



Quick Stats

12.4 million visits

Number of overseas tourists to Korea increased by 19% YoY in 2018

5,800 keys

New room supply decreased by 4% YoY in 2018

₩ 82,372

RevPAR of hotels in Seoul decreased by 14% YoY in 2017

₩ 0.5 trillion

Sales volume of hotels in Seoul increased by 13% YoY in 2018

₩ 400 million

Average selling price per room rose 69M KRW YoY in 2018

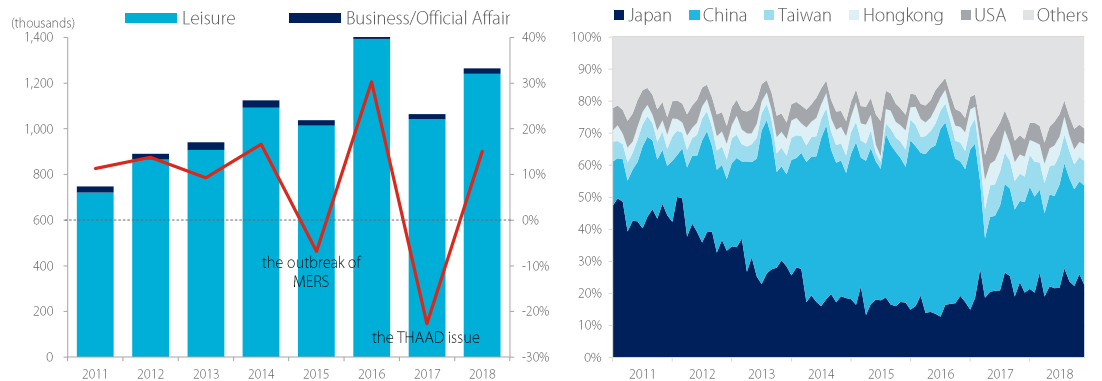
Market Overview

Until 2017, the Revenue per available room(RevPAR) of hotels in Seoul had been on decline due to increase in new room supplies, unfavorable tourism market conditions. However, the hotel industry is expected to improve as the growth rate of room supply started to slow down and the number of tourists increased since 2018. In particular, the sales volume and average selling price per room of hotels in Seoul had shown uprise, and the case of global investments in hotels within Seoul has been observed in 2018.

International Arrivals

The number of international visitors has been on the rise since 2018 2Q compared to same period YoY, along with a slight improvement in the hotel industry. The number of Chinese tourists, which accounted for the largest portion of foreign travelers visiting Korea since the mid 2010s, has sharply declined in 2017 due to geopolitical issues, but is showing some signs of recovery recently.

Meanwhile, the number of Japanese tourists showed increase with high correlation to the Japanese Yen appreciation. However, if the recent emerging political and economical issues between Korea and Japan prolongs, it could pose as a risk to the domestic tourism market.



※ Source : Korea Culture & Tourism Institute, Statistics Korea

Supply

In 2018, the cumulated room stock of hotels in Seoul increased 10.7% YoY, while new supply decreased 4.1% YoY. The growth rate of Seoul hotels' cumulative stock has slowed since 2015 as the number of new room supply has been on the decline. The new supply of hotels in Seoul is also expected to fall 2.9% YoY. By major districts in Seoul, Jung-gu, where major tourist attractions are concentrated, and which took up a large part of the new room supplies, started to decline since 2016. The Gangnam-gu area, where business districts and major commercial districts are located, has maintained an average supply of 1,000 rooms since 2015, and is expected to increase by 60 percent YoY in 2019 to account for a major portion of the new room supply.

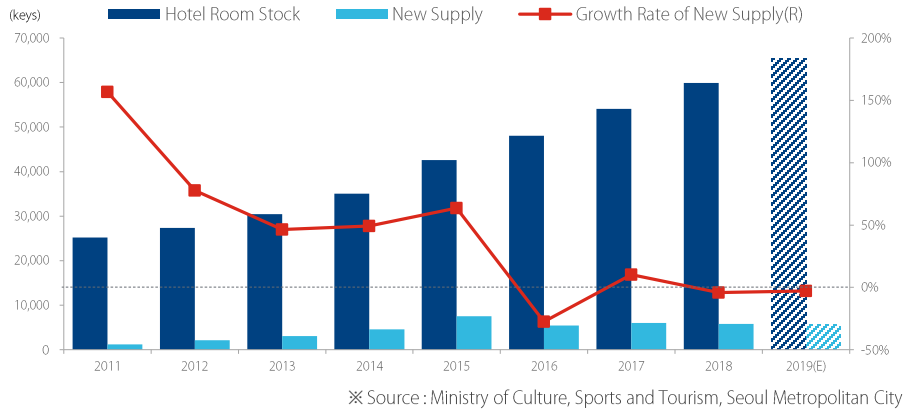
Hotel Performance

The RevPAR of hotels in Seoul has been on a declining trend until 2017. The OCC(Occupancy Rate) of hotels continuously declined due to a high level of new supply and unfavorable factors in the tourism industry(the outbreak of MERS in 2015, and the THAAD issue in 2017). Geographically, The RevPAR in Jung-gu, where new supplies were especially concentrated, showed significant variability. However, as tourism market shows signs of recovery in 2018, hotel operation performances are expected to meet improvements.

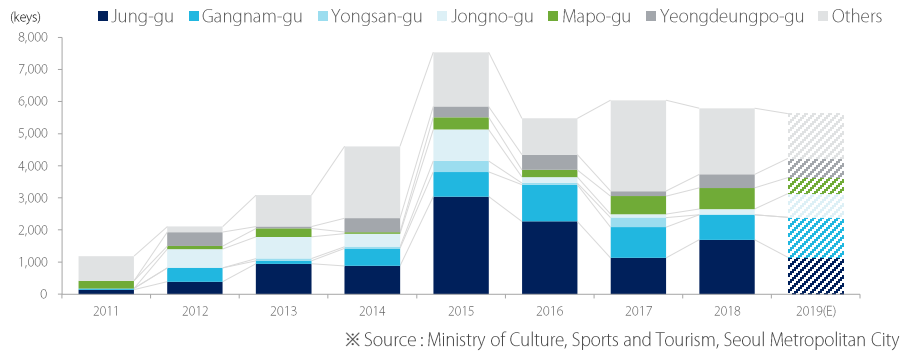
Investment

Recently, transactions of three-star hotels have been active in the Seoul hotel investment market, with most deals closed in the Jung-gu district. Also, the increasing number of investment cases by Singapore funds is a distinctive feature. In 2018, Ascendas Hospitality Trust had acquired KY-Heritage Hotel which is located near the Dongdaemun(Jung-gu, Seoul) for KRW 73 billion and signed a long-term agreement with Sotetsu Hotels Japan to lease the hotel. In terms of values, the selling price per room of three and four-star hotels, which rose by 69.4M KRW YoY, reached approximately 400M KRW. The improvement of Cap. Rate is likely to be limited due to the rise in transaction prices and weak operation performances and in hotels.

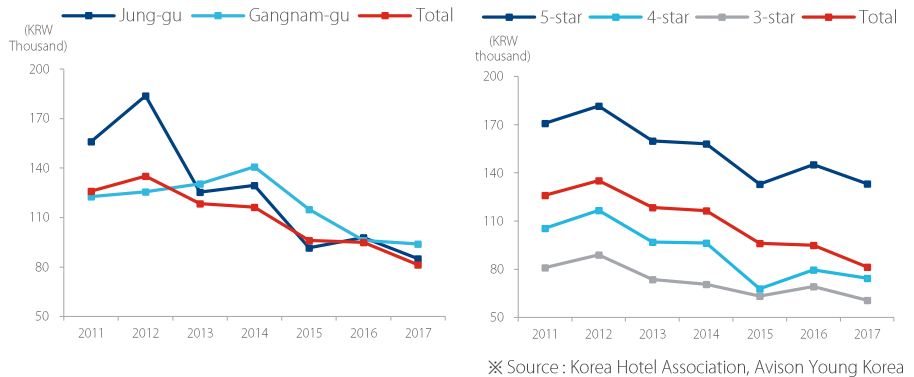
Number of Hotel Rooms in Seoul



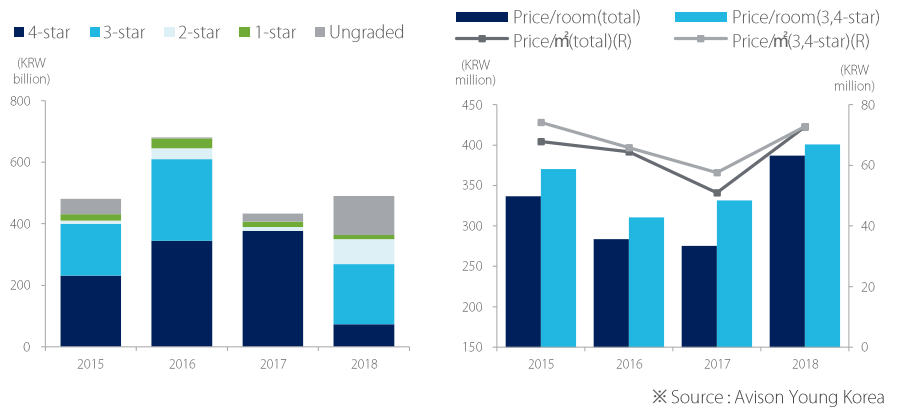
Hotel Guest Room Supply by Region



Seoul Hotel RevPAR



Sales Volume and Unit Price



Select 2018 New Hotels

Property	Address	Gross Area(m ²)	Keys	Grade
Novotel Ambassador Seoul Dongdaemun	Eulgiro 6-ga, Jung-gu	45,000	532	5 stars
L7 Hongdae	Donggyo-dong, Mapo-gu	28,000	340	4 stars
L'escape Hotel	Hoehyeon-dong 1-ga, Jung-gu	48,000	204	4 stars
Four Points By Sheraton Seoul Gangnam	Sinsa-dong, Gangnam-gu	12,000	199	4 stars
Courtyard Marriott Seoul Botanic Park	Magok-dong, Gangseo-gu	57,000	262	4 stars
RYSE Autograph Collection	Seogyo-dong, Mapo-gu	29,000	274	4 stars
Hotel Gracery	Namdaemunro 4-ga, Jung-gu	34,000	336	3 stars

※ Source : Avison Young Korea

New Supply After 2019

Property	Address	Gross Area(m ²)	Keys	Opening
Nine Tree Insa-dong	Gwanhun-dong, Jongno-gu	45,000	302	2019
Andaz Seoul Gangnam	Apgujeong-dong, Gangnam-gu	34,000	283	2019
Moxy Seoul Insa-dong	Nakwon-dong, Jongno-gu	6,000	143	2019
Nine Tree Dongdaemun	Eulgiro 5-ga, Jung-gu	9,000	219	2020
Fairmont Seoul Yeouido	Yeouido-dong, Yeongdeungpo-gu	54,000	339	2020
Sofitel Seoul	Sincheon-dong, Songpa-gu	61,000	563	2021
Daiwa Hotel	Dohwa-dong, Mapo-gu	20,000	297	2021

※ Source : Avison Young Korea

Select 2018 Sales

Property	Buyer	Seller	Keys	Grade	Sale Price	Price/Room	
Sotetsu Hotels The Splaisir Dongdaemun	Ascendas Hospitality Trust	KY Development	Jung-gu	215	4-star	₩ 73 billion	₩ 339 million
Nine Tree Hotel Myeondong	Capstone Asset Management	Saengbo Real Estate Trust	Jung-gu	144	3-star	₩ 66 billion	₩ 458 million
Hotel Sky Park Central Myeongdong	KB Asset Management	JR AMC	Jung-gu	312	3-star	₩ 130 billion	₩ 416 million
Hotel Sky Park Myeongdong 2	KB Asset Management	JR AMC	Jung-gu	131	2-star	₩ 45 billion	₩ 344 million

※ Source : Avison Young Korea


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