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Upscale Hotel Markets in Vietnam's Coastal Tourism Cities: Supply, Demand and the Risk of Overbuilding

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Abstract

Vietnam's coastal destinations absorbed the largest share of hotel investment during the country's post-pandemic tourism recovery, and by the third quarter of 2025 they held roughly 60 per cent of a national midscale-to-luxury stock of more than 192,000 rooms. This paper asks whether the upscale room supply now under construction in those destinations can be absorbed by plausible demand growth, and it develops a transparent method for answering that question when only published aggregates are available. The analysis rests on an accounting identity linking arrivals, length of stay and room stock to occupancy, expressed in ratio form so that forward projections depend on growth rates rather than on unobserved behavioural parameters. Three markets are examined, Da Nang, Nha Trang–Cam Ranh and Phu Quoc, with Ho Chi Minh City as an urban comparator. Phu Quoc carries a construction pipeline equal to about 70 per cent of its existing stock, scheduled for completion before the 2027 APEC summit, which would

require arrivals to grow by 30.4 per cent a year simply to hold occupancy at its 2025 level. Under a demand path of 15 per cent a year, well above the national plan, upscale occupancy on the island falls from about 70 per cent to roughly 55 per cent by 2027. An Oversupply Risk Index built from five rule-based components places all three coastal markets far above the urban comparator, with structural fragility the common factor: around 60 per cent of coastal rooms sit outside the star-rating system and roughly two thirds of upscale stock nationally remains owner-operated. The paper argues that the binding constraint in these markets is not the level of demand but the mismatch between a supply response measured in years and a demand signal measured in quarters, and it sets out licensing, disclosure and measurement responses that would make the mismatch visible before it is capitalised into distressed assets.

Keywords: Hotel Supply, Overbuilding, Coastal Tourism, Absorption, Occupancy, Vietnam, Property Cycle, Destination Management

JEL Classification: L83, R33, R52, Z32

1. Introduction

Between 2015 and 2025 Vietnam's international arrivals grew from 7.94 million to 21.17 million, a compound rate of 10.3 per cent a year that survived a pandemic which reduced the 2021 figure to 160,000. Over the same decade the country's midscale-to-luxury room stock expanded at 10.9 per cent a year, reaching more than 192,000 rooms by the third quarter of 2025. The two rates are almost identical, which at the national level looks like a market in balance. That impression does not survive disaggregation.

Supply and demand in the hotel sector are joined only loosely and only with a lag. Rooms are built where land is available, where zoning permits and where finance can be raised, and they take three to five years to deliver. Guests arrive where flights land, where visas are easy and where a destination is fashionable, and they redirect within a season. When those two processes are measured at the level of a single coastal city rather than a country, the appearance of balance can conceal a market in which one destination is absorbing a national pipeline on the strength of a single event.

Phu Quoc is the clearest current case. The island will host the APEC summit in 2027, and more than 10,000 rooms, close to 70 per cent of its existing tracked supply, are under development for completion before the end of that year. A single developer has begun a complex of roughly 12,000 hotel rooms and serviced apartments, including 6,500 five-star rooms across thirteen

brands in one coastal district. That is close to a doubling, in eighteen months, of five-star capacity that took fifteen years to accumulate. Da Nang, which after its 2025 merger with Quang Nam counts about 2,400 accommodation establishments and roughly 62,000 rooms, is the second largest recipient of the national pipeline. Nha Trang–Cam Ranh, which has already lived through one cycle of overbuilding and rate discounting, sits on 70,500 rooms of which more than 40 per cent are in the three- to five-star band.

The question this paper addresses is narrow and practical. Given what is publicly known about the room stock, the pipeline and recent demand in these destinations, how fast would demand have to grow to absorb the new supply without a fall in occupancy, and how far is that from any plausible trajectory? The question matters because occupancy is not a neutral statistic. Below roughly 55 to 60 per cent in a full-service coastal property, revenue stops covering the fixed costs of a hotel whose payroll, energy and maintenance obligations do not scale down with arrivals. What follows is rate discounting, deferred refurbishment, defaults on the short-tenor debt typical of Vietnamese resort finance, and the slow degradation of a destination's positioning that is much harder to reverse than it was to cause.

Three contributions follow. The first is methodological. Destination-level hotel research in emerging markets is usually constrained by the absence of an operator panel, and the standard response is either to abandon quantitative work or to impute parameters that cannot be checked. This paper shows that the central question can be answered without imputation by working with the occupancy identity in ratio form, in which unobserved parameters cancel. The second contribution is empirical: a consistent comparative account of supply structure, demand momentum and pipeline intensity for Vietnam's three principal coastal upscale markets, assembled from provincial administrative reporting, national statistics and market research, with the provenance and the limits of each series stated. The third is an index. The Oversupply Risk Index proposed here is deliberately simple, built from five components each defined by a stated rule over published quantities, and it reports honestly which components cannot be populated for which market. That last property matters more than it may appear. The market whose index score is highest is also the market where the pipeline figure is least transparent, and the analysis says so rather than filling the gap with a guess.

Section 2 reviews the literature on property cycles, lodging overbuilding and destination-level supply. Section 3 describes the Vietnamese context, including the 2025 administrative reorganisation that redrew the boundaries of every market studied here. Section 4 sets out the data and the method, and is explicit about what the design cannot establish. Section 5 reports results. Sections 6 and 7 discuss mechanisms and policy. Section 8 concludes.

2. Literature Review

2.1 Cyclical adjustment in property markets

The theoretical starting point is the four-quadrant framework of DiPasquale and Wheaton (1992) ^[5], which links the market for space, where rent is determined by demand against a fixed short-run stock, to the market for assets, where capitalised rents determine value and value determines construction. Construction then feeds back into

the stock with a delay. The framework explains why property markets do not clear smoothly: the feedback loop contains a lag long enough that the information triggering construction is stale by the time the building opens.

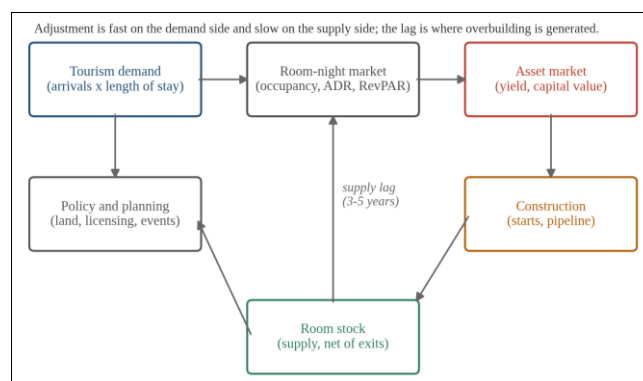


Fig 1: The adjustment structure of a coastal hotel market

Wheaton (1987) ^[20] estimated this structure for the US office market and found that supply responds more strongly to market conditions than demand does, and that oversupply persists longer than simple adjustment models predict. Kling and McCue (1987) ^[12] showed that construction responds to anticipated output and to nominal interest rates, which implies that a fall in the cost of capital can generate overbuilding even without a change in occupier demand. Sivitanidou (1999) ^[19] added the irreversibility of the investment decision, which in a rising market encourages developers to exercise the option to build early rather than wait for confirmation.

2.2 Overbuilding in the lodging sector

Hotels are the most operationally intensive property class and the most volatile. Wheaton and Rossoff (1998) ^[21] modelled the US lodging cycle and found that room rates take six to seven years to adjust fully to occupancy shocks, and that new construction responds a further two to three years after that. The combined lag is close to a decade, which is longer than most tourism demand forecasts are meaningful for.

Gallagher and Mansour (2000) ^[7] analysed hotel real estate market dynamics and linked performance to per capita income, trade and services volumes and unemployment, while documenting the extent to which overbuilding was not eliminated by competitive pressure. Their explanation, developed further in the option-exercise literature, is that a developer can still earn an acceptable return in a market with high vacancy provided room revenue covers marginal cost, which means the individual decision to build can be rational while the aggregate outcome is not. Choi, Olsen, Kwansa and Tse (1999) ^[3] dated four peaks in the US hotel cycle between 1967 and 1989 and found an average cycle length of 7.3 years, of which 5.7 were expansion and 1.7 contraction. The asymmetry is important for the present paper: the correction phase is short and sharp, so the interval between a visible warning and a realised loss is narrow.

The performance measurement literature adds a caution about aggregates. Enz, Canina and Walsh (2001) ^[6] showed that industry averages are an unreliable guide to individual property performance, and Ismail, Dalbor and Mills (2002) ^[10] documented the segment variability concealed within aggregate RevPAR. Manning and colleagues (2015) ^[14]

reviewed the emergence of hotel real estate research as a distinct field and noted the persistent scarcity of granular, comparable data outside North America and Western Europe, which is precisely the constraint the present study is designed around.

2.3 Destination supply, life cycles and carrying capacity

The tourism literature approaches the same problem from the destination side. Butler's (1980) ^[2] tourist area cycle of evolution describes a destination moving through exploration, involvement, development and consolidation to stagnation, with the stagnation phase marked by capacity having been reached or exceeded and by a shift in visitor mix towards lower-spending segments. Saveriades (2000) ^[18] operationalised social carrying capacity for the coastal resorts of eastern Cyprus and showed that the binding constraint was reached well before physical capacity.

More recent work on overtourism (Koens, Postma and Papp, 2018; Peeters *et al.*, 2018) ^[13, 16] has concentrated on the external costs imposed on host communities. That is not the concern here, though the two problems are related: a destination that builds ahead of demand generates the congestion costs of mass tourism at the peak while carrying the financial costs of empty rooms for the rest of the year.

The forecasting literature (Witt and Witt, 1995; Zhu, Lim, Xie and Wu, 2018) ^[22, 24] is relevant mainly as a caution. Tourism demand forecasts perform reasonably at short horizons and national scale, and poorly at the three- to five-year destination-level horizon that hotel investment decisions actually require. Gouveia and Rodrigues (2005) ^[8] found that tourism growth cycles are only partially synchronised across destinations, which limits the value of national forecasts as a basis for local investment.

2.4 Branding, management structure and financing form

Two structural strands matter for the Vietnamese case. Johnson and Vanetti (2005) ^[11] and Rodríguez (2002) ^[17] analysed the locational and entry-mode strategies of international chains, which enter through management contracts rather than ownership in most emerging markets. O'Neill and Carlback (2011) ^[15] compared branded and independent hotels across a full economic cycle and found that the branded properties held rate better in the downturn. Hodari, Balla and Aroul (2017) ^[9] showed that management structure is capitalised into asset value. Where a market's stock is predominantly owner-operated and unbranded, as it is in Vietnam, the buffer that brand distribution provides during a demand contraction is largely absent.

The second strand concerns strata-title resort finance. The condotel model, in which individual investors buy hotel rooms under a rental guarantee, transfers development risk to retail buyers and makes the resulting stock difficult to consolidate or reposition when the guarantee fails. Vietnam's experience after 2019 is a well documented instance, discussed in Section 3.

2.5 The gap

Three gaps motivate this study. First, the lodging cycle literature is overwhelmingly North American and rests on operator panel data of a kind that does not exist for most emerging destinations. Second, the destination management literature treats accommodation capacity as a planning

variable rather than as the output of a financial process with its own lag structure. Third, the specific configuration examined here, in which a single international event drives a supply surge equal to most of a destination's existing stock within two years, has not been analysed with an explicit absorption model. The Vietnamese coastal market in 2026 offers an unusually clean setting in which to do so.

3. Context

3.1 The demand trajectory

Vietnam's international arrivals reached 21.17 million in 2025, an increase of 20.4 per cent on 2024 and 17.8 per cent above the pre-pandemic peak of 2019. Asia supplied 78.6 per cent of the total, with mainland China contributing more than 5.3 million arrivals, about a quarter of all visitors, and the Republic of Korea 4.3 million. Russia grew 196.9 per cent year on year. Air arrivals were 17.8 million, 84.3 per cent of the total. Accommodation and catering revenue was estimated at VND 843.1 trillion, up 14.6 per cent, and travel services revenue at VND 93.9 trillion, up 20.2 per cent, in a year when national GDP grew 8.02 per cent.

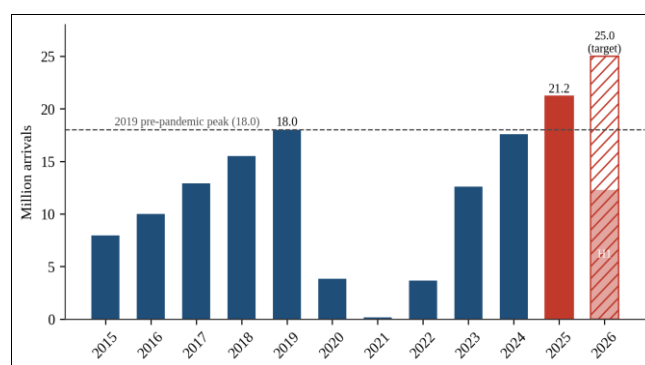


Fig 2: International arrivals to Vietnam, 2015-2025, with the first half of 2026 and the 2026 target

The momentum continued into 2026. The first half brought 12.3 million international arrivals, 14.9 per cent above the same period of 2025 and 49.2 per cent of the annual plan, alongside about 81 million domestic trips and total tourism receipts of roughly VND 569 trillion. Russia again stood out, at 742,700 arrivals in six months, an increase of 185.8 per cent. The national target for 2026 is 25 million international arrivals.

These are strong numbers, and they are the reason the supply question is worth asking carefully rather than dismissing. A market in which demand is growing at 15 to 20 per cent a year can absorb a great deal of new capacity. The issue is whether it can absorb capacity concentrated in one place at one time on the scale now scheduled.

3.2 The supply response

By the third quarter of 2025 Vietnam held more than 192,000 midscale-to-luxury rooms, a stock that had grown at 10.9 per cent a year over the preceding decade, among the fastest rates in Southeast Asia. About 60 per cent of those rooms, roughly 115,000, are in coastal locations, which reflects the dominance of the resort model in Vietnamese hotel development. Counting all classes, the country has approximately 40,000 accommodation establishments and around 800,000 rooms.

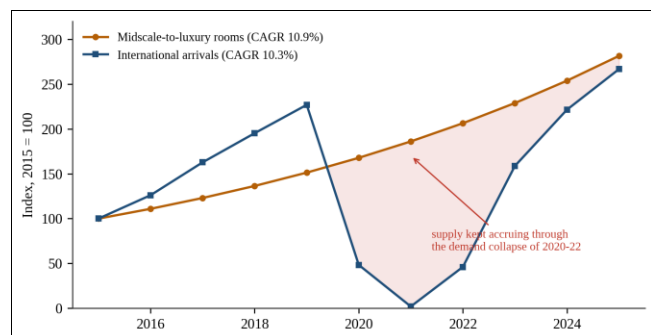


Fig 3: Midscale-to-luxury room stock and international arrivals, indexed to 2015

Fig 3 sets the two series against each other. The striking feature is not the endpoint, where the cumulative growth rates nearly coincide, but the middle. Room stock continued to accumulate at close to trend through 2020, 2021 and 2022 while arrivals fell to a fraction of their 2019 level, because projects financed before the pandemic completed regardless. The shaded area is the interval during which the market carried substantial idle capacity. That episode is the immediate historical precedent for the question this paper asks, and it is the reason Vietnamese coastal markets entered the recovery with a stock overhang rather than a shortage. The forward pipeline remains large. Lodging Econometrics recorded 248 active hotel construction projects in Vietnam totalling 84,079 rooms at the end of 2025, the second largest development pipeline in Asia-Pacific excluding China, with the coastal pair of Da Nang and Phu Quoc accounting for about 30 per cent of upcoming room allocations. Ho Chi Minh City, by contrast, had an active pipeline of roughly 1,400 keys.

National policy reinforces the expansion. The Politburo's Resolution 26-NQ/TW on tourism development sets a target of about 1.5 million accommodation rooms by 2030, and the government's Resolution 263/NQ-CP targets 45 to 50 million international arrivals and USD 80 to 90 billion in tourism receipts by the same year. Against a current base of roughly 800,000 rooms, the room target implies adding on the order of 140,000 rooms a year, close to three times the pace of the previous decade. Targets of that kind shape provincial land allocation and licensing decisions, and they do so without a destination-level absorption test.

3.3 The 2025 administrative reorganisation

Every market examined here changed its administrative boundaries in 2025, when Vietnam reduced its provincial-level units to 34. Da Nang absorbed Quang Nam, bringing Hoi An and My Son into a single city. Khanh Hoa absorbed Ninh Thuan. Kien Giang merged into An Giang, so that Phu Quoc, now a special administrative zone, reports within An Giang province. Ba Ria-Vung Tau became part of Ho Chi Minh City.

The consequence for measurement is substantial and is often

overlooked in commentary on 2025 tourism results. Provincial arrival and room counts for 2025 are not comparable with the same provinces' figures for 2024 unless they have been restated, and several of the year's apparent rankings changed because two or three provinces became one. An Giang's appearance among the country's top three destinations by visitor volume, at 24.1 million, is largely an artefact of the merger. This paper therefore treats 2025 destination-level levels as the base year and works with growth rates only where the underlying series has been reported on a consistent basis, which is stated for each series in Table 2.

4. Data and Method

4.1 Sources and their limits

The evidence base combines four kinds of source, which differ in coverage, in periodicity and in reliability, and which are not interchangeable.

National demand and macroeconomic series come from the National Statistics Office and the Vietnam National Authority of Tourism. These are census-based, monthly, and consistent over time at the national level. Destination-level arrivals, revenue and room counts come from provincial departments of culture, sports and tourism, generally through their year-end review reports. They are administrative counts covering all registered establishments, including a large unrated segment, and they were affected by the 2025 boundary changes described above. Hotel operating performance, meaning occupancy, average daily rate and RevPAR by class, comes from the commercial panels operated by STR/CoStar and from consultancy reporting by Savills Hotels, Avison Young and others. These panels cover branded and professionally managed properties, a minority of the stock, and they are proprietary. Where such figures are used here they were obtained from public reporting of those sources rather than from the underlying subscription products, and they are identified as such throughout. Pipeline and resort real estate data come from Lodging Econometrics, DKRA Group and the Ho Chi Minh City Real Estate Association, again through public reporting.

The divergence between the administrative and panel measures is itself informative and should not be smoothed over. Da Nang's tourism department reported city-wide occupancy of about 65 to 70 per cent for 2025 across all classes, with the four- and five-star segment near 85 per cent. STR/CoStar's panel, as reported publicly, put Da Nang's 2025 occupancy at 75 per cent with RevPAR growth of 19.3 per cent. The two are not in conflict. The panel measures a professionally managed subset that performs better than the unrated stock included in the administrative count. Any analysis that mixes the two without saying which is which will produce an inflated picture of market health, because the segment that is easiest to measure is the segment least exposed to the risk under study.

Table 2: Data sources, coverage and known limitations

Series	Source	Coverage	Periodicity	Limitations for this study
International arrivals, national	National Statistics Office; Vietnam National Authority of Tourism	Census, all entry modes	Monthly	Counts arrivals, not visitor nights; no destination breakdown
Tourism receipts, national	National Statistics Office	Accommodation, catering and travel services	Quarterly	Sector totals are not decomposable to the hotel segment
Destination arrivals and revenue	Provincial departments of culture, sports and tourism	Registered establishments, all classes	Annual, in year-end reviews	2025 boundaries differ from 2024; multiple counting across establishments possible
Room stock by class, destination	Provincial departments; national tourism statistics database	Registered establishments	Irregular	Star rating is voluntary, so the unrated residual is heterogeneous
Midscale-to-luxury room stock, national	Savills Hotels and Watson Farley & Williams, Vietnam Hotel Investment Guide 2025	Tracked professional stock	Annual	Proprietary; used here as publicly reported, not from the source document
Occupancy, ADR, RevPAR by class	STR/CoStar; Avison Young; consultancy reporting	Branded and professionally managed panel	Monthly to quarterly	Panel excludes the unrated majority; levels are not comparable with administrative occupancy
Construction pipeline	Lodging Econometrics; Savills Hotels	Active projects	Quarterly	Destination detail is published selectively; delivery dates are developer-stated
Resort real estate absorption	DKRA Group; Vietnam Association of Realtors	Primary market launches	Quarterly	Covers sales of units, not operating capacity
Condotel stock and titling	Ho Chi Minh City Real Estate Association	National estimate	Ad hoc	Latest comprehensive estimate is end-2022

4.2 The occupancy identity

Let A_{it} be overnight guest arrivals served by accommodation establishments in destination i in year t , L_{it} the average length of stay in nights, P_{it} the average number of guests per occupied room, and R_{it} the room stock. Room-night demand is:

$$1. D_{it} = (A_{it} \times L_{it}) \div P_{it}$$

And available room-nights are $S_{it} = 365 \times R_{it}$, so occupancy is:

$$2. O_{it} = (A_{it} \times L_{it}) \div (365 \times R_{it} \times P_{it}).$$

Applying this identity in levels requires values for L and P , neither of which is published at destination level in Vietnam with the reliability the calculation would demand. Imputing them would make every subsequent number a function of an unverifiable assumption. The identity is therefore used only in ratio form. Taking the ratio of occupancy in year $t+n$ to occupancy in the base year, and holding L and P constant,

$$3. O_{i,t+n} \div O_{it} = (A_{i,t+n} \div A_{it}) \div (R_{i,t+n} \div R_{it}) = (1 + g_i)^n \div (1 + \pi_i)$$

Where g_i is the annual growth of arrivals and π_i is the pipeline expressed as a share of the base-year stock. The unobserved parameters cancel. What remains depends only on quantities that are published: current occupancy, arrivals growth, and the pipeline ratio.

The assumption that L and P are constant is the substantive one, and it is conservative in the present setting. Vietnamese coastal destinations are actively trying to lengthen stays through night-time economy programmes and event calendars, and Phu Quoc has seen growth in long-stay winter visitors from Russia and India. If L rises, realised occupancy will be higher than the projections here. The direction of the bias is therefore towards understating risk, which is the appropriate direction for an exercise of this

kind. Section 4.6 quantifies how much of a rise in L would be needed to overturn the central results.

4.3 Absorption and required demand growth

Setting $O_{i,t+n}$ equal to O_{it} and solving gives the arrivals growth required to hold occupancy constant while the pipeline is delivered:

$$4. g^*_i = (1 + \pi_i)^{1/n} - 1$$

This is the paper's central diagnostic. It converts a pipeline number, which developers and provincial authorities report as an achievement, into a demand requirement, which can be compared against a destination's own track record and against the national plan. It requires no parameter estimates and no forecast.

4.4 Scenario construction

Four demand paths are applied to each market over 2025 to 2027. The boom path of 35 per cent a year reproduces Phu Quoc's own 2025 growth. The strong path of 25 per cent sits between Phu Quoc's and Da Nang's recent performance. The trend path of 15 per cent approximates the national arrivals growth rate of the recovery period and exceeds the growth implied by the 2026 provincial targets. The normalisation path of 5 per cent corresponds to a maturing destination, and is close to the global average arrivals growth of about 5 per cent recorded in 2025.

Projected occupancy is capped at 95 per cent. Where the identity implies a higher figure, the market is capacity constrained rather than occupancy constrained, and the adjustment occurs through rate rather than through volume. That is a materially different outcome and is treated separately in Section 5.7.

4.5 The Oversupply Risk Index

The index aggregates five components, each defined by an explicit rule over a published quantity and rescaled to the unit interval, with higher values indicating greater exposure.

Pipeline intensity is the pipeline-to-stock ratio, rescaled over the interval zero to 0.70. Weak demand momentum is one minus the rescaled 2025 arrivals growth over the interval 0.05 to 0.35. The utilisation gap is the shortfall of upscale occupancy against a 70 per cent benchmark, rescaled over plus or minus 15 percentage points. Seasonal concentration is the proportional gap between holiday-peak and annual upscale occupancy, rescaled over 0.05 to 0.30. Structural fragility is the share of rooms outside the star-rating system, rescaled over 0.45 to 0.70. Weights are equal, and the index is the mean of the components that can be populated.

Two cells cannot be populated from published sources: the pipeline ratio for Nha Trang–Cam Ranh and peak occupancy for Phu Quoc. They are reported as unavailable rather than imputed, the index is computed over the remaining components, and the number of components used is reported alongside each score. Section 5.5 shows how sensitive the Nha Trang result is to the missing cell.

Equal weighting is a choice, not a finding. It is used because there is no defensible basis in the Vietnamese data for differential weights, and because equal weighting is transparent. The index is descriptive. It ranks exposure; it does not estimate a probability of distress, and it should not be read as doing so.

4.6 What the design cannot do

The method is an accounting exercise with scenarios, not an econometric model. It does not identify causal effects, does not estimate elasticities, and cannot distinguish between a fall in occupancy caused by new supply and one caused by a contemporaneous demand shock. Three further limitations should be stated plainly.

The pipeline figures assume delivery on schedule. Vietnamese resort construction has a long record of delay, and slippage past 2027 would spread the absorption requirement over more years and lower the annual demand growth needed. Delay is the most plausible mechanism by which the outcomes described here would be avoided, and it is not a benign one, since a stalled project imposes its own costs.

Room stock is treated as growing only through the pipeline.

Exits, conversions to residential use and the withdrawal of obsolete properties are not captured because they are not reported. This biases the supply growth estimate upward.

Length of stay is held constant. To offset a pipeline of 70 per cent through longer stays alone, average length of stay would have to rise by 70 per cent, from roughly two and a half nights to over four. No coastal destination in the region has achieved a shift of that magnitude in two years, which is why the constant length-of-stay assumption, though strong, does not drive the conclusion.

5. Results

5.1 The national picture conceals the destination picture

Table 5 sets out the national supply and demand series. Over the decade to 2025 arrivals grew at 10.3 per cent a year and midscale-to-luxury rooms at 10.9 per cent. A 0.6 percentage point gap compounds to a modest cumulative divergence and would not by itself justify concern.

Table 5: National supply and demand, 2015–2025

Year	International arrivals (million)	Arrivals index, 2015 = 100	Midscale-to-luxury rooms, implied index
2015	7.94	100	100
2019	18.01	227	151
2021	0.16	2	186
2023	12.60	159	229
2025	21.17	267	281
Compound annual growth, 2015–2025 (%)	10.3	–	10.9

The destination panel tells a different story. Table 1 profiles the three coastal markets against the urban comparator. Da Nang served 17.3 million guest arrivals in 2025, of which 7.6 million were international, with tourism revenue of VND 60 trillion. Nha Trang–Cam Ranh served 16.4 million arrivals including 5.5 million international, with revenue of VND 66.7 trillion, the highest of the three. Phu Quoc served 8.1 million arrivals with about 1.85 million international, and grew fastest at roughly 35 per cent.

Table 1: Profile of the study markets, 2025

Indicator	Da Nang	Nha Trang–Cam Ranh	Phu Quoc	Ho Chi Minh City
Provincial unit after the 2025 reorganisation	Da Nang City (with Quang Nam)	Khanh Hoa (with Ninh Thuan)	An Giang (with Kien Giang)	HCMC (with Ba Ria–Vung Tau)
Guest arrivals served, 2025 (million)	17.30	16.40	8.10	n.a.
International arrivals, 2025 (million)	7.60	5.50	1.85	n.a.
International share (%)	43.9	33.5	22.8	n.a.
Growth in arrivals, 2024–25 (%)	15.0	14.4	35.0	n.a.
Tourism revenue, 2025 (VND trillion)	60.0	66.7	n.a.	260.0
Accommodation establishments	c. 2,400	1,441	1,086	n.a.
Total rooms, all classes	c. 62,000	70,500	37,508	n.a.
Rated upscale rooms	22,729 (4–5 star)	28,296 (3–5 star)	13,576 (4–5 star)	n.a.
Upscale occupancy, 2025 (%)	85	72	70	83 (Q4)
Average daily rate, upscale (USD)	68 (4 star); 292 (5 star)	n.a.	n.a.	139
Arrivals target, 2026 (million)	19.1	18.1	n.a.	n.a.

Table 4: Demand indicators and published targets

Indicator	2024	2025	2026 target	2026 outturn to date
National international arrivals (million)	17.58	21.17	25.00	12.30 in H1
Growth on previous year (%)	39.5	20.4	18.1	14.9
Share arriving by air (%)	n.a.	84.3	n.a.	82.6
National domestic trips (million)	n.a.	130	150	81 in H1
Da Nang arrivals served (million)	15.04	17.30	19.10	n.a.
Nha Trang–Cam Ranh arrivals served (million)	14.34	16.40	18.10	11.90 in H1
Phu Quoc arrivals (million)	c. 6.00	8.10	n.a.	n.a.
Largest source market share, national (%)	n.a.	25.0 (mainland China)	n.a.	n.a.
Fastest-growing source market, national	n.a.	Russia, +196.9%	n.a.	Russia, +185.8%

Two features stand out. Phu Quoc's international share, at 22.8 per cent, is the lowest of the three despite the island's international profile, which means its volume base is domestic and its revenue base is not. Da Nang's international share of 43.9 per cent is the highest, and its 2026 target of 8.7 million international arrivals out of 19.1 million total implies that the city expects to push that share above 45 per cent.

5.2 The composition of the stock

Table 3: Composition of the accommodation stock, 2025

Segment	Da Nang	Nha Trang–Cam Ranh	Phu Quoc (An Giang)
Rated upscale rooms	22,729	28,296	13,576
Rated lower-tier rooms	633	n.a.	1,712
Rooms in establishments meeting minimum standards only	n.a.	n.a.	12,108
Unrated and minimum-standard rooms, residual	38,638	42,204	22,220
Total rooms	62,000	70,500	37,508
Upscale share of rooms (%)	36.7	40.1	36.2
Share outside the star-rating system (%)	62.3	59.9	59.2
Establishments not star-rated	n.a.	1,337 of 1,441	601 of 1,086

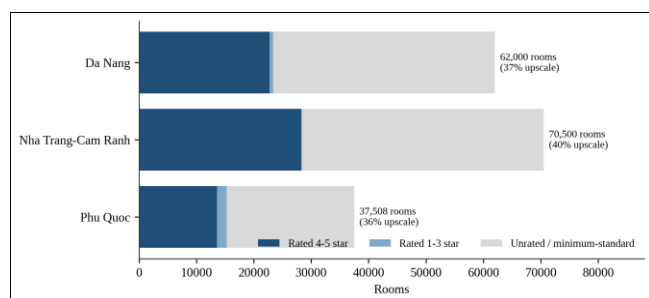
**Fig 4:** Composition of the accommodation stock in the three coastal markets, 2025

Fig 4 shows why aggregate room counts are misleading in this market. In all three destinations, the majority of rooms

sit outside the star-rating system: 62.3 per cent in Da Nang, 59.9 per cent in Nha Trang–Cam Ranh and 59.2 per cent in Phu Quoc. Khanh Hoa's own reporting is explicit that 1,337 of its 1,441 establishments have not been through star classification, a process that is not compulsory. The rated four- and five-star segment, which is the segment the pipeline is adding to, is 36.7 per cent of Da Nang's rooms, 40.1 per cent of Nha Trang–Cam Ranh's and 36.2 per cent of Phu Quoc's.

This structure has a specific consequence for oversupply dynamics. New upscale supply does not compete only with existing upscale supply. It competes downward, because a five-star property discounting into the mid-market captures demand from unrated stock that cannot discount further. The unrated segment has thinner margins, weaker balance sheets and no brand distribution, so the adjustment burden falls disproportionately on the operators least able to carry it, and it falls on them before the upscale segment's own occupancy statistics show distress. Published upscale occupancy is thus a lagging indicator of market-wide stress, not a leading one.

5.3 Pipeline intensity and the absorption requirement

Table 6: Construction pipeline to end-2027

Market	Existing upscale rooms	Pipeline rooms	Basis of the pipeline figure	Pipeline as a share of upscale stock
Phu Quoc	13,576	more than 10,000	Published directly by Savills Hotels as about 70 per cent of existing supply	0.700
Da Nang, upper bound	22,729	15,224	Derived residual, assuming all of it is upscale	0.670
Da Nang, central case	22,729	10,409	Derived residual, midpoint of the two bounds	0.458
Da Nang, lower bound	22,729	5,588	Derived residual, class mix matching the existing stock at 36.7 per cent upscale	0.246
Nha Trang–Cam Ranh	28,296	n.a.	Not separately published; not imputed	n.a.
Ho Chi Minh City	n.a.	c. 1,400 keys	Published active pipeline, Lodging Econometrics	c. 0.02
National, all markets	192,000	84,079	248 active projects, Lodging Econometrics, Q4 2025	0.438

Notes: The Da Nang residual is derived as follows. Da Nang and Phu Quoc together account for about 30 per cent of the national pipeline of 84,079 rooms, or 25,224 rooms; removing Phu Quoc's 10,000 leaves 15,224 rooms for Da Nang across all classes. The national ratio in the final row is shown for scale and is not directly comparable, since the numerator covers all classes while the denominator covers midscale-to-luxury stock only.

Phu Quoc's pipeline is directly published: more than 10,000 rooms, close to 70 per cent of existing tracked supply, for completion before the end of 2027. Da Nang's must be derived. Da Nang and Phu Quoc together account for about 30 per cent of a national pipeline of 84,079 rooms, or roughly 25,224 rooms, which leaves about 15,224 for Da Nang once Phu Quoc's 10,000 are removed. Whether that residual is a large or a moderate number relative to Da

Nang’s upscale stock depends on its class composition, which is not published. Two bounds are therefore reported. If the whole residual were upscale, the ratio would be 67.0 per cent of the city’s 22,729 rated four- and five-star rooms. If the pipeline’s class mix matched the existing stock’s, at 36.7 per cent upscale, the ratio would be 24.6 per cent. The midpoint of 45.8 per cent is used in the central case, and both bounds are carried through the analysis. For Nha Trang–Cam Ranh no pipeline figure is separately published, and none is imputed.

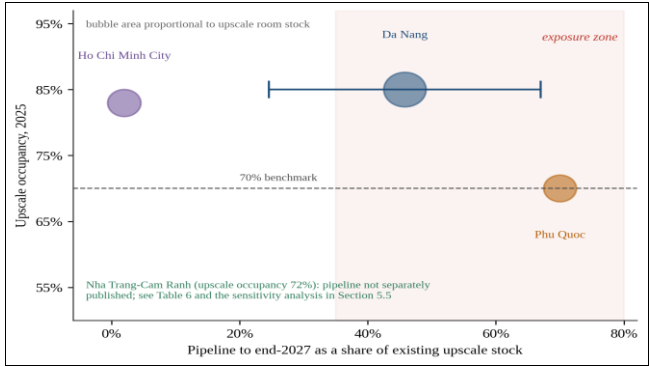


Fig 5: Pipeline intensity against current upscale occupancy

Fig 5 places the two dimensions together. The horizontal axis is pipeline intensity, the vertical axis is current upscale occupancy, and the area of each marker is proportional to the upscale room stock. Ho Chi Minh City sits in the safe corner, with high utilisation and almost no pipeline. Phu Quoc sits in the opposite corner, carrying the largest pipeline in the country at an occupancy level that is at the benchmark rather than above it. Da Nang lies between them horizontally, drawn as an interval because its pipeline is derived rather than published, but well above both vertically. Nha Trang-Cam Ranh cannot be placed on the horizontal axis at all.

Table 7: Demand growth required to hold occupancy constant while the pipeline delivers

Market and pipeline assumption	Pipeline as a share of stock	Required cumulative growth over two years (%)	Required annual growth (%)	Published target growth for 2026 (%)	Gap (percentage points)
Phu Quoc	0.700	70.0	30.4	18.1 (national plan)	12.3
Da Nang, upper bound	0.670	67.0	29.2	10.5 (city target)	18.7
Da Nang, central case	0.458	45.8	20.7	10.5 (city target)	10.2
Da Nang, lower bound	0.246	24.6	11.6	10.5 (city target)	1.1
Ho Chi Minh City	0.020	2.0	1.0	n.a.	—

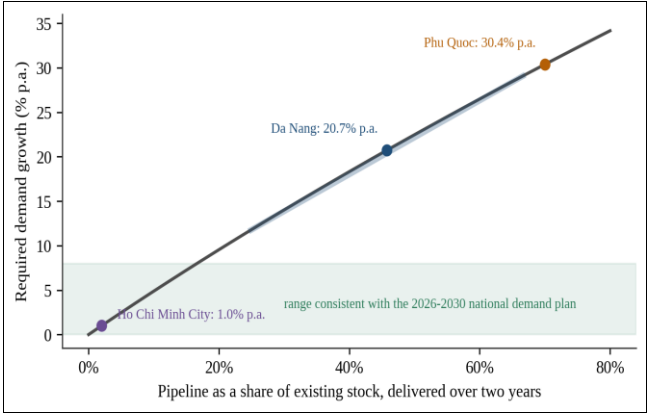


Fig 6: Demand growth required to hold occupancy constant, by pipeline intensity

The absorption arithmetic is stark. Holding occupancy at its 2025 level while delivering a pipeline equal to 70 per cent of stock over two years requires arrivals to grow 30.4 per cent a year. Phu Quoc did grow at roughly that rate in 2025, so the requirement is not arithmetically impossible, but it requires the island to repeat its single best year twice consecutively, from a base that is 35 per cent higher, at a point when the national plan envisages growth of 18.1 per cent for 2026 and the provincial targets for the other coastal markets imply 10 to 11 per cent. For Da Nang the requirement is 20.7 per cent a year in the central case, with a range of 11.6 to 29.2 per cent across the pipeline bounds. The city’s own 2026 target is 10.5 per cent.

Fig 6 makes the general point. The relationship between pipeline intensity and required demand growth is close to linear over the relevant range, and the band consistent with national planning assumptions is exhausted by a pipeline of roughly 15 to 20 per cent of stock. Both coastal markets for which a pipeline can be estimated sit well outside it. Ho Chi Minh City, with an active pipeline of about 1,400 keys, requires around 1 per cent.

5.4 Occupancy under alternative demand paths

Table 8: Implied upscale occupancy in 2027 under four demand paths (per cent)

Demand path	Phu Quoc	Da Nang, lower pipeline bound	Da Nang, central case	Da Nang, upper pipeline bound
Boom, 35 per cent a year	75.0	capacity constrained	capacity constrained	92.8
Strong, 25 per cent a year	64.3	capacity constrained	91.1	79.5
Trend, 15 per cent a year	54.5	90.3	77.1	67.3
Normalisation, 5 per cent a year	45.4	75.2	64.3	56.1
Memorandum: 2025 base	70.0	85.0	85.0	85.0

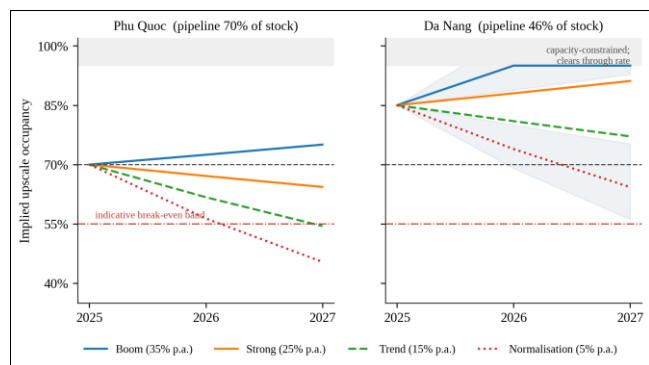


Fig 7: Implied upscale occupancy to 2027 under four demand paths

For Phu Quoc, starting from upscale occupancy of about 70 per cent in 2025, the boom path of 35 per cent a year leaves occupancy at 75.0 per cent in 2027. That is the only path of the four that improves on the base year, and it assumes the island sustains its record growth for two more years. The strong path of 25 per cent brings occupancy to 64.3 per cent. The trend path of 15 per cent, still well above the national plan, brings it to 54.5 per cent. Normalisation at 5 per cent brings it to 45.4 per cent.

The 15 per cent path is the one that deserves attention, because it is neither pessimistic nor unusual. It is roughly

what Vietnam achieved nationally in the first half of 2026. On that path the island's upscale segment ends 2027 at an occupancy level at which a full-service resort with international brand standards is not covering its fixed costs. Da Nang's position is materially better, for a reason that is worth isolating: it starts from 85 per cent upscale occupancy rather than 70 per cent. The buffer is fifteen percentage points of utilisation, and it absorbs a great deal. At the central pipeline estimate the trend path leaves Da Nang at 77.1 per cent and normalisation at 64.3 per cent. Only under the upper pipeline bound combined with weak demand does Da Nang approach the range that concerns us. Under the boom path the identity implies occupancy above the feasible ceiling, which means the market would clear through rate rather than volume.

Two observations follow. First, the relevant risk variable is not the pipeline alone but the pipeline relative to the starting utilisation buffer, and Phu Quoc is exposed on both counts simultaneously. Second, a destination's protection against oversupply is a high current occupancy, which is exactly the condition that attracts the next wave of development. That is the self-defeating feedback at the centre of the property cycle literature, visible here in a single comparative snapshot.

5.5 The Oversupply Risk Index

Table 9: Oversupply Risk Index: components, scores and sensitivity

Component	Rule	Phu Quoc	Da Nang	Nha Trang–Cam Ranh
Pipeline intensity	Pipeline-to-stock ratio, rescaled over 0 to 0.70	1.00	0.65	n.a.
Weak demand momentum	One less the rescaled 2025 arrivals growth, over 0.05 to 0.35	0.00	0.67	0.69
Utilisation gap	Shortfall of upscale occupancy against 70 per cent, rescaled over ± 0.15	0.50	0.00	0.43
Seasonal concentration	Proportional gap between peak and annual upscale occupancy, rescaled over 0.05 to 0.30	n.a.	0.12	0.60
Structural fragility	Share of rooms outside the star-rating system, rescaled over 0.45 to 0.70	0.57	0.69	0.59
Index score	Mean of populated components	0.52	0.43	0.58
Components populated	Out of five	4	5	4

Sensitivity of the Nha Trang–Cam Ranh score to the unobserved pipeline component

Assumed pipeline ratio	0.10	0.25	0.45	0.70
Resulting index score	0.49	0.54	0.59	0.66
Resulting rank among the three markets	2	1	1	1

Notes: Higher component values indicate greater exposure. Two cells cannot be populated from published sources and are excluded from the mean rather than imputed. The ranking between Nha Trang–Cam Ranh and Phu Quoc is not robust to the missing cell; the separation of all three coastal markets from the urban comparator is robust across the full range shown.

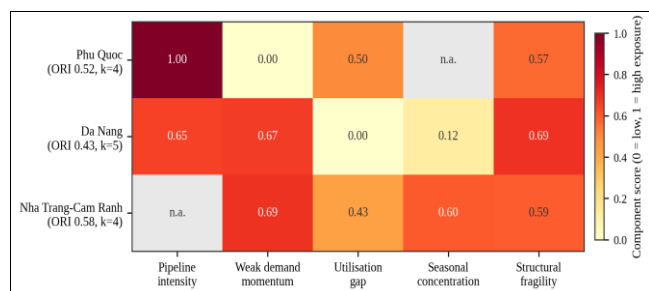


Fig 8: Oversupply Risk Index components by market

The index scores are 0.58 for Nha Trang–Cam Ranh over four components, 0.52 for Phu Quoc over four, and 0.43 for Da Nang over five. All three are far above the urban comparator on the two components for which Ho Chi Minh City can be scored.

The ranking should be read with care, and the reason is instructive. Nha Trang–Cam Ranh scores highest not because it has the largest pipeline but because its pipeline is unknown and therefore excluded, leaving its score to be determined by three weaker dimensions: modest demand momentum at 14.4 per cent, an occupancy shortfall against the benchmark, and the most pronounced seasonal concentration of the three, with holiday-peak upscale occupancy about 20 per cent above the annual average. Phu Quoc scores 1.00 on pipeline intensity, the maximum, and 0.00 on demand momentum, the minimum, which is a fair summary of its position: the fastest-growing market in the country is also the one being asked to absorb the most.

Sensitivity to the missing cell is reported in Table 9. If Nha Trang–Cam Ranh's pipeline ratio were 10 per cent, its index would fall to 0.49 and it would rank second. At 25 per cent it would be 0.54, at 45 per cent 0.59, and at the Phu Quoc level of 70 per cent it would be 0.66 and rank first by a clear

margin. The ranking between the top two markets is therefore not robust, while the gap between all three coastal markets and the urban comparator is robust across the whole plausible range. That is the finding the index supports.

5.6 The market clears only at the peak

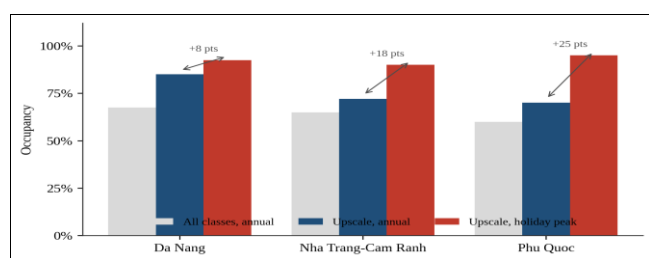


Fig 9: Annual against holiday-peak occupancy, upscale segment

Fig 9 contrasts annual occupancy with holiday-peak occupancy for the upscale segment. Da Nang's four- and five-star hotels ran at 90 to 95 per cent during the April–May 2026 public holiday, against city-wide occupancy of 75 to 80 per cent in the same period and an annual upscale average near 85 per cent. Nha Trang–Cam Ranh's coastal resorts exceeded 90 per cent at Tet, with central four- and five-star hotels near 80 per cent, against an annual figure around 72 per cent. Properties below three stars ran at about 50 per cent in the same peak period.

The peak-to-average gap is the operational expression of the oversupply problem. Capacity sized to the peak is idle for most of the year, and in a destination with pronounced seasonality the marginal room added is used on a small number of nights. It follows that a destination can simultaneously report sold-out holidays, which is what generates the political and investment narrative of undersupply, and carry an annual utilisation rate that does not support its fixed-cost base. Phu Quoc's peak occupancy is not published on a comparable basis, which is a gap in the public evidence given that the island's development case rests substantially on a single event.

The APEC summit sharpens this point. Event demand is concentrated, brief and non-recurring, and previous hosts have managed accommodation shortfalls through dispersal and temporary capacity rather than permanent construction. Gyeongju in 2025 accommodated more than 20,000 delegates and support staff partly by distributing them across a wider region and using cruise vessels. Building permanent five-star capacity to a peak-week specification transfers the cost of the event from its two-week duration to the following two decades of operation.

5.7 Rate, RevPAR and the fixed-cost constraint

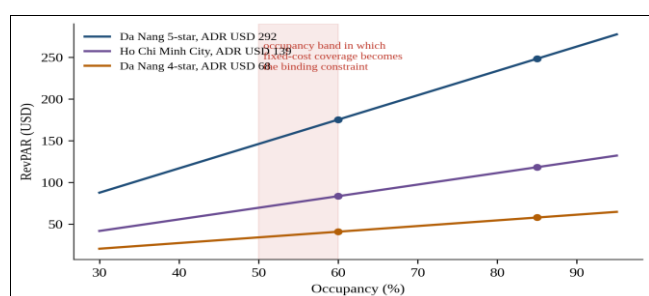


Fig 10: RevPAR against occupancy at published average daily rates

Rate dispersion within Vietnamese coastal markets is wide. Avison Young reported first-quarter 2026 Da Nang occupancy of 85 per cent in the four-star segment and 88 per cent in the five-star segment, with average daily rates of USD 68 and USD 292 respectively and rate growth of about 10 per cent year on year. Ho Chi Minh City reached 83 per cent occupancy in the fourth quarter of 2025 at an average rate near USD 139, and Hanoi 59.5 per cent at about USD 124.

Fig 10 traces RevPAR against occupancy at these rate levels. The arithmetic is unforgiving for the four-star segment: at USD 68, a fall from 85 to 60 per cent occupancy takes RevPAR from USD 58 to USD 41. The five-star segment has more absolute room, but its cost base scales with its rate positioning, and international brand standards on service ratios, food and beverage provision and maintenance are contractual rather than discretionary.

The indicative break-even band of 55 to 60 per cent occupancy shown in Figures 7 and 10 reflects the high operating leverage documented for full-service hotels in the long-run US evidence (Woodworth and Mandelbaum, 2010) [23].

What the rate data already establish, without any cost assumption, is the sequencing. Vietnamese coastal markets in 2025 delivered RevPAR growth of 17.1 per cent nationally and 19.3 per cent in Da Nang, driven by occupancy recovery rather than by rate. When new supply arrives, the same mechanism runs in reverse and it runs through rate first, because an individual hotel's dominant strategy on any given night is to discount an otherwise empty room. Rate discounting is visible in the market long before it is visible in the annual statistics, and it is the earliest observable symptom of the condition this paper is concerned with.

6. Discussion

6.1 Event-driven supply and the problem of the day after

The Phu Quoc case is a textbook instance of a general problem in destination development: an event creates a credible, dated, politically backed demand forecast for a single period, and the capital market treats that forecast as if it applied to the asset's whole life. APEC 2027 will generate a fortnight of near-total occupancy at premium rates. The rooms built for it will operate for thirty years. The financial viability of those rooms depends on the other 1,550 weeks. Savills Hotels has made this point publicly, observing that sustaining occupancy and operating performance after APEC will be the harder challenge, and that the event's success depends on transport, logistics and service capacity as much as on room count. The observation deserves to be taken more seriously than such observations usually are, because the post-event absorption problem has a well documented history in host cities across other sectors, and because the Vietnamese case has an unusual feature: the supply increment is not marginal. A 70 per cent increase in a destination's room stock is not an event surcharge, it is a re-founding of the destination at a different scale, and it requires the island to attract a permanently larger and different visitor base.

There is a plausible path to that outcome. Phu Quoc's visa-free entry regime for all nationalities, its rapid gains in international arrivals, the near doubling of Indian arrivals to 150,000 in 2025 and the growth in long-stay Russian winter visitors all point to a destination that is repositioning rather

than merely growing. Air connectivity is expanding, and the island's search interest among international travellers grew faster than any other Vietnamese destination in 2025. The analysis here does not assert that Phu Quoc will fail to absorb its pipeline. It establishes what absorption requires, which is sustained arrivals growth above 30 per cent a year for two consecutive years, and it places that requirement alongside the plans and forecasts that currently exist. The gap between the two is the finding.

6.2 Fragmented ownership as an amplifier

A market's ability to absorb oversupply depends on who owns it. Roughly 68 per cent of Vietnam's upscale-to-luxury rooms remain owner-operated rather than under professional management, and domestic developers control close to 90 per cent of existing stock. The number of international hotel brands operating in the country is projected to rise from about 90 to more than 130 within three years, which will improve the position at the margin but will not change the composition of the stock that already exists.

The condotel segment concentrates the problem. Vietnam's strata-title resort model sold individual hotel rooms to retail investors under rental guarantees, and by the end of 2022 roughly 83,000 units were awaiting title certificates. Decree 10/2023/ND-CP created a route to certification for tourism accommodation works on commercial-service land, and the 2023 Law on Real Estate Business brought the product type within the regulatory perimeter, but implementation has been slow and the segment has not recovered. The 2019 default of the Cocobay project in Da Nang, when the developer ceased paying guaranteed returns, remains the reference case in the Vietnamese market and continues to shape investor behaviour. Primary resort real estate absorption fell below 2 per cent at points in the subsequent downturn.

For the present analysis the significance is structural rather than historical. A condotel-financed resort cannot cut rates in a coordinated way, cannot easily be recapitalised, and cannot be repositioned or sold as a single asset, because control is dispersed across hundreds of owners with individual contractual claims. When occupancy falls, these properties compete destructively on price and then defer maintenance, which degrades the destination's product quality at exactly the moment it most needs to defend its positioning. Fragmented ownership converts a cyclical downturn into a structural impairment.

6.3 Why the quantity signal arrives late

The property cycle literature explains overbuilding through lags, and the Vietnamese case adds a measurement lag on top of the construction lag. Provincial statistics report arrivals and room counts annually, in review reports published after year end. Occupancy by class is reported irregularly and often only for peak periods, when it is highest. The commercial panels that measure performance continuously cover the branded minority. There is, at present, no published series that would allow a provincial

authority or a lender to observe upscale occupancy in a coastal destination on a quarterly basis across the whole stock.

The consequence is that the quantity signal, occupancy, is observed late and partially, while the price signal, discounting, is observed immediately by every operator in the market but is not aggregated anywhere. Rate discounting in Nha Trang after the previous cycle was visible to participants well before it appeared in any statistic; the market's own association reported average occupancy around 45 to 46 per cent in early 2024 while discussing widespread rate cutting. A licensing decision taken on the basis of the published annual figures will always be taken on information that market participants knew to be stale.

6.4 The urban comparison

Ho Chi Minh City is the instructive contrast. It entered 2026 with fourth-quarter occupancy of 83 per cent, an average rate near USD 139, full-year RevPAR growth of 14.6 per cent, and an active pipeline of about 1,400 keys. Its supply constraint is not going to be resolved quickly, which means its pricing power is durable. Hanoi shows the same pattern at lower intensity, with 59.5 per cent occupancy, RevPAR growth of 6.1 per cent, and constrained supply supporting rate.

The urban markets have a further structural advantage: their demand is a mixture of corporate, MICE and leisure traffic with different seasonal profiles, so the peak-to-average gap is narrower. Coastal resort markets are leisure-dominated, weather-dependent and holiday-concentrated. The same pipeline ratio therefore represents a materially larger risk in a coastal market than in an urban one, which is an argument for differentiating licensing policy by destination type rather than applying a uniform national room target.

6.5 Positioning within the regional context

Vietnam's tourism performance in 2025 was exceptional by regional standards. It became the leading destination for Chinese travellers for the first time, overtaking Thailand, whose own arrivals declined through most of the year. Vietnamese RevPAR growth of around 15 to 17 per cent was among the strongest in Southeast Asia, and the country's development pipeline was the second largest in Asia-Pacific outside China.

Those two facts are related in a way that should give pause. The pipeline is large because performance has been strong, and performance has been strong partly because supply growth paused during the pandemic while demand recovered. The paused supply is now arriving. Regional experience, in Bali, in Phuket and in Hainan, suggests that the interval between a destination being described as the region's outstanding performer and the same destination being described as overbuilt is typically one development cycle, which is three to five years. Vietnam's coastal markets are currently in year two.

7. Implications

Table 10: Implications by actor

Actor	Diagnostic from this study	Proposed response	Observable test of effect
Provincial licensing authorities	Room targets and visitor targets are set in separate documents and never reconciled	Publish, with each approval, the resulting pipeline-to-stock ratio and the arrivals growth it requires	Approvals accompanied by a published absorption test
National planning bodies	A national room target of 1.5 million by 2030 is applied as a local licensing justification	Disaggregate the target with destination-level absorption ceilings differentiated by market type	Coastal and urban ceilings stated separately
Destination management organisations	Capacity is sized to a peak that lasts days, while annual utilisation determines viability	Direct event, MICE and route development at shoulder months; measure success by shoulder occupancy	Narrowing of the peak-to-average occupancy gap
Lenders and investors	Feasibility is assessed against occupancy that the project's own completion will change	Underwrite against post-delivery occupancy from Table 8, and price phasing as an option	Loan covenants referencing post-pipeline occupancy
Developers	Concentrated delivery into a single event window is irreversible	Phase delivery with later stages contingent on realised absorption	Share of pipeline with contingent later phases
Operators	Adjustment runs through rate before it runs through occupancy	Defend rate integrity; pursue conversion and management contracts in the weaker segment	Rate dispersion within class; count of new management contracts
Statistical authorities	No quarterly destination-level occupancy series exists for the full stock	Publish quarterly occupancy and rate by star class within the national tourism data architecture	Series available before the 2027 delivery wave

7.1 For provincial authorities

The most useful intervention is not a cap on construction, which is politically difficult and economically blunt, but a requirement that licensing decisions be accompanied by a published absorption test. The arithmetic in Section 4.3 is simple enough to be administered: for a proposed project, the licensing authority would publish the pipeline-to-stock ratio implied by approving it and the destination arrivals growth required to hold occupancy constant, alongside the province's own approved arrivals target. Where the required growth exceeds the target by a stated margin, approval would require explicit justification. This does not prohibit anything. It forces the inconsistency between a room target and a visitor target to be stated in the same document, which at present it never is.

National room targets should be disaggregated with destination-level absorption ceilings. A target of 1.5 million rooms by 2030 is a national aggregate; it becomes a licensing justification in individual provinces, where the aggregate logic does not apply. Coastal provinces would benefit from a differentiated ceiling reflecting their narrower demand base and sharper seasonality.

Seasonality is the variable most amenable to policy. Every percentage point of annual occupancy gained by filling shoulder months is worth more to a destination than the equivalent gained at the peak, because it uses capacity that is otherwise idle. The instruments are familiar: MICE facilities, sports and cultural event calendars scheduled outside the high season, education and wellness segments with different seasonal profiles, and air route development targeted at northern-hemisphere winter markets. Khanh Hoa's night-time economy programme and Da Nang's extended event calendar are moves in this direction, and their effect should be measured against shoulder-season occupancy rather than against total arrivals.

7.2 For developers and lenders

The exposure created by concentrating a pipeline into a single delivery window is not adequately priced by the current financing structure. A lender assessing a Phu Quoc project against 2025 occupancy is assessing it against a figure that the project's own completion will change. The

relevant test is occupancy in the year after the whole pipeline delivers, not occupancy today, and Table 8 provides the arithmetic for constructing it.

Phasing has an option value that the industry consistently undervalues. Delivering in stages, with later stages contingent on realised absorption of earlier ones, converts an irreversible commitment into a sequence of reversible ones. The option-exercise literature makes this point theoretically; the Vietnamese post-pandemic experience, in which projects financed before 2020 completed into an empty market, makes it concretely.

The strata-title model should be treated as a financing structure of last resort in upscale coastal development. It lowers the developer's cost of capital by transferring risk to buyers who cannot assess it and who collectively lack the capacity to act when it materialises. The regulatory work of Decree 10/2023 and the 2023 Law on Real Estate Business improved the position of existing holders without addressing that basic asymmetry.

7.3 For operators

Operators entering these markets in 2026 and 2027 should plan for rate pressure rather than occupancy pressure in the first instance, and should protect rate integrity, since rate recovers slowly once conceded. Wheaton and Rossoff's estimate of six to seven years for full rate adjustment is a useful order of magnitude even if the specific parameter is drawn from a different market.

The conversion opportunity is real and is the constructive counterpart to the risk identified here. With about two thirds of upscale stock owner-operated and unbranded, and a large unrated segment with weak balance sheets, a downturn in occupancy is precisely the environment in which management contracts, franchise conversions and repositioning transactions become available. A market with an oversupply problem and a professionalisation deficit can address both at once, and the projected increase in international brands operating in Vietnam suggests this is already under way.

7.4 For the statistical system

The single most valuable change would be quarterly

publication of occupancy and average rate by star class at destination level, covering the full registered stock rather than a branded panel. Provincial tourism departments already collect the underlying returns for the rated segment. The Ministry's plan to build a national tourism data architecture, referred to in its 2026 mid-year review, is the natural vehicle. Without it, the absorption test proposed in Section 7.1 cannot be administered on current information, and the analysis in this paper has to be conducted, as it has been, by triangulating administrative counts against proprietary panels that measure a different population.

8. Conclusion

Vietnam's coastal upscale hotel markets entered 2026 in a strong position and with a supply commitment that the strength of that position does not by itself justify. The national picture, in which a decade of 10.3 per cent demand growth was matched by 10.9 per cent supply growth, conceals a distribution in which one island is being asked to absorb a pipeline equal to 70 per cent of its stock in two years and a second city a pipeline somewhere between a quarter and two thirds of its upscale stock in the same window.

Translated into the demand growth required to hold occupancy constant, those pipelines call for 30.4 per cent a year in Phu Quoc and 20.7 per cent in Da Nang, against national planning assumptions of 18.1 per cent for 2026 and provincial targets of 10 to 11 per cent. On a demand path of 15 per cent a year, which is above the national plan and close to what Vietnam achieved in the first half of 2026, Phu Quoc's upscale occupancy falls from roughly 70 per cent to about 55 per cent by 2027, and Da Nang's from 85 to 77 per cent. The difference between the two outcomes is almost entirely explained by the utilisation buffer each market started with, which suggests that the useful early-warning indicator is not the pipeline in isolation but the pipeline measured against the occupancy headroom available to absorb it.

Three features of these markets amplify whatever adjustment occurs. Around 60 per cent of coastal rooms sit outside the star-rating system and will bear the first and largest share of any discounting. Roughly two thirds of upscale stock is owner-operated and lacks the brand distribution that cushions branded properties in a downturn. And the strata-title financing that built much of the existing resort stock disperses control to the point where coordinated response is impossible.

None of this constitutes a forecast of distress. The scenarios are conditional, the pipeline may slip, length of stay may lengthen, and Phu Quoc in particular is repositioning in ways that could support a permanently larger visitor base. What the analysis does establish is that the absorption requirement now embedded in these markets has not been stated anywhere in the planning documents that authorised it, and that the information needed to monitor it is not currently published. Those are both remediable, and remedying them is considerably cheaper than the alternative. Three lines of further work follow directly. The first is to repeat the exercise with operator panel data, which would allow the identity to be applied in levels and the scenarios to be validated. The second is to estimate the rate response to supply shocks in Vietnamese coastal markets, which requires a monthly rate series and would convert the descriptive index proposed here into an estimated elasticity.

The third is a post-event study of Phu Quoc after 2027, which will provide an unusually clean natural experiment on the absorption of event-driven supply, and for which the pre-event baseline established in this paper is intended to serve.

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