



asset management
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Luang Prabang

Hotel Market Update

August 2014

Twin engines to jumpstart growth of upscale market

Branding of independent hotels and demand from new source markets highlight potential

“Luang Prabang’s potential as a mainstream cultural destination remains largely untapped to date. Despite being one of Asia’s best kept secrets, hotels have struggled to capture repeat guests. While nearby Siem Reap has evolved over the past decade, this decidedly smaller offering has yet to find its face in the crowd.

Fortunately, two key factors are creating favorable conditions for growth. These are the introduction of more international branded offerings and demand from emerging markets such as Latin America.



Source: Lao National Tourism Administration and C9 Hotelworks Market Research

In order to achieve sustained growth, Luang Prabang will need to capitalize on the favorable conditions while overcoming some fundamental, systemic challenges that are endemic to cultural tourism.”

Bill Barnett, Managing Director, C9 Hotelworks

2013 Trends

- Luang Prabang's total foreign arrivals of 342,557 represents a healthy year-on-year growth rate of 16%.
- New airport terminal with expanded runway is operational but airlift remains muted.
- Star-rated guestroom supply increased 5% year-on-year and accounted for 38% of total registered accommodation units.

2014 Outlook

- Rebranding of two upscale hotels under a major international operator expected to boost destination marketing and help generate incremental international demand for the broader market.
- Cost considerations likely to remain a mitigating factor in the growth of international airlift.
- Limited supply pipeline of upscale hotels a positive for existing operators in the near term.

TOURISM

Airline Indicators

- Arrivals at Luang Prabang International Airport (LPQ) for year 2013 reached 104,469 passengers, representing 1% growth year-on-year following a year of strong arrivals growth between 2011 and 2012 (+15% y-o-y).
- Expanded runway is operational but anticipated increase in jet aircraft servicing destination has yet to materialize.

Passengers Arrivals at LPQ



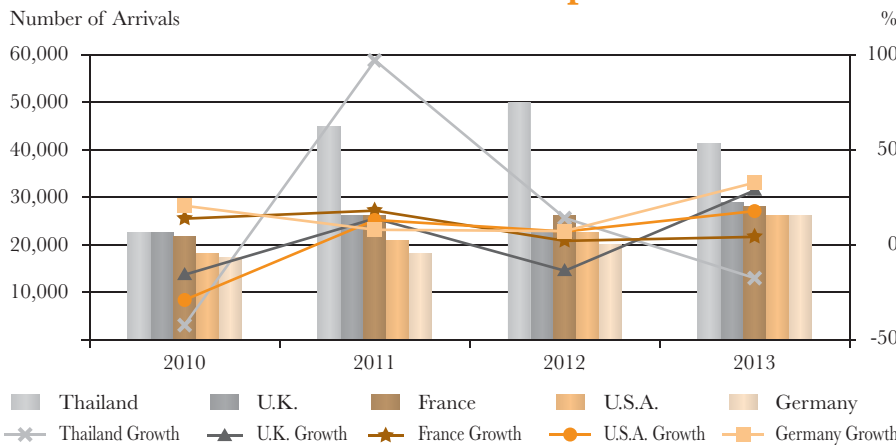
Source: Lao National Tourism Administration and C9 Hotelworks Market Research

Airport arrivals achieved 11% CAGR between 2009 and 2013

Tourism Indicators

- In 2013, visitor arrivals from Thailand declined by 42% year-on-year. The decline was largely precipitated by the political upheavals in the country in late 2013, which hit the Baht and also disrupted travel plans. By and large the impact of these events were amplified on Luang Prabang as they occurred during the peak tourist season.

Laos Top 5 Source Markets

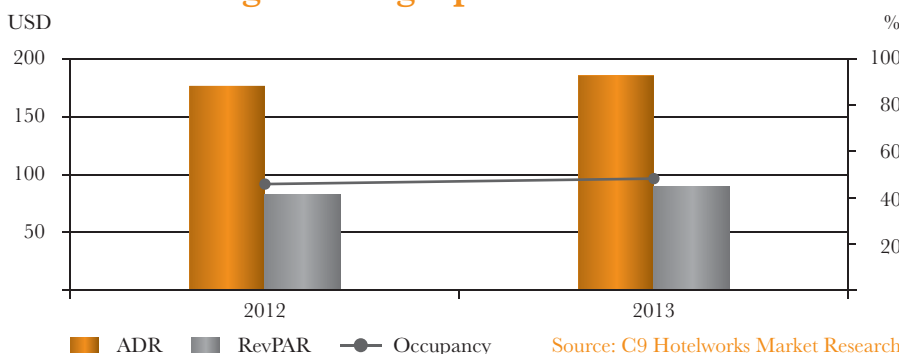


Source: C9 Hotelworks Market Research

Top 5 Growth Markets (2012-2013)

1. Scandinavia
2. Switzerland
3. Netherlands
4. New Zealand
5. Russia

Luang Prabang Upscale Hotel Performance

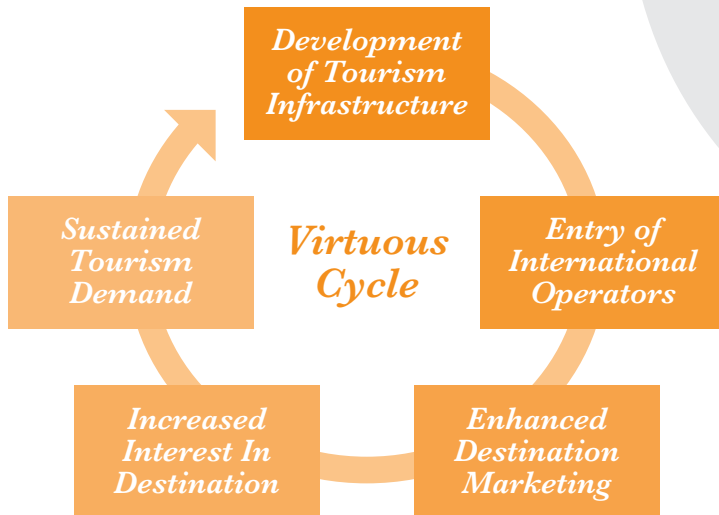


Source: C9 Hotelworks Market Research

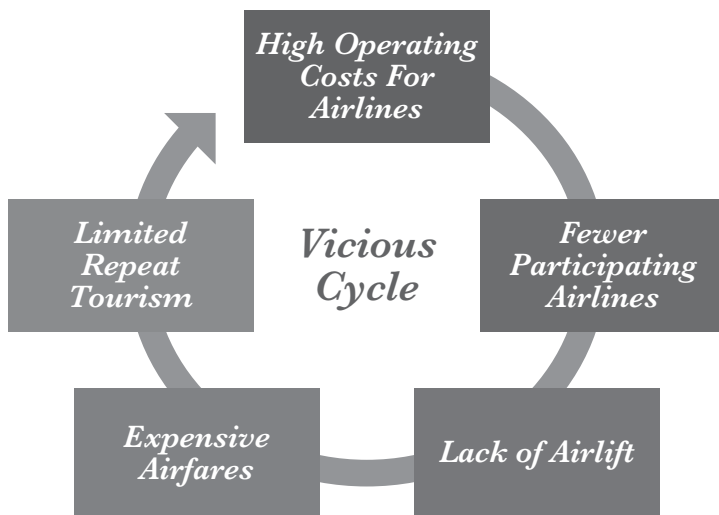
RevPAR increased 11% to US\$91 between 2012 and 2013

Market Analysis

- Luang Prabang stands at a critical juncture. A virtuous cycle of key tourism drivers is in place to take the market to the next level and potentially elevate the destination to close the gap to cultural destinations in the region, such as Hoi An, Vietnam and Siem Reap, Cambodia.
- Concurrently, there are factors forming a vicious cycle that could severely impede the market from realising its full potential. The key factors in the virtuous cycle and the vicious cycle are summarised below.



- New airport terminal is operational with an expanded runway able to accommodate widebody aircraft.
- In 2H 2014, two upscale hotels in Luang Prabang will rebrand under the Accor chain and Aqua Expeditions will launch a luxury Mekong cruise to Vietnam and Cambodia.
- Leveraging on international operators' global customer base and marketing efforts for the region, Luang Prabang should see increased and sustained interest that should spur further infrastructure development and growth.



- Landing fees at Luang Prabang's airport is up to 1.6x that of other airports in the region.
- This results in higher operating costs for airlines, which discourage operators from establishing a Luang Prabang route, causing a lack of airlift to the market.
- The airlines that do operate such a route need to charge higher fares, making Luang Prabang an expensive destination.
- Higher fares discourage travelers from making repeat visits that can help sustain market demand and long-term growth.

Hotel Openings

- At the end of 2013, there were a total of 60 hotels accounting for 1,554 rooms in Luang Prabang, while 320 guesthouses contributed another 2,572 rooms to the market. Supply growth of hotels and guesthouses was 5% and 4% year-on-year respectively.
- There are no confirmed international pipeline projects that are projected to open until 2H 2016.

Hotel Name	Location	Rooms	Opening Date
Anantara Luang Prabang	Mekong River	115	August 2016

Source: C9 Hotelworks Market Research

About C9 Hotelworks



Bill Barnett
Managing Director

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- Ⓞ **Hotel and Resort Development**
- Ⓞ **Asset Management / Ownership Representation**
- Ⓞ **Project Feasibility and Analysis**

Key competencies include international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 29 years of experience in Asia Pacific, the firm is well positioned to serve an increasingly demanding marketplace.



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