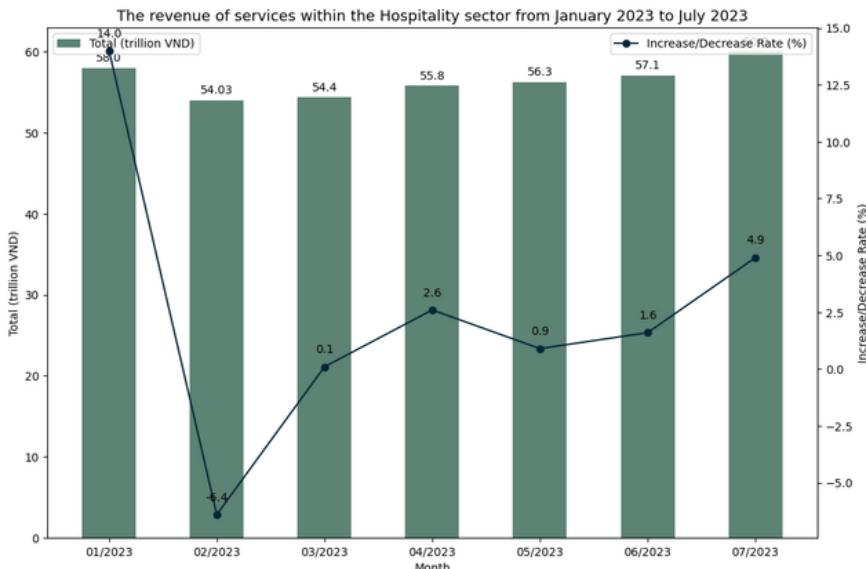


Source: General Statistics Office of Vietnam



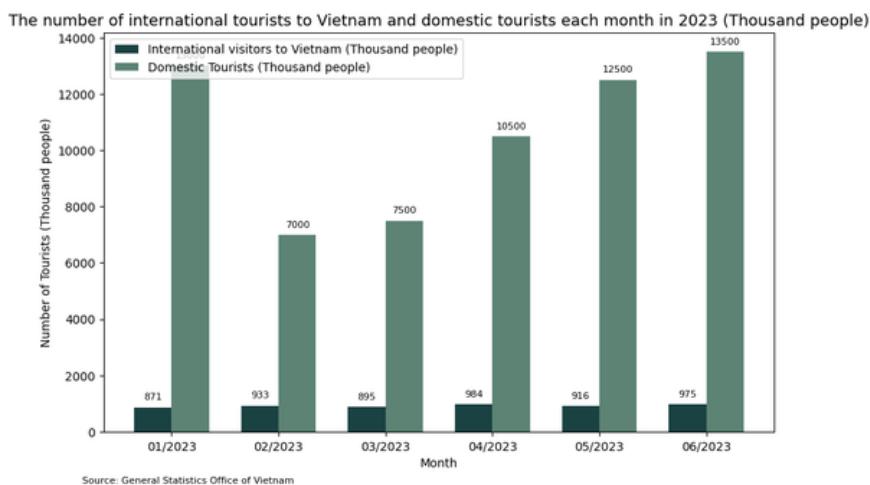
# Market Evolution

## Vietnam's Hospitality Market



The accommodation, dining, and travel services within the Hospitality sector continue to experience a positive recovery and strong development. According to the latest update, in July 2023 alone, the nationwide revenue for accommodation, dining, and travel services is estimated at 60 trillion Vietnamese dong, increasing by 4.9% compared to the previous month and 5.7% compared to the same period in 2022.

Overall, for the first 7 months of 2023, the revenue for accommodation, dining, and travel services reached 395.8 trillion Vietnamese dong, showing a growth of 17.7% compared to the same period in 2022. Within this, accommodation and dining services increased by 16.3%, and travel services saw a significant increase of 53.6%.



The revenue from service activities and tourism has increased due to a continuous rise in the number of domestic and international tourists during the peak season. International arrivals to Vietnam in July 2023 are estimated to surpass one million, a 6.5% increase from the previous month and nearly triple the figure from the same period last year.

Over the first 7 months of 2023, international arrivals to Vietnam are projected to exceed 6.6 million, a 6.9-fold increase. Additionally, domestic tourism has shown signs of continuous growth from February 2023 to June 2023.

As a result, after just 7 months, Vietnam's tourism industry has achieved 83% of the annual plan for international arrivals, and there is a high likelihood of surpassing the annual target with ample room for further growth as the country enters the peak international tourism season in the latter part of the year.

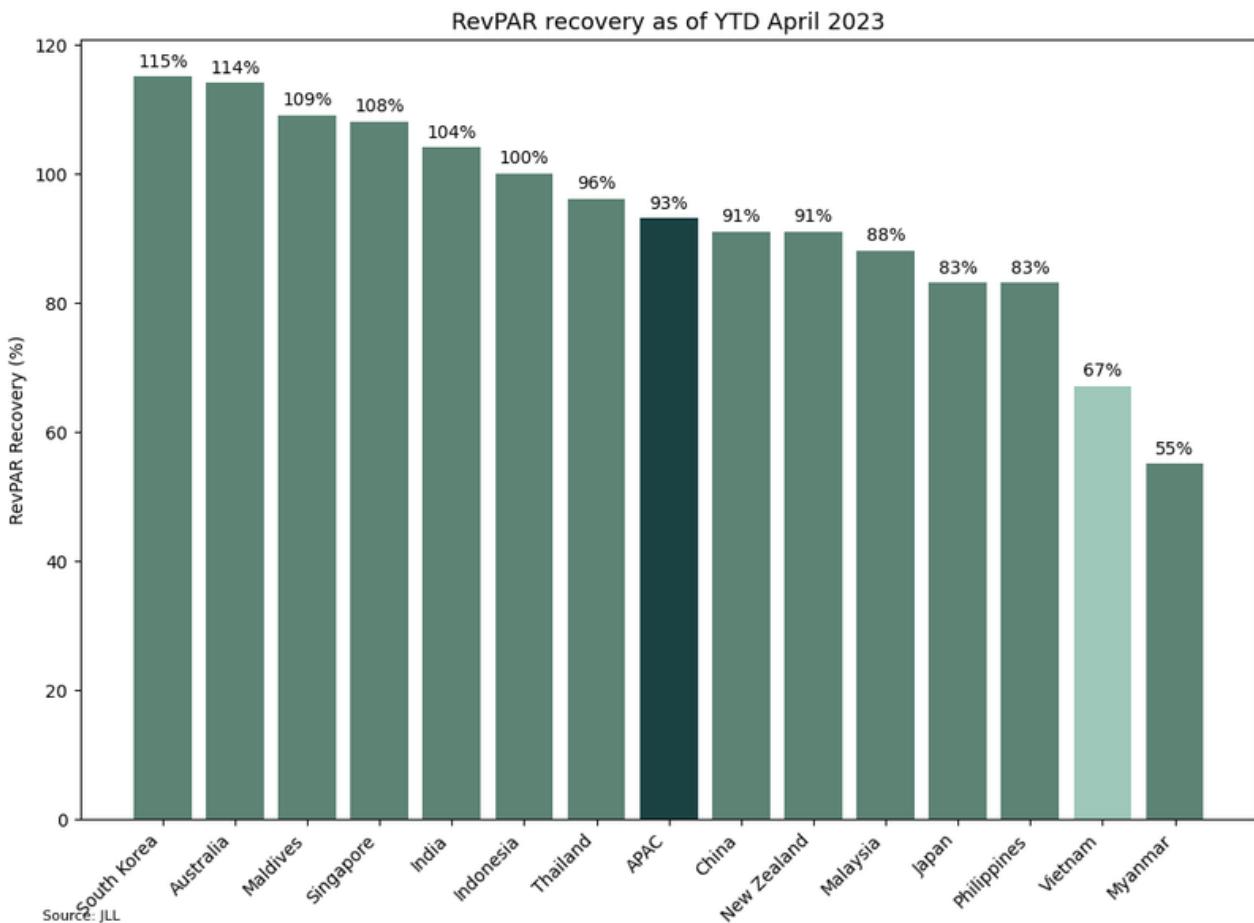


# Market Evolution

## Vietnam's Hospitality Market

The figures provided above demonstrate that Vietnam's tourism industry is undergoing a significant revival after the Covid-19 pandemic, creating many favorable opportunities for the hotel market to be ready for a comeback. However, the business results of the hotel and resort industry in Vietnam show signs of recovery that are still relatively slow compared to other countries in the Asia-Pacific (APAC) region.

As of April 2023, the recovery rate of the hotel tourism industry in the Asia-Pacific (APAC) region reached an average of 93%, while Vietnam achieved only 67%, slightly slower compared to other countries in the region. Hanoi and Ho Chi Minh City are leading in the recovery rate compared to other areas specializing in resort tourism such as Da Nang and Phu Quoc.



# Market Evolution

## ***HCM City's Hospitality Market***

Occupancy rate



64%

Recovery rate compared to the first half of 2019



92%

Average room price compared to 2019



97%

According to the report on the Ho Chi Minh City hotel market for the first six months of 2023 conducted by Savills Vietnam, the hotel room occupancy rate in Ho Chi Minh City reached 64%, recovering more than 92% compared to the first half of 2019 (pre-Covid-19 pandemic).

The average room rate reached 1.9 million VND per room per night, equivalent to 97% compared to 2019.

Furthermore, Ho Chi Minh City welcomed the largest number of tourists in Vietnam, totaling 18 million, of which only 11% were international visitors (approximately 1.9 million). The recovery rate of international arrivals in the city is about 46% compared to 2019, lower than the national recovery rate of 66%. The overnight stay rate in Ho Chi Minh City (19%) is lower than other destinations, mainly due to business travelers, and it is considered a transit point between provinces/cities.

In summary, both Vietnam in general and Ho Chi Minh City specifically, compared to the period before the Covid-19 pandemic, the domestic tourism market has shown signs of vibrant recovery, but many hotel businesses are still unable to fully recover. Moreover, the international tourism market, in general, has not fully recovered compared to 2019.

However, tourists are willing to pay a higher price for accommodation, reaching 1.5 million VND per guest per night. This figure is the second-highest in the country, only after Hanoi. Ho Chi Minh City also has the highest accommodation revenue in Vietnam, reaching over 5 trillion VND in the first half of 2023, a 25% increase year-on-year.



# MARKET OUTLOOK

## Market Drivers

### ***Infrastructure Development***

In the first six months of 2023, Vietjet safely operated 65,900 flights, transporting over 12.1 million passengers, including 3.5 million international passengers, marking a 26% and 30% increase compared to the same period last year. The airline achieved a high average seat utilization rate of over 85% and a technical reliability rate of 99.63% for its flights.

Additionally, Vietjet took the lead in exploring the Indian market with seven routes connecting Hanoi and Ho Chi Minh City to Mumbai, Delhi, Ahmedabad, and Kochi, bringing passengers to various cities in Vietnam. Particularly, from mid-April 2023, the airline continuously opened three direct routes from Australia's major cities, Sydney, Melbourne, and Brisbane, to Ho Chi Minh City, with these flights consistently operating at full capacity.

According to statistics, Ho Chi Minh City has a well-developed waterway transportation network, with a total exploitable waterway transport length of 913 km, including 101 routes. The planning of the Passenger Transport Hub Cluster in Ho Chi Minh City focuses on major rivers such as the Saigon River, Dong Nai River, Te Canal, and the Dinh - Ben Luc market. Currently, in the total number of waterway tourists, international tourists account for over 90%.

Continuous improvements in transportation infrastructure, including airports, roads, and the simultaneous leveraging of river advantages for water tourism, are contributing factors to the growth in the number of tourists visiting Vietnam. This, in turn, is accelerating the rapid recovery and development of the hotel market in Ho Chi Minh City.

**65,900**  
Number of flights  
operated safely



**101**  
Number of routes  
capable of exploitation



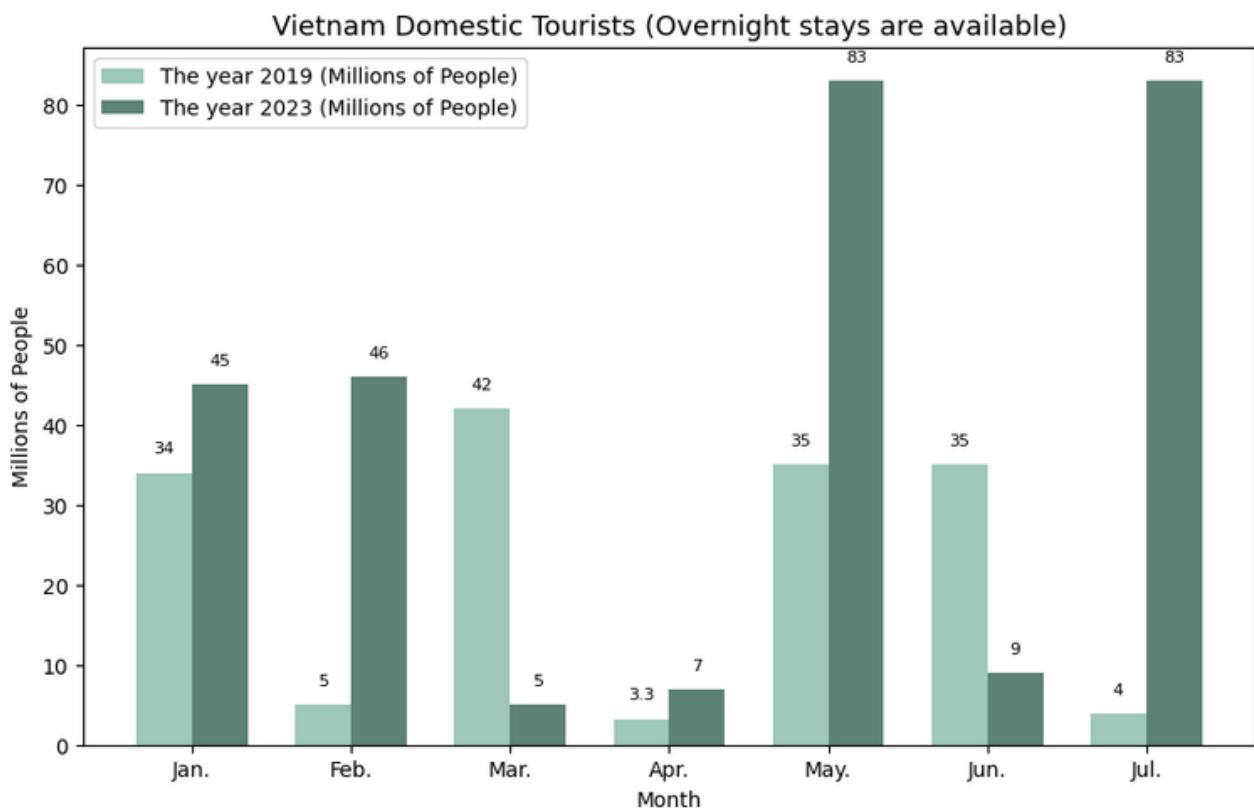
# Market Drivers

## Tourism Growth

### Domestic tourists

The statistical data and surveys indicate a positive trend in domestic tourism, despite the economic slowdown. According to the General Statistics Office, the number of domestic overnight stays in the first 7 months of the year reached 46.7 million, surpassing the full-year results of 2019 – the year before the pandemic – which recorded 43.5 million stays. Domestic tourists visiting Ho Chi Minh City are estimated at around 320,000, marking a 71.1% increase compared to the same period in 2022 (which had 187,000 visitors).

Additionally, information from the Ho Chi Minh City Department of Tourism for the first 9 months of 2023 indicates that the revenue from accommodation services in the city reached 8.2 trillion VND, a 41% increase year-on-year, and achieved 99% compared to the same period in 2019. It is noteworthy that domestic tourists play a significant role in driving the majority of the recovery process.



Source: General Statistics Office of Vietnam



# MARKET OUTLOOK

## Market Restraints

### ***Tourism promotion work***

In 2023, international arrivals to Vietnam exceeded expectations, but the absolute number remains relatively low compared to that of other countries in the region. One of the reasons Vietnam has not attracted as many international tourists is the slow and less effective implementation of tourism promotion.

The promotion efforts abroad to attract international visitors to Vietnam are insufficient. Many important international trade fairs (such as WTM London, JATA Tokyo in Japan) have been overlooked, or participation has been limited to local representation, diminishing the image of Vietnamese tourism compared to international competitors. Therefore, the recovery of tourism, especially in the international tourism sector, is expected to be a driving force in revitalizing the hotel market.

### ***Shortage of human resources***

According to the Vietnam National Administration of Tourism, the current workforce in the Hospitality sector is approximately 350,000 people, meeting 70% of the demand. Every year, the industry needs 40,000 new employees and 25,000 employees who need to be retrained. However, each year, educational institutions only train about 20,000 students, with the percentage of professionally trained tourism workers remaining low, accounting for only 43% of the total tourism workforce.

#### **Ho Chi Minh City:**



**Staffing ratio meets needs**

While the number of visitors to Ho Chi Minh City is increasing, tourism businesses are facing a shortage of manpower. According to the Ho Chi Minh City Department of Tourism, the tourism workforce is currently deficient in both quantity and quality. Currently, central hotels in Ho Chi Minh City lack approximately 30-40% of the personnel needed to meet business demands and ensure service quality. Most hotels are experiencing a shortage of personnel, especially in operational departments. Many employees may have to take on multiple roles, such as a hotel receptionist also serving as a customer service representative.



# PRICING ANALYSIS

According to data from the Savills Hotels consulting company, in the Vietnam market, the hotel room occupancy rate averaged only 40% in the first eight months of 2023. Meanwhile, Thailand, the Philippines, Indonesia, and Malaysia have all surpassed the 50% mark, and even Singapore is nearing a level of 75%.

Ho Chi Minh City



Hanoi City



In the third quarter of 2023, despite an increase in tourist arrivals, hotels still reported low room occupancy rates, with hotel room prices in Ho Chi Minh City even lower than those in Hanoi. Additionally, the room occupancy rate in Ho Chi Minh City reached 58%, experiencing a slight 2-percentage-point decrease compared to the previous quarter. The average room price remained unchanged at 1.9 million dong per room per night.

Furthermore, 4 and 5-star hotels saw a significant 4-percentage-point decrease in occupancy rates to 60%, reflecting the low season in Ho Chi Minh City. The dependence on business travelers and conference attendees has slowed down the pace of recovery in the third quarter of 2023.



# THE STATE OF THE REAL ESTATE MARKET

According to statistics from the Vietnam Real Estate Association (VNREA) in 2023, there are currently 239 tourism real estate projects nationwide, including approximately 114,000 condotel units (resort hotel apartments) with an estimated value of 297 trillion VND; nearly 24,400 resort villas with an estimated value of 244 trillion VND; and almost 30,900 shophouses (commercial townhouses) with an estimated value of 154 trillion VND. The total value of these three types of resort real estate is estimated to be over 681.8 trillion VND, equivalent to 30 billion USD.

## Tourism real estate

Condotel	Resort Villas	Shophouse
114,000	24,400	30,900
<b>≈ 681.8 trillion VND</b>		

However, the Hospitality industry and the resort real estate market in Vietnam have not recovered as expected. Famous tourist destinations such as Nha Trang, Da Nang, and Ha Long have seen many street-facing businesses closing down or displaying "for rent" signs, even during the peak tourist season.

Additionally, many owners of tourism businesses have had to divest or shift their focus to other industries. Professional operators in the resort real estate sector are also facing significant challenges in leasing and operation.

Overall, resort real estate projects in most regions (such as Hanoi, Ho Chi Minh City, Da Nang, Nha Trang, Quang Ninh, etc.) are currently in a state of waiting for approval.

The Q3 2023 report from the Real Estate Research and Development Consulting Company regarding the real estate market in Ho Chi Minh City and surrounding areas (Binh Duong, Dong Nai, Ba Ria - Vung Tau, Long An, and Tay Ninh) indicates that the resort real estate market remains extremely sluggish.



# THE STATE OF THE REAL ESTATE MARKET

In 2023, the real estate management and commercial investment company JLL announced the successful advisory for the sale of three prominent hotels in Southeast Asia with a total value of 106.1 million USD, equivalent to around 2,550 billion VND. The seller was Strategic Hospitality Holdings Limited, and the buyer was Everland, a real estate enterprise based in Hong Kong.

The two hotels sold in Ho Chi Minh City were ibis Saigon South and Capri by Fraser, both internationally branded, situated in District 7. Capri by Fraser has over 170 rooms, while ibis Saigon South has 140 rooms, both in close proximity to the Saigon Exhibition and Convention Center (SECC) in the Phu My Hung urban area, near major thoroughfares.

Although the Hospitality industry is gradually stabilizing and improving thanks to international and business travelers, the sale of these two internationally branded hotels indicates a relatively slow recovery in the hotel market in Ho Chi Minh City. Observations reveal that many central streets such as Bui Thi Xuan, Ly Tu Trong, Le Thanh Ton, Thai Van Lung, Nguyen Trung Truc, or Dong Khoi have many hotels with "for rent" or "for sale" signs for months without finding new owners.



# THE STATE OF TECHNOLOGICAL INNOVATIONS



After accompanying President Yoon Suk Yeol and the South Korean economic delegation on their visit to Vietnam in June 2023, Yanolja Cloud, a leading "unicorn" company in technology and tourism services and hotels in South Korea, announced the successful establishment of strategic partnerships with three Vietnamese companies: VNTravel, DiHotel, and Fusion Hotel Group.

Currently, a majority of hotels and resorts in key tourist destinations in Vietnam, such as Khanh Hoa, Da Lat (Lam Dong), Ho Chi Minh City, Da Nang, Sapa, and Hanoi, are partners utilizing DiHotel software in their business operations.

Through this collaboration, the two companies will strengthen their existing cooperation established since 2021 with the aim of driving digital transformation for the Hospitality industry in Vietnam. By combining the technologies and expertise of both parties, the two companies will continue to innovate travel technology to provide the most convenient experiences for travelers from both South Korea and Vietnam.



# THE STATE OF TECHNOLOGICAL INNOVATIONS



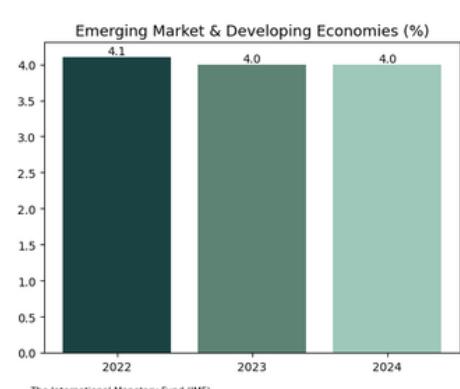
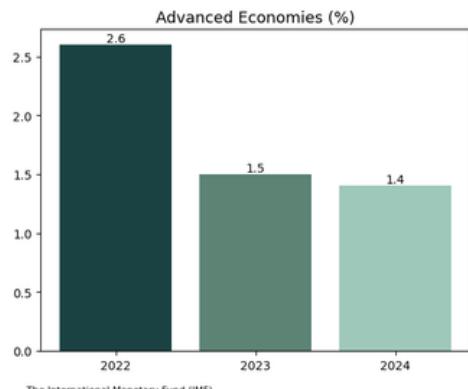
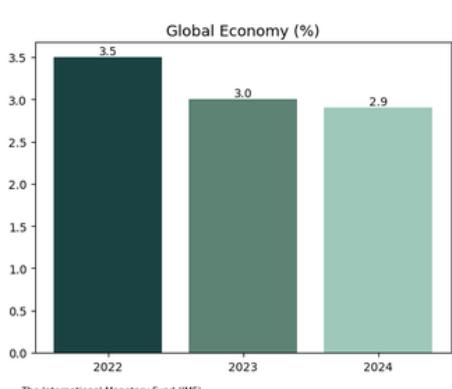
Additionally, Ho Chi Minh City has organized a conference on digital technology transformation in the hotel industry to explore solutions and introduce comprehensive smart devices for restaurants and hotels. The event covers activities such as online marketing, e-commerce, aiming to promote sustainable tourism in the current context. Moreover, some technology companies have introduced new experiences and applications in the restaurant and hotel industry, including a 360-degree photo booth application, voice-controlled central systems, and mobile payment-integrated hotel management software, combining sales on various OTA channels.

Overall, the Vietnamese government has taken proactive measures to digitize tourism services and promote smart tourism, with the goal of offering visitors more convenient and personalized experiences. The emphasis on digital technology applications in the hotel market in Vietnam, both nationally and specifically in Ho Chi Minh City, is a crucial factor in driving recovery and development after the Covid-19 pandemic.



# MACROECONOMIC ANALYSIS

## Global Economic Trends



The baseline forecast is for global growth to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, well below the historical (2000–19) average of 3.8 percent. Advanced economies are expected to slow from 2.6 percent in 2022 to 1.5 percent in 2023 and 1.4 percent in 2024 as policy tightening starts to bite. Emerging market and developing economies are projected to have a modest decline in growth from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024.

Global inflation is forecast to decline steadily, from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024, due to tighter monetary policy aided by lower international commodity prices. Core inflation is generally projected to decline more gradually, and inflation is not expected to return to target until 2025 in most cases.

The International Monetary Fund (IMF) data indicates a trend of declining global economic growth, leading to a situation where tourists tend to reduce their spending and seek more cost-effective solutions for their trips. Consequently, the number of tourists and their spending values tend to decrease, significantly impacting the Hospitality industry in general and the hotel market specifically in Vietnam. To support the recovery and development of tourism, government policies prioritizing this sector are crucial in light of the global economic challenges.



# MACROECONOMIC ANALYSIS

## ***Government Policies and Regulations***

Starting from August 15, 2023, the validity period of Vietnam's electronic visa (e-visa) will be extended from 30 to 90 days. After the issuance of the e-visa for 90 days, tourists are allowed unlimited entries and exits without the need for a new visa application. Additionally, the government has issued a resolution exempting citizens of certain countries from the visa requirement.

Specifically, citizens of 13 countries, including Germany, France, Italy, Spain, the United Kingdom, Northern Ireland, the Russian Federation, Japan, South Korea, Denmark, Sweden, Norway, Finland, and Belarus, are granted visa exemption with a temporary residence period of 45 days from the date of entry.

The new visa policy has been long-awaited by businesses. Hospitality industry businesses will seize the opportunity of the new policy to attract international visitors and increase revenue in the final months of the year. Furthermore, hotel businesses anticipate that the expanded and more lenient visa policy recently approved by the National Assembly will serve as a leverage to help the hotel market in Ho Chi Minh City recover and thrive.



# MACROECONOMIC ANALYSIS

## *Interest Rates*

### Loan interest rates at Banks in October 2023

Bank	Unsecured loan (%/year)	Mortgage loan (%/year)
Vietcombank	<b>10.8% - 14.4%</b>	<b>7.7% - 8.4%</b>
Vietinbank	<b>9.60%</b>	<b>7.7% - 8.5%</b>
VIB	<b>17%</b>	<b>8.30%</b>
VPBank	<b>14%</b>	<b>9.6%</b>
ACB	<b>From 17.9%</b>	<b>7.5% - 9.5%</b>
Sacombank	<b>7.5% - 12%</b>	<b>8.50%</b>
BIDV	<b>11.90%</b>	<b>7.7% - 7.8%</b>
TPBank	<b>19.20%</b>	<b>6.40%</b>
MSB	<b>9.6% - 15.6%</b>	<b>5.99%</b>
OCB	<b>21%</b>	<b>From 5.99%</b>
MB	<b>12.5% - 20%</b>	<b>7.49% - 9.5%</b>

The latest lending interest rates listed above are preferential interest rates at banks. After the preferential period, banks will apply different interest rates.



# MACROECONOMIC ANALYSIS

## *Interest Rates*



As of the survey on October 7, 2023, bank lending interest rates have decreased but not significantly. The lending interest rates are unevenly distributed, indicating that the reduction in rates is not uniform across the board.

From the beginning of 2023 to October 2023, the overall credit growth in the industry has not been high, and banks have been unable to fully utilize the high-cost capital raised at the end of 2022 and the beginning of 2023.

Therefore, there is currently a paradox where despite the decrease in deposit interest rates due to significantly reduced capital mobilization costs, lending interest rates are still decreasing relatively slowly. While deposit interest rates have sharply decreased by 3-5%, lending interest rates have decreased much less. Many businesses still have to borrow at an interest rate of around 10% per year, especially small and medium-sized enterprises facing high-interest rates.

As the information above indicates, the interest rates for loans are still decreasing at a slow pace, and banks tightening their lending have led to a shortage of funds for renovating and upgrading business facilities, especially for hotels in Ho Chi Minh City.

This situation particularly affects small and medium-sized accommodation establishments, including 1 to 3-star hotels.



# MACROECONOMIC ANALYSIS

## Currency Fluctuations

The Japanese yen has rapidly weakened against the US dollar in the foreign exchange market, persisting from 2022 to the present. In October 2022, the yen dropped to 150.15 yen per dollar, marking its weakest level in 24 years, since August 1998. By June 2023, the exchange rate is around 140 yen per dollar. In addition, inflation has caused Japanese families to tighten their spending, with overseas travel being one of the first areas to experience reductions.



October 2022:

**150.15**

yen per dollar

June 2023:

**140**

yen per dollar

According to the Tourism Bureau, in June, Vietnam welcomed 37,000 Japanese tourists, a 16% decrease compared to May. In the first six months of 2023, there were 241,000 Japanese visitors to Vietnam, nearly a 50% decrease from the 456,000 visitors during the same period in 2019 – the time before the pandemic. This has led to a reduction in the activities of hotels in Ho Chi Minh City.

## Japanese Tourists



A reduction in the activities of hotels in  
Ho Chi Minh City



# MARKET SEGMENTATION

## By Type

### ***Chain Hotels***

The hotel market has experienced a significant influx of domestic visitors since the first half of 2022, attributed to the relaxation of pandemic regulations. It is noted that the demand has surged in both the resort and business segments, prompting several hotels to venture into Ho Chi Minh City, the country's largest market.



Several International brands, including Marriott, IHG, and Accor, have already established multiple properties in Ho Chi Minh City. While there have been numerous announcements of new projects, some have encountered delays.

For instance, the long-anticipated Hilton faced permit issues, the owner of the nearly completed Mandarin Oriental Saigon had legal problems unrelated to the brand, and the opening of the Ritz Carlton was initially announced almost a decade ago. Nevertheless, all these projects remain officially scheduled with delivery dates set for the next two years.

Wink Hotels, a hyper-modern hotel chain with one hotel in Ho Chi Minh City and two in Da Nang, reported an average occupancy rate of 55% in the first half of 2023, reflecting a 26% increase compared to the second half of 2022. Additionally, Wink Hotels has ambitious plans to open 20 more properties in the next five to seven years.



# By Type

## *Independent Hotels*



In contrast to chain hotels, independent hotels have faced much greater difficulties following the subsiding of the Covid-19 pandemic. After two years of closure due to the pandemic, the infrastructure of these tourist accommodation establishments has deteriorated significantly. Meanwhile, the slow reduction in loan interest rates and tightened lending activities have made it challenging for most owners of independent hotels to invest in repairs and renovations.

As a result, many independent hotels cannot meet the criteria for business service conditions as required, making it difficult for them to compete and exacerbating their existing challenges. On the other hand, as the Covid-19 pandemic lingers, many staff members of independent hotels have had to resign, change professions, or return to their hometowns and not come back. For some hotel businesses, revenue only increases marginally on Fridays, Saturdays, and weekends. Overall, some independent hotels in Ho Chi Minh City still face difficulties both in terms of personnel and finances.

These challenges have prompted foreign investors to acquire inexpensive hotels in Vietnam. In February 2023, the Singapore hotel investment platform Lodgis Hospitality Holdings partnered with South Korea's Hanwha Group to invest in hotel projects in several Asian countries, including Vietnam. Most of the hotels for sale belong to individual entrepreneurs, who were the first victims of the pandemic and struggle to compete with professional developers and operators. The increased presence of foreign firms in Vietnam's Hospitality industry is attributed not only to the current favorable prices of hotels and resorts but also to the potential for long-term tourism recovery and development.



# MARKET SEGMENTATION

## By Segment

### ***Serviced Apartments***

#### **Serviced Apartment Market (Rental capacity)**

	Q3 2022	Q4 2022	Q1 2023
A-segment	81%	92%	91%
B-segment	77.5%	88%	92%

The source of Foreign Direct Investment (FDI) in Vietnam has had a positive impact on the serviced apartment market by creating conditions for the housing needs of professionals and foreigners coming to work. According to the real estate market report from Colliers, in the fourth quarter of 2022, the serviced apartment market in Ho Chi Minh City recorded positive results. Both the A-grade and B-grade segments witnessed an increase in leasing capacity compared to the third quarter of 2022, rising from 81% to 92% and from 77.5% to 88%, respectively.

Overall, the recovery of Ho Chi Minh City's serviced apartment market in the first quarter appears optimistic compared to the general context of the real estate market facing liquidity challenges. Ho Chi Minh City is one of the three markets expected to lead the recovery of the Hospitality industry in Asia. The demand for serviced apartments is expected to continue rising, especially in the second half of the year when Chinese tourists are anticipated to return. Therefore, the serviced apartment segment can leverage this momentum to enhance quality standardization and services.

In the first quarter of 2023, the prices of A-grade serviced apartments experienced a significant increase, while the B-grade maintained a more stable growth. This reflects the occupancy rates of the two segments, with A-grade decreasing to 91%, while B-grade increased by 4%, reaching 92% compared to the fourth quarter of 2022.



# By Segment

## **Budget Hotels**

The Covid-19 pandemic hit the tourism industry hard, causing a severe decline, with budget hotels being significantly affected, visibly and palpably. "Revenue dropping to zero overnight" is a reality for many budget hotel owners in the Vietnamese market.

After the pandemic, things gradually started to recover, but the revenue of budget hotels is still insufficient to cover operating costs, not to mention paying off bank loans.

Notably observed in the central district of District 1 in Ho Chi Minh City, especially around Ben Thanh Market and Bui Vien Street, a series of budget hotels are still quietly closed. Only a few outside have contact information from real estate brokers, while the rest provide no information about their inactivity.

Along Nguyen Trai Street from Cống Quỳnh Roundabout to Phu Dong Intersection, there are 4-5 budget hotels for sale or rent. Some have been on sale for years without buyers, and a few have switched to rental arrangements, but the situation remains sluggish.

In general, most currently closed hotels belong to the category of small and medium-sized budget hotels. Additionally, many hotels have deteriorated, facing financial difficulties, forcing businesses to close or change their business models.

## **Mid and Upper Midscale Hotels**

The situation is not very optimistic for Mid and Upper Midscale hotels in the Vietnamese market, as well as in Ho Chi Minh City at present.

Streets considered as "golden land" for resort real estate in Ho Chi Minh City, such as Bui Thi Xuan, Ly Tu Trong, Le Thanh Ton, Thai Van Lung, Nguyen Trung Truc, have seen Mid and Upper Midscale hotels displaying signs for rent or sale in mid-June 2023.

In general, most tourist accommodation establishments (hotels, guesthouses) are facing a severe shortage of staff, particularly experienced and quality human resources to enhance productivity.

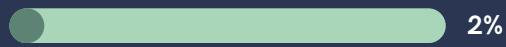
Additionally, the infrastructure of Mid and Upper Midscale establishments is also deteriorating, with loan interest rates slow to decrease and lending conditions tightening, leading to a severe lack of funds, creating difficulties for repair and investment.



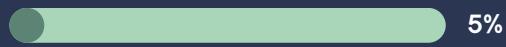
# By Segment

## **Luxury Hotels**

### **Luxury hotel supply:**



Current total number of hotel rooms



Total supply being implemented and expected to be operational in the next three years

According to Savills Hotels statistics, luxury supply accounts for 2% of the total current hotel room supply, but it represents 5% of the total supply being implemented and expected to be operational in the next three years.

Alongside the increase in hotel room supply, the luxury branded residence market is also gaining attention in Vietnam.

The Majestic Hotel, located in the center of District 1, Ho Chi Minh City, achieved a 100% room booking rate during the holidays on April 30, 2023. Since the onset of the COVID-19 pandemic in May 2023, this is the first time the hotel has reached full room capacity.

Similarly, many other luxury hotels such as the Royal, Rex, and Caravelle Hotel also experienced room booking rates exceeding 80%. Room prices at luxury hotels in Ho Chi Minh City start from at least 3 million VND. Even hotels located away from the city center, like the First Hotel (Ward 4, Tan Binh District), have a room booking capacity of nearly 40%, considered the highest level to date.

In general, luxury hotels are still not immune to the situation of asset sales as the lodging market has experienced significant fluctuations since the Covid-19 pandemic and is now further affected by economic downturn.

Additionally, numerous unfinished projects and some projects not achieving optimal efficiency have caused the market to decelerate compared to the past.



# MARKET SUMMARY AND FUTURE PROJECTION

In general, the shortage of human resources, rising energy costs, political conflicts, expensive airfares, as well as instability in economic activities continue to impact the Hospitality industry in Vietnam. Additionally, the process of business recovery for hotels varies unevenly in the Vietnamese market. Due to the impact of the Covid-19 pandemic and economic difficulties, the business situation for hotels and accommodations in Ho Chi Minh City remains unfavorable. Many hotels in Ho Chi Minh City have experienced a significant decline in guest numbers and have had to suspend operations until the third quarter of 2023.

As for the resort real estate market in 2023, it has not been able to recover as expected and is challenging to predict due to macroeconomic factors both domestically and internationally, such as global economic trends, inflation rates, and interest rates for loans. It is anticipated that the resort real estate market will only start recovering by early 2024 when the macroeconomic situation stabilizes, business activities, project inspections, and investor-related matters are completed, issues related to real estate bonds are addressed, and legal knots in project licensing are gradually untangled with the passage and enforcement of amended Land Law and Housing Law.

In 2023, hotel business activities still face many challenges. However, positive signals, such as demand in the later months of 2023 and the new visa policy issued by the government, indicate the potential for recovery in the future. Furthermore, the outbound tourism activities of Chinese citizens are predicted to fully recover by 2024-2025. At that time, the hotel market in Ho Chi Minh City is expected to thrive as it welcomes a large number of guests from China and the Asian market. Thanks to this significant demand, the hotel segment is expected to fully recover from 2024 onward.

