

May 30, 2007

Vietnam Aims for Image As a Luxury Destination

By **BRUCE STANLEY**
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CHINA BEACH, Vietnam -- Paul Chong was searching for paradise on a beach in Vietnam.

Mr. Chong, the head of business development at Singapore's Banyan Tree Hotels & Resorts, came here on a weeklong mission last August to scout sites for a luxury resort. He had journeyed by car and plane up the coast from Ho Chi Minh City before arriving at a tiny fishing village near the central city of Da Nang. In a remote cove reachable only by rowboat, he and three colleagues explored a two-mile stretch of beachfront.

"We fell so much in love with the site that we didn't leave until it was pitch black," Mr. Chong recalls. In March, Banyan Tree won a license to begin building the Laguna Vietnam, a \$270 million complex of hotels, villas and spas.



Each villa at the Nam Hai Resort on the South China Sea has its own pool.

The complex is the latest in a small but growing number of exclusive resorts planned or already open in Vietnam -- a country many Americans still associate more with farmers' huts and a war that ended decades ago than with a luxurious vacation.


Investors from the U.S., Canada, Singapore and Dubai are among those developing posh getaways here. Many of these new resorts are sprouting along the central coast, on or near China Beach, 20 miles of white sand where U.S. troops body-surfed and swigged warm beer on R 'n' R breaks during the Vietnam War.

With its powdery beaches, mountains, rare wildlife, French-inspired cuisine and world-class cultural sites, Vietnam could be the next top-drawer destination in Asia, on a par with Phuket, Thailand, or the Indonesian resort island of Bali, some international tourism industry officials say.

"It's so diverse. In one destination, you can do so much," says John Koldowski of the Pacific Asia Travel Association, a regional travel-industry trade group.

A number of the world's hoteliers seem to agree. For example, China Beach is home to the five-star Furama Resort Da Nang, where guests have included European royalty and Asian heads of state. Among its diversions: scuba diving, cooking classes and slot machines. "I think it matches any resort anywhere in the world," says Furama guest Fred Williams, a globe-trotting security consultant from Davie, Fla.

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Mr. Williams, who says he was twice wounded in Vietnam as a U.S. Marine, was making his first trip back to China Beach -- Vietnamese call it My Khe or Non Nuoc -- since a day's respite after the 1968 Tet Offensive. "I remember playing volleyball and eating steak and baked beans on that very spot, over by that stand of pine trees, 40 years ago," he says, wagging a finger southward from his poolside lounge chair.

Then there is the nearby Nam Hai Resort & Villas, which set a new standard for resort opulence in central Vietnam when London-listed investment fund Indochina Capital opened it in December. The Nam Hai is managed by Global Hotel Management Ltd., whose founder Adrian Zecha has made his name operating luxury hotels from Malaysia to Miami. Each of the Nam Hai's 40 residential villas has a butler, a private pool and an ocean view; prices for the seven units still available start at \$1 million. Daily room rates for the resort's 60 hotel villas begin at \$550.



Nam Hai Resort & Villas
A three-bedroom villa at the Nam Hai Resort & Villas in central Vietnam

Four Seasons Hotels & Resorts of Toronto is completing a full-size model of one of the 80 rental villas it plans to manage on secluded Cham Island, a 25-minute boat ride from Da Nang, beginning in 2009. Dubai's Kingdom Hotel Investments plans a 150-room, \$65 million luxury resort called the Raffles Da Nang, to open in 2011. Foreigners' ability to own 100% of a project and to lease property for 50 years were important factors in Kingdom's decision to invest here, says the company's chief executive officer, Sarmad Zok.

The resorts are catering to a swelling tide of foreigners, numbering 3.6 million last year, two-thirds more than in 2000, according to the Vietnam National Administration of Tourism. Americans were the third-largest nationality among last year's visitors, after Chinese and South Koreans. The Pacific Asia Travel Association forecasts a robust 7.6% average annual growth rate in foreign arrivals through 2009.

But while Vietnam remains popular with backpackers, it is now attracting a more affluent class of traveler. It had the second-fastest GDP growth rate in Asia in 2005 (only China's was faster) according to Thomson Financial. People are coming to Vietnam to do business and returning to take vacations. In addition to the natural and cultural attractions, Vietnam has a deserved reputation for safety and political stability.

There are some inconveniences for the traveler. Getting a visa to Vietnam takes time, and international flights, particularly to Da Nang, are limited.

And some environmentalists worry that uncontrolled beachfront development could degrade Vietnam's environment. Resorts need lots of water for showers and laundry and to sprinkle on lawns and golf greens. If they pump too much fresh water from natural aquifers, seawater can seep in and damage surrounding croplands. Overdevelopment of Vietnam's idyllic beaches poses an additional risk: Discouraging the very guests that a luxury resort is trying to attract.

Banyan Tree was already thinking of building boutique hotels in the former imperial capital Hue, 60 miles north of Da Nang, when it decided that Vietnam was "ripe" for upscale tourism and warranted a larger investment, says Mr. Chong, the head of business development. Now

Banyan Tree is drawing up a master plan for what it believes will be Vietnam's first big integrated luxury resort.

Mr. Chong crawled over boulders and waded through mud to find the right site -- a beach called Lang Co, between Hue and Da Nang. The 516-acre property will include a golf course and more than 1,000 hotel rooms and villas.

Banyan Tree is watching closely to see how business fares at the nearby \$56 million Nam Hai Resort & Villas. The centerpiece of the Nam Hai is a reflecting pool and three swimming pools that cascade gently toward an 875-yard beachfront. The resort's hotel villas boast sinks with a cracked-eggshell lacquerware finish and fully loaded iPods.

Frenchman Hugues Lamotte, a London fund manager, bought a three-bedroom villa here with his wife in 2005 when the Nam Hai had just broken ground. He wanted to be close to Hong Kong; Bali was too far and Thailand too hot.

"A lot of our friends who do not know Vietnam think we are very courageous. They think of Vietnam as being totally undeveloped," he says, gazing at the vast, empty beach beneath his seawall. The villa "has exceeded my best expectations," he says. He even bought a neighboring villa as an investment and persuaded three of his friends to do the same.

A remote location like China Beach doesn't make a developer's life easy. Building the Nam Hai proved a challenge in part because local craftsmen had limited experience performing up to the required standards, Indochina Capital Chief Executive Officer Peter Ryder says. Electricians occasionally installed sockets upside down. Finding enough staff who could speak English was also a problem. The Nam Hai continues to run English classes for people from nearby communities to ensure it has a pool of potential employees with a minimal competence in the language.

Still, the hurdles to building a luxury resort in Vietnam haven't deterred Indochina Capital from planning additional projects. One is a villa compound on Con Dao island, a protected marine reserve notorious for the "tiger cage" prisons that the former South Vietnamese government once operated there. (The cages are no longer used to hold people, but some have been preserved as historical artifacts.) Elsewhere in the South, near the city of Nha Trang, the Evason Hideaway & Spa at Ana Mandara pampers guests, but in a rustic, Robinson Crusoe-like setting, where they are encouraged to go barefoot.

Some developers, meanwhile, are trying to lessen their environmental impact by recycling bathwater to spray on grass and using renewable construction materials, among other efforts. And local Vietnamese officials say they are controlling the proliferation of hotels on China Beach. Da Nang, for example, has a comprehensive plan for sharing its seafront between resort projects and public beaches, says Le Tran Nguyen Han, the city's head of environmental management.

But Anneke Schenk, a guest-relations manager at the Furama Resort, questions whether any such plan can withstand pressure from developers and authorities eager to cash in on Vietnam's beachfront bonanza. She fears for the distinctive scenery of pattering fishing boats and Vietnamese doing tai chi exercises on the sand.

"Now is the best time to visit China Beach," she says. "In five years, it'll be just like any beach

in Thailand."

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