# 2019 VIETNAM, CAMBODIA, LAOS & MYANMAR

## Hotel Industry Survey of Operations

2018 Calendar Year

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Dear Industry Partners,

Horwath HTL is pleased to present the 2019 Vietnam, Cambodia, Laos and Myanmar Hotel Industry Survey, which presents results of Financial Year 2018 from notable properties across Vietnam, Cambodia, Laos and Myanmar. This year's survey included 77 properties in those regions, accounting for 17,855 rooms.

In 2018, Vietnam recorded the greatest increase in foreign tourism arrivals in ASEAN with almost 15.5 million arrivals, a 20 percent increase from 12.9 million in 2017, a third of which were Chinese. Vietnam is implementing more favourable policies and intensifying their marketing efforts to develop their tourism industry. Similarly, Cambodia is up 11% to 6.2 million (67% increase in Chinese), Laos is up 8% to 4.2 million (26% increase in Chinese) and Myanmar is up 3% to 3.55 million (24% increase in Chinese).

We would like to offer our heartfelt appreciation to all survey participants for your longstanding support of this publication. We are grateful for any thoughts, feedback and comments you may have to offer that will assist us in continuing to improve the utility of this survey. Please visit our website www.horwathhtl.asia to learn more about us and other publications that are released throughout the region.

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## TOURISM MARKET (VIETNAM)

In 2018, Vietnam recorded an all-time high of 15.5 million visitor arrivals, a 20 percent increase from 2017. According to the United Nations World Tourism Organization (UNWTO), Vietnam ranks first in Asia and the sixth among the 10 fastest growing tourism destinations in the world.

China retained its position as the largest market for Vietnam in 2018, contributing approximately 32 percent (5 million) of total international arrivals. Over the past 5 years, Chinese arrivals have doubled but the strongest growth is from South Korea, which has quadrupled contributing 22.5 percent (3.5 million) of total international arrivals in 2018.

The success of Vietnam's tourism development includes simplifying visa procedures and carrying out major marketing campaigns. Particularly, the provision of e-visas allowed Vietnam to capture demand from 46 additional countries. Vietnam also organized two international tourism fairs – International Travel Expo (ITE) in Ho Chi Minh City and International Travel Mart (VITM) in Hanoi, participated in international tourism fairs, and organized many open market programs in key and potential markets such as China, South Korea and Japan.

## HOTEL MARKET (VIETNAM)

Vietnam's hotel supply is centralized in Ho Chi Minh City, Hanoi, and the Central Coast. Most branded hotels are also located in these three areas, catering to the needs of leisure and corporate guests.

Although tourist arrivals grew strongly, protracted increases in supply saw overall occupancy in 2018 dipping to 54 percent from 56 percent prior (VNAT, 2019). Major cities of Ho Chi Minh and Hanoi did not fare as badly, as corporate interests continue to buoy the market. However, hotels along the coast which cater mainly to leisure demand fared worse than before. Their poor performance is exacerbated by a heavy reliance on Chinese and South Korean demand, growth in both is slowing having passed the initial excitement phase.

## TOURISM MARKET (CAMBODIA)

Cambodia's tourism market is growing quickly, having achieved a CAAG of 8.2 percent between 2011 and 2018 (WTTC, 2018). Overall, international visitor arrivals grew at a ten-year CAAG rate of 11.3 percent between 2008 and 2018. From 2010 to 2013, international arrivals encountered double-digit growth. However, the growth slowed down in 2014 before picking up again in 2017. Heightened investment from China and improved air connectivity on the back of Cambodia's visa relaxation and Southeast Asia's open sky agreement drove demand into Phnom Penh and Sihanoukville. With an upturn in the recent few years, the country is targeting 7 million visitors by 2020 and 12 million visitors by 2025, entailing an annual increase of approximately 800,000 visitors or CAAG rate of 10 percent over 7 years. The new growth target is in line with the pace observed in 2017 and 2018.

## TOURISM MARKET (LAOS)

Between 2008 to 2017, total tourist arrivals grew at a healthy CAAG rate of 9 percent. However, visitor arrivals have been declining since 2016 and is expected to decline for 2018 inclusive. For 2018, the country is expected to receive 4 million visitors, missing an earlier set target of 5 million visitors. Yet, the long-term growth in visitor-ship has stimulated the economy as tourism infrastructure such as hotels, restaurants and retail outlets are being set up by private entities. However, public support infrastructure continues to remain a challenge, making travelling within Laos slow, inconvenient and expensive. The collapse of the dam in Champasak as well as flooding and natural disasters in several locations have also deterred tourists from visiting.

## TOURISM MARKET (MYANMAR)

Although with an abundance of tourism sights involving religious monuments, natural attractions, ancient cities and tranquil beaches, tourism development in Myanmar is hampered by political instability, strict visa policy and lacking air connectivity. Nonetheless, the country has been gaining more attention in recent years, boosted by improved marketing efforts. 2018 saw 3.6 million foreign visitors, a 3.2 percent growth over 2017's performance of 3.4 million. Most tourists come from Asia, particularly SEA, whom enjoys visa-free access for tourism purposes. Future efforts are targeting at lifting visa requirements for western long-haul visitors in an effort to boost average length of stay and average spending, both of which are weak with the Asian markets.

### SURVEY ACCURACY NOTES

The benchmark data presented in this survey of operations for the hotel industry offers users a baseline reference on the operational performance of hotels in each category by and large. With great emphasis on presenting accurate benchmarks, the following fundamentals on the results presented should be noted.

**Service Charges:** In accordance to local industry practice, all respective departmental revenues, Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) are exclusive of Service Charges.

**Previous Year Comparisons:** The derivation methods of the previous year data (presented in the Summary of Results), has been retroactively adjusted to be consistent with the current year practice. On this note, the 2017 performance figures shown in this current 2019 study (calendar year 2018) might not be identical to the previous year's study.

**Line Items:** Vertical totals and averages may not add up as each average indicator is based on the hotels that contribute data for each specific line item.

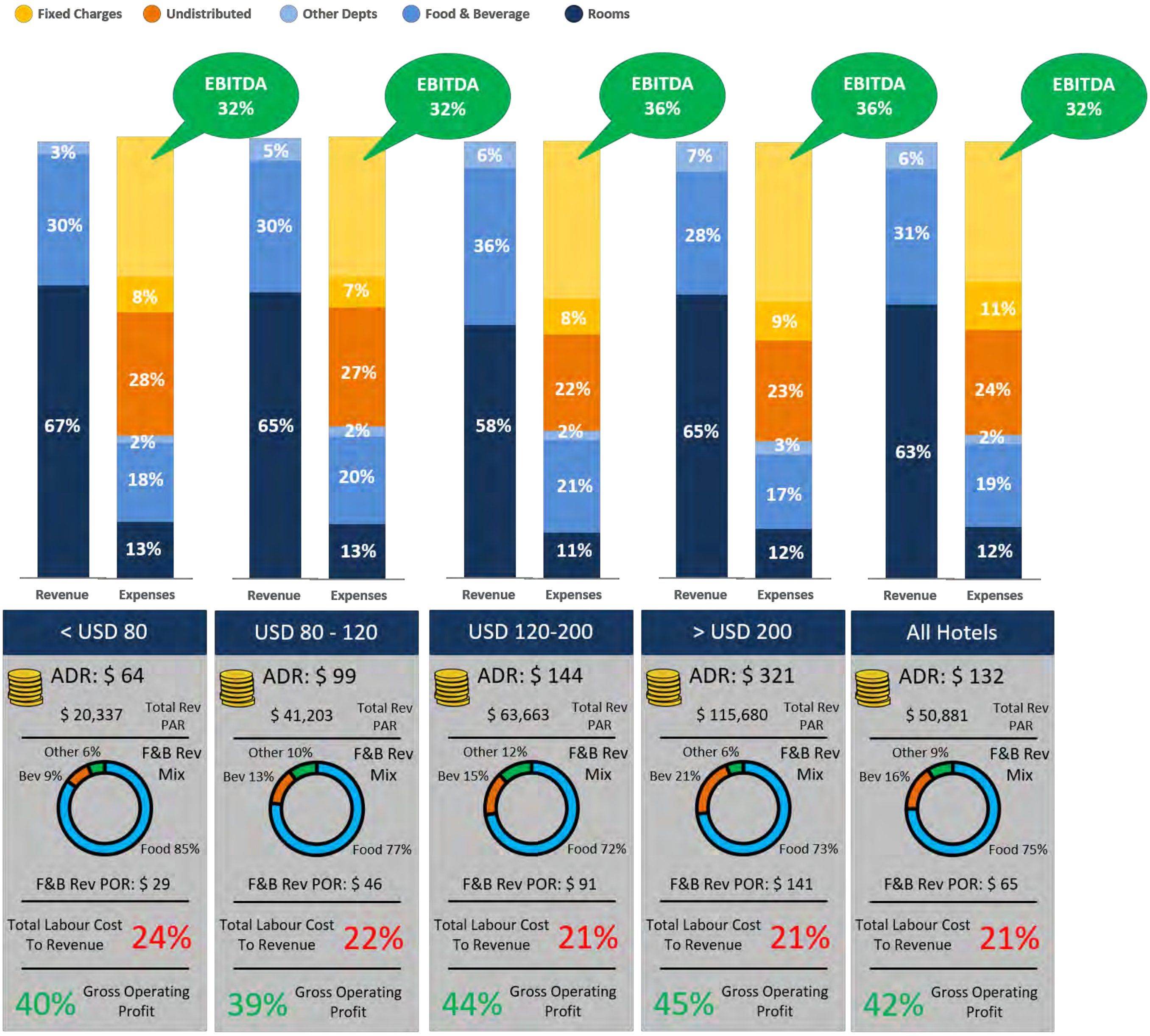
**Requisite Sample Size:** Each average benchmark figure will only be presented if the number of respondents is more than 10 percent of the total respondents in the respective column group. Anything less than 10 percent will be shown as Not Available (N/A).

**Categories by Number of Rooms:** In previous years, we have used number of rooms as a category along with average daily rates and locations. However, as of 2014, we have chosen not to segment hotels by size to avoid misleading data. If we rely solely on number of room size, data from hotels in different segments, such as budget and luxury, could be combined and create false averages. We feel that analysing hotels based on rate category and location provides stronger and more accurate data.

**Rate Segments:** Information by rate segment is only available for hotels in Vietnam which has the greatest sample. We have chosen to exclude participants from other countries for these breakdowns to avoid combining P&L data from potentially incomparable hotels, thereby presenting false averages.

**Segmented by Location:** Information by location is only available for hotels in Vietnam which has the greatest sample. We have chosen to exclude participants from other countries for these breakdowns to avoid combining P&L data from potentially incomparable hotels, thereby presenting false averages.

## Revenue & Expense Distribution (Vietnam Only)



## KEY FINDINGS

*Note: Due to sample size, YoY figures only available for Vietnam hotels, so the following Summary does not include hotels in Cambodia, Laos and Myanmar.*

The 2018 survey had 55 participating hotels from Vietnam, representing a total of 14,041 available rooms per day, a 38 percent increase from last year's survey and improving the accuracy of our findings.

The Under USD 80 category increased to 16 this year from 10 and the resultant YoY comparisons for the Vietnamese market will suffer from some bias, particularly for ADR and bottom-line figures. It is encouraged that you focus on the more granular rate segment data for better analysis.

Following provides an overview of the market:

- Room occupancy decreased by 7 percentage points year-on-year (YoY) due to an oversupply and weakening demand growth in coastal cities;
- ADR decreased by 6 percent in 2018, resulting in an overall 14 percent decrease in RevPAR, affected by the increased component of Under USD 80 hotels; and
- EBITDA per available room (PAR) decreased significantly by 21 percent in 2018 due in part to a large increase in Fixed Charges.

### TABLE 1.1 2018 VS. 2017 (VIETNAM ONLY)

| SUMMARY OF RESULTS | 2018 | 2017 | % Change |
|---|---|---|---|
| Total Number of Hotels | 55 | 44 | 25% |
| Total Number of Available Rooms per Day | 14,041 | 10,207 | 38% |
| Total Number of Occupied Rooms per Day | 9,588 | 7,630 | 26% |
| Occupancy | 68% | 75% | -9% |
| Average Number of Guests per Occupied Room | 2.2 | 2.5 | -13% |
| Average Daily Room Rate (USD) | 132 | 140 | -6% |
| RevPAR (USD) | 90 | 105 | -14% |
| Average Rate per Guest Night (USD) | 58 | 50 | 17% |
| Total Revenue per Guest Night (USD) | 92 | 78 | 18% |
| Total Revenue per Available Room (USD) | 50,881 | 57,176 | -11% |
| Total Expenses per Available Room (USD) | 29,282 | 32,177 | -9% |
| GOP per Available Room (USD) | 21,599 | 24,999 | -14% |
| GOP as a Percentage of Revenues | 43% | 44% | -3% |
| Fixed Charges (USD) | 5,544 | 4,726 | 17% |
| EBITDA per Available Room (USD) | 16,055 | 20,273 | -21% |

***Note:***

*Vertical totals may not add up as averages are based on respondents that contribute for each specific line items.*

*GOP: Gross Operating Profit*

*EBITDA: Earnings Before Interests, Taxes, Depreciation and Amortization*