



## Quick Stats

17.5 million

Inbound tourist volume increased 16% y-o-y

1.5 trillion KRW

Transaction volume of hotel increased by 36% y-o-y

4.85%

Capitalization rate of hotel  
increased 16bps y-o-y

2,517 rooms

Hotel room supply in Seoul  
decreased by 62% y-o-y

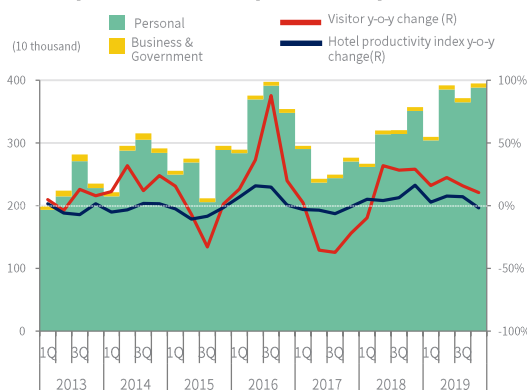
85,481 KRW

Average Daily Rate  
increased by 4% y-o-y

## Inbound Tourism

The total inbound visits for personal, business and governmental/diplomatic purposes reached a record volume of 17.5 million, up 4% from year 2016's record tourist volume. Tourist volume in 4Q 2019 increased 11% y-o-y. Although Japanese tourist volume slumped 11% in 4Q 2019 y-o-y due to diplomatic friction, 33% y-o-y increase of Chinese tourist volume bumped the overall inbound tourist volume.

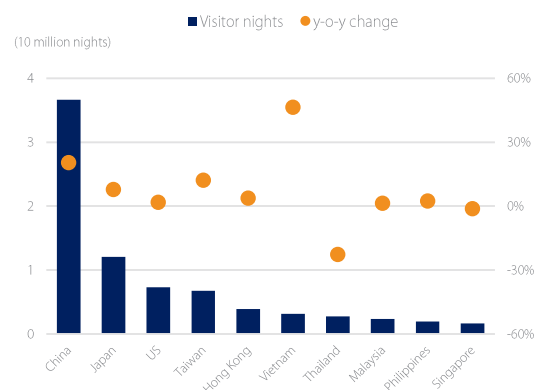
The number of visitors from neighboring countries such as China (33%), Japan (22%), and Taiwan (9%) accounted for more than 64% of the total volume as of 2019. However, tourists from United States (9days) and Vietnam (8days) on average spend more nights, ranking them at 3rd



▲ Inbound tourist and hotel productivity index

and 6th in terms of total visitor nights. In particular, due to the rise of Korean Wave in Vietnam and the new e-visa policy, both the volume of Vietnamese tourists visiting Korea and the average length of stay altogether increased by 21% y-o-y.

Meanwhile, despite the quantitative increase in tourist volume, the rate of increase has slowed since the 2Q of 2018. Moreover, the percentage change in the domestic hotel industry productivity index has turned negative as of 4Q 2019. In addition, the COVID-19 pandemic sparked in early 2020 has forced cross border travel bans, putting global hotel industry at great risk.



▲ International markets by volume of visitor nights (2019)

## Transaction Market

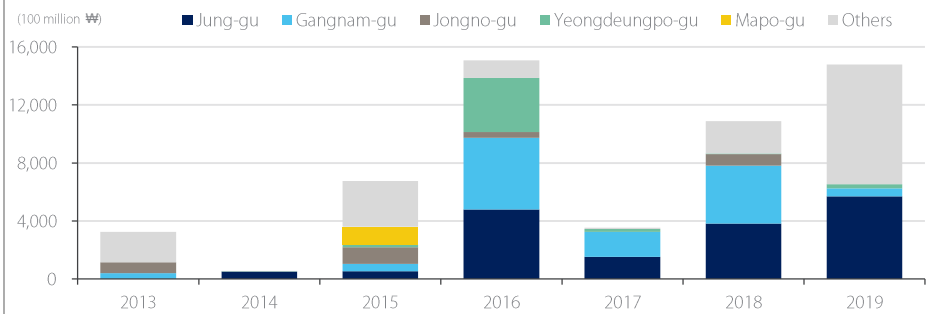
In 2019, the hotel transaction volume was just under 1.5 trillion KRW. It is the second-largest transaction volume since 2016. Transaction volume increased significantly y-o-y because the transactions included hotels along with nearby developable land, in order to develop the site altogether for residential purposes.

In terms of grade, the most frequent deals were 3-star business hotels located in Jung-gu following the momentum from the previous year. In the past 5 years, business hotel deals were primarily made by domestic investors. Nonetheless, Singaporean investors began to enter the market since 2018. CapitaLand's subsidiary, Ascott was the first to invest in Seoul market followed by Datapulse's acquisition of Aropa hotel and Holiday Inn Express Euljiro. Their prime strategy is value-add method through rebranding and repositioning the acquired 3-star hotels.

5-star hotel Grand Hyatt Seoul and a nearby empty lot was transacted to be developed for residential purposes. Such prime grade hotel transaction was last observed when Conrad Seoul was sold with IFC offices & shopping malls in 2016. PAG and InMark Asset Management, which acquired a stake in the company that owns Grand Hyatt Seoul, plans to refurbish the hotel facilities for now.

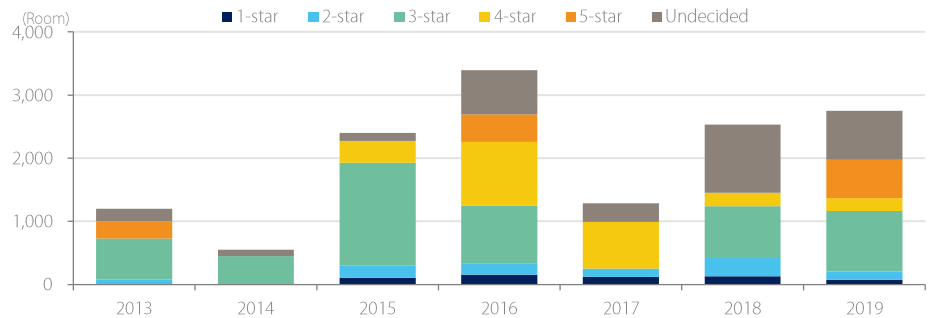
The price per room was around 250 million won, down from last year's 290 million won. The transaction price per room of 3-star and 4-star hotels also fell from last year to about 330 million won. This seems to be due to the fact that in 2019, there were many transactions in areas other than Myeongdong, where property price is among the highest in Seoul. The cap. rate rose to 4.85%, slightly higher than the previous year.

### Transaction volume by major districts



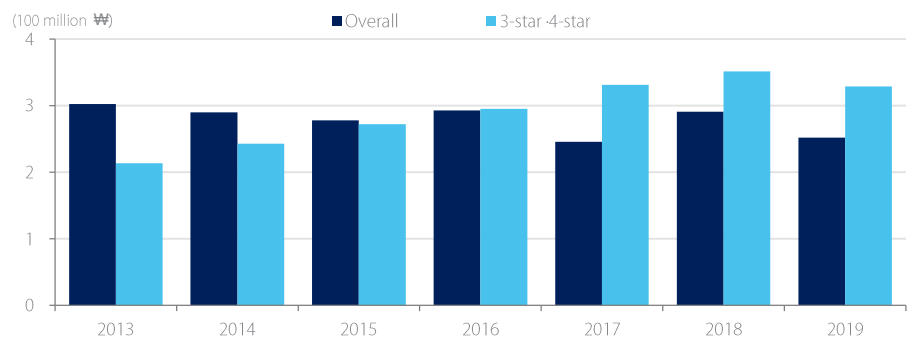
Source: Avison Young Korea Research Center

### Transactions of rooms by grade



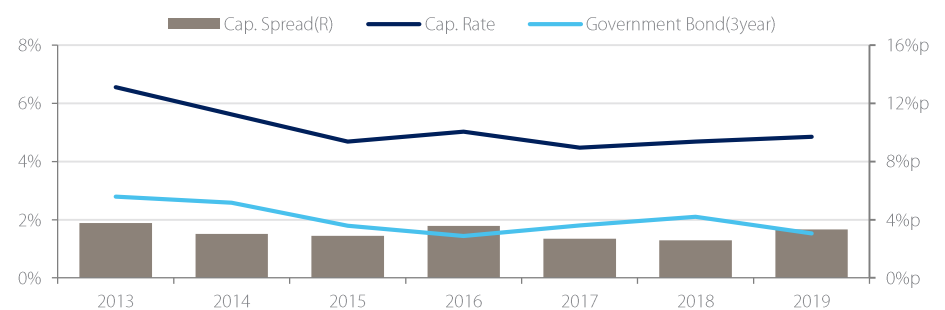
Source: Avison Young Korea Research Center

### Price per room



Source: Avison Young Korea Research Center

### Capitalization rate



Source: Avison Young Korea Research Center

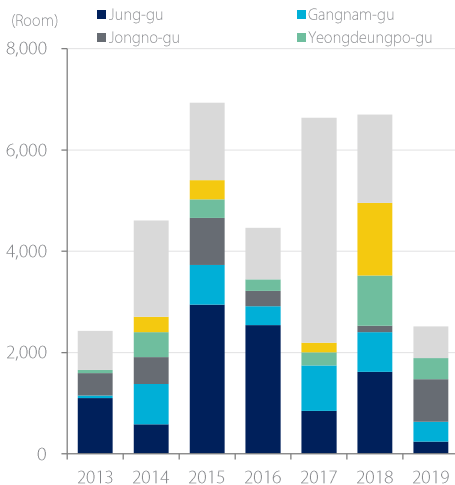
## Major Transaction Cases

Hotel	District	Address	Room	Price (100 mill₩)	Price/room (10,000 ₩)	Seller	Buyer
Hotel Aropa		Bukchang-dong	127	349	27,000	Hotel Prima	IGIS Asset Management Company
T-mark Hotel Myeongdong	Jung-gu	Chungmu-ro 3-ga	288	882	31,000	JR Asset Management Company	Hana Tour
Holiday Inn Express Euljiro		Eulji-ro 2-ga	224	590	26,000	Korea Investment Management Co.,Ltd	Korea Investment Management Co.,Ltd
Hotel the Designers Yeouido	Yeongdeungpo-gu	Yeouido-dong	130	285	22,000	World Wide Consulting Co.,Ltd	Leading AMC

Source: Avison Young Korea Research Center

## New Supply

The number of rooms supplied to Seoul in 2019 totaled 2,517, which is only 43% of the average supply over the past five years. New hotel supply increased sharply since 2012 when the Special Act on Tourism Accommodations was enacted. Concerns over the oversupply of rooms and a decrease in Chinese tourists following the 2017 THAAD issue led to a dramatic decrease in supply. This trend is expected to continue into 2020.

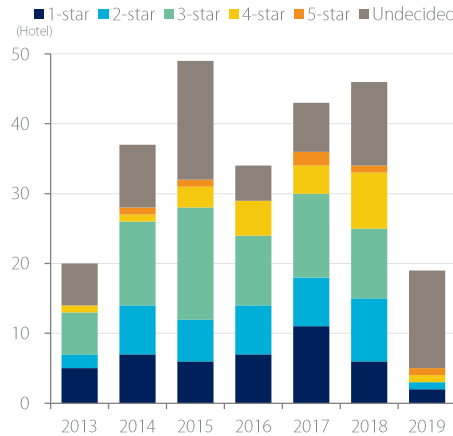


▲ New hotel supply by district

Source: Avison Young Korea Research Center

While the supply of hotels decreased in all areas, five new hotels opened in Jongno-gu. Supply of hotels was previously concentrated Myeong-dong and Dongdaemun areas in Jung-gu district. However, in 2019, the new supplies were built in Jongno-gu's Ikseon-dong, Insa-dong and Daehak-ro which are adjacent to Jung-gu district. On the other hand, no new hotels opened in Mapo-gu where a series of hotels including L7, Holiday Inn Express, and RYSE Autograph Collections opened in 2018 near Hongdae.

According to Korea Tourism Organization's hotel ratings, a pattern appeared where mostly 4-5 star opened in Gangnam-gu and 1-2 star hotels opened in other districts. Newly supplied hotels in Jung-gu and Jongno-gu that have yet to be rated so far are expected to be 3-4 star, as the hotels are mostly business hotels with minimal facilities.



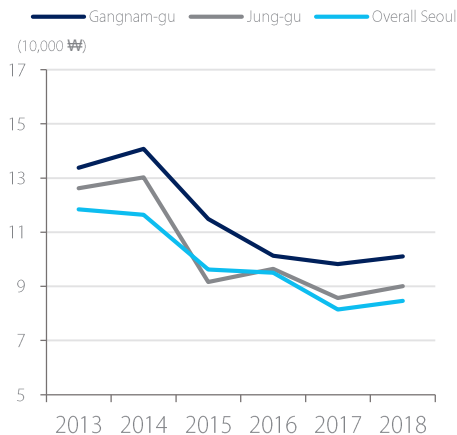
▲ New hotel supply by grade

Source: Avison Young Korea Research Center

In 2019, Japanese brands, such as Toyoko Inn Yeongdeungpo and Sotetsu Fresa Inn Myeongdong opened. The Japanese hotel groups have opened two to three 3-star hotels on average in the market for the past five years. Meanwhile, Hyatt's Andaz Gangnam (5 star) made its first debut in Korea. More 5-star hotels is scheduled to open in Seoul and the list includes Accor's affiliate brands such as Fairmont, Mondrian, and M-Gallery.

## Hotel Performance

Seoul Hotel's revenue per available room (RevPAR), which has been on a downward trend shifted upwards in 2018, reaching 85,000 won, up 4% y-o-y. The RevPAR in the Jung-gu district, which is packed with major tourist attractions, reached 90,000 won, a 5% increase y-o-y. Tourist volume recovered from the shrinkage in 2017

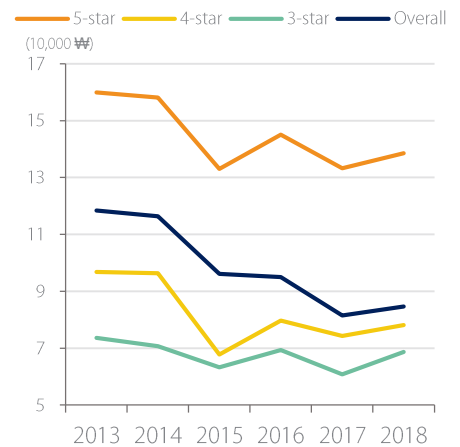


▲ RevPAR by district

Source: Korea Hotel Association, Avison Young Korea Research Center

and the occupancy rate (OCC) of business hotels in Dongdaemun and Myeongdong reached over 90%. The district's average daily rate (ADR) also rose 3% y-o-y which contributed to overall increase in RevPAR.

Hotels with a high RevPAR increase in Jung-gu district was commonly located near Myeongdong and Eulgiro-1ga subway station, and were boutique or lifestyle hotels. On the other hand, ADR in Gangnam-gu increased by 3%, reaching KRW 101,000. The RevPAR increased by 2% y-o-y, and the occupancy rate (OCC) remained stable as Gangnam-gu district is highly preferred by business related visitors, guarding the OCC from fluctuations in the tourist market.

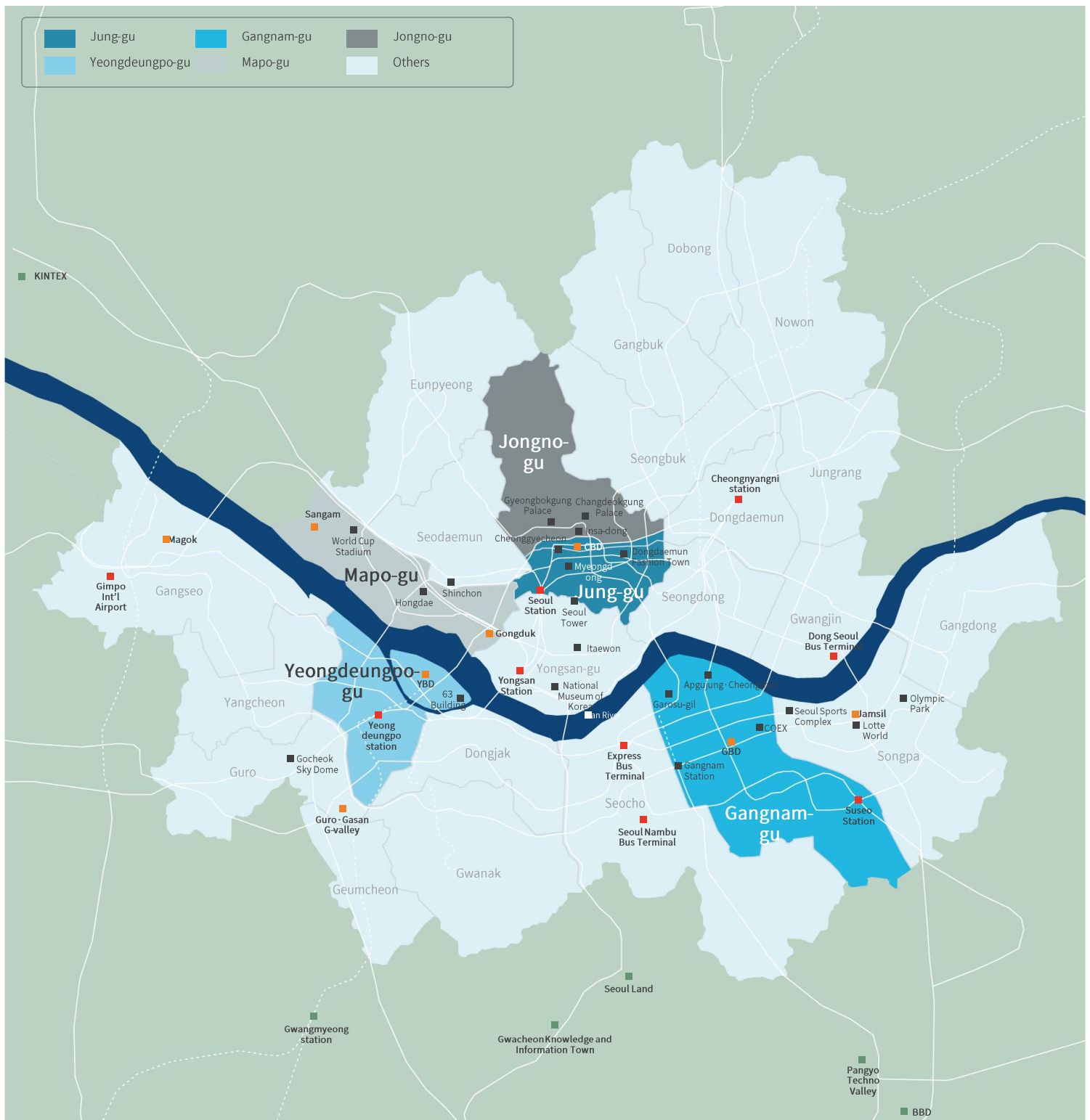


▲ RevPAR by grade

Source: Korea Hotel Association, Avison Young Korea Research Center

In 2018, the ADR of 5-star, 4-star, and 3-star hotels in Seoul were 13.8 million, 7.8 million, and 6.9 million KRW respectively. In particular, increase of ADR in Seoul's 3-star hotel was the highest among all grades, reaching 13% increase y-o-y. The OCC of 3-star hotel rose by 3.7%p y-o-y, landing them at 76.1% and the RevPAR rose 7.5% y-o-y. The performance of 3-star hotel enhanced due to increase in Chinese tourist resulting from amelioration of diplomatic relations after the THAAD incident in March 2017, and steady rise in Japanese tourist volume.





**AVISON  
YOUNG**

avisonyoung.com

For more information, contact:

**Injoon Choi**  
Managing Director  
02.3775.7204  
injoon.choi@avisonyoung.com

**Hyounggoo Lee**  
Head of Research  
02.3775.7290  
hg.lee@avisonyoung.com

**Kijun Kim** 02.3775.7265  
kj.kim@avisonyoung.com

**YH Shin** 02.3775.7248  
yh.shin@avisonyoung.com

**TY Kim** 02.3775.7271  
ty.kim@avisonyoung.com



Platinum member

© 2020 Avison Young Korea.  
All rights reserved.

E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.

**SW Cho** 02.3775.7222  
Domestic Capital Markets  
sungwook.cho@avisonyoung.com

**CY Lee** 02.3775.7230  
Retail Marketing and TR  
changyk.lee@avisonyoung.com

**Jin Seo** 02.3775.7260  
Overseas Capital Markets  
jin.seo@avisonyoung.com

**Wook Kim** 02.3775.7230  
Value-add Service  
michael.kim@avisonyoung.com

**JM Kim** 02.3775.7370  
Valuation and Advisory  
jasmine.kim@avisonyoung.com

**Anthony Ahn** 02.3775.7352  
TR Service  
a.ahn@avisonyoung.com

**Jaehoon Yoon** 02.3775.7351  
Retail and TR  
jay.yun@avisonyoung.com

**SH Choi** 02.3775.7263  
Strategic Consulting  
sh.choi@avisonyoung.com