

2023 HOTEL MARKET REPORT

April 2024



Gwanghwamun G Tower (Shilla Stay Hotel)
/ Transacted Mar. 2024

Hotel Demand in Seoul and Jeju_ Outbound tourist volume

By 2023, international tourist arrivals will be 63% of what they were in 2019, the year before COVID-19.

The number of outbound tourists has been on the rise, recovering to pre-COVID-19 levels. Most countries have seen a recovery of more than 70%, with the exception of China, which has allowed group tours to Korea since August 2023, which is a positive sign given that the number of tourists is 63% higher than in 2019. While not yet fully recovered to pre-COVID levels, the strong recovery trend in domestic arrivals, up 245%* from 2022, represents a significant change.

Prior to 2012, Japanese tourists were the dominant group of outbound tourists, but in 2013, Chinese tourists overtook Japanese for the first time, and this trend continued until 2019. After three years (2020-2022) of restrictions** on cross-border travel due to COVID-19, the first year of the recovery last year saw outbound tourist arrivals reach 63% of 2019 levels, while the largest group, the Chinese, remained at 34%.

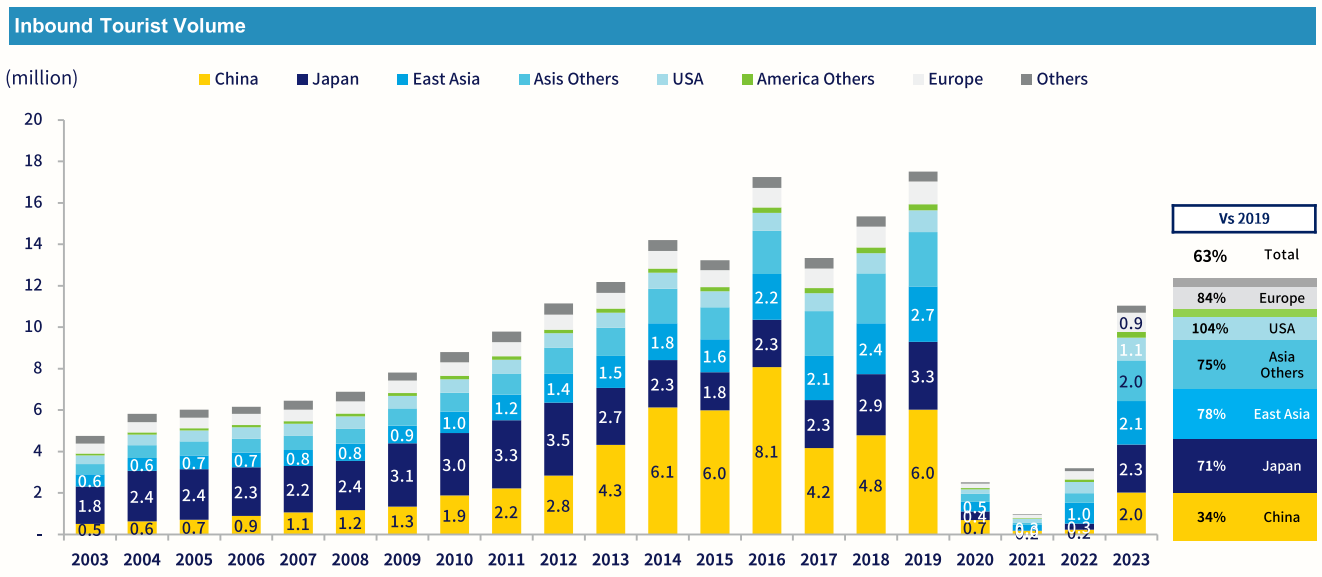
In fact, according to a study*** by the Korea Culture & Tourism Institute, the number of outbound tourists is expected to grow at an average annual rate of 10.4% from 18.73 million in 2024 to reach 25.2 million in 2027 (20.05 million in 2025 and 22.69 million in 2026), assuming a recovery in the Chinese market. In addition, tourism demand is expected to steadily recover and grow as the current government is actively seeking ways to attract foreign tourists, including "Korea, a happy nation through travel and development through tourism (Ministry of Culture, Sports, and Tourism)" as one of its 120 national tasks and setting a goal to expand the number of foreign tourists to 30 million in 2027.

The Hallyu tourism is expanding due to K-culture. Instead of cutting off international tourism, the pandemic has expanded the consumption of online content, including OTT, and Hallyu, which was once limited to specific genres such as K-Pop, is expanding its influence across global culture. As global interest in Korean culture continues to grow, the spectrum of travel to Korea is expanding, which is expected to contribute to the growth in tourism demand.

*China up 788%, Japan up 680%, Southeast Asia up 110%, and other Asia up 325% compared to 2022

** The Chinese government has implemented a strong zero-corona policy since the outbreak of COVID-19, reopening its borders in late 2022 and allowing Chinese overseas group tourism in 2023 on a country-by-country basis.

***Ryu Kwanghoon and Son Shinwook (2023), "Tourism-Aviation Cooperation Plan to Expand International Visitors to Korea", Korea Culture & Tourism Institute



※ Source: Statistics Korea, Korea Culture & Tourism Institute, GenstarMate Research

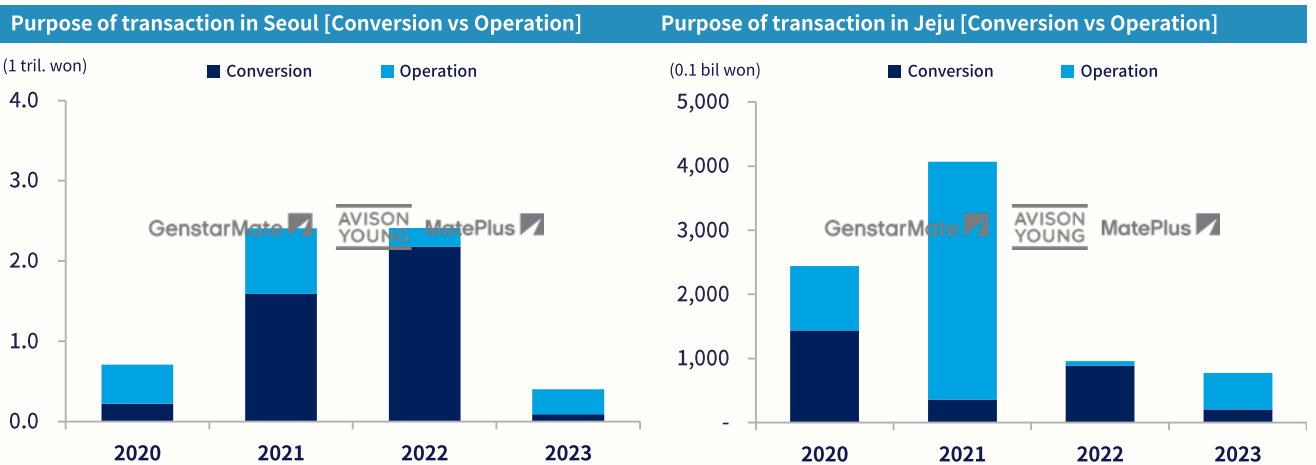
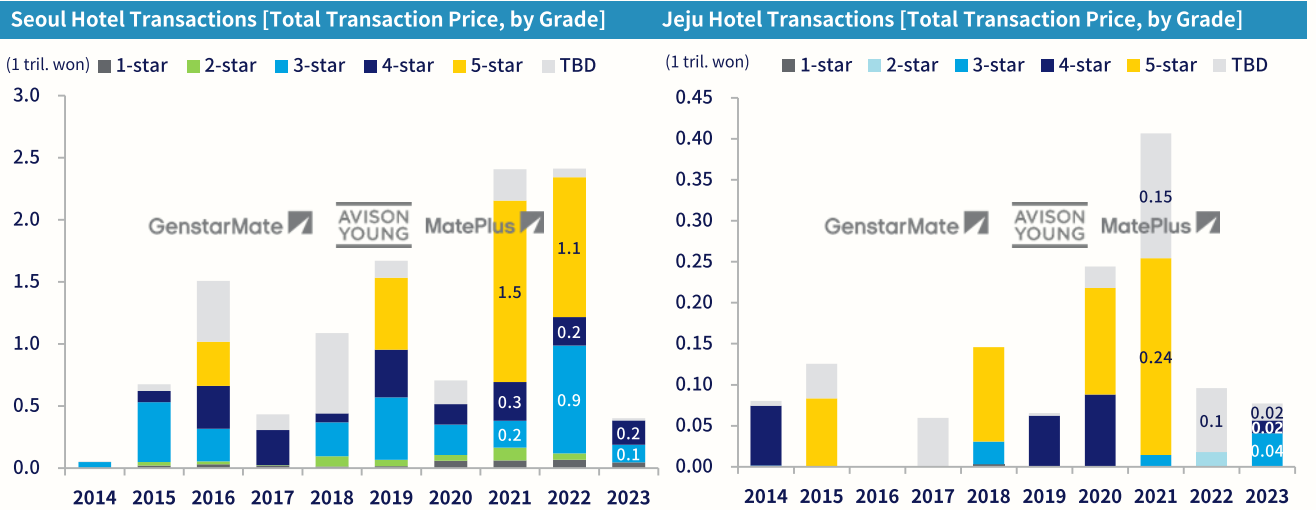
Seoul & Jeju Hotel Transaction Market_ Transaction Trends by 2023

Transaction volume for hotels in Seoul and Jeju decreases YoY in 2023 - convertible properties exhausted

In 2023, 10 Seoul-based hotels transacted, totaling KRW 403.6 billion* in transaction value. This is a decrease of nearly KRW 2 trillion compared to KRW 2,421.1 billion in 2022, a significant decrease considering that the Millennium Hilton was valued at over KRW 1 trillion in 2022. For hotels in Seoul, there were no five-star transactions, with four one-star properties (KRW 45.4 billion) and five three- to four-star hotels (KRW 338.2 billion), while the Jeju region also recorded a total of four one-star properties and KRW 77.3 billion in transaction volume, with transactions mainly for three- to four-star properties.

* Figures exclude "Hotel The Designers Hongdae," that are share-deals; the transaction volume would have been KRW 412 billion if the share-deals were included.

The high volume of transactions between 2021 and 2022 is due to the fact that many of the transactions were for the purpose of repurposing hotels to cease operations and redevelop them into other sectors. From 2023 onwards, the supply of attractive existing hotels that can be repurposed has been largely exhausted, and such repurposing transactions are expected to gradually decrease as hotel operations are revitalized by the increase in foreign tourists.



※ Source: GenstarMate Research

Seoul & Jeju Hotel Transaction Market_ Transaction Cases in 2023

Transaction volume for hotels in Seoul and Jeju decreases YoY in 2023 - convertible properties exhausted

In 2023, transactions for the purpose of investment and operation maintenance will be carried out, giving expectations that the flow of the hotel investment market will change to some extent. Nine Tree Premier Myeongdong II (KRW 1,807 million per py) and Aventree Hotel Jongno (KRW 26,5 million per py) were purchased by CDL Hotel Korea and The Prima, respectively, for the purpose of changing to their own brands and maintaining operations. Starz Hotel Myeongdong II was sold by Modu Tour Reits and purchased by Capstone Investment Asset Management (KRW 20.49 million per py), but the buying investor, Plenitude, a Singaporean hospitality expert, is reportedly considering continuing operations by adding value while replacing it with a new brand.

Nine Tree Dongdaemun (KRW 20.12 million per py), which Evison Young Korea advised on the sale and successfully closed, was acquired by Shinhan Seobu T&D Reits, the listed Reits of Shinhan Reits Management, in September 2023 as its first portfolio expansion asset after listing. With the acquisition of Nine Tree Dongdaemun, Shinhan Seobu T&D now holds a total of KRW 630 billion in AUM, in addition to the underlying assets Incheon Square One and Yongsan Grand Mercure.



Left. Nine Tree Dongdaemun



Right. New Kukje Hotel remodeling project to Office (Photo source: MK News)

Seoul and Jeju Hotel Major Transactions in 2023

Hotel Name	District	Open	Grade	Room	Transaction Quarter	Seller	Buyer	Transaction Price(1,000 KRW)
New kukje Hotel	Jung-gu	1977	3 star	138	2023.2Q	New kukje Hotel	GRE AMC	63,500,000
Nine tree premier Myeongdong II	Jung-gu	2017	4 star	408	2023.3Q	Shinhan AMC	CDL Hotel Korea	140,000,000
I.T.W Hotel	Others	2013	1 star	71	2023.3Q	MIR Industrial Development	Stayproject 1	20,900,000
Aventree Hotel Jongno	Jongno-gu	2012	3 star	155	2023.3Q	JR AMC	The Prima	48,700,000
Nine tree Dongdaemun	Jung-gu	2020	4 star	219	2023.3Q	Kyobo AIM AMC	Shinhan REIT's Management	54,000,000
Staz Hotel Myeongdong II	Jung-gu	2015	3 star	174	2023.4Q	STAR REIT's	Capstone AMC	32,000,000
The designers Jongno	Jongno-gu	2013	TBD	81	2023.4Q	Private owners	Hotel Hero	20,000,000
Playce Hotel	Seoguipo-si	2017	4 star	235	2023.4Q	Place 4	Phoenix Joongang Jeju	15,601,878
Jeju seoul hotel	Jeju-si	1958	TBD	108	2023.4Q	ARARIO	EPCOT Jeju	11,000,000
Marevo Hotel	Jeju-si	2014	3 star	95	2023.4Q	High value marevo SPC	National Credit Union Federation of Korea	41,000,000

※ Source: GenstarMate Research

Seoul & Jeju Hotel Transaction Market_ Transaction Trends in 2024

Transaction price per py reached KRW 226 million and per room KRW 260 million

While the transaction price per py, which has been on the rise since 2020, reached KRW 226 million, the transaction price per room fell to KRW 260 million per room in 2023 after reaching a peak of KRW 4.5 billion per room in 2021. This is similar to the pre-COVID-19 level in 2019.

Transaction volume to increase in 2024 with deals such as Conrad, Shilla Stay Gwanghwamun, etc.

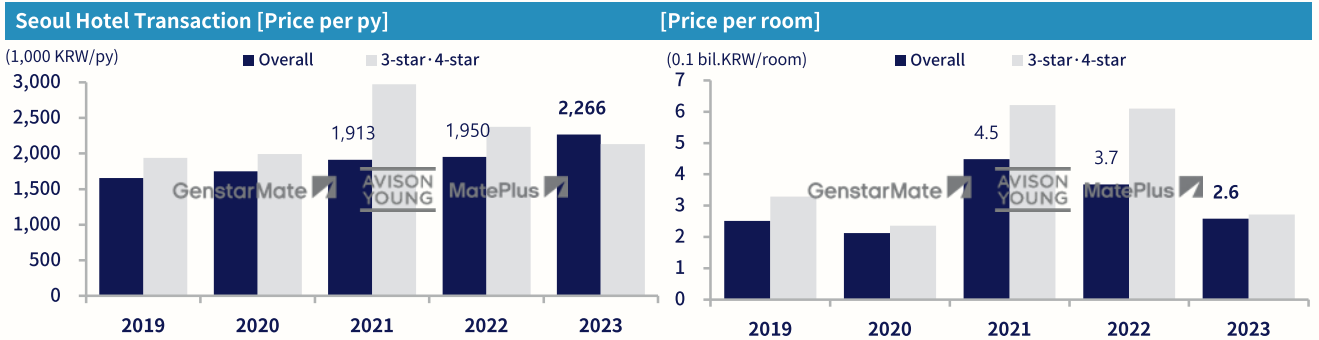
In the case of Shilla Stay Gwanghwamun (Gwanghwamun G Tower), the first transaction to close in 2024 among global hotel brands, Shinhan Reits Management completed the acquisition through Shinhan Seobu T&D Reits, and unlike the previous three acquisitions, which were all 100% invested in physical assets, this acquisition was structured as a partial equity investment (31%).

Conrad Seoul, which returned to the market in a split sale after an IFC sale broke down in 2021, recently secured a buyer after a first round of bidding in December 2023 and a second round of bidding in February. The bidders included ARA Korea Asset Management, Keppel Asset Management, Gravity Asset Management, and Blackstone, with ARA Korea Asset Management winning out as the preferred bidder, having shown active interest in the previous IFC sale. ARA Korea Asset Management is expected to purchase Conrad Seoul in the first half of 2024 for approximately KRW 400 billion, and upon closing, it will be the first 5-star transaction since the Millennium Hilton (2022.1Q).

The hotel investment market is showing signs of gradual improvement, with Gravity Asset Management recently finalizing the acquisition of Tmark Grand Hotel with Angelo Gordon for KRW 228.2 billion*, and other deals scheduled to close in the Seoul area, including L7 (Korea Investment Real Estate Trust) in Haeundae, Busan. Additional transactions are expected to include the recently canceled Myeongdong hotels Sky Park Myeongdong 2 and Central Myeongdong**, as well as Nine Tree Myeongdong, Shilla Stay Seodaemun, and Best Western Jeju.

* Gravity Asset Management (Angelo Gordon) will purchase the company for KRW 228 billion, of which the balance of KRW 69 billion is payable 42 months from March 2024

** In the case of hotel Sky Park Myeongdong 2, Central Myeongdong, the public auction was canceled due to the withdrawal of the applicant (NH Investment & Securities) after the first public auction and before the second public auction.



Upcoming Major Transaction Cases

Hotel Name	District	Open	Grade	Room	Transacted Quarter	Seller	Buyer
Conrad Seoul	Yeongdeu ngpo-gu	2012	5-star	434	2024.1H	Brookfield AMC	ARA Korea
Tmark Grand Hotel myeongdong	Jung-gu	2016	4-star	607	2027.3Q	Hana Alternative AMC	Gravity AMC
Shillastay Gwanghwamun	Jongno-gu	2015	3-star	339	2024.1Q	IGIS AMC	Shinhan AMC
Haeundae L7	Busan-si	2024	TBD	383	2024.2Q	ISTERN Investment & Development	Korea Investment Real Estate
Skypark Myeongdong II /central myeongdong	Jung-gu	2011/2012	2-star/3-star	120/312	TBD	KB AMC	TBD
Nine tree Myeongdong	Jung-gu	2012	3-star	576	TBD	Capstone AMC	TBD
Shillastay Seodaemun	Others	2015	3-star	319	TBD	IGIS AMC	TBD
Bestwestern Jeju	Jeju-si	2000	4-star	350	TBD	IBK자산운용	TBD

※ Source: GenstarMate Research

Seoul & Jeju Hotel Supply Market

Seoul hotel supply has declined in recent years, past a period of oversupply concerns

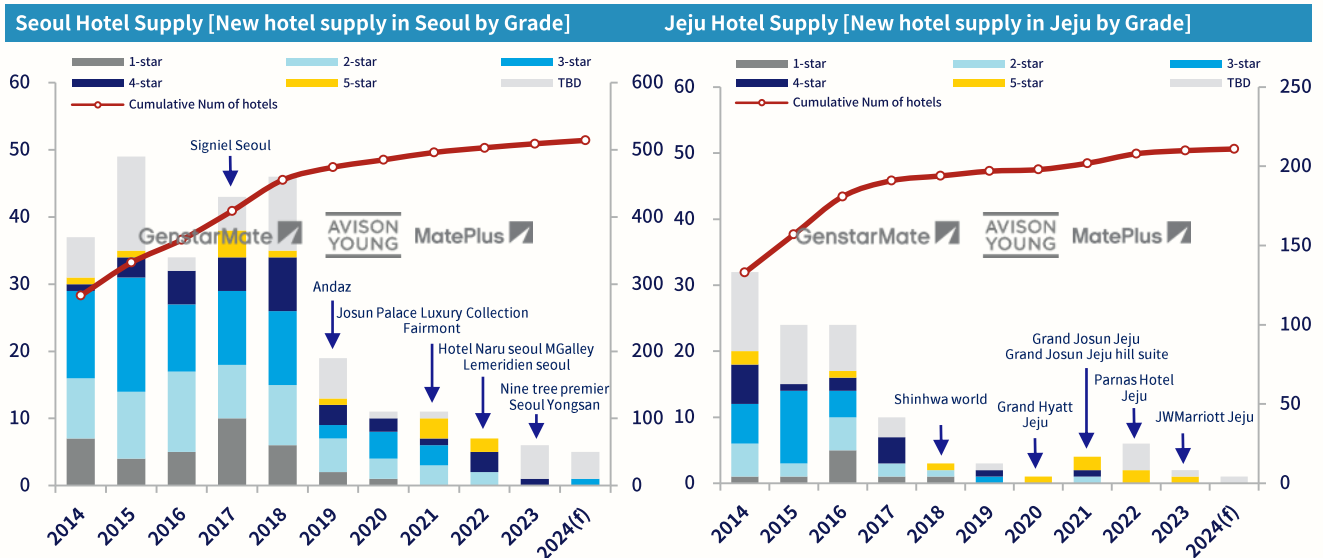
In the five-year period from 2014 to 2018, the market concentrated the supply of hotels in Myeongdong, Euljiro, and Dongdaemun districts of Seoul in response to the growing trend of Chinese-oriented visitors. While supply has been declining since 2019 due to concerns about oversupply, new hotel supply has remained low due to the impact of COVID-19. (Average new supply of 38 buildings from 2014 to 2018 → Average new supply of 8.8 buildings from 2020 to 2023 *)Translated with DeepL.com (free version)

In 2023, six new hotels (458 rooms) were supplied in Seoul, mainly in other areas of the city, including the Nine Tree Premier ROKAUS Hotel Seoul Yongsan, which was remodeled from the former Yongsan Army Hotel (House of the Warrior), and the Nouvelle Seoul Hotel in Itaewon, which was remodeled from the I.T.W Hotel. The Jeju region saw a 67% decrease from 2022 (6 buildings, 689 rooms), with only 2 buildings (277 rooms) supplied, including JW Marriott Jeju Spa & Resort. Translated with DeepL.com (free version)

In 2024, the Seoul hotel market is expected to see a similar supply volume to that of 2023, with new hotels remodeling existing hotels such as The Prima Hotel Jongno and the Mercure Ambassador Hotel in Magok in CP1 block, which will be supplied upon completion of Magok District in the second half of the year. Meanwhile, in the outer Seoul area, supply is expected to be centered on 3-star and 4-star hotels from Hotel Shilla and Hotel Lotte, with Hotel Shilla opening Shilla Stay in three locations in 2024, including Jeju Ihotel (H1), Jeonju, and Sejong (H2), and Hotel Lotte opening its first L7 outside the Seoul area, Busan Haeundae L7**, in the first half of the year. Translated with DeepL.com (free version)

* Surveyed only tourist hotels, family hotels, and small hotels under the Tourism Promotion Act (excluding hostels, etc.)

** Hotel Shilla and Hotel Lotte recently announced their intention to expand their consigned management business, and Haeundae L7 is Lotte's first hotel in Korea to adopt a consigned management strategy.



Hotel opening in 2024					
Hotel Name	Open	District	Grade	Room	GFA(py)
The Prima Hotel Jongno	2024.1Q	Jongno-gu	3-star	155	1,837
The Unbound Collection by Hyatt	2024.2Q	Gangnam-gu	TBD	TBD	13,556
Mercure Ambassador Hotel Magok(Magok CP1 BL)	2024.4Q	Others	TBD	400	98,639
The Links Hotel	2024.2Q	Others	TBD	136	13,717
Banyantree Cassia Jeju	2024.4Q	Seoguipo-si	TBD	86	2,853

* Source: GenstarMate Research

[Reference] Hotel Market Trends_ Global Hotel Chains

Global chain hotels to open in 2024 and after

In Korea, global hotel chains have partnered with Korean hotel chains to provide a diverse pool of brands in the Accor (partnership with Ambassador Hotel Group) and Marriott (partnership with Chosun Hotels & Resorts) chains. In particular, in the last five years, there have been a number of 4-star and 5-star hotels in the upper upscale and luxury class*, including Fairmont, Sofitel, Mondrian, M-Gallery (Accor), Luxury Collection, and Le Méridien (Marriott).

After 2024, top-tier global chain hotels such as The Unbound Collection by Hyatt (2024, the brand's first opening in Korea), Magok Mercure Ambassador Hotel (2024, Magok CP1 Block), Banyan Tree Haeundae (2025, Osiria Tourist Complex), and InterContinental Pyeongtaek (2025, the first global luxury hotel in Gyeonggi Province) will open not only in the Seoul area, but also in other areas such as Gyeonggi and Busan.

* Compiled according to the 2023 STR (Smith Travel Research) classification system, categorized from Luxury to Economy, and the hotel brands of each chain are selected based on domestic launches or signature brands.

The state of global hotel chains						
	Marriott	Hilton	IHG	ACCOR	HYATT	WYNDHAM
Luxury	Edition	Conrad	InterContinental	Banyan Tree	PARK HYATT	Registry Collection Hotels
	Ritz-Carlton	LXR Hotels & Resorts	Regent	Fairmont	GRAND HYATT	
	Luxury Collection	Waldorf Astoria	Vignette Collection	Sofitel	ANDAZ	
	W Hotel		Six Senses	Mondrian	The Unbound Collection by HYATT	
	JW Marriott			Raffles	Thompson Hotels	
Upper Upscale	Marriott	Hilton	Hotel Indigo	Pullman	HYATT REGENCY	Whyndham Grand
	Sheraton Hotel	Signia by Hilton	Kimpton	Angsana	JdV by Hyatt	Wyndham Alltra
	Westin	Curio Collection by Hilton		Mgallery	Hyatt Centric	Dolce Hotels & Resorts
	Le Meridien	Embassy Suites by Hilton		Hyde		
	Renaissance			Rixos		
	Autograph Collection			Peppers		
Upscale, Upper Midscale	Courtyard	DoubleTree	Holiday Inn	Grand Mercure	Hyatt House	Wyndham
	Four Points by Sheraton	Hilton Garden Inn	Voco	Mercure	Hyatt Place	Dazzler
	AC Hotels by Marriott	Hampton by Hilton	EVEN Hotels	Novotel	Alua Hotels & Resorts	Tryp by Wyndham
	aloft Hotel	Motto by Hilton	Crowne Plaza	Art Series	UrCove by Hyatt	Wyndham Garden
	Fairfield Inn	Tempo by Hilton	Atwell Suites	Movenpick		Trademark Collection by Wyndham
	MOXY	Tapestry Collection by Hilton				
Midscale, Economy		Tru by Hilton	Holiday Inn Express	ibis		Days Inn
			Avid	ibis Styles		Baymont
			Candlewood Suites	ibis budget		Wingate by Wyndham

※ Source: STR, GenstarMate Research

□ Domestic locations within the last 5 years □ Future domestic location plans

[Reference] Hotel Market Trends_ Conversion and Remodeling Cases

Increasing conversion and remodeling cases for new hotels, offices in addition to residential uses

In the immediate post-COVID-19 period from 2020 to 2021, the development of existing hotels into housing was dominant, but since 2022, there has been an increasing number of cases of development and remodeling into hotels and offices in addition to housing.*

In the case of the five-star Imperial Palace Hotel, for example, the hotel will be closed from 2022 and remodeled by the former owner, Tae Seung Twenty-Eight, into The Unbound Collection by Hyatt. In addition, Aventure Hotel Jongno, which JR Investment Management has been promoting office development after purchasing it in 2022, was recently acquired by The Prima and has been operating as The Prima Hotel Jongno after a remodeling period. In addition, New International Hotel and Tmark Hotel Myeongdong are being developed as offices after purchase by GRE Partners Asset Management (2023) and Aegis Asset Management (2021), respectively, and are expected to be supplied to the office market in 2024.

* The proportion of post-closure hotel development and remodeling cases that result in residential use decreases from 50% in 2020, 67% in 2021, and 42% in 2022 to 25% in 2023

Conversion and Remodeling Cases [2020~2023]						
Hotel Name	District	Open	Close	Usage	Status	
Aventure Hotel Jongno	Jongno-gu	2012	2023	Hotel	- After remodeling, 'The Prima Hotel Jongno' opens	
New kukje Hotel	Jung-gu	1977	2023	Office	- Under remodeling as office building	
Imperialpalace Hotel	Gangnam-gu	1989	2022	Hotel	- Under remodeling as 'The Unbound Collection by Hyatt'	
I.T.W Hotel	Others	2013	2022	Hotel	- After remodeling, 'Nouveau Seoul Hotel' opens	
Tmark hotel myeongdong	Jung-gu	2013	2022	Office	- Under remodeling as office building	
Hotel Prima	Gangnam-gu	1988	2022	Housing	- Under development as luxury residences (Le Pied Cheongdam)	
Crown Hotel	Others	1980	2022	Housing	- Under development as urban lifestyle housing and officetels	
Ibis budget Ambassador dongdaemun	Jung-gu	2014	2022	Housing	- Development of Co-living facilities (Mangrove Dongdaemun) completed	
Mercure Ambassador Gangnam	Gangnam-gu	2012	2021	Hotel	- After remodeling, 'AC Hotel by Marriott Gangnam' opens	
Sheraton Seoul D-cube city	Others	2011	2021	Office	- Conversion to office building (Space K) completed after remodeling	
Sheraton Seoul palace Gangnam	Others	1990	2021	Housing	- Under development as luxury residences (The palace 73)	
Glad Live Gangnam	Gangnam-gu	2010	2021	Housing	- Development of officetels (Polstein Nonhyeon) completed	
Ramada Encore Seoul dongdaemun	Others	2014	2021	Housing	- Development of Co-living facilities (Mangrove Sinseol) completed	
Lemeridien gangnam	Gangnam-gu	1980	2021	Housing	- Under development as offices, hotels, retails, and officetels	
Novotel Ambassador doksan	Others	1997	2021	Housing	- Planned development of mixed-use complex and logistics center	
Hankang Hotel	Others	1973	2020	Housing	- Under development as luxury residences (Pozes Hangang)	
Hotel Cullinan seocho	Others	2002	2020	Housing	- Development of Residence(The Collective Seocho Atelier) completed	
Airport Hotel	Others	1996	2020	Housing	- Development underway for youth housing near Songjeong Station	
Yeouido Hotel	Yeongdeungpo-gu	2003	2020	Housing	- Development of officetels (Signiti Yeouido) completed	

※ Source: GenstarMate Research

Seoul & Jeju Hotel Operation

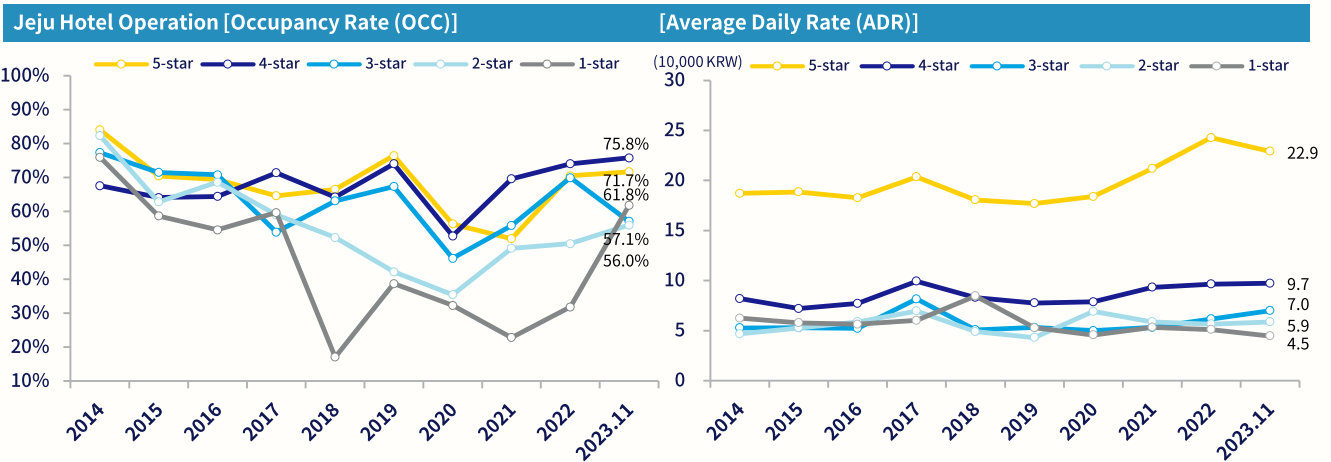
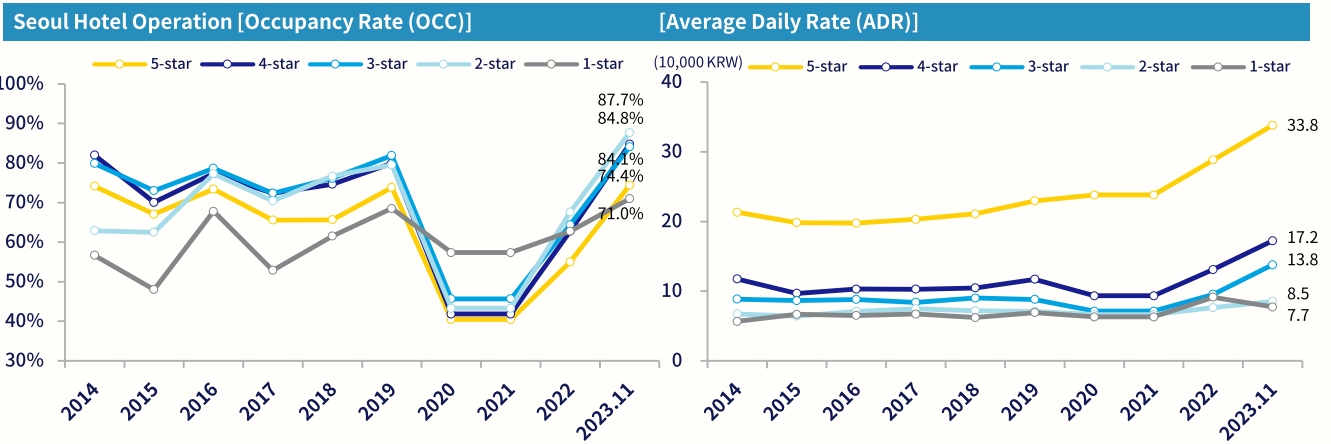
Seoul hotel OCC have largely recovered to pre-COVID-19 levels, with ADR rising

Seoul OCC* have returned to pre-COVID-19 levels across all classes of hotels. Compared to 2022, which saw occupancy rates in the 50%~60%, OCC have increased significantly, with 74% of 5-star, 85% of 4-star, and 84% of 3-star hotels. (Up 19% from 2022 for 5-star, 22% for 4-star, 20% for 3-star, 20% for 2-star, and 8% for 1-star.)

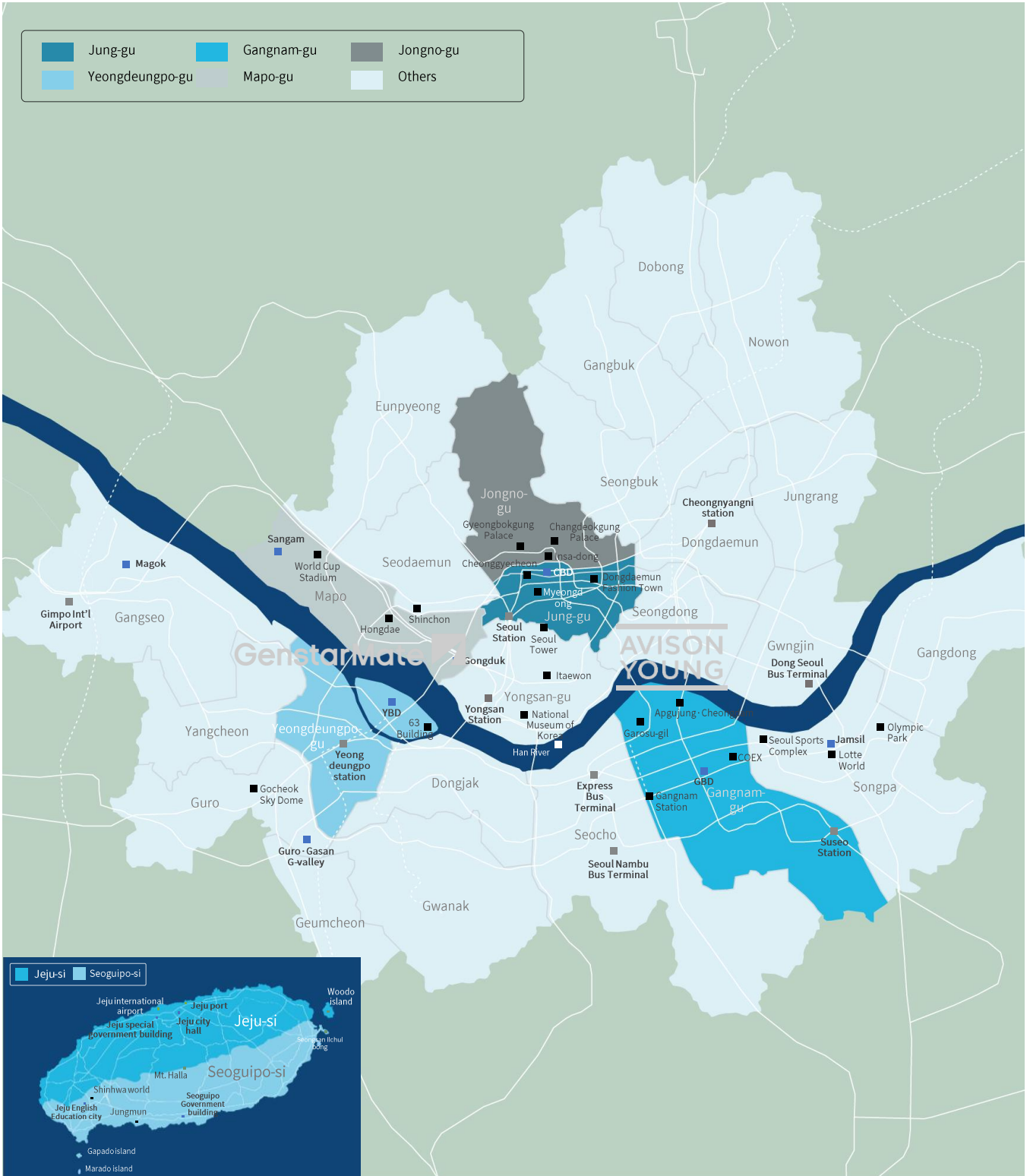
ADR also increased across all classes of hotels compared to 2019, with the most notable increases occurring in 3-5 star hotels (up 47% for 5 stars, up 47% for 4 stars, up 57% for 3 stars, up 20% for 2 stars, and up 12% for 1 star in November 2023 compared to 2019 ADR).

On the other hand, Jeju hotels had higher OCC than Seoul for three years from 2020, when Jeju was affected by COVID-19, as domestic demand was concentrated in 3 to 5-star hotels, but the upward trend slowed down in 2023, OCC were 72% for 5-star and 76% for 4-star hotels, up 1-2% from 2022, while 3-star hotels saw a 13% drop to 57%. ADR growth also slowed, with five-star hotels down 6% from 2022 to KRW 230,000 and four-star hotels up 1% to KRW 97,000.

* Figures for 2014-2022 are from the Korea Hotel Industry Association; figures for November 2023 are from Styleloft, re-edited by GM Research



※ Source: Korean Hotel Association, Styleloft, GenstarMate Research



Publish:

Publisher	Managing Director, Jinwon Choi
Address	16, Eulji-ro 5-gil, Jung-gu, Seoul, Republic of Korea
Registration date	2021.02.24

Chief Editor	Head of Real Estate Institute, Hyunggoo Lee
Registration Number	서울중,바00229
Date of publication	2024.04.12

Contact us:

Hyounggoo Lee Head of Institute
82.2.3775.7290
hg.lee@genstarmate.com

Rita (Kyujin) Kim Head of Research
82.2.3775.7252
rita.kim@genstarmate.com

Yuseon Jeong Senior Analyst
82.2.3775.7261
ys.jeong@genstarmate.com

※ The intellectual property rights to this report are owned by Genstarmate Research Center, and infringement by unauthorized reproduction, distribution, or creation of derivative works may result in legal sanctions.