

VIETNAM SPECIAL REPORT

PHU QUOC

FIGHTING FOR IDENTITY

CBRE GLOBAL
RESEARCH AND
CONSULTING



CBRE





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Terminology & Definition

- ADR (Average Daily Rate): A statistical calculation often computed by dividing room revenue by the total number of guest rooms occupied.
- Bungalow: a small villa or cottage within a hotel or resort complex, usually having a single storey and sometimes an additional attic storey. A bungalow is surrounded by greenery, gardens and lawns.
- Eco-tourism: a form of tourism involving visiting fragile, pristine, and relatively undisturbed natural areas, intended as a low-impact and often small scale alternative to standard commercial (mass) tourism.
- MICE (Meetings, Incentives, Conferences and Exhibition with the “E” sometimes referring to Events and the “C” sometimes referring to Conventions): is a type of tourism in which large groups, usually planned well in advance, are brought together for a particular purpose.
- RevPAR (Revenue per Available Room): a key indicator of performance for hotels and can be broken down into two parts reflecting occupancy and rates: $RevPAR = Occupancy \text{ (percentage of available rooms occupied)} \times \text{Average Room Rate per night}$.
- The term “hotels” in this report is understood to include both hotels and resorts.
- CBRE has classified hotels at the rating we deem appropriate within the Phu Quoc hotel market, and not necessarily by the standards set by the Vietnam National Administration of Tourism (VNAT). The criteria used are based mainly on the OHRG (Official Hotel and Resort Guide) hotel system ratings. This system is recognised as being comparable for almost all countries around the world, especially developing countries.
- CBRE considered the following factors when classifying the respective hotels in Phu Quoc:
 - ✓ Location of the hotel
 - ✓ Room service and quality of staff
 - ✓ Design and layout – size of the rooms, lobby, number of lifts
 - ✓ Facilities, amenities provided – a wide range of recreational facilities, food and beverage outlets, meeting and conference facilities
 - ✓ Internal finishes – high quality of furniture and fittings
 - ✓ External facade – attractive design and finishes
 - ✓ Size of hotel (number of guest rooms)
 - ✓ Average daily room rates
 - ✓ Hotel management: whether the hotel is managed by a hotel operator or is self-managed.
- For the purpose of this report, CBRE classifies the top-tier hotel market in Phu Quoc into three categories: luxury four-star, standard four-star and luxury three-star hotels.
- Information used in this report has been collected through interviews with representatives of hotels, from our in-house database as well as from statistics provided by VNAT and other Governmental sources.

EXECUTIVE SUMMARY

SIGNIFICANCE

Phu Quoc has huge potential to develop into a favoured beach escape

150 km coastal length

HOWEVER

99 scenic mountains

The island is still largely undeveloped.

62% forest area

CONCERNS



Infrastructure: Poor infrastructure, low progress on road upgrading



Facilities and amenities : Lack of international hospitals, supermarkets or retail chains, nightlife, bars and clubs



Master plan: Too many projects under planning while local government keeps changing the island's master plan



Labour force: Lack of skilled workforce



Development cost: High cost of construction and operation

OPPORTUNITIES



Potential for **eco-tourism** and **eco-resort** development



Investors: A few number of top-tier hotels/resorts and no existing second home villa creates a good opportunity for the hospitality investors



Hotel operators: lack of big brand names also creates a good opportunity for international operators

Introduction

Back in 2006, an American group, Rockingham, applied to invest in a 1,000ha tourism project worth US\$1 billion on Phu Quoc Island in the southern province of Kien Giang. This project would have included a car racing track. Shortly after that, Swiss-backed Trustee Suisse Group also announced plans to invest \$2.6 billion into the Asia Pearl tourism project, the largest tourism project to have ever been proposed for Phu Quoc. Since the Prime Minister issued a decision encouraging investment on Phu Quoc Island in 2006, the wave of investment into this island has soared. Preferential policies of the highest level for investment are being applied on this island.

Alongside destinations such as Da Nang, Mui Ne, Nha Trang and Vung Tau, Phu Quoc is one of the key coastal tourism destinations in Vietnam. What brings international travelers and, thus far, restrained development to Phu Quoc are its warm, turquoise waters, secluded, deep sandy beaches, and its lush, mountainous interior, which is protected as a national park. With all these advantages, Vietnam's government has an ambition to turn Phu Quoc from a sleepy backwater to a favoured beach escape for Western tourists that can compare successfully neighbouring destination such as Phuket or Bali.

The scramble to develop Phu Quoc is in earnest, and large numbers of high rolling investors have come to the party. A total of 190 local and foreign investors have applied to invest on the island. Some 100 projects have been approved on a total area of nearly 4,296 ha including high-end resort projects on Long Beach, multiple golf courses, kite-flying areas and even a casino. However, beyond the chain of small to medium scale local resorts lining Long Beach, the island is still largely undeveloped – and unlike Phuket, which it aspires to emulate, visitors cannot find anything to do here after dark. Only a few major projects have been constructed recently, while all the others, many of which are foreign-invested, are still on hold.

The new international airport that was opened in late 2012 to replace the old local one is expected to open the door wide for tourism and eco-social development for the island. If Vietnam's government has its way, by 2030 it should be able to serve 7 million passengers per year. The Phu Quoc that those 7 million passengers visit then will be totally different from the Phu Quoc we know now, if the current plans come to fruition. But will these plans actually deliver?

Obviously ambitious plans are one thing, but getting them realized is another. So what improvements have been made on the island recently, what are the challenges that the island is still facing and what will be the future for Phu Quoc in the years to come?



Location & Seasonality

An island with 150km coastal line

Situated in the west of Vietnam, Phu Quoc is the country's largest island with a land area of 563 square kilometres, equal to the area of Singapore. It is approximately 120 kilometres from Rach Gia City on the mainland and approximately 4.5 kilometres from the coastal border between Cambodia and Vietnam. It lies almost at the geographic centre of Asian Southern East countries as it is approximately a 1-hour flight from Phu Quoc Island to Ho Chi Minh City, Phnom Penh, Bangkok, Singapore and Kuala Lumpur. The population of the island is only 103,000 people.

The island is home to several of the nicest beaches in Vietnam. On the west side of the island lies the main beach called Long Beach where most of the hotels and resorts are located. Further to the upper west coast is a long stretch beach called Bai Dai which is among the most remote and pristine. Just offshore rises Turtle Island (Doi Moi), a snorkeler's delight with coral reefs and tropical fish galore. On the east side of Phu Quoc lie the most wild idyllic and also the most isolated beach: Sao Beach.

Phu Quoc however has a lot more to offer than just beaches. The island is famous for producing two traditional products: fish sauce and pepper. Fish sauce produced in Phu Quoc is one of the most popular and preferred by most Vietnamese people. Phu Quoc is surrounded by the sea which supplies the main material (fish) for this industry plus the secret ingredients that give the Phu Quoc fish sauce such a good smell and taste. Pepper is cultivated inland by many farmers and is well known for its strong taste. Phu Quoc also offers travelers some of the most beautiful pearls in the world.



Safe from the wrath of the sea

Nature generously endowed this land with sunshine all year round. Almost no storms affect the island. The temperature rarely falls under 15°C and averages 27°C. April is the hottest month of the year at around 28.3 Celsius degrees while it is about 25 Celsius degrees in January. Winds on the island have two directions: The Northeaster lasts from November to March and the Southwester from May to October. There are two distinct seasons: the dry season and the rainy season. The rainy season lasts from April or May to October or November while the dry season lasts from October or November to March or April. 90% of the rainfall occurs in the rainy season. Mid winter is the best time to visit Phu Quoc, when the sky is blue and the sea is calm.



Source: phuquocexplorer.com, CBRE, Q2 2014.

Accessibility

New airport raises seat capacity by 60%

Being an island, there are only two ways of getting to Phu Quoc: by air and by sea. Travelling by sea normally takes two and half hours by boat from Rach Gia, the nearest inland town, and it takes seven hours to travel by car from HCMC to Rach Gia. Due to the long journey by sea, almost all tourists come to Phu Quoc by air with the only choice being Phu Quoc’s Duong Dong International Airport, which was opened in late 2012 to replace the old local airport that was only able to receive small aircraft on domestic routes. Phu Quoc is now able to connect with domestic and regional destinations. The 900-ha terminal, with 3,000 meter-long and 45 meter-wide runway, is capable of landing Boeing 777s, Boeing 747- 400s, and similar aircraft, and dealing with some 2.6 million passengers a year.

The flagship carrier Vietnam Airlines currently offers 67 weekly services between Phu Quoc and the cities of Ho Chi Minh, Hanoi, Rach Gia, and Can Tho, most of them using 184-seat Airbus A321 aircraft. Low-cost carrier VietJet Air has also launched a daily flight to Phu Quoc from Ho Chi Minh and Hanoi using 180-seat Airbus A320 aircraft. Air Mekong, a private carrier which used to offer two daily flights from Ho Chi Minh to Phu Quoc and two weekly flights from Hanoi to Phu Quoc on a small fleet of Bombardier CRJ900s, has temporarily suspended its flights to Phu Quoc.

Statistics from Centre for Aviation Report (CAPA) show that the new international airport has helped to increase current flight capacity to Phu Quoc by about 60%. Before the international airport opened, Phu Quoc could only receive a maximum of 1,288 persons per day or 455,908 persons per year on the assumption that planes were flying at full capacity. Now the island can receive maximum 760,000 persons per year, based on how it is operating today. According to the master plan of this airport, the target capacity will be 2.7 million pax per year by 2020 and 7.0 million pax per year by 2030.

However, there has yet to be any international flight to Phu Quoc except for some non-scheduled chartered flights from Novosibirsk, a far east city of Russia. The demand is not yet large enough to attract foreign carriers from Europe, Russia and South Korea as well as other countries in Southeast Asia even though these carriers showed interest when the new airport just opened.



Old airport

100 Flights per week
 90 max pax per flight
 450,000 max pax per year

New airport

115 Flights per week
 187 max pax per flight
 760,000 max pax per year

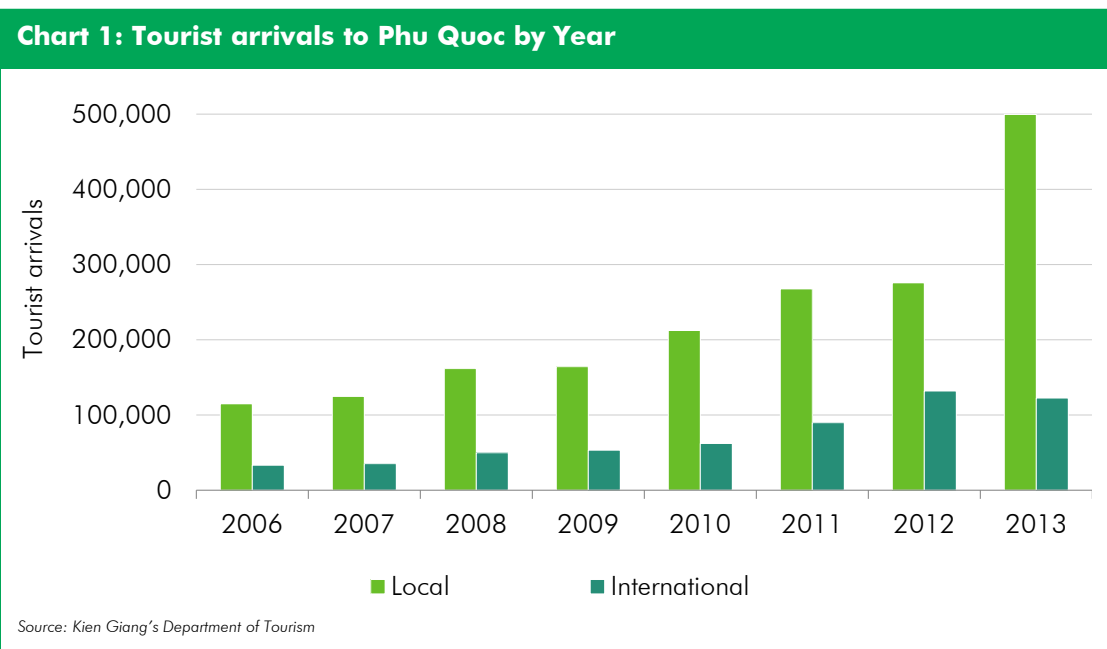
Tourist arrivals

A market dominated by local visitors

Phu Quoc has seen a continuous increase in tourist arrivals, averaging around 24% in the last seven years. In 2013 the island attracted 622,479 arrivals, of which domestic tourists accounted for 80%. The number of domestic arrivals to Phu Quoc in 2013 was almost double that in 2012 thanks to the opening of the new airport. The number of international arrivals however saw a slight drop as there is no scheduled international flight operating to Phu Quoc. Last February, Phu Quoc International Airport welcomed the first direct chartered flight run by Russian helicopter airline Ikar with 250 Russian tourists aboard, but only 48 chose to stay on the island. In March, there were three more direct flights from Russia to Phu Quoc, but in total, only 208 Russian tourists remain on the island. More than half of the passengers on the four flights chose to travel to Cam Ranh Bay in Khanh Hoa Province.

Russian tourists are not interested in Phu Quoc because room rates there are usually higher than those in Da Nang, Khanh Hoa and Phan Thiet and recreational services offered on Phu Quoc beaches are not as diverse as in other places. As the number of standard hotel rooms in Phu Quoc is limited, travel agencies sometimes have to sign contracts with prices 30 percent higher than in other places, which ruffled Russian tourists' feathers.

The majority of international tourists to Phu Quoc therefore mainly come from European countries such as France, Germany, Switzerland, UK and Russia. Other tourists come from Australia, America, Sweden and some East Asian countries such as Korea and China.



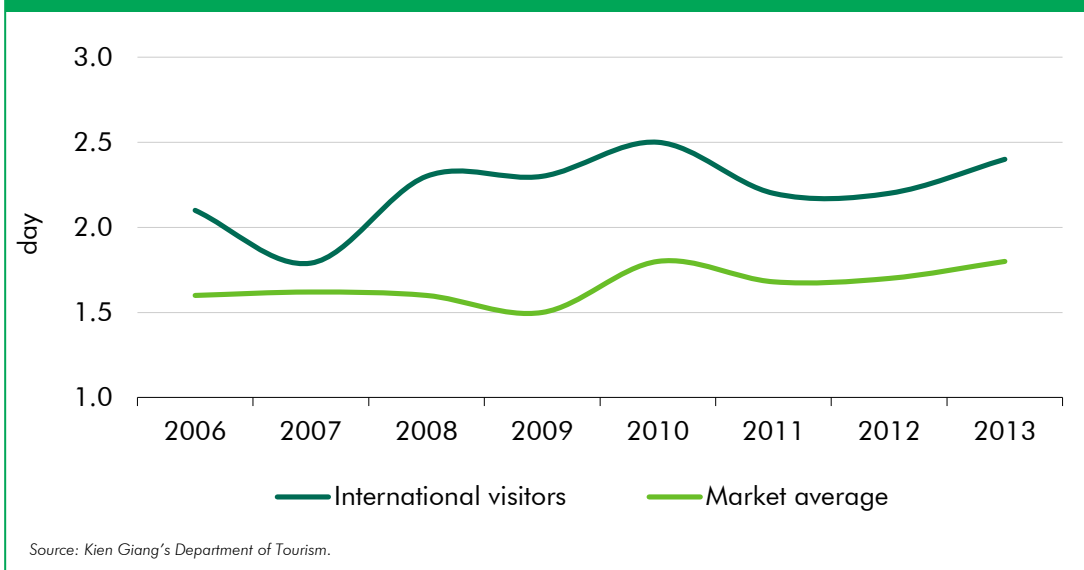
Limited number of repeated visitors


Alarmed by the lower-than-expected number of foreign tourists, the government has granted visa exemptions for foreigners visiting the island for up to 30 days. According to a decision that took effect on March 10, 2014, visa waivers will also be implemented for foreigners who transit any airport or seaport in Vietnam on their way to Phu Quoc. While many tourism companies are expecting to cash in thanks to the visa exemption policy, most stakeholders are still concerned about the positive impact of the decision.

Due to the island’s limited and small scaled accommodation, MICE guest segment demand also accounts for a very small proportion of the total demand source. The main issue here is how to create more products to diversify the demand source, to attract tourists to stay longer and to increase the proportion of repeat visitors.

The average length of stay of foreign tourists in Phu Quoc has not improved for a long time and is currently around 2-3 days. The number of repeat visitors is also very small, accounting for only 5% of total visitors to Phu Quoc every year. If the island does not have a proper plan to diversify its tourism services, a target of 2-3 million tourist arrivals per year in 2020 and 7 million in 2030 seems a long way to go for Phu Quoc even with a 30-day visa exemption.

Chart 2: Length of Stay of Tourists in Phu Quoc





622,479

visitors to Phu Quoc
in 2013

in 2013

53%

y-o-y growth

y-o-y growth

20%

are foreign visitors

are foreign visitors

5%

are repeat visitors

are repeat visitors

2.40 days

average length of stay
for foreign visitors

for foreign visitors

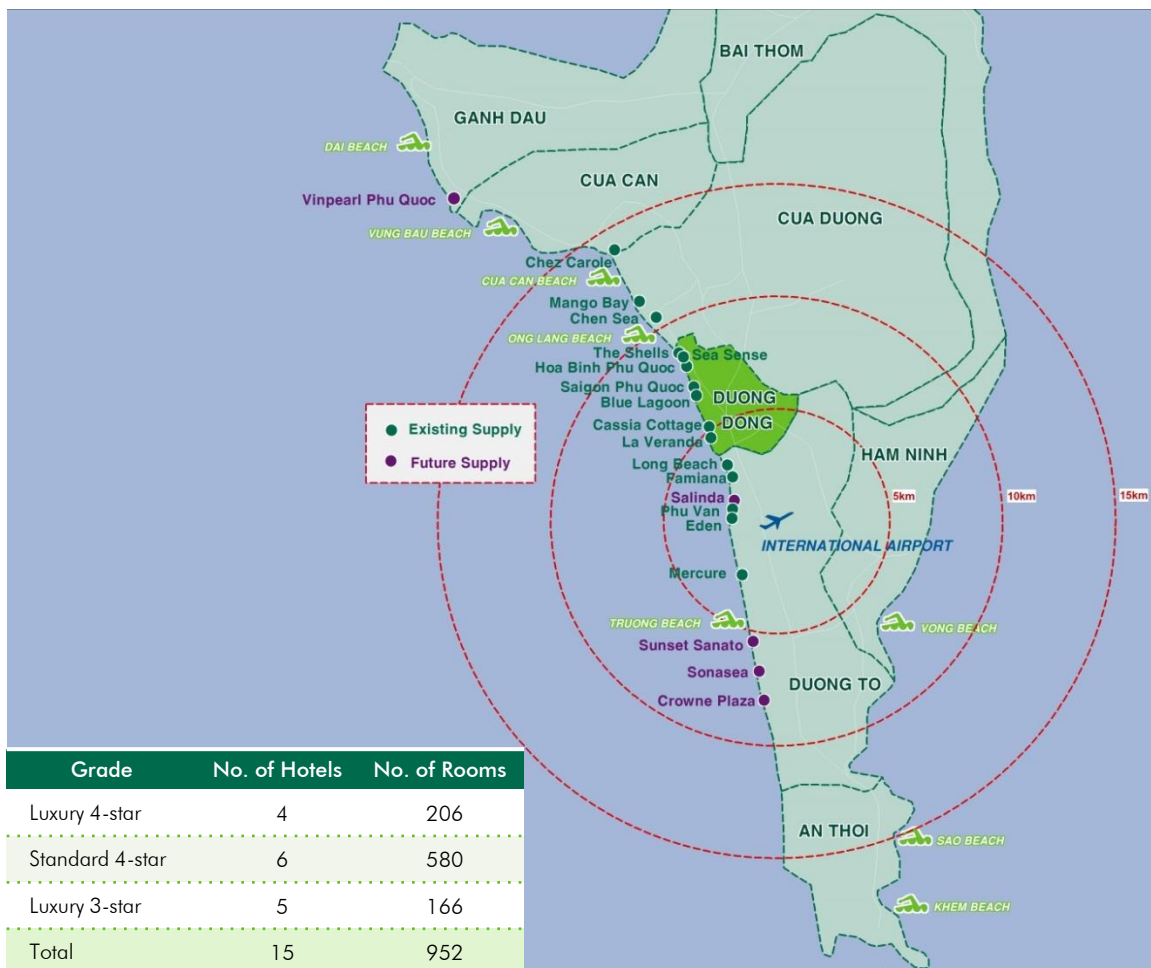
Hotel Supply

Limited and small scale accommodation

The majority of accommodation available in Phu Quoc are local guesthouses and small uncertified hotels. Out of 100 establishments offering approximately 2,900 rooms in Phu Quoc as of today, there are only 15 (with 952 rooms in total) that CBRE classifies as top-tier hotels. This includes four luxury four-star hotels (206 rooms), six standard four-star hotels (580 rooms) and five luxury three-star hotels (166 rooms). There is no five-star hotel in Phu Quoc yet. Some hotels like MGallery La Veranda or Chen Sea Resort have room and service quality equal to that of the five-star standard, however, these hotels have a small number of rooms and lack some of the facilities required for the five-star standard, therefore they are only regarded as luxury four-star hotels. On average, each top-tier hotel in Phu Quoc has around 47 rooms.

All top-tier hotels in Phu Quoc are on the west side of the island, which is where the main beach, Long Beach (Bai Truong) is located. The beach on this side of the island is calm, clear and has white sand with warm water during the dry season (November-April), which is ideal for tourism. The east side of the island does not have any existing hotel developments even though some of the nicest beaches on the island are located on this side, namely Vong Beach, Sao Beach and Khem Beach. During the rainy season, when the beach on the west side is not ideal for swimming, the beach on the east side is, on the contrary, very good. The east side also receives the first sunlight of the day on the island, which provides a lot of potential for future hotel developments.

Chart 3: Location of top-tier hotels in Phu Quoc



Source: CBRE, Q2 2014.



Hardcore accommodation and super-posh hotels

There are two distinct types of hotels in Phu Quoc that target foreign travellers. Interestingly, both types are performing very well as they offer their target clients exactly what they want at the right price.

The first type are very basic, hardcore accommodation targeted at nature-oriented and ecological travellers. Guesthouses are often bungalows or cottages that are hidden in tropical gardens. There is no air conditioning, no TV, no internet, no hot water and very limited use of electricity. The showers and bathroom are often outside or half outside. As the houses are situated in a tropical garden with open doors and windows, they are often hosts to everything you would get from a tropical country - lizards, frogs, insects, mice. So this type of accommodation is often just for fans of outdoor life and nature as well as for those with limited accommodation budget. With a budget of US\$50 per night, one can stay at eco resorts like Mango Bay Resort or Bo Resort.

The other type are the super-posh and luxurious hotels targeted at high-end guests for US\$100 - \$180/room/night such as La Veranda Resort Phu Quoc or Chen Sea Resort & Spa. There is a wide variety of rooms from standard to deluxe and suites which can satisfy the most demanding guests. There are lush gardens, beautiful swimming pools and peaceful areas for guests to relax.

The number of top-tier hotel rooms in Phu Quoc that can accommodate foreign travellers is much smaller than that in other coastal cities like Da Nang, Binh Thuan or Nha Trang. With 952 top-tier rooms, the size of the top-tier hotel market in Phu Quoc is equal to just one fifth of that of Da Nang and Mui Ne and one third of Nha Trang despite the length of these cities coast lines are being more or less the same.

The island also has limited international hotel operators. Other than MGallery La Veranda Resort and Mercure Resort & Spa managed by the international hotel group Accor and Chen Sea Resort operated by Thai's hotel group Centara, all other hotels are self-operated.



Future Supply - Big names lining up

The characteristics of the hotel market in Phu Quoc will be fundamentally changed when the Vinpearl Phu Quoc Resort & Spa come online by the end of 2014. This mega resort covers 300 hectare area with luxury hotels, villas and golf course. Phase 1 of the project is about 5 ha and is being implemented with lightning speed. When completed, Vinpearl Phu Quoc will become the largest 5-star hotel with over 500 rooms in Phu Quoc and its pool is also the largest pool in Phu Quoc at 800 m2. Another five star hotel, the 120-key Salinda Premium Resort & Spa developed by Salinda Group, is now under fitting out and will be also put into operation very soon in 2014.

Apart from these two resorts, a range of new projects have also kicked off in recent months including the five-star Crowne Plaza Phu Quoc Hotel by BIM Group with 400 luxury rooms; the four-star Novotel Phu Quoc Resort, a part of 80-ha Sonasea Villas & Resort by CEO Group, with 406 luxury rooms and 40 bungalow. the 24-ha Sunset Sanato Premium Complex by Chin Chin Nui Company. All of these projects are located in Bai Truong beach and are scheduled to complete in 2015-2016.

The introduction of Crowne Plaza, a brand name of the InterContinental Hotel Group (IHG) – the world largest hospitality group with respect to total number of rooms and Novotel, a brand name of Accor Group, will provide international standard rooms and services to the island which is still limited in terms of international operators.

Chart 4: Major under-construction hotel projects in Phu Quoc



Source: CBRE, Q2 2014.

Hotel Performance

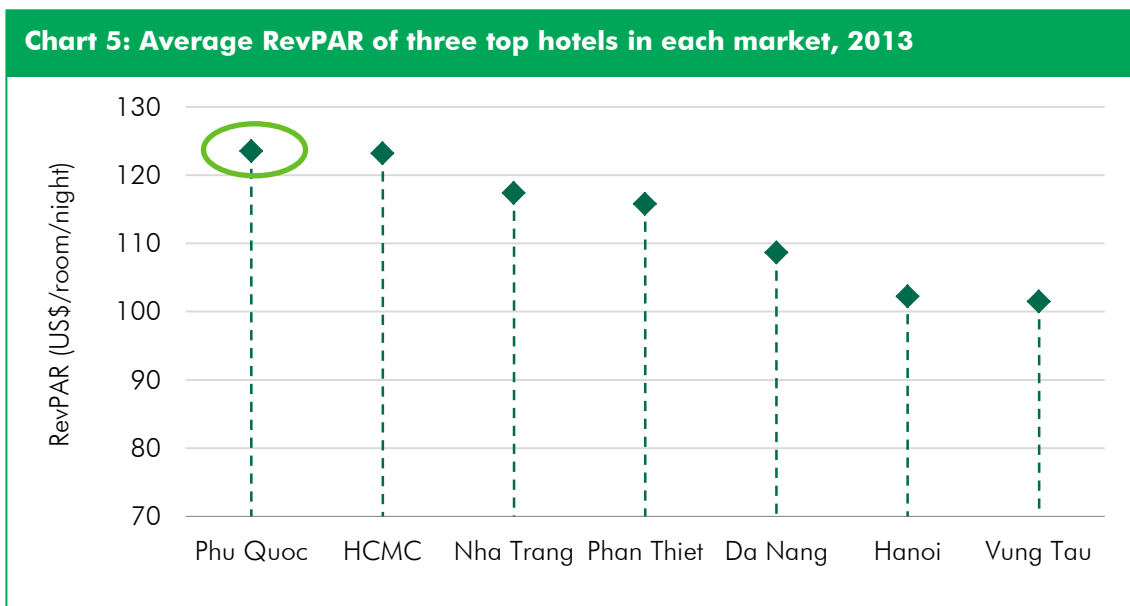
Market leader in Vietnam

Compared to other coastal cities like Phan Thiet, Nha Trang, Vung Tau, Da Nang and even compared to the two biggest cities of Hanoi and HCMC, top-tier hotels in Phu Quoc are among the best performers. Revenue per Available Room (RevPAR) of the luxury four star segment in Phu Quoc recorded rates as high as US\$124 per room per night in 2013 while equivalent rates were only US\$115.80 at the “capital of resort” Phan Thiet, US\$123.20 in HCMC and US\$102.27 in Hanoi for similar segment.

The average occupancy rate for top-tier hotels in Phu Quoc is 75%, which has been stable for the last three years. Hotels which have a small number of rooms (from 17 to 43 keys) can achieve occupancy rates from 80% upward. Bungalow-style resorts tend to have higher occupancy rates than block hotels which reflects the preferences of travellers to Phu Quoc, most of whom are holiday-makers and like to stay in a nature-oriented accommodation. Both luxury four-star and luxury three-star categories obtained average occupancy rates of above 80%, while the standard four-star hotels obtained average occupancy rates of around 60%.

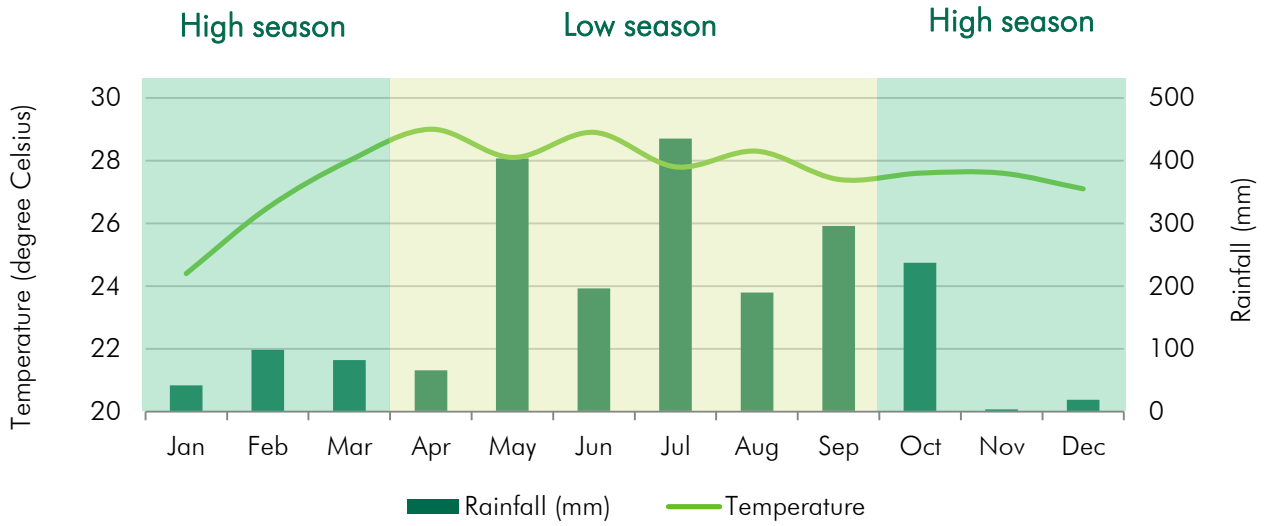
Top-tier hotels in Phu Quoc can achieve an Average Daily Rates (ADR) of about US\$180-220 for luxury four-star hotels. Meanwhile standard four-star hotels, most of which target at local guests, can only achieve an average ADR of about US\$50-100, even lower than the luxury three-star segment which can achieve up to US\$80 on average. The current ADR however is expected to be lower in the near future when the electricity price drops by 50-60 percent thanks to the connection to the national power grid.

The performance of the hotel market in Phu Quoc also has its seasonal characteristics as illustrated in following charts. Hotels record very high occupancy rates from January to March (high season) before gradually decreasing between May and September (low season). The occupancy rates pick up again at the beginning of October, which is the start of high season. Mirroring the changes in the occupancy rates, the ADR decreases significantly in the low season compared to the high season. The occupancy rate and ADR is often highest in December and January, which coincides with Christmas and New Year, and lowest in June and July when the rain is at its heaviest.



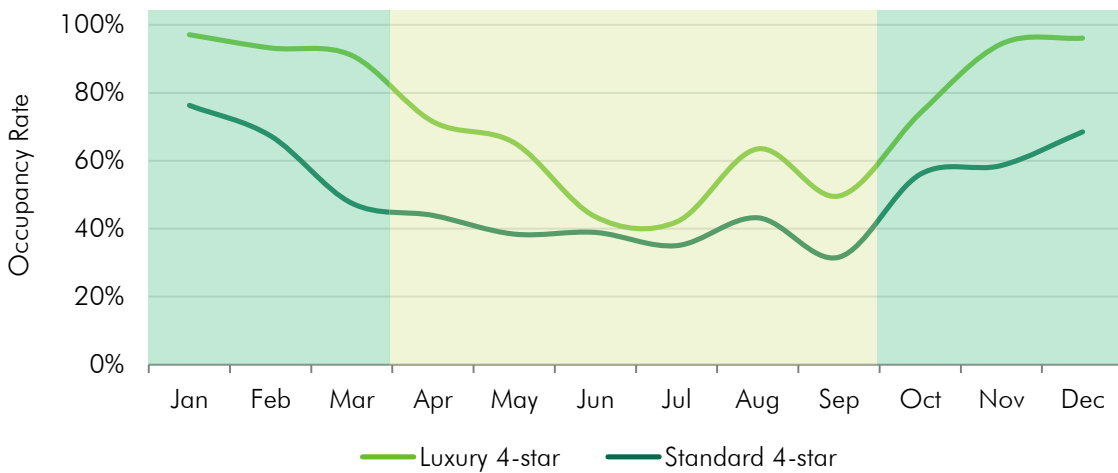
Source: CBRE, Q2 2014.

Chart 6: Phu Quoc Seasonality



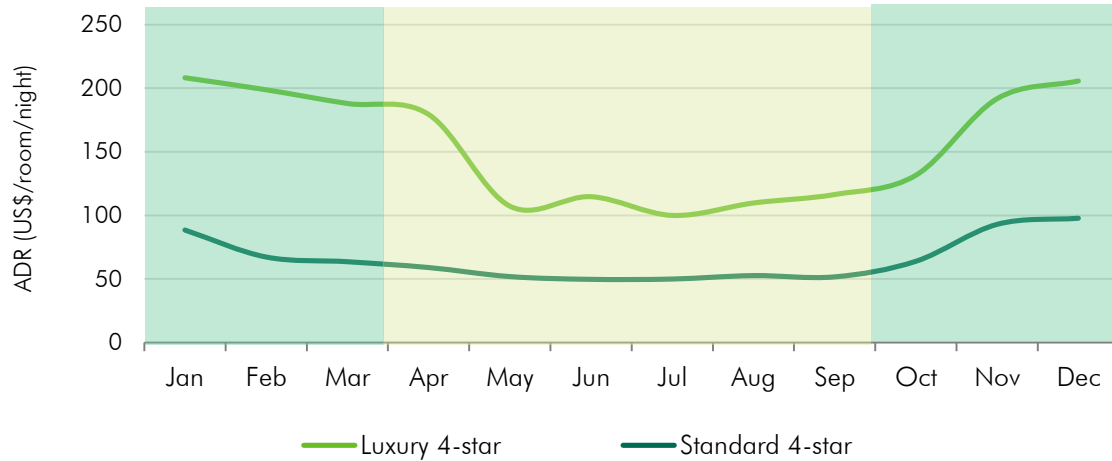
Source: CBRE, Q2 2014.

Chart 7: 4-star Hotels in Phu Quoc, Occupancy by Season, 2013



Source: CBRE, Q2 2014.

Chart 8: 4-star Hotels in Phu Quoc, ADR by Season, 2013



Source: CBRE, Q2 2014.

Development Cost

Land Cost

Land prices in Phu Quoc have a wide spread depending on the location and the size of the plot, the beach frontage length and also the legal paperwork. Land plots with beach frontage that are suitable for developing a resort complex are the most sought-after and as such have the highest price. However, some beaches are more expensive than others. For example, land in Ham Ninh costs less due to the fact that the beach here is shallow and muddy whereas land along Bai Truong beach in Duong Dong Town can be 20 times more expensive. A location close to the airport can also add value to the price.

Evidence shows that a piece of 3-ha beach front land in Duong Dong Town; about 15 minutes away from Phu Quoc International Airport; having investment licence issued for hotel and resort development and all legal procedures completed has an asking price of up to US\$500 per square metre. Another site with a similar location but four times larger land size cost about US\$200 per square metre. If an investment licence has not been issued, the asking price then drops to around US\$50 per square metre. In general, the asking price of beach-front land can be as high as US\$100 – US\$200 psm for development sites in Duong Dong area and lower for more isolated locations.

Construction Cost

The construction cost for a standard low-rise five-star hotel is from US\$1,000 – 1,500 per square metre depending on materials used, advisors selected, construction and management companies contracted. Taking into account the remote location and the need to transport building materials from the mainland to the island, it is advisable to add at least 20-30% for construction cost in Phu Quoc.

Chart 7: Asking Land Price for large plots 10-20ha, Phu Quoc, 2013



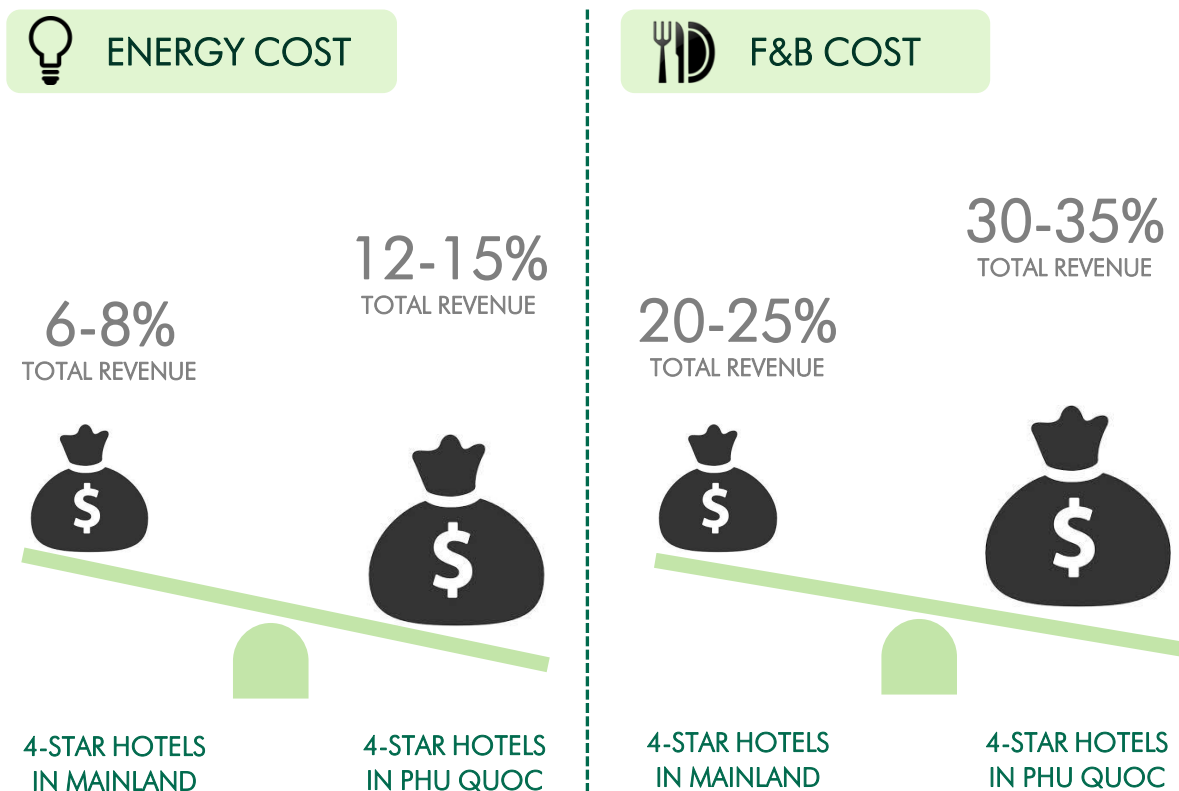
Source: CBRE, Q2 2014.

Operating Cost

Running a project on an island like Phu Quoc can cost be much more expensive than on the mainland due to the higher cost of electricity and water. Before 2014, a typical four star resort in Phu Quoc was allocated power from the Phu Quoc Power Plant at VND9,300 per kWh for ten hours a day and had to use power from a diesel generator for the remaining 14 hours at a cost of VND12,500 per kWh. Power expense alone can account up to 12-15% of a resort’s revenues while it normally accounts for just 6-8% for a standard four-star hotel on the mainland. Even with such high costs, the power supply on the island was never sufficient to meet demand and that has been one of the major hurdles to development on Phu Quoc. Now that Phu Quoc Island is connected with the national power grid, after an undersea cable linked it with Ha Tien town in early 2014, it cost businesses just VND1,509 for a kWh of power, a fifth of the previous cost. The energy cost is expected to reduce significantly as a proportion of the total operating cost.

F&B cost of sales will also be affected due to the higher cost of transporting materials from mainland to the island. F&B cost of sales of a four-star resort in Phu Quoc can take up 30-35% of total revenue while it is just 20-25% for a similar hotel in mainland.

Shortage of a qualified workforce, especially those with English fluency, is also a big concern for the hospitality industry in Phu Quoc. There has been fierce competition among high-end hotels for labour which has pushed the labour costs on this island to a higher level than in any other Vietnamese city..



Final thought

With its beauty and tranquillity, Phu Quoc is undeniably one of the most attractive destinations in Vietnam. There are good reasons for Vietnam's government to propose a special economic zone model for the island so that it can enjoy the country's most favorable policies which are currently applied to those in the industrial and export processing zones. These policies will include land use, corporate tax, income tax and import tax benefits.

Nevertheless, we remain concerned over the infrastructure system of the island. No matter how much the government has slashed taxes and cleared red tape to help the island succeed, the lack of even basic infrastructure like paved roads is a fundamental handicap. To put it crudely, if all of the many approved development plans were to suddenly proceed, what good would it be if Phu Quoc had a world-class race-track if most of its regular roads were paved with red dirt? An airport alone is not enough to bring in international tourists, a lesson which has been learned in nearby Cambodia, where the Sihanoukville Airport only has limited domestic services six years after opening.

The island currently has a limited number of top-tier hotels. Despite this, hoteliers on the island already feel the pain of skilled labour shortage. With about 1,000 additional luxury rooms coming online in the next two years, the battle for qualified workforce will become even more fierce. If there is no plan to build and develop training colleges and centres on site, developers and investors will continue to suffer high labour cost.

Last but not least, continuous change in local Government master plans, leading to confusion among developers on what can be built, what cannot, which sector is encouraged to invest or the location of land appropriate for the island's development is challenging the patience of developers.

Investor Q&A

Questions	Answers
Where is Phu Quoc?	Off the southern coast of Vietnam, in the Gulf of Thailand. The island is actually closer to Cambodia than Vietnam. It is just 18km from the Cambodian Province of Kampot.
What is the total size of the island?	Land Area: 56,198 ha/563 sq km Number of islands: 22 Length – north to south: 50 km Widest point - east to west: 28 km Coastline Length: 150 km
Population	103,000 people
How can I access the island?	By air or by sea Flying time from HCMC: 50 minutes Flying time from Hanoi: 2.5 hours Express boat from Ha Tien: 1.15 hours Express boat from Rach Gia: 2.5 hours There is no direct flight from cities outside Vietnam to Phu Quoc except chartered flights from Novosibirsk
Airport	The new international airport has just been built with capacity to receive Boeing 767s, Airbus A320 and A321
Quantity of tourists per year	622,479 in 2013 and aiming at 2 million by year 2020
Visa requirements	The visa for visitors to Phu Quoc is 30-day free of application. Beyond this period, it's required to obtain a visa to Phu Quoc.
Climate, when is low season and high season?	Average Temperature: 27 degree Celsius High Season: November – March Low Season: July - September
Time difference	UTC/GMT +7 hours
Economy and international trade	Fishing, fish sauce making, pepper growing and tourism.
Seaports	Duong Dong, An Thoi, Ham Ninh, Ganh Dau.
Infrastructure of roads (total length in km)	120 km with more kilometres being built.
Possibility of connection of electricity and water supply to land plots	From 2014, the electricity of the island has been connected to the national power grid.

Investor Q&A (cont')

Questions	Answers
Which projects are highly demanded to develop on Phu Quoc?	Resorts and villas.
What are the preferential policies being offered to the island?	Developers and investment projects will enjoy corporate income tax of 10 per cent throughout duration of implementation, instead of the usual 28 per cent. Personal income taxes will be reduced by 50 per cent for Vietnamese and expatriates on the island.
How a foreign corporation can participate in real estate business activities or acquire land use right in Vietnam?	There are two ways: <ul style="list-style-type: none"> • Establishing a wholly owned entity in Vietnam. The project entity may enter into a lease agreement directly with the state authority for the duration of the investment project, with rent being paid annually or on a lump-sum basis • Establishing a joint venture with a Vietnamese entity, which leases land from the State and subsequently contribute the value of the land use right to the joint venture.
What types of tax applied when a property transaction occurs?	For the seller: 2% on the transfer price For the buyer: 0.5% on the value of the property, up to VND500 million (approx US\$25,000) per asset per transaction (called Stamp Duty)
Do I have to pay Value Added Tax (VAT) for the transfer of Land Use Right (LUR)?	No. The transfer of a LUR without any related infrastructure is not subject of VAT. Conversely, the transfer of LUR with an infrastructure and building component is generally subject to VAT at 10%
Agent Fee	About 2% - 3% of the transacted price in a normal market condition and payable by seller
Loan terms	<ul style="list-style-type: none"> • Depending on borrower's income, this can be up to 70% Loan-to-Value ratio • In common practice, it is typical to see a less than 50% Loan-to-Value ratio
Can a foreigner own a house in Vietnam?	A foreign individual is permitted to own an apartment for a maximum period of 50 years (with conditions). A foreign enterprise not in the real estate business is not permitted to own apartment in a residential building. The foreigner must sell or transfer their property upon expiry of their 50-year-holding period.

Appendix

Flight timetable to/from Phu Quoc (as of June 15, 2014)

Outgoing domestic flights					
To	Day of services	Airline	Flight code	Aircraft	Capacity
Ho Chi Minh City	Daily	VietJet Air	VJC 8312	A320	150
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1822	A321	187
Hanoi	Daily	Vietnam Airlines	VN 1232	A321	187
Hanoi	Daily	VietJet Air	VJC 8814	ATR 72	148
Ho Chi Minh City	Daily	VietJet Air	VJC 8814	A320	150
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1810	ATR 72	148
Ho Chi Minh City	Weekly	Vietnam Airlines	VN 7810	A321	187
Ho Chi Minh City	Daily	Jetstar Pacific	BL 268	A320	150
Can Tho	Daily	Vietnam Airlines	VN 1015	ATR 72	148
Hanoi	Daily	VietJet Air	VJC 8812	A321	187
Ho Chi Minh City	Daily	VietJet Air	VJC 8316	A320	150
Hanoi	Daily	Vietnam Airlines	VN 7232	A321	187
Hanoi	Weekly	Vietnam Airlines	VN 7242	A321	187
Hanoi	4 flights/week	Vietnam Airlines	VN 7248	A321	187
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1816	ATR 72	148
Ho Chi Minh City	Daily	Vietnam Airlines	VN 7826	A321	187
Ho Chi Minh City	4 flights/week	Vietnam Airlines	VN 7828	ATR 72	148
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1826	A321	187
Rach Gia	Non-scheduled flight	Vietnam Airlines	VN 1002	ATR 72	148

Incoming domestic flights					
From	Day of services	Airline	Flight code	Aircraft	Capacity
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1823	A321	187
Hanoi	Daily	Vietnam Airlines	VN 1233	A321	187
Ho Chi Minh City	Daily	VietJet Air	VJC 8311	ATR 72	148
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1813	ATR 73	148
Ho Chi Minh City	Daily	VietJet Air	VJC 8313	A320	150
Hanoi	Daily	VietJet Air	VJC 8813	A320	150
Ho Chi Minh City	Weekly	Vietnam Airlines	VN 7813	A321	187
Ho Chi Minh City	Daily	Jetstar Pacific	BL 269	A320	150
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1825	ATR 72	148
Hanoi	Daily	VietJet Air	VJC 8811	A320	150
Hanoi	Weekly	VietJet Air	VN 7243	A320	150
Hanoi	6 flights/week	Vietnam Airlines	VN 7233	A321	187
Hanoi	2 flights/week	Vietnam Airlines	VN 7249	A321	187
Ho Chi Minh City	4 flights/week	Vietnam Airlines	VN 7827	A321	187
Ho Chi Minh City	Daily	VietJet Air	VJC 8315	A320	150
Can Tho	Daily	Vietnam Airlines	VN 1014	ATR 72	148
Ho Chi Minh City	3 flights/week	Vietnam Airlines	VN 7829	ATR 73	148
Ho Chi Minh City	Daily	Vietnam Airlines	VN 1827	A321	187
Rach Gia	Non-scheduled flight	Vietnam Airlines	VN 1003	ATR 72	148

International flights					
To and From	Day of services	Airline	Flight code	Aircraft	Capacity
Novosibirsk	Non-scheduled flight	IKAR	KAR 2531	Boeing 767	250

Source: Centre for Aviation (CAPA), Q2 2014.

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