Hotels | Korea

Same Rooms, New Value

How the Supply-Demand Gap Reset Seoul Hotel Values, and the Value-Add Strategies Ahead

November 2026 CBRE Research

INTRODUCTION

Rising Demand, Static Room Supply, and Capital Returning to Hotels

Seoul's hotel market is underpinned by demand that has surpassed pre-pandemic levels. Inbound visitors reached a record high in 2025 and continue to grow rapidly in 2026. Purpose-driven visits, such as for "Hallyu" (the Korean Wave) and medical tourism, have increased, and demand has held firm despite shifts in exchange rates and travel costs. Domestic hotel demand has also held up despite the recovery of outbound travel.

At the same time, room supply has barely grown. With hotel closures having continued after the pandemic, Seoul's hotel room stock remains at 2019 levels. Little new supply is planned, and recent regulatory easing will take years to translate into new rooms. With supply constrained, rising demand has provided a strong tailwind for room rates, lifting Seoul hotel performance to its highest level since 2015.

With performance having recovered, hotels are once again valued as assets based on operating performance, and transaction prices have moved up a level. However, with limited room for further occupancy gains and borrowing costs likely to stay high for some time, opportunities to generate returns from simply acquiring and holding assets are limited. Additional returns will come from improving operating performance, with the choice of brand and contract structure at the center of this asset enhancement.

This CBRE Korea report examines Seoul hotel demand and supply, the transaction market and capitalization rates (cap rates), and brands and contract structures to identify where investment opportunities lie. It concludes with investment strategies by market phase and key indicators to watch.





Incheon International Airport

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DEFINITIONS

Analysis Standards and Key Terms

This report uses two tier systems depending on the data source. Tier-level supply, performance, and brand analyses follow STR chain scale tiers from CoStar data, while guest mix by star rating and policy criteria follow Korea's official hotel star ratings. Metrics not split by tier, such as total room stock, are based on Seoul's registration data, while foreign visits and lodging spending by gu are based on Korea Tourism Organization (KTO) data.

STR Chain Scales and Korean Star Ratings

STR Chain Scale	Key Seoul Hotels	Korean Star Rating	
Luxury Highest ADR	• The Shilla Seoul • Four Seasons Hotel Seoul	5	**Upper Tier**
Upper Upscale High ADR	• Le Méridien Seoul Myeongdong • L7 Gangnam by Lotte Hotels	4–5	
Upscale Upper-mid ADR	• Courtyard by Marriott Seoul Myeongdong • Shilla Stay Mapo	3–4	**Mid-to-Upper Tier**
Upper Midscale Mid ADR	• Mercure Ambassador Seoul Hongdae • Holiday Inn Express Seoul Hongdae	3–4	
Midscale Lower-mid ADR	• ibis Ambassador Seoul Myeongdong • Ramada Seoul Dongdaemun	2–3	**Budget**
Economy Lowest ADR	• Hotel Skypark • Mangrove Dongdaemun	1–2	

Note: Korean star ratings are official grades under the national hotel rating system; their correspondence to STR tiers is approximate.

Key Terms

ADR
Average Daily Rate
Room revenue ÷ rooms sold

OCC
Occupancy
Rooms sold ÷ rooms available

RevPAR
Revenue per Available Room
Room revenue ÷ rooms available = ADR × OCC

01
Hotel Demand Analysis

Record Inbound Demand and Where It Stays

Korea Ranks 12th Globally for Tourism Conditions, but Inbound Demand Lags and Lodging Capacity Sits at 69th

International visitor arrivals to Korea reached a record 18.94 million in 2025, surpassing the 2019 level of 17.5 million. UN tourism data show Korea ranked 25th globally for visitor arrivals, behind France, Spain, the U.S., and Asian destinations such as Japan, Thailand, and Hong Kong SAR.

Korea ranks higher on international assessments of tourism fundamentals. The World Economic Forum's (WEF) Travel & Tourism Development Index (TTDI) rates each country's tourism conditions on a seven-point scale across five dimensions: enabling environment, travel and tourism policy and enabling conditions, infrastructure and services, travel and tourism resources, and sustainability. In 2026, Korea ranked 12th out of 110 countries (4.90 points), and third in Asia after Japan (1st) and China (8th). Korea improved in all five dimensions, up from 13th in 2024.

Korea's strengths lie in its digital and transport infrastructure and tourism resources. The country ranks 1st in Informational and Communications Technology (ICT) readiness and 9th in ground and port infrastructure, and places in the top 10 for non-leisure resources such as business travel and education (9th) and cultural resources (10th). However, it ranks low in tourist services and infrastructure (53rd), price competitiveness (65th), and hotel rooms per capita (69th). These rankings illustrate how Korea's lodging base lags its tourism conditions.

Arrival and TTDI rankings do not always align. Japan ranks 10th for arrivals but 1st on the TTDI, while visitor rankings exceed TTDI rankings for France (1st for arrivals, 5th on the TTDI) and Thailand (12th vs. 38th). Korea's TTDI ranking (12th) is ahead of its visitor ranking (25th), suggesting inbound demand has yet to catch up with the country's tourism fundamentals.

Figure 1: Visitor Arrivals (2024) and TTDI Rankings (2026) by Country

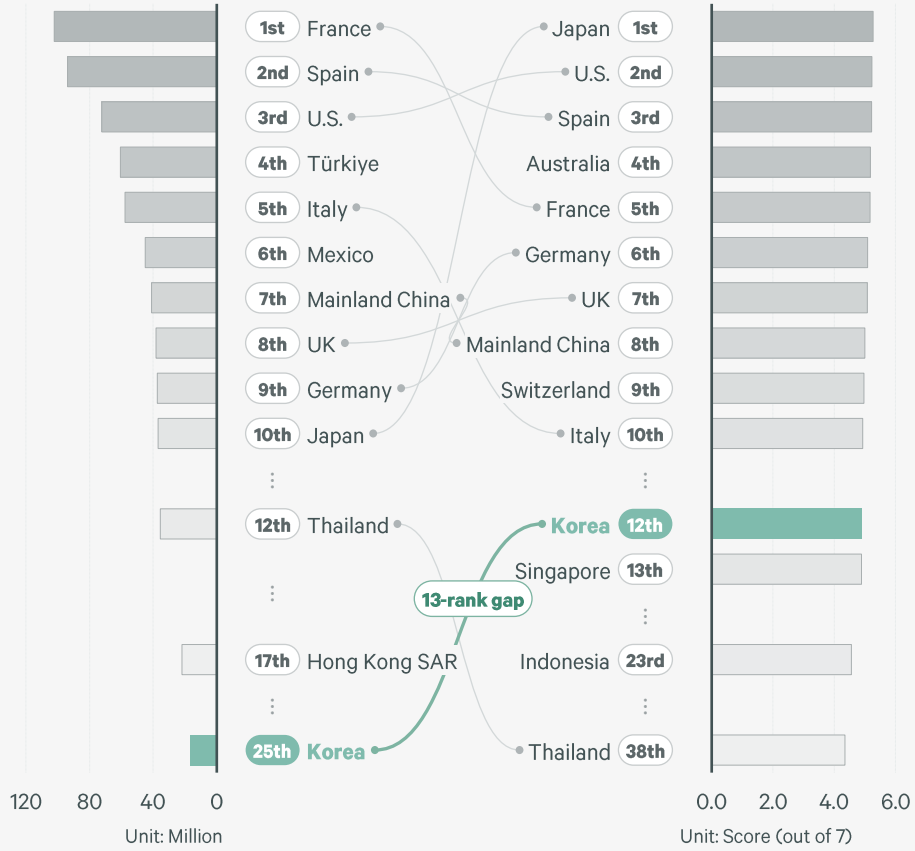


Figure 2: Korea's TTDI Rankings by Category

Subindex	1st – 110th	Rank
Enabling Environment		**18th**
T&T Policy		47th
Infrastructure & Services		25th
T&T Resources		**14th**
Sustainability		**13th**
Key Pillars & Indicators	1st – 110th	Rank
ICT Readiness		**1st**
Ground & Port Infrastructure		**9th**
Non-Leisure Resources		**9th**
Cultural Resources		**10th**
Socioeconomic Impact		**16th**
Air Transport Infrastructure		**20th**
Tourist Services & Infra.		53rd
Price Competitiveness		65th
Hotel Rooms per Capita		**69th**

Note: Figure 1 ranks countries by international tourist arrivals on the left (mainland China and UK are UN Tourism estimates) and by WEF TTDI score among 110 countries on the right. In Figure 2, dots mark Korea's position among 110 countries (further left = higher); the green line marks the top 20.
Source: UN Tourism, World Economic Forum (WEF), Korea Culture & Tourism Institute, Korea Tourism Organization (KTO), CBRE Research, October 2026.

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Inbound Visitors Top 10 Million in H1 2026 for First Time; 2026 Set to Witness Another Annual Record

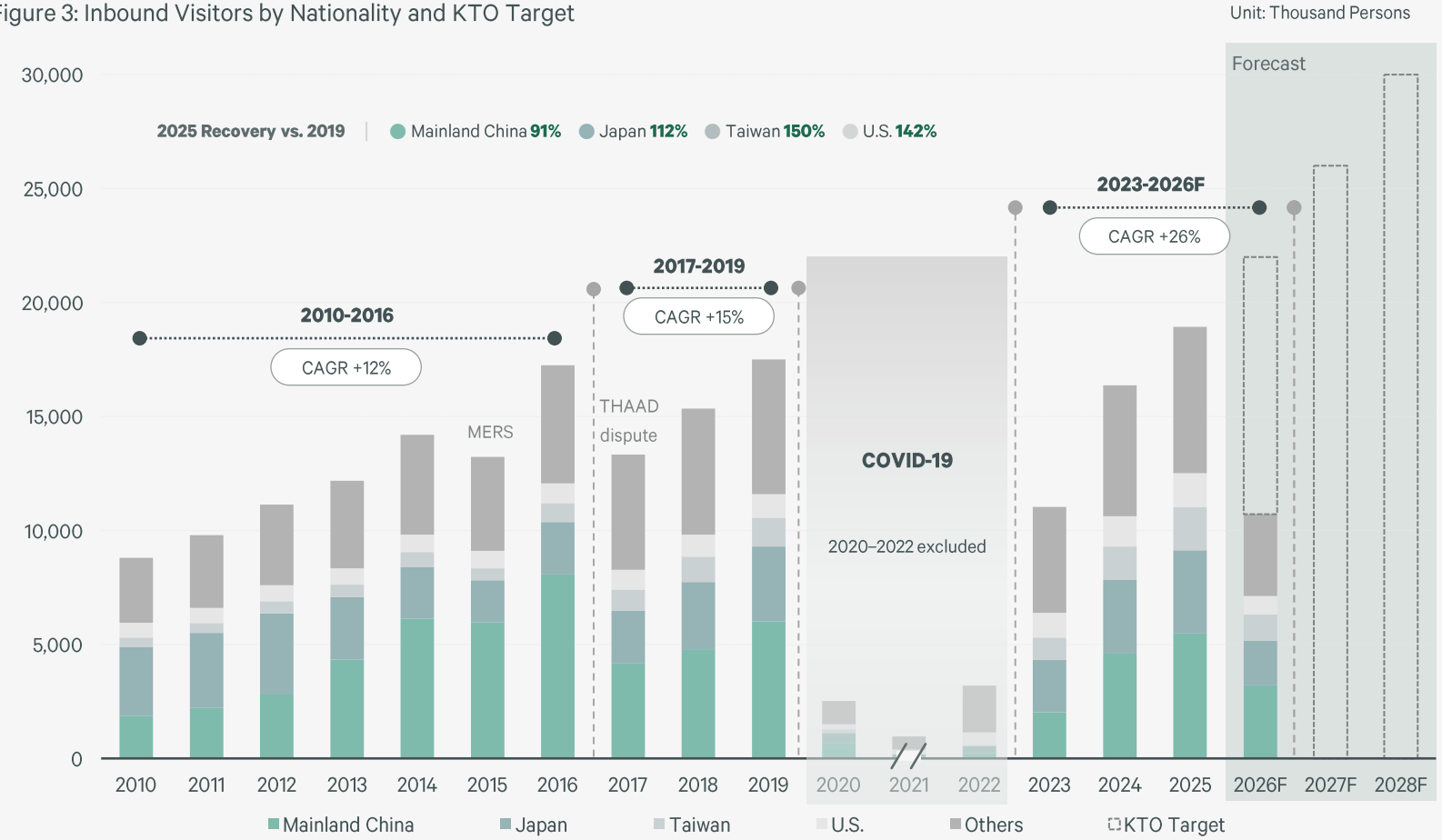
Inbound tourism demand has accelerated this year, turning Korea's untapped potential into actual arrivals. Arrivals from January to August 2026 reached about 15.05 million, up 21.6% y-o-y, and topped 10 million (10.71 million) in the first half of a year for the first time. This pace exceeds 2025's annual growth rate of about 16%.

Inbound demand has sustained its growth through external shocks. After rising at a Compound Annual Growth Rate (CAGR) of 12% from 2010 to 2016, arrivals stalled following the 2015 MERS outbreak and the 2017 dispute with mainland China over the deployment of THAAD. Arrivals then recovered, growing at a CAGR of 15% from 2017 to 2019. Arrivals rose 72% from 11.03 million in 2023 to 18.94 million in 2025.

Unlike in previous years, Korea's dependence on a single tourism source market has eased. Measured against 2019, 2025 recovery rates for Taiwan (150%), the U.S. (142%), and Japan (112%) exceeded pre-pandemic levels, while mainland China fell short at 91%. Korea thus set a record without mainland China returning to its 2019 level, and the combined share of mainland China and Japan declined from 53% in 2019 to 48%. In 2026, mainland Chinese demand has also rebounded quickly, reaching 124% of its January to August 2019 level, further broadening the drivers of growth.

The Korea Tourism Organization (KTO) has set targets of 22 million inbound visitors in 2026 and 26 million in 2027, with the goal of reaching 30 million by 2028. These targets assume average annual growth of about 17% from 2025, with cumulative growth from January to August 2026 (21.6%) already running ahead of this. If the same pace continues through H2 2026, full-year arrivals could exceed the target at around 23 million. The government has also introduced a cross-ministry plan, spanning entry to accommodation, to meet these targets.

Figure 3: Inbound Visitors by Nationality and KTO Target



Note: 2026 actuals cover January to June (H1) cumulative arrivals (10.71 million). Hatched 2026 bars show the H2 forecast, allocating the KTO target (22 million) by H1 nationality shares.
Source: Korea Tourism Organization (KTO), CBRE Research, October 2026.

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Broadening Demand, Expanding Supply in Regions: Cross-Ministry Plan Aims to Reach 30 Million Visitors

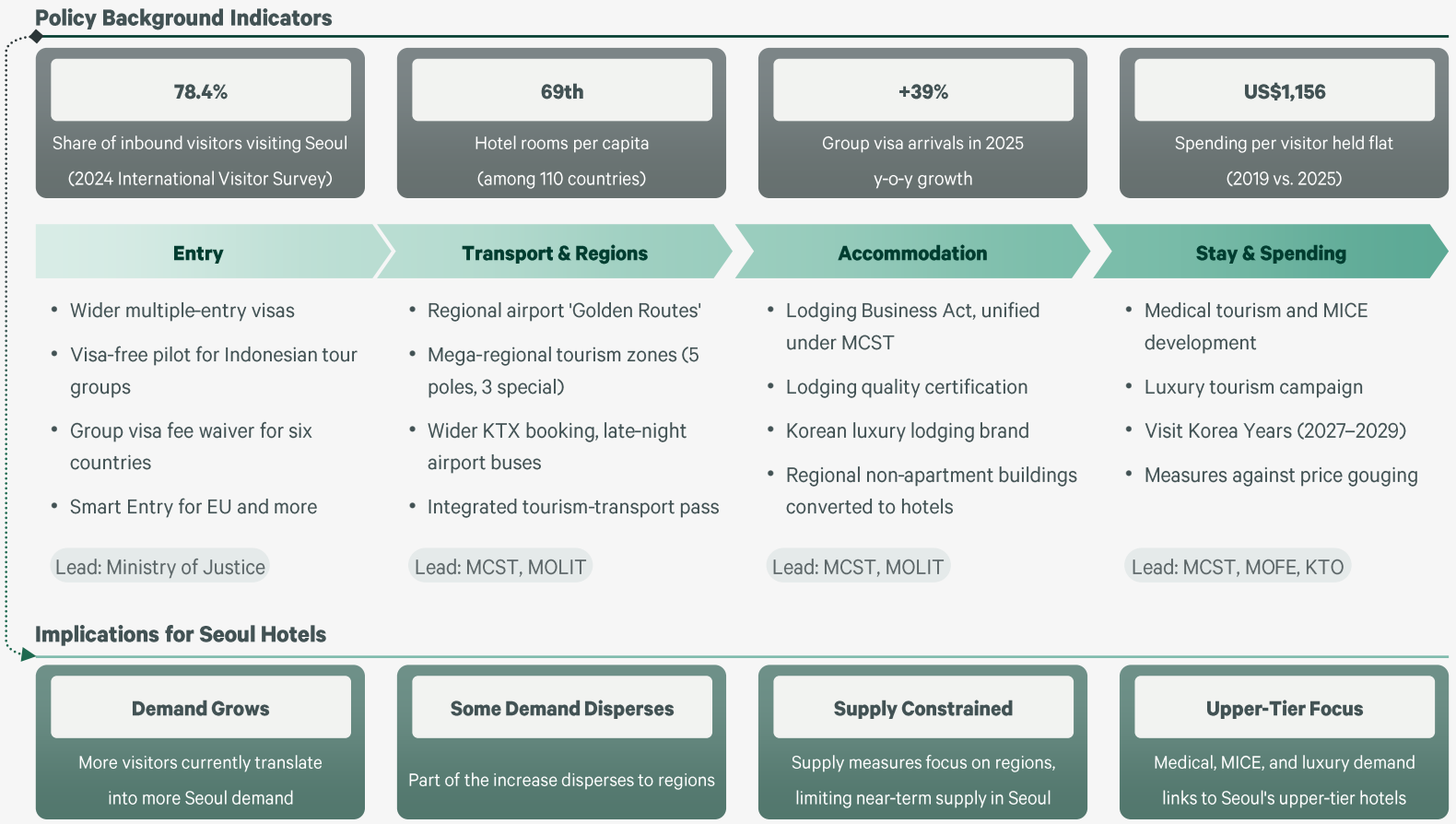
In February 2026, at the 11th Expanded National Tourism Strategy Meeting, the government announced the Measures for a Great Transformation in Inbound Tourism and a Big Leap in Regional Tourism, bringing forward its target of 30 million inbound visitors from 2030 to 2028. Its four stages (entry, transport and regions, accommodation, and stay and spending) affect the Seoul hotel market somewhat differently.

For entry, the government will issue five-year multiple-entry visas to repeat mainland Chinese and Southeast Asian visitors and 10-year visas to residents of major mainland Chinese and Vietnamese cities, and pilot visa-free entry for Indonesian tour groups. Group visa arrivals from all markets rose 39% y-o-y in 2025, showing the effect is already visible. With about 78% of visitors going to Seoul, much of this growth should become Seoul lodging demand. However, in the transport and regions stage, routes around five regional airports and more KTX and late-night airport buses will divert some of it to the regions.

For accommodation, the plan targets hotel rooms per capita, where Korea ranks 69th on the TTDI (Figure 2). Measures include a tentatively titled Lodging Business Act, lodging quality certification, a Korean luxury lodging brand based on historic houses and temples, and converting regional non-apartment buildings to hotels. However, few measures directly add rooms in Seoul.

For stay and spending, the plan targets per capita spending, which was flat in 2025 versus 2019. The scheme will promote medical, MICE, and luxury tourism, designate 2027–2029 as Visit Korea Years, and mitigate price gouging. This demand aligns with Seoul's upper-tier hotels. In sum, the plan broadens Seoul hotel demand, diverts some of it to the regions, and puts most new supply there, limiting near-term supply in Seoul.

Figure 4: Key Policies by Stage to Reach 30 Million Inbound Visitors



Source: MCST, Ministry of Justice, MOLIT, World Economic Forum (WEF), KTO, CBRE Research, October 2026.

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Hallyu Underpins Inbound Demand as Core Content Exports Grow +257%, Beauty and Wellness Spending +460%

Hallyu is a key component of the government's decision to bring forward its target of attracting 30 million international visitors. In its 2026 work plan, the Ministry of Culture, Sports and Tourism (MCST) named the early achievement of attracting 30 million inbound visitors as one of four key tasks, alongside fostering K-culture as a core growth industry. For H2 2026, MCST set out tourism products linking K-pop concerts, filming locations, and regional attractions as a core strategy. Linking regional attractions also aligns with the aforementioned demand dispersal.

Export data confirm Hallyu's global reach. Korean Statistical Information Service (KOSIS) data show content industry exports reached a record US$14.96 billion in 2025, up 56% from 2018. Games account for 57% of exports, but exports of music, broadcasting, comics, and film rose 3.6x over the same period, from US$1.12 billion to US$4.0 billion.

Hallyu consumption abroad translates into spending in Korea. Global Hallyu spending by foreigners in Korea reached KRW 9.3 trillion in 2025, up 114% from 2018. Even in 2024, when inbound visitors remained below 2019 levels, Hallyu spending was 38% higher than in 2019 (approximately KRW 5 trillion), and the gap widened to 83% in 2025. Beauty and wellness saw the largest increase, rising 5.6x from KRW 360 billion to KRW 2 trillion over the same period, with its share rising from 8% to 22%.

Shopping spending rose 25% from KRW 2.9 trillion in 2018 to KRW 3.6 trillion in 2025, but its share fell from 66% to 38%. Beauty and wellness and other categories drove 86% of the increase, establishing themselves as new pillars of Hallyu spending.

Figure 5: Content Exports by Genre

Unit: US$100 Million

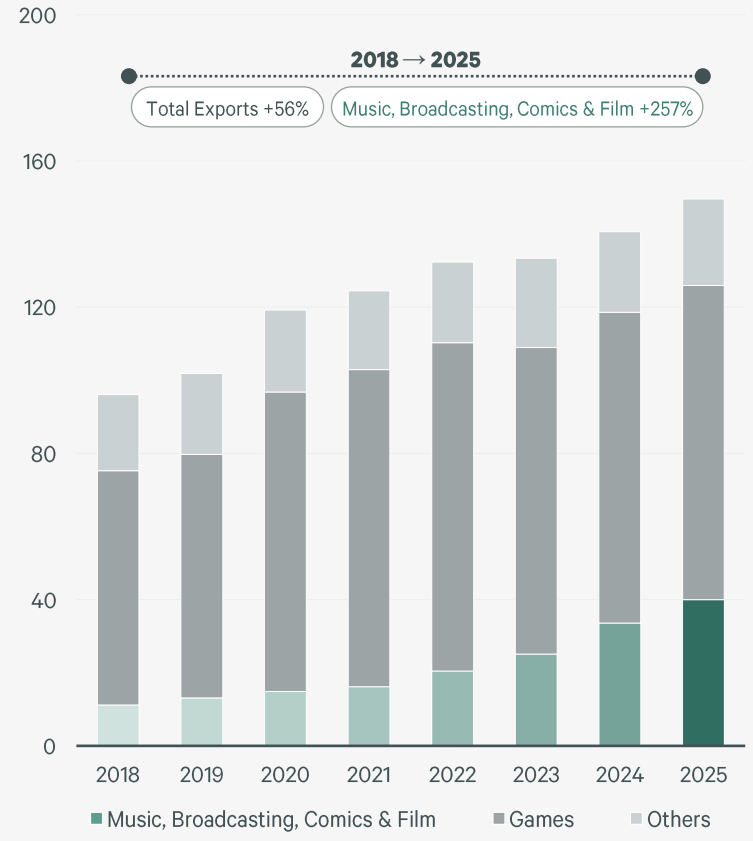
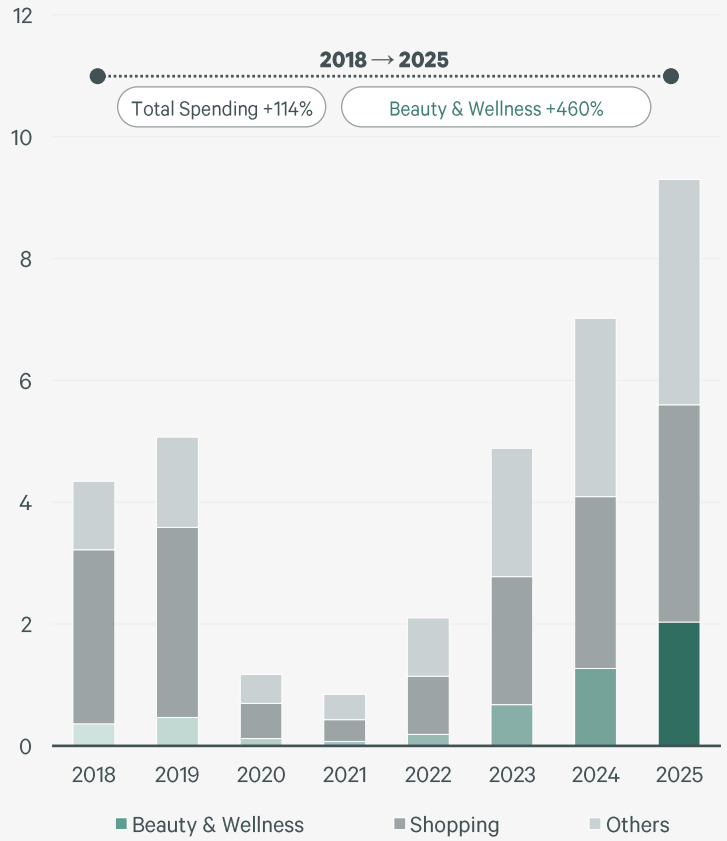


Figure 6: Global Hallyu Spending Trend

Unit: KRW Trillion



Note: 2025 content exports by genre are preliminary estimates from the Korea Creative Content Agency (KOCCA).
Source: Korea Tourism Organization (KTO), Korean Statistical Information Service (KOSIS), Korea Creative Content Agency (KOCCA), CBRE Research, October 2026.

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Foreign Patients Quadruple in Six Years; Gangnam, Central, and Hongdae Attract 92% Within Seoul

The rise in beauty and wellness spending is even more pronounced in the medical tourism segment. Foreign patients in Korea reached 2.01 million in 2025, up 72% from 1.17 million in 2024, surpassing 2 million for the first time. After exceeding the 2019 level (500,000) with 610,000 patients in 2023, the number has risen sharply every year.

The growth is clearer as a share of inbound visitors. Foreign patients rose from 2.8% of inbound visitors in 2019 to 5.5% in 2023, 7.1% in 2024, and 10.6% in 2025. Indexed to 2019 (2019 = 100), the patient index had already exceeded 100 in 2023, when the inbound visitor index stood at 63; by 2025 the gap had widened to about 4x. Medical tourism now accounts for a much larger share of inbound demand.

By nationality, mainland China (620,000) and Japan (600,000) accounted for 61% of foreign patients. In 2025, mainland Chinese patients overtook Japanese patients for the first time to take the top spot. Relative to each market's inbound visitors, however, Japan's patient share is about 16%, higher than mainland China (about 11%) and Taiwan (about 10%).

Most of the additional patients went to Seoul. Foreign patients in Seoul grew 5.5x, from 320,000 in 2019 to 1.755 million in 2025. Seoul medical institutions' share of all foreign patients rose from 64% in 2019 to 78% in 2023 and 87% in 2025. Of the 1.51 million increase in patients over this period, 1.43 million (approximately 95%) came from Seoul.

Within Seoul, demand is narrowing further to the Gangnam, Central, and Hongdae Zones. In 2025, the Gangnam Zone accounted for 67% of foreign medical tourism spending in Seoul (based on card transactions). Together with the Central Zone (17%) and Hongdae Zone (9%), the three zones accounted for 92%.

Figure 7: Foreign Patients and Seoul's Share

Unit: 10,000 Persons

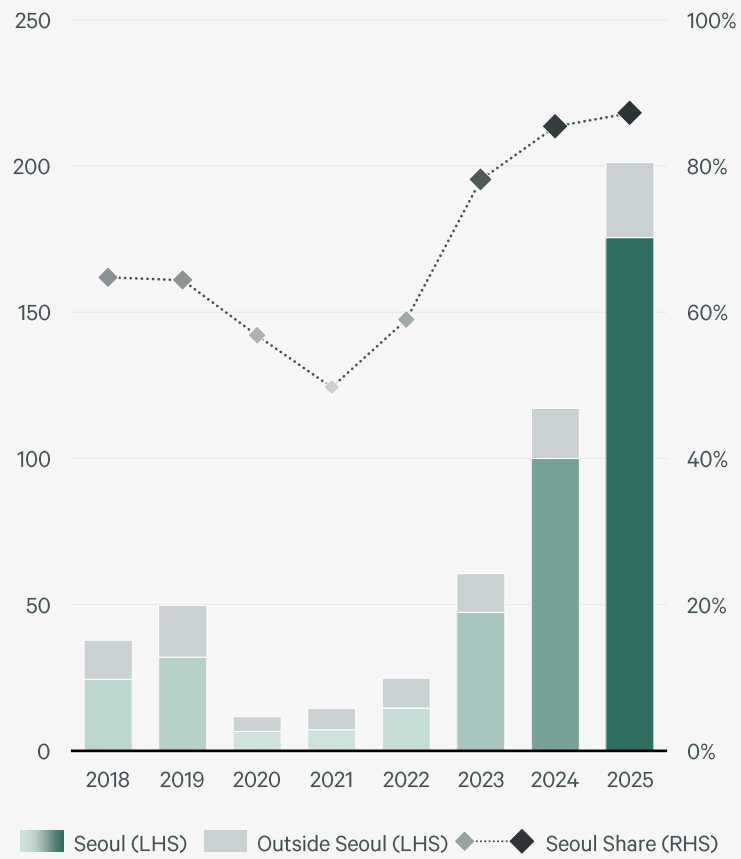


Figure 8: Foreign Patients vs. Inbound Visitors

Unit: Index (2019 = 100)

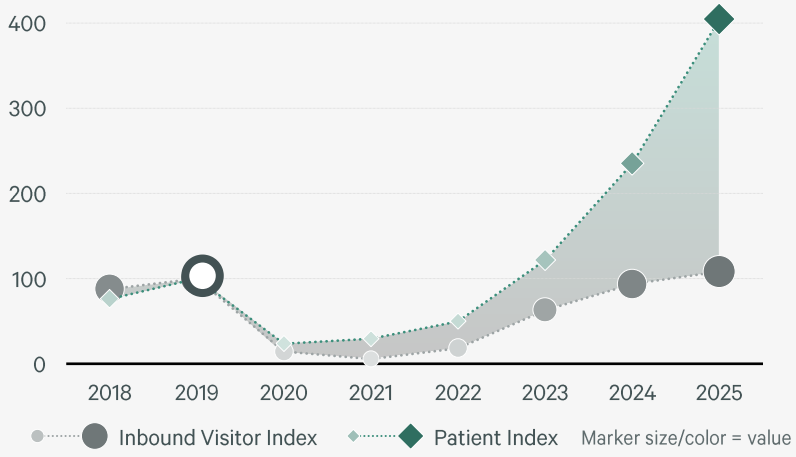
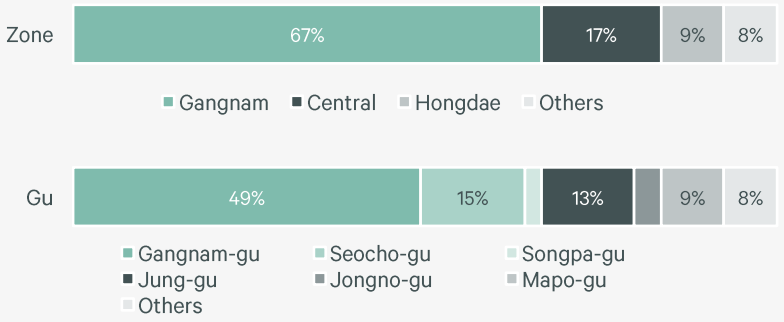


Figure 9: Foreign Medical Tourism Spending in Seoul by Zone



Source: Korea Tourism Organization (KTO), CBRE Research, October 2026.

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Korea's Share of Mainland Chinese Travelers to Korea and Japan Rises from 40% to 66%

As the nationality trend discussed earlier shows, mainland China is the largest single source market for inbound visitors. While Hallyu and medical tourism have broadened inbound demand, policy changes have redirected mainland Chinese demand away from Japan and toward Korea.

Mainland Chinese visitors to Japan peaked at 1.02 million in August 2025. After mainland Chinese authorities advised against travel to Japan in November, arrivals fell to 330,000 in December (down 45% y-o-y) and remained at 290,000 to 430,000 per month in 2026. Mainland Chinese visitors to Korea overtook Japan for the first time in December 2025 at 390,000 and doubled to 830,000 in August 2026.

The Korean government allowed visa-free entry for mainland Chinese tour groups from September 29, 2025, to December 31, 2026. While Korea's share of mainland Chinese visitors to the two countries stayed around 40% through November 2025, even after the visa-free program took effect, it rose to 54% in December, reflecting the impact of the travel advisory against Japan, and to 66% in August 2026.

Mainland Chinese outbound travel itself has yet to recover, with visitors from this market to Korea and Japan totaling 5.27 million in H1 2026, down 27% from a year earlier. Visitors to Korea rose from 2.53 million to 3.21 million but captured only about one-quarter of Japan's 2.66 million decline.

This points to further upside for mainland Chinese demand in Korea. If the two-country total recovers to 7.25 million and Korea's share reverts to its 45% average, mainland Chinese visitors to Korea would reach about 3.26 million, in line with H1 2026 (3.21 million). Because the shift stems from both governments' policies, the situation may change along with fluctuations in mainland China-Japan relations and the visa-free program.

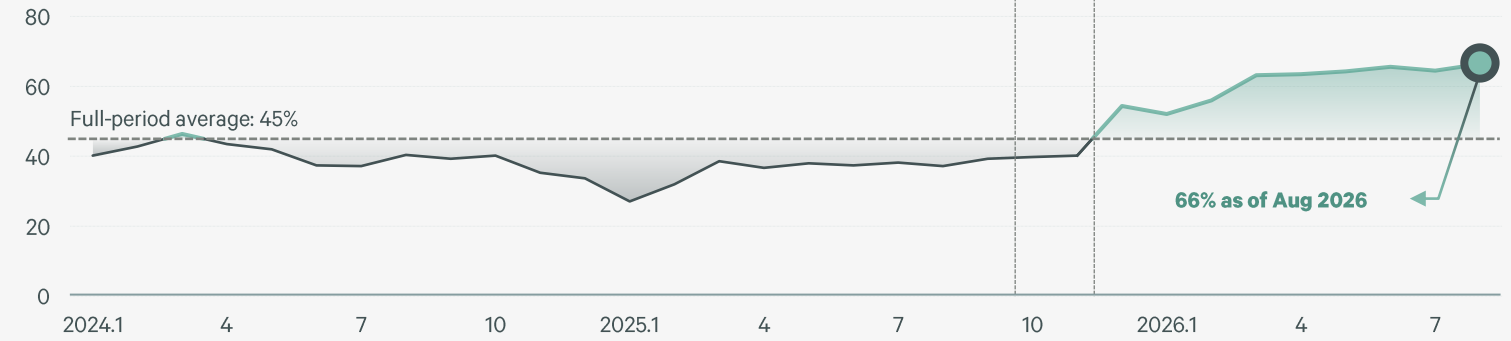
Figure 10: Mainland Chinese Visitors to Korea vs. Japan

Unit: 10,000 Persons



Figure 11: Korea's Share of Mainland Chinese Visitors to Korea and Japan

Unit: %



Source: Korea Tourism Organization (KTO), Japan National Tourism Organization (JNTO), national arrival statistics, CBRE Research, October 2026.

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Inbound Demand Decouples from FX; 82% Would Still Visit Korea Despite 20% Higher Costs

Unlike policy factors, price factors have had a relatively limited impact on inbound demand. Since January 2025, when the base effect from the post-pandemic recovery faded, inbound visitors have risen 8% to 27% y-o-y every month, with growth continuing even during the period of won strength of June–July 2025. In June 2026, when the KRW/USD exchange rate, the key indicator of the won's value, rose 11.9% y-o-y, and in August, when it rose 1.0%, inbound visitor growth was similar at 23.1% and 23.4%, respectively.

From January 2025 to August 2026, the correlation coefficient between exchange rate changes and inbound visitor growth was -0.07, close to zero. A coefficient near zero indicates no relationship between the two indicators, meaning no clear link emerged between exchange rate movements and inbound visitor growth.

The response to rising costs points in the same direction. In the 2025 Survey of Potential Inbound Travelers, 81.8% of those intending to visit said they would still travel to Korea even if travel costs rose 20%. Of these, 38.7% would keep their plans unchanged, and 43.1% would continue the trip by cutting back on itinerary, destinations, or activities. While only 8.5% would switch to another country or cancel the trip, higher costs could shorten stays and reduce spending, which may partly affect room demand.

Inbound demand is ultimately driven more by access and purpose than by price. Access factors such as visas can significantly redirect demand, whereas exchange rates and costs tend to change the composition of stays and spending rather than the volume of demand. Purpose-driven demand for experiences only available in Korea, such as Hallyu and medical tourism, appears less sensitive to price changes.

Figure 12: Inbound Visitor Growth vs. KRW/USD Exchange Rate Change (YoY)

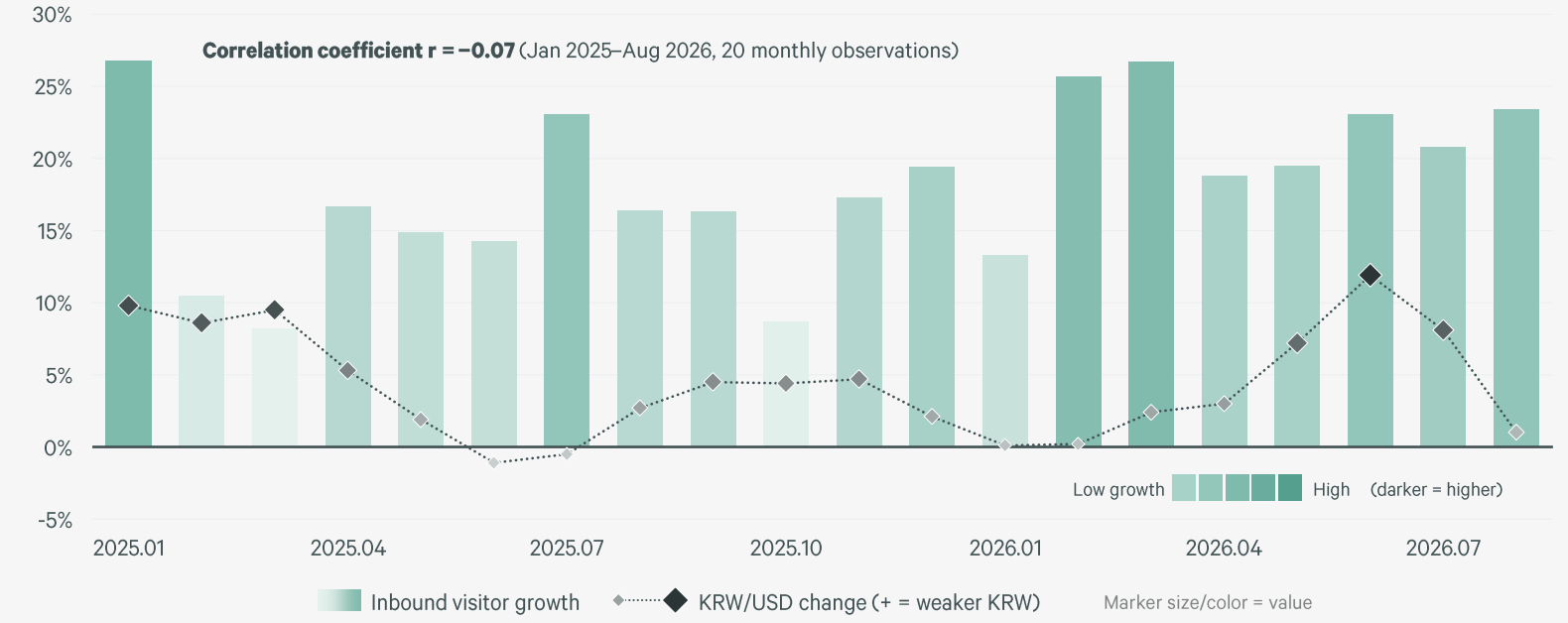
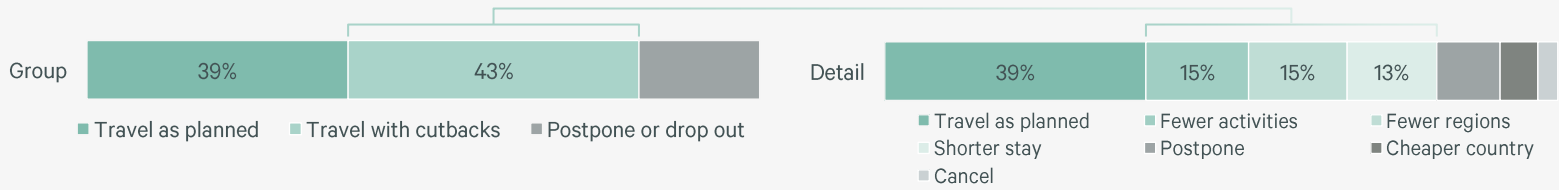


Figure 13: Prospective Visitors' Response to a 20% Rise in Travel Costs (2025)



Source: KTO (International Visitor Survey, Survey of Potential Inbound Travelers, Korea Tourism Data Lab), Bank of Korea ECOS, CBRE Research, October 2026.

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Foreign Visits Concentrate North of Han River; Central and Gangnam Zones Capture 83% of Lodging Spending

As more foreigners visit Korea with a specific purpose, where they go and stay in Seoul determines the location of hotel demand. Visits concentrate around major attractions and retail districts such as Myeongdong, Gyeongbokgung Palace, and Hongdae. In 2025, Jung-gu drew the most foreign visitors at 21.84 million, followed by Jongno-gu, Mapo-gu, Gangnam-gu, and Yongsan-gu. Four of these top five gu, all except Gangnam-gu, lie north of the Han River.

Lodging spending is even more concentrated, in the Central and Gangnam Zones. In 2025, Jung-gu accounted for 50% of foreign lodging spending and Gangnam-gu for 16%, followed by Jongno-gu at 9% and Yongsan-gu, Mapo-gu, and Seocho-gu at 5% each. Together, the Central Zone (Jung-gu, Jongno-gu) and Gangnam Zone (Gangnam-gu, Seocho-gu, Songpa-gu) account for 83%.

Although visits follow attractions, stays follow lodging supply. Gangnam-gu ranks higher in lodging spending (2nd) than in visitors (4th), likely reflecting its large lodging stock and the Gangnam Zone's 67% share of foreign medical tourism spending. Mapo-gu ranks 3rd in visitors but takes only 5% of lodging spending. Seongdong-gu is the extreme case: the district ranks 7th with 4.12 million foreign visitors, but is home to only 22 hotel rooms and accounts for just 0.01% of Seoul's lodging spending.

With foreign lodging demand concentrated in the Central and Gangnam Zones, hotels there also rely more on foreign guests. In 2024, foreigners accounted for 80% of hotel guests in the Central Zone, twice the Southwest Zone's 40% (Gangseo-gu, Guro-gu, and Geumcheon-gu), and 53% in the Gangnam Zone. These hotels are more exposed to shifts in policy and foreign relations.

Figure 14: Foreign Visitors by Gu (2025, Total Visits)

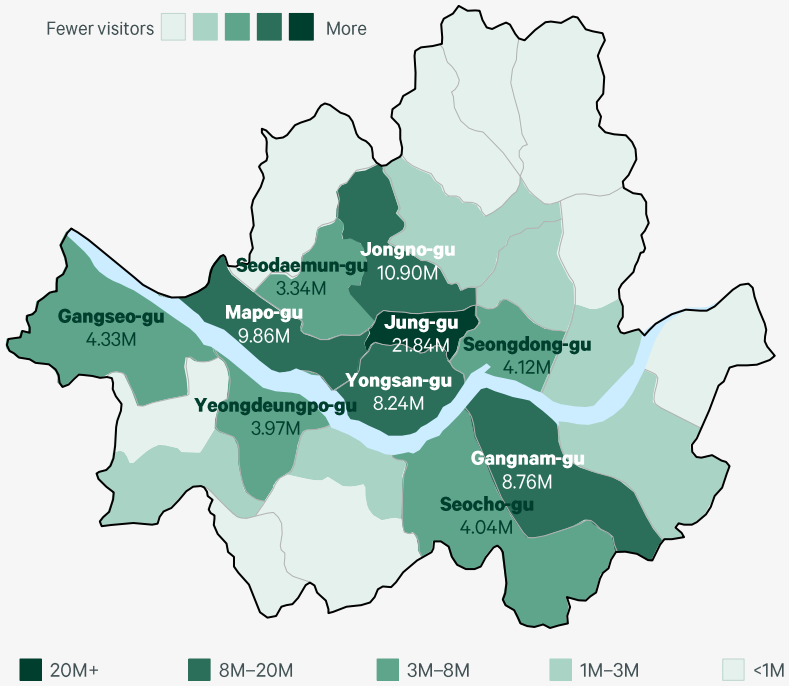
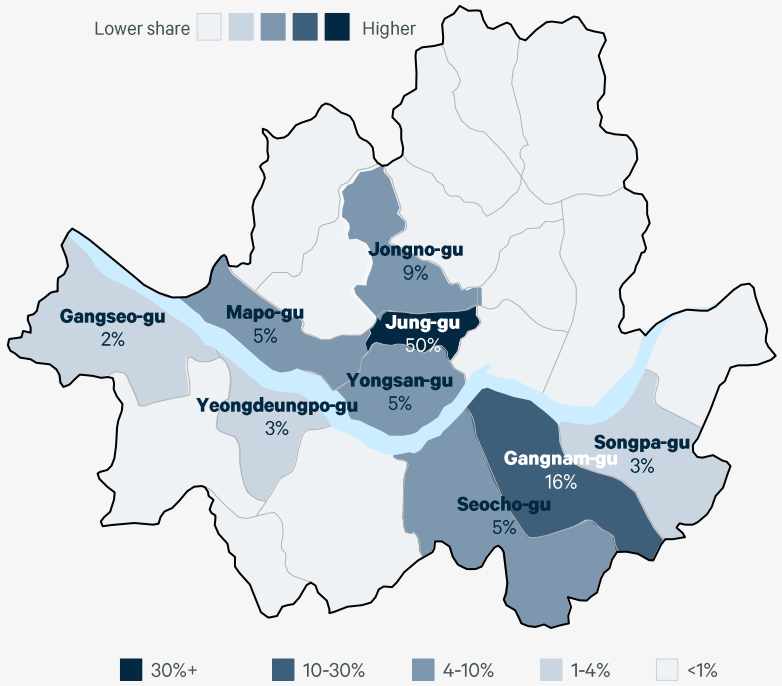


Figure 15: Share of Foreign Lodging Spending by Gu (2025, Card Payments)



83%
Central and Gangnam Zones' Share of Foreign Lodging Spending (2025, card payments)

80% vs 40%
Foreign Share of Hotel Guests: Central vs. Southwest Zone (2024)

67%
Gangnam Zone's Share of Foreign Medical Tourism Spending

4.12M / 0.01%
Seongdong-gu Foreign Visitors (7th) and Share of Seoul Lodging Spending

Source: Korea Tourism Organization (KTO) Korea Tourism Data Lab, Korea Hotel Association, CBRE Research, October 2026.

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Three- and Four-Star Hotels Rely on Foreign Guests; Five-Star Hotels Balance Domestic and Foreign Demand

In 2024, about 65% of Seoul hotel guests were foreigners, making the market highly dependent on foreign demand.[1] The growth in inbound demand discussed earlier translates directly into Seoul hotel demand. This dependence, however, varies clearly by star rating.

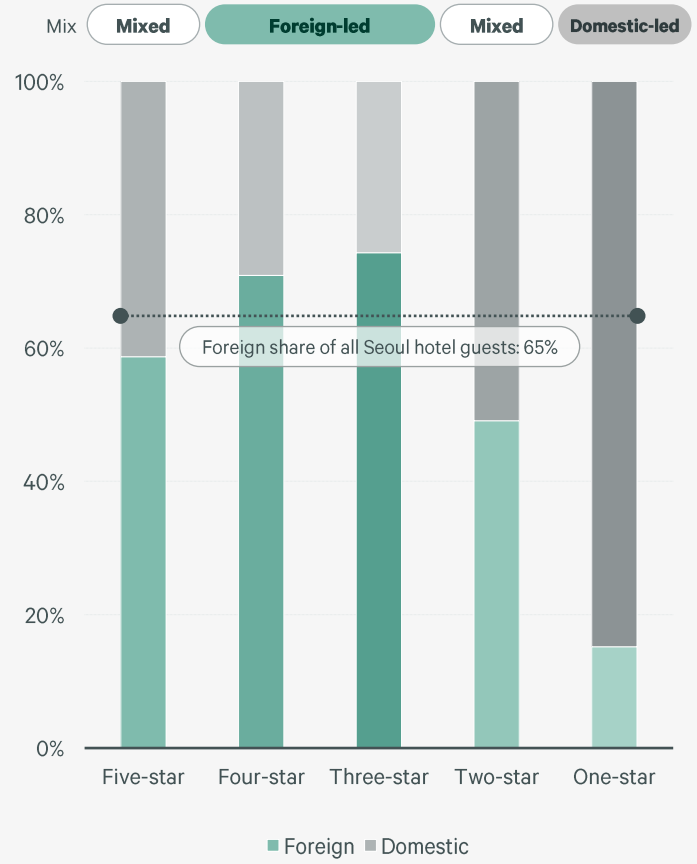
Five-star hotels are filled by both domestic and foreign guests. Foreigners account for 59% of guests, more than half but below the Seoul average, with domestic guests at 41%. The share of domestic guests staying at five-star hotels (29%) is also higher than that of foreign guests (22%). The five-star category also spans a wide range, from luxury to upper upscale brands (see p. 4). The five-star average (59% foreign) may therefore vary by chain scale tier, so it is advisable to consider star ratings and chain scale together.

Three- and four-star hotels are driven by foreign demand. Nearly two-thirds of foreign guests in Seoul stayed at three- or four-star hotels, and more than one in three (37%) at three-star hotels. Foreigners account for 74% at three-star and 71% at four-star, above the 65% Seoul average.

One- and two-star hotels are small but have high shares of domestic guests. Domestic guests account for 85% at one-star hotels, while two-star hotels are evenly split at 51% domestic and 49% foreign. They also take a larger share of domestic guests (17%) than of foreign guests (7%).

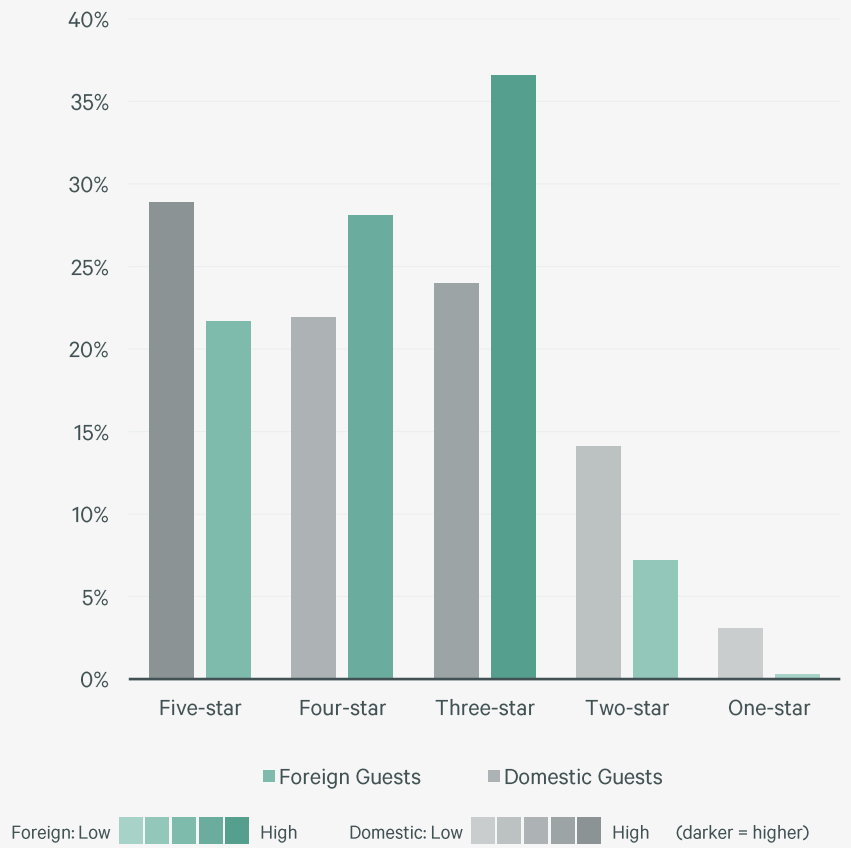
Foreigners concentrate in three- and four-star hotels, while domestic guests favor five-star and one- and two-star hotels. As a result, inbound demand and external factors are likely to affect three- and four-star hotels most, while domestic demand can partly cushion five-star hotels.

Figure 16: Guest Mix by Star Rating (2024, Seoul, Estimated)



Note: Excludes unrated hotels and hostels (foreign 6%, domestic 8%)
Source: Korea Hotel Association, CBRE Research, October 2026.

Figure 17: Guest Distribution by Star Rating (2024, Seoul, Est.)



1) Seoul's 65% foreign share is CBRE's re-estimate based on Korea Hotel Association raw data (241 hotels in Seoul), weighted by guest counts by district and star rating. The association's published figure of 59.2% (Seoul, 2024) is a simple average of hotel ratios, hence lower.

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Hotels' Share of Domestic Stays Nearly Doubles; Domestic Demand Resilient Despite Outbound Travel Recovery

While foreign demand accounts for approximately 65% of Seoul hotel guests, domestic demand, the remaining 35%, is also growing and provides a solid base that can cushion fluctuations in foreign demand. Hotels' share of lodging used by Koreans has nearly doubled over the past seven years, rising from 11% in 2019 to 19% in 2025, rising sharply from 2021 when outbound travel was restricted.

Spending per overnight trip has also increased. Average spending per overnight leisure trip to Seoul hit a low of KRW 190,000 in 2020 and remained around KRW 200,000 through 2022. The metric then rose for three consecutive years from 2023, reaching KRW 230,000 in 2025, up 14% from 2019.

Even after outbound travel resumed in 2023, Koreans' hotel usage share and spending on Seoul hotels remained high. Koreans' outbound tourism spending only recovered to 2019 levels in 2024, but domestic tourism spending on Seoul hotels has exceeded 2019 levels for four consecutive years since 2022. In 2025, it reached KRW 797.5 billion, 24% above 2019 and similar to the 2022 peak (KRW 826.4 billion), when outbound travel was restricted. The 24% increase in Seoul hotel tourism spending versus 2019 is double that of outbound tourism spending (12%).

As hotel usage share and spending per trip rose together, all three indicators (hotel usage share, spending per trip, and domestic hotel spending) remain above pre-pandemic 2019 levels even after the normalization of outbound travel. Domestic hotel demand, which grew as a substitute for overseas travel, has persisted after the outbound recovery, suggesting that hotel usage has taken hold beyond temporary substitution demand.

Figure 18: Hotel Share of Lodging Used by Domestic Travelers

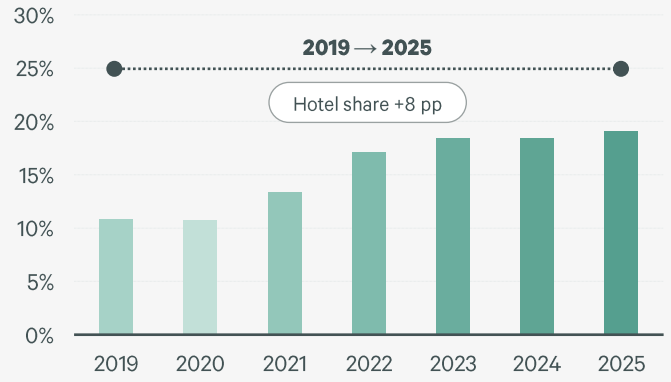


Figure 19: Spending per Overnight Trip

Unit: KRW Thousand

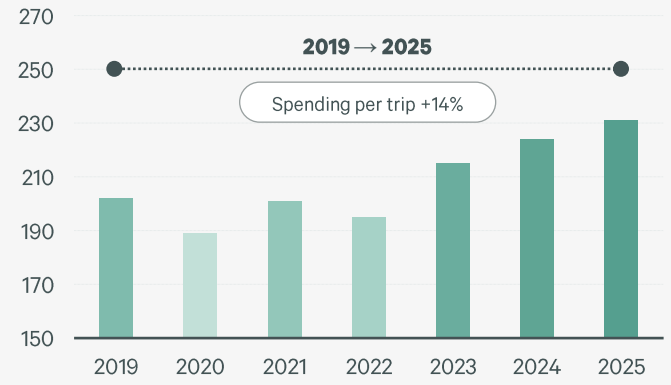
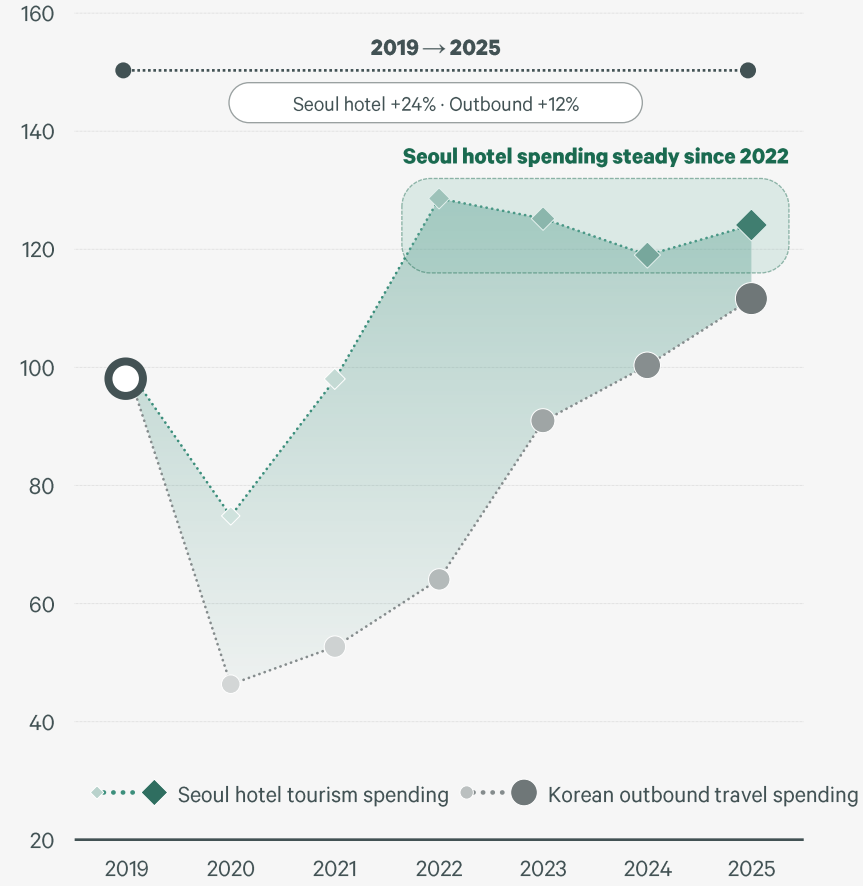


Figure 20: Seoul Hotel vs. Outbound Travel Spending

Unit: Index (2019 = 100)



Source: Korea Hotel Association, Korea Tourism Organization (KTO), CBRE Research, October 2026.

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Inbound Demand Recovers from All Three Shocks; Long-Term Trend Remains Upward

Unlike domestic hotel demand, which has persisted since the outbound travel recovery, inbound demand, the driver of Seoul hotel demand growth, has been repeatedly impacted by external shocks. Inbound visitors fell 7% y-o-y in 2015 following the MERS outbreak, and 23% in 2017, when mainland China authorities restricted group tours to Korea amid the dispute over the deployment of THAAD. During the COVID-19 pandemic, arrivals fell to 14% of 2019 levels in 2020 and 6% in 2021.

Despite this, demand recovered every time. Indexed to the year before each shock (= 100), inbound visitors rebounded to 121 in 2016, the year after MERS, and reached 102 in 2019 after the THAAD dispute, surpassing pre-shock levels. After COVID-19, arrivals moved from 63 in 2023 to 94 in 2024 and 108 in 2025. Returning to pre-shock levels took one year after MERS, two years after the THAAD dispute, and five years after COVID-19. The larger the shock, the longer the recovery.

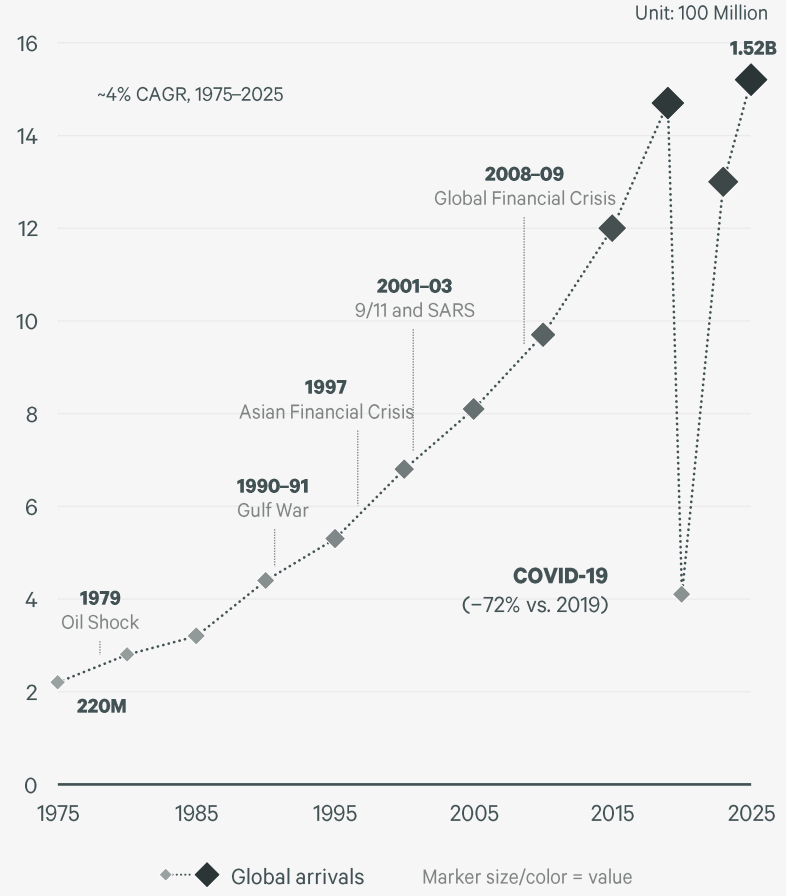
Global tourism followed the same pattern. International tourist arrivals worldwide rose nearly 7x over 50 years, from 220 million in 1975 to 1.52 billion in 2025, an average annual growth rate of approximately 4%. Over this period, global tourism weathered the oil shocks, the Asian Financial Crisis, 9/11 and SARS, and the Global Financial Crisis. Arrivals fell 72% in 2020 versus 2019 due to COVID-19 but surpassed 2019 levels in 2025, completing the recovery.

Although the magnitude of each shock and the time to recover differed, both inbound demand and global tourism resumed growth from levels higher than before the shocks. Long-term growth has proven stronger than short-term shocks. However, with Seoul hotels highly dependent on foreign guests, their exposure to demand volatility during shocks must also be considered.

Figure 21: Inbound Visitor Recovery After Shocks



Figure 22: Global International Tourist Arrivals



Source: Korea Tourism Organization (KTO), UN Tourism, CBRE Research, October 2026.

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02

Hotel Supply and Operating Performance Analysis

Room Stock Stuck at 2019 Levels as Rising Demand Lifts Rates

Room Supply Stalls at 0.1% a Year Since 2019, Down from 8.5%

According to Seoul's lodging business permit data, Seoul had 678 tourist hotels and general hotels as of 2026, with a total of 68,020 rooms. This represents approximately 17% of hotels and 26% of hotel rooms nationwide.

While hotel demand surpassed 2019 levels in 2025, Seoul's hotel room stock barely grew over the same period, edging up by just 0.8%. Annual growth averaged 0.1%, stalling from 8.5% in 2010–2019. Inbound visitors rose 8% over the same period, meaning room supply grew at one-tenth that rate.

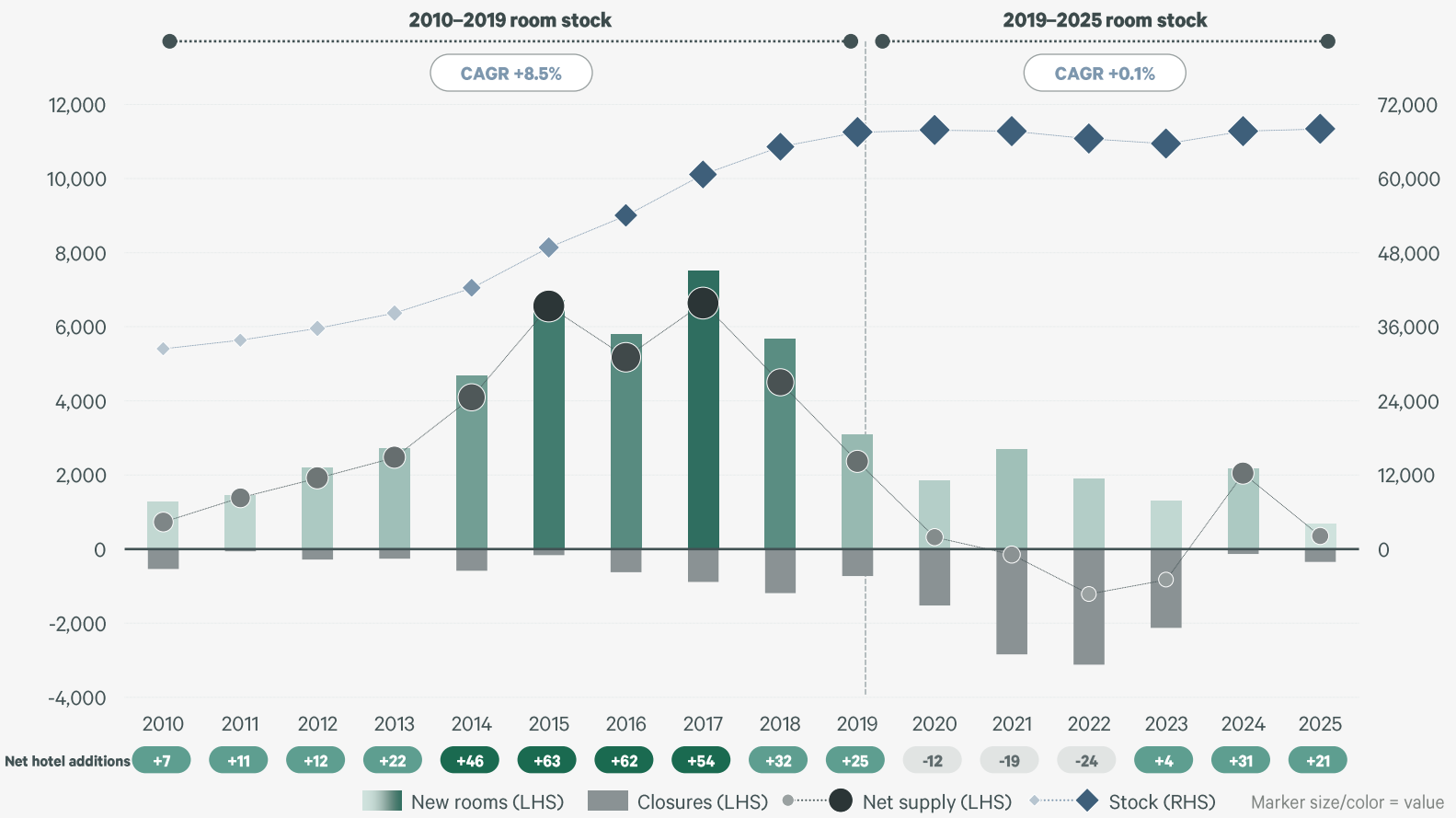
The supply expansion of the mid-2010s reflected a policy time lag. After the Special Act on the Expansion of Tourist Accommodations took effect in 2012, Seoul offered Floor Area Ratio (FAR) incentives for two years to hotel projects totaling 10,000 rooms. As these projects were completed in 2015–2018, more than 6,000 rooms opened per year on average. Seoul's hotel room stock rose 60% over the five years from the end of 2014.

After the pandemic, however, closures outpaced openings. Cumulative room closures totaled 9,607 in 2020–2023, approximately 64% of which were in the Central and Gangnam Zones. Some of the closed rooms were converted to office or residential use, contributing to the conversion-driven hotel transactions of 2022–2023 discussed in Section 3.

The increase in stock in 2024 was driven more by a sharp drop in closures than by new supply. New supply in 2024 (2,169 rooms) fell short of the 2021 level (2,691 rooms), while room closures fell from 2,841 to 128 over the same period. New supply in 2025 was 693 rooms, the lowest since 2010. The demand recovery has not translated into supply expansion.

Figure 23: Seoul Hotel Net Room Supply and Room Stock

Unit: Rooms (LHS: Net Supply, RHS: Stock)



Source: Seoul Metropolitan Government (Lodging Business License Data), CBRE Research, October 2026.

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Central and Gangnam Zones Hold 61% of Rooms; Total Stock Flat but Gangnam Zone Down 8%

While total stock has stayed flat, room supply remains heavily concentrated by location. As of July 2026, the Central Zone (Jung-gu and Jongno-gu) accounted for 39% of operating tourist and general hotel rooms and the Gangnam Zone (Gangnam-gu, Seocho-gu, and Songpa-gu) for 22%, together accounting for 61%. Jung-gu alone has 21,314 rooms, or 31% of Seoul's total. The Central Zone combines tourism and business demand, while the Gangnam Zone draws business, medical tourism, and MICE demand. Room distribution has followed these demand patterns.

Total stock has not grown because gains in some areas offset losses in others. From the end of 2019 to July 2026, Seoul's room stock rose by only 1,375 rooms (2%). As Jung-gu's net increase alone (+1,610 rooms) exceeded this, excluding Jung-gu, Seoul's stock fell by 235 rooms. The Central Zone grew by 2,042 rooms (8%) on gains in Jung-gu and Jongno-gu (+432 rooms). The Gangnam Zone lost a net 1,328 rooms (8%), as losses in Seocho-gu (-1,148 rooms) and Gangnam-gu (-355 rooms) were only partly offset by Songpa-gu (+175 rooms), largely due to luxury hotel closures in Banpo and Yeoksam for redevelopment.

Outside the Central and Gangnam Zones, Mapo-gu recorded the largest increase (+993 rooms), supported by tourism demand in Hongdae and access via the Airport Railroad. By contrast, Seongdong-gu, where foreign visits have surged recently, has only 375 hotel rooms, or 0.5% of Seoul's total. Hotel supply has yet to follow this emerging tourist destination.

Hotel supply also depends on the value of alternative uses for the same site. The room decline in high-demand Seocho-gu reflects this competition and is why core-zone rooms are hard to add. With rooms declining in the high-demand Gangnam Zone and new supply going to the Central Zone and Mapo-gu, local supply-demand gaps may widen.

Figure 24: Hotel Rooms by Gu

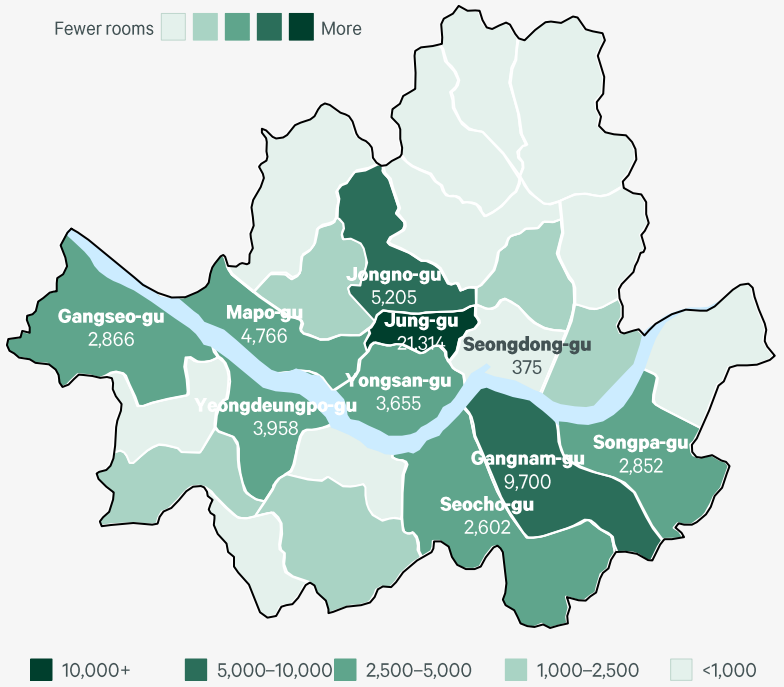


Figure 25: Change in Hotel Rooms by Gu (End-2019 to Jul 2026)

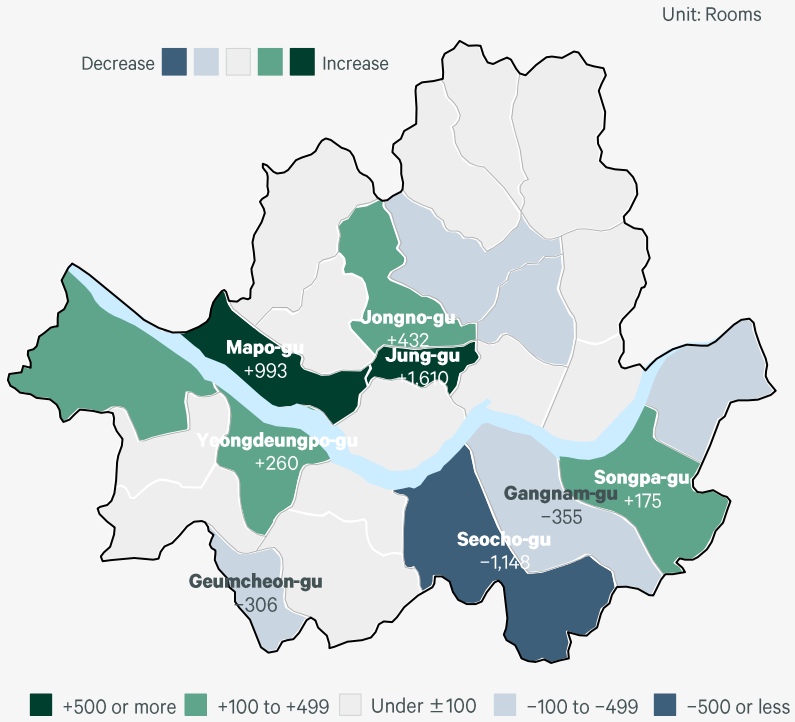
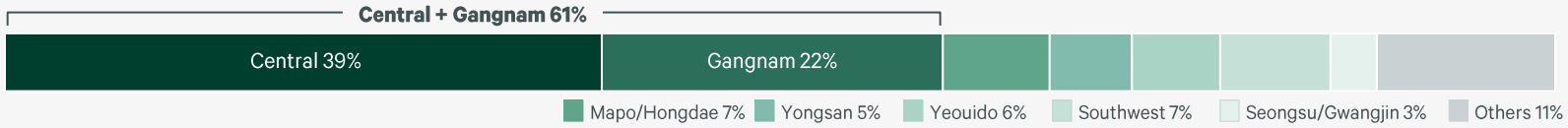


Figure 26: Hotel Room Mix by Zone



Source: Seoul Metropolitan Government (Lodging Business License Data), CBRE Research, October 2026.

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Central Zone Draws More Foreign Demand Than Rooms; Gangnam Attracts More Spending, Mapo Hosts More Guests

Where rooms are concentrated is not necessarily where foreign demand is concentrated. CBRE divides each gu's foreign lodging spending and guests by its rooms and sets the Seoul average at 100; a gu above 100 has more foreign demand relative to its rooms.

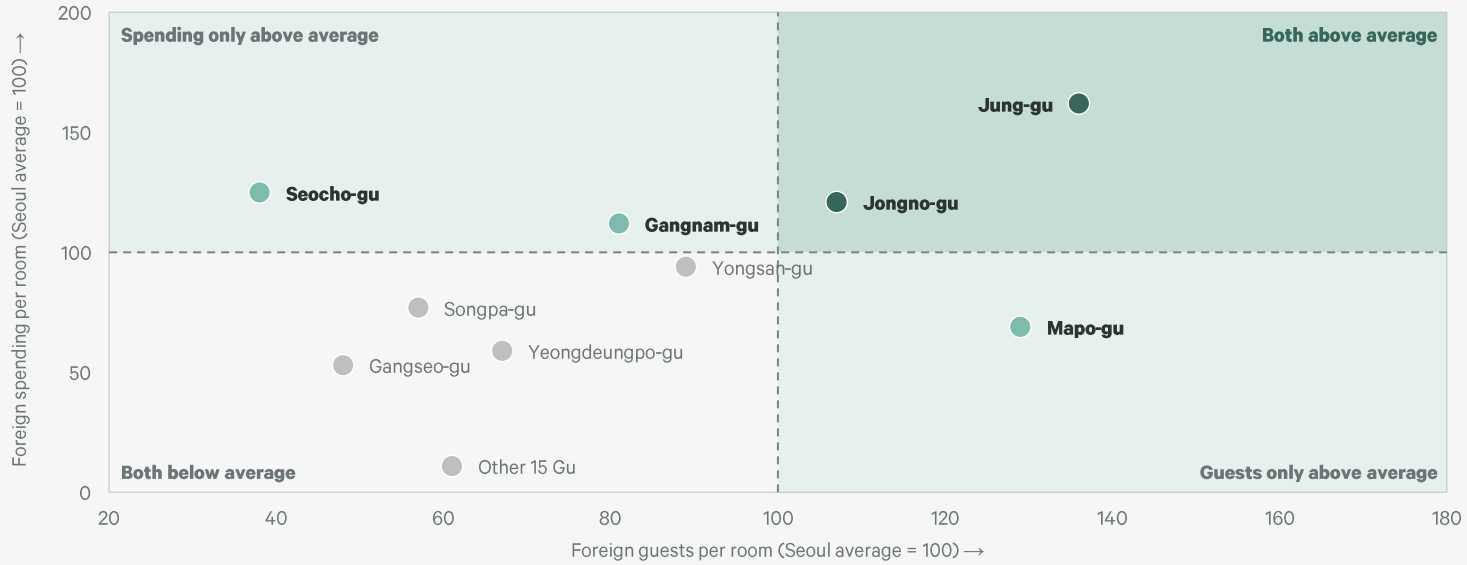
Jung-gu and Jongno-gu exceed the average on both indices. Each room in Jung-gu earns about KRW 24.3 million a year in foreign lodging spending, 1.6x the Seoul average of about KRW 15 million, and hosts 36% more foreign guests than average. Jongno-gu also exceeds 100 on both. Jung-gu holds about 31% of Seoul's rooms yet has the highest demand per room, so Central Zone foreign demand is outpacing room supply.

Conversely, Yongsan-gu, Songpa-gu, Yeongdeungpo-gu, Gangseo-gu, and the remaining 15 gu fall below 100 on both indices. The remaining 15 gu hold 17% of Seoul's rooms but only 2% of foreign lodging spending, so spending per room is about one-tenth of the average.

The indices diverge for Seocho-gu, Gangnam-gu, and Mapo-gu. Seocho-gu and Gangnam-gu host fewer foreign guests per room than average, but spend above average. With ADRs of KRW 239,000 (Seocho-gu) and KRW 223,000 (Gangnam-gu), above the Seoul average of KRW 201,000, this is high-spending demand. Mapo-gu is the opposite: more guests, but below-average spending. With an ADR of KRW 194,000, near the Seoul average, this may be volume-driven demand, with several guests per room.

Foreign demand thus differs in character by location: the Central Zone has deep demand relative to rooms, the Gangnam Zone high-rate demand, and Mapo-gu high-volume demand. The impact of brand choice, discussed later, may also vary with these location-specific demand characteristics.

Figure 27: Foreign Demand Type by Gu (Spending × Guests per Room)



Gu	Demand View	Supply View
Jung-gu, Jongno-gu	Strong in spending and guests	Demand outpaces large room stock
Seocho-gu, Gangnam-gu	Fewer guests, higher spending	High-end demand vs. room stock
Mapo-gu	More guests, lower spending	More guests per room
Others	Weak foreign demand	Low demand vs. room share

Note: Foreign spending per room = foreign lodging spending by gu ÷ hotel rooms by gu; foreign guests per room = foreign guests by gu ÷ rooms at the same hotels. Both are indexed to the Seoul total (Seoul average = 100). Seongdong-gu is excluded (22 association rooms); guests for the other 15 gu are based on the 13 gu with association data.
Source: Korea Tourism Organization (KTO) Korea Tourism Data Lab, Korea Hotel Association, Seoul Metropolitan Government, CBRE Research, October 2026.

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Room Stock Grows Just 1% a Year; Luxury and Upper Upscale Account for 44% of Net Additions

CoStar data show Seoul's hotel room stock expanded from approximately 27,000 rooms in 2010 to approximately 49,000 in 2018, an average annual increase of 7.3%. However, growth slowed sharply to 1.1% a year from 2019. Because of differences in coverage, CoStar's growth rates are higher than those in Seoul's registration data discussed earlier, but both point to the same slowdown. Growth is projected at 1.0% a year in 2026–2032, suggesting that rooms are unlikely to grow quickly even as demand rises.

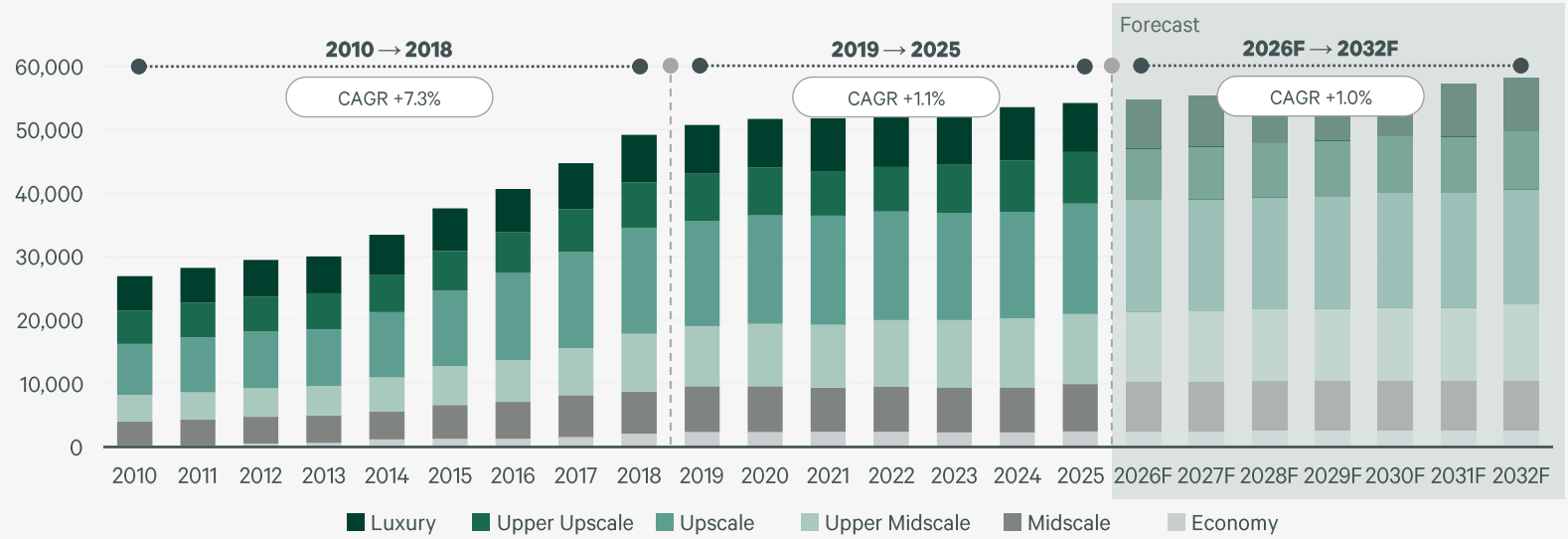
By tier, past expansion was led by the middle tiers. Room growth in 2010–2018 came mostly from the upscale, upper midscale, and midscale tiers, while luxury and upper upscale grew moderately. Since 2019, growth itself has slowed, with upscale effectively flat.

Future additions point in a different direction. Luxury and upper upscale combined accounted for 29% of stock in 2025, but in 2026–2032 they will account for 44% of net additions: luxury at 17% and upper upscale at 27%. More than four in every 10 net new rooms will be in the top two tiers. Upper midscale will also take around 25% of net additions, above its share of stock (approximately 20%), while upscale, midscale, and economy will each take smaller shares of net additions than their shares of stock. Supply is being reshaped as the role once played by upscale in past expansion shifts to upper midscale and the top tiers.

However, with Seoul's total net additions limited to approximately 4,000 rooms (44% of which are in the top two tiers), the top two tiers' share of stock will rise by only 1 percentage point by 2032. With limited new supply, the current tight room supply-demand balance is likely to persist for some time. As new hotel supply will be concentrated in the upper tiers, new competition is likely to emerge in this segment first. Supply risk should therefore be assessed by tier and location, not by Seoul's total room count.

Figure 28: Seoul Hotel Rooms by Tier

Unit: Rooms



Share by Tier: Existing Rooms vs. New Rooms (Upper Tiers = Luxury and Upper Upscale)

Existing Rooms 2025 stock: about 54,000 rooms



New Rooms 2026–2032F net additions: about 3,900 rooms (about 7% of existing stock)



Upper-tier share: 29% of existing rooms, 44% of new rooms

With new rooms only about 7% of existing stock, the upper-tier share of all rooms will reach only about 30% (+1 pp) by 2032

Source: CoStar, CBRE Research, October 2026.

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Gangnam Zone Regains Lost Rooms as Yongsan Grows

Following the tier-level view, location data show that the center of gravity for new hotel supply opening in 2026–2032 is shifting to the Gangnam Zone and Yongsan. The Gangnam Zone, where room stock has declined since 2019, will receive the largest share of new rooms at 34% (approximately 1,350 rooms), well above its share of existing rooms (22%). The Central Zone and Yongsan follow with 32% and 17%, respectively.

New supply in the Gangnam Zone is similar in scale to its net decline since 2019 discussed earlier (1,328 rooms), meaning the rooms lost over the past seven years will be largely replaced over the next seven. The Central Zone generates more than half of foreign lodging spending (Jung-gu alone accounts for 50%), yet its share of new supply (32%) is below its share of existing rooms (39%). Mapo-gu (Hongdae), where rooms rose sharply in recent years, will receive only 3% of new supply.

The tiers entering each area differ. In the Gangnam Zone, upper midscale and other mid-to-upper tiers account for nearly half of new supply. In the Central Zone, upscale accounts for nearly 60%, while Yongsan will receive only luxury and upper upscale hotels. With approximately 40% of new top-tier supply concentrated in Yongsan, new supply pressure on the Central Zone's top tiers is relatively limited. All five new luxury hotels carry global hotel group brands, with two each in Yongsan and the Central Zone and one in the Gangnam Zone. Averaging 133 rooms, they broaden brand options without significantly adding supply.

Openings spread over several years limit the risk of a near-term supply shock. Annual new openings will peak at 840 rooms (2032), 1.6% of 2025 stock, while rooms opening through 2029 will account for 56% (more than 2,200 rooms) of upcoming supply. The remaining 44% of new supply opens from 2030 and may face delays or changes.

Figure 29: New Rooms by Zone and Tier (2026–2032)

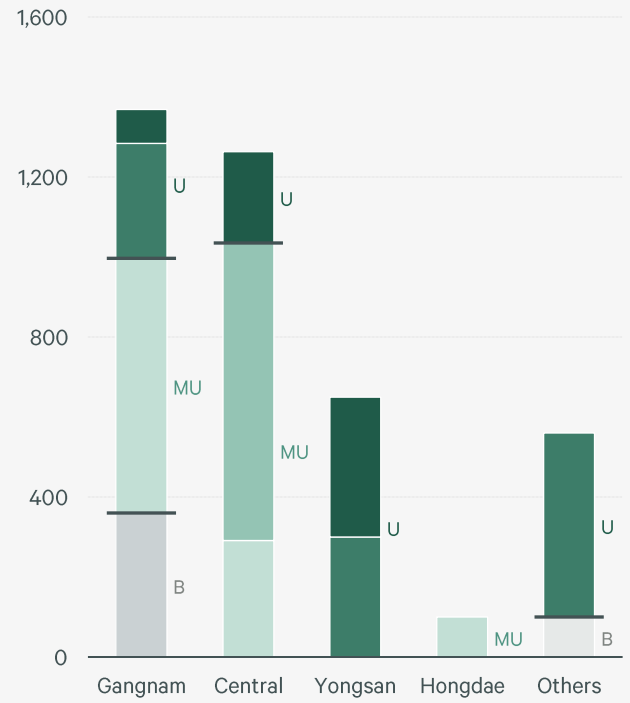
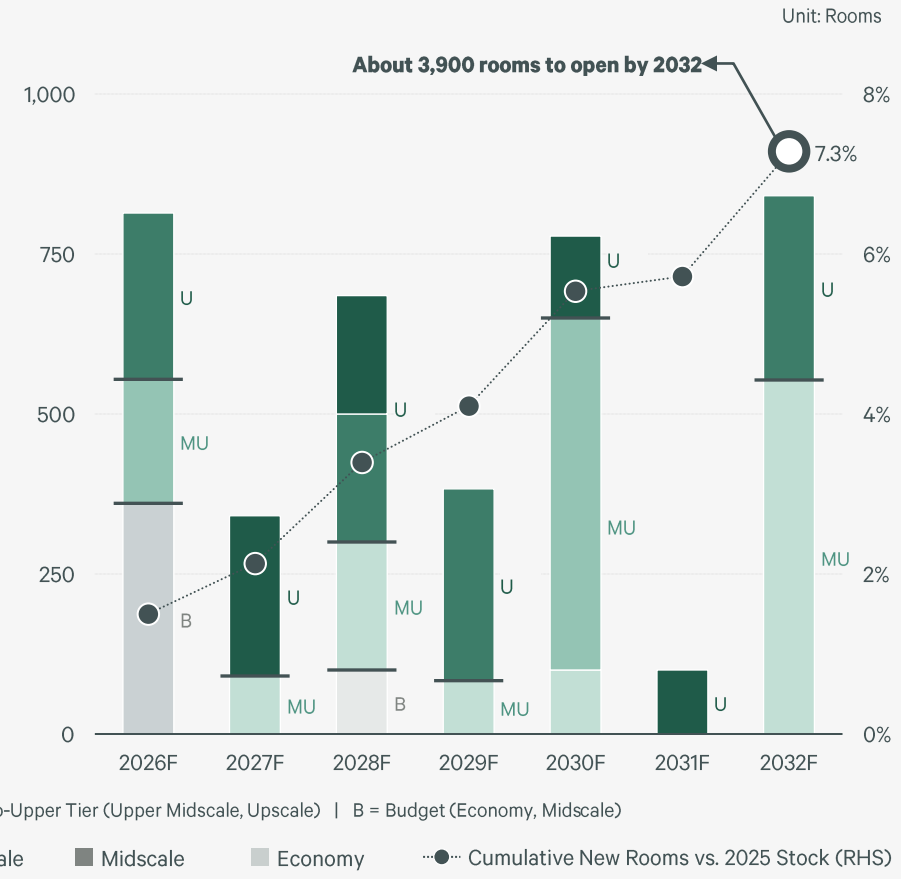


Figure 30: New Rooms by Year



Note: Seoul permit data lack pipeline volumes and tier information; future supply is based on CoStar data.
Source: CoStar, CBRE Research, October 2026.

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FAR Relaxed by up to 1.3x but Knock-On Effect on Room Supply Still Years Away

Although Seoul hotel room supply will remain tight for some time, the recent introduction of a new framework to expand hotel supply will add a new variable for the 2030s. The new Tourist Accommodation-Specialized District Unit Plan raises the Floor Area Ratio (FAR) for tourist accommodation facilities meeting three-star or higher facility standards by up to 1.3x (from 800% to 1,040% in general commercial areas). In instances where height limits prevent the raising of the FAR, building coverage ratio and height limits have also been also relaxed.

The plan applies permanently to nine areas, including Myeongdong, Teheran-ro, and Yeouido, and temporarily for three years to 54 areas with active commercial districts, such as Sinchon. Projects in the temporary areas must apply for building permits within this period. With procedures now set in advance, developers need only prior consultation. Hongdae, which will receive only 3% of new supply, is also included, creating opportunities for supply growth in areas with a thin pipeline.

However, regulatory easing will take some time to translate into new room supply. Even after the introduction of the Special Act on the Expansion of Tourist Accommodations in 2012, room supply only increased in earnest in 2015–2018. Despite the relaxation of the FAR, therefore, new room supply is unlikely to appear before 2029. With temporary area permits likely to cluster before early 2029, the effect could extend into the early 2030s.

What differs from that period is development cost. After post-pandemic supply chain disruptions and Middle East conflict-driven material price increases, the non-residential construction cost index stood at 137.4 in August 2026, 37% above 2020. While FAR relaxation improves feasibility, higher costs reduce it. How much the plan adds to post-2030 supply is the key uncertainty.

Figure 31: Seoul's Tourist Accommodation-Specialized District Unit Plan

Key Relaxation Metrics

63	1.3x	1+ year
Target areas (Permanent 9 + Temporary 54)	FAR relief (General Commercial 800% ⟶ 1,040%)	Process time saved (pre-consultation only)

Key Condition

Three-star+

Hotel rating standard

Area Types

- Permanent (9): urban and regional centers (e.g., Myeongdong)
- Temporary (54): active commercial areas, for three years

Relaxation

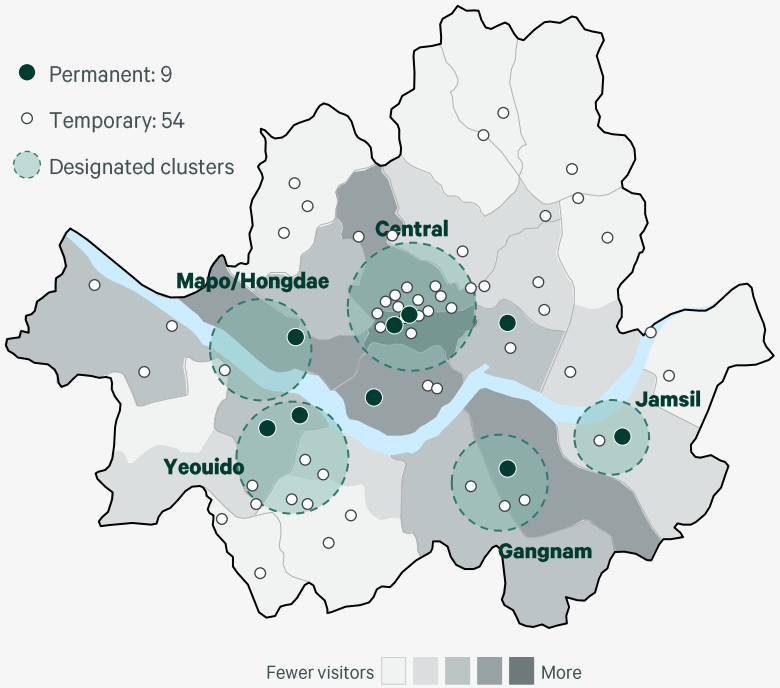
- Ordinance FAR up to 1.3x (General Commercial 800% ⟶ 1,040%)
- Extra coverage and height relief if height caps limit FAR

Eligibility

- Hotel rating of three stars or above, meeting facility standards
- Family hotels and hostels to be added upon ordinance amendment

Streamlined Process

- City leads process from District Unit Plan proposal to review
- Developers need only pre-consultation (no public inspection)



Source: Seoul Metropolitan Government, CBRE Research, October 2026.

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Demand Outpaces Supply Even Under Conservative Assumptions; Gap Set to Reach at Least 24 Points by 2032

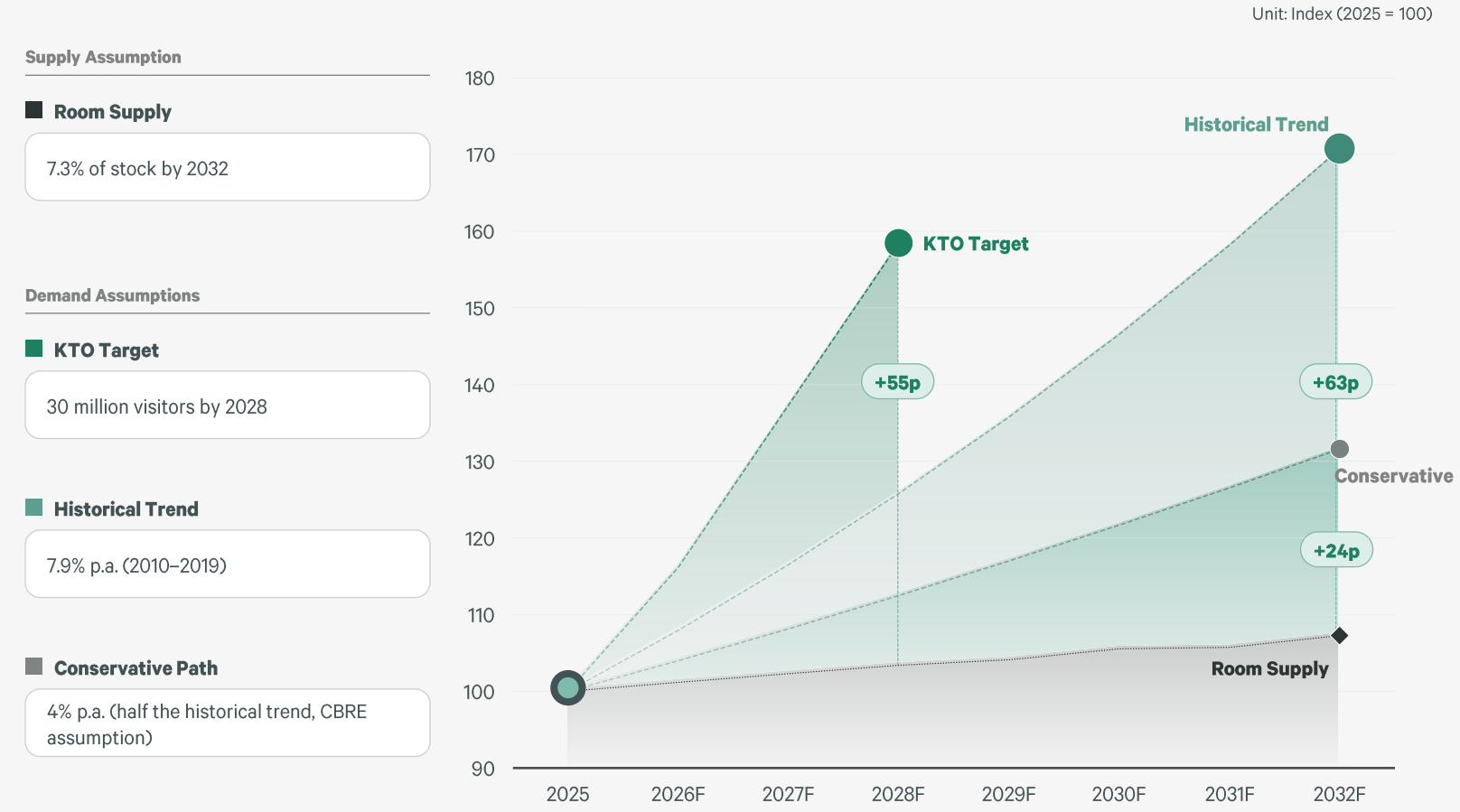
Until regulatory changes translate into rooms, new hotel room supply in Seoul will remain tied to the pipeline already planned. New rooms scheduled for 2026–2032 equal 7.3% of CoStar's stock, an average annual increase of 1.0% over seven years. The supply path assumes that all projects, including those not yet under construction, open on schedule. Any delays would widen the gap further.

Demand is represented by an index of inbound visitors. With foreigners accounting for 65% of Seoul hotel guests, inbound visitors set the direction of demand. The conservative path (4% a year) is half the 2010–2019 growth trend and matches the 50-year average annual growth rate of global international tourist arrivals (approximately 4%). The historical trend (7.9% a year) and the KTO target (30 million by 2028) are higher paths. Inbound visitors in January to September 2026 rose 21.5% y-o-y, well above the conservative path.

Indexed to 2025 (= 100), rooms reach 107 by 2032, while inbound visitors reach 132 on the conservative path and 171 on the historical trend. The gap with supply in 2032 is 24 points on the conservative path and 63 points on the historical trend. If the KTO target is met, the gap would reach 55 points in 2028. Even assuming no growth in domestic demand (35%), the gap on the conservative path remains at around 13 points.[1]

Although regulatory easing may allow supply to grow again, permitting lags and higher costs make it uncertain whether rooms will grow as quickly as in the 2010s. In the meantime, the gap will flow into occupancy and ADR. With occupancy already the highest since 2015, the impact of the gap will mainly appear in ADR. As demand is growing faster than tight supply, hotel earnings improvement is likely to persist for some time.

Figure 32: Room Supply and Inbound Demand Scenarios



Source: CoStar, Korea Tourism Organization (KTO), CBRE Research, October 2026.

1) The gap based on total hotel demand is the difference between the room index (107) and a weighted demand index (approximately 120). The weighted index applies the inbound visitor index on the conservative path (132) to the 65% foreign share and a flat index (100) to the 35% domestic share.

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Occupancy Hits 76%, Highest Since 2015, Leaving Limited Headroom

Rising inbound demand is already showing up in occupancy and ADR. Seoul average hotel occupancy reached 76% in 2025, the highest since 2015 and 4 percentage points above 2019. Over the same period, ADR rose 61% to KRW 248,000, meaning performance gains came from higher ADR rather than from a rise in rooms sold.

Occupancy has little room to rise further. Korea ranks 25th globally in international tourist arrivals, with more room for demand growth than top-ranked countries such as France and the U.S. However, both New York (84% annual occupancy in 2025), in the top-ranked U.S., and Singapore (82%), with a similar visitor volume to Korea, report annual occupancy in the mid-80s. Even if Seoul reaches this level, rooms sold would rise by only approximately 8%.[1] Occupancy alone cannot absorb the supply-demand gap, which is therefore likely to flow into ADR.

Middle tier hotels have seen the strongest overall improvement. Upper midscale saw the largest gains, with occupancy up 13 percentage points and ADR up 97%. Upscale and midscale ADR rose 76%, above the Seoul average (61%). Luxury ADR growth (51%) lagged the average, partly offset by a 6 percentage point rise in occupancy. Upper upscale ADR growth (54%) was also below average, while occupancy fell 2 percentage points. As upper upscale accounts for a large share of upcoming new rooms, new supply may weigh on occupancy in this segment.

With occupancy at high levels, the effect of inbound demand has appeared first in ADR, with the middle tiers benefiting most. This trend may weaken in the upper tiers, where new supply is concentrated. Profitability by tier should therefore be assessed through revenue per available room (RevPAR), which reflects both occupancy and ADR.

Figure 33: Seoul Hotel Average Occupancy and ADR

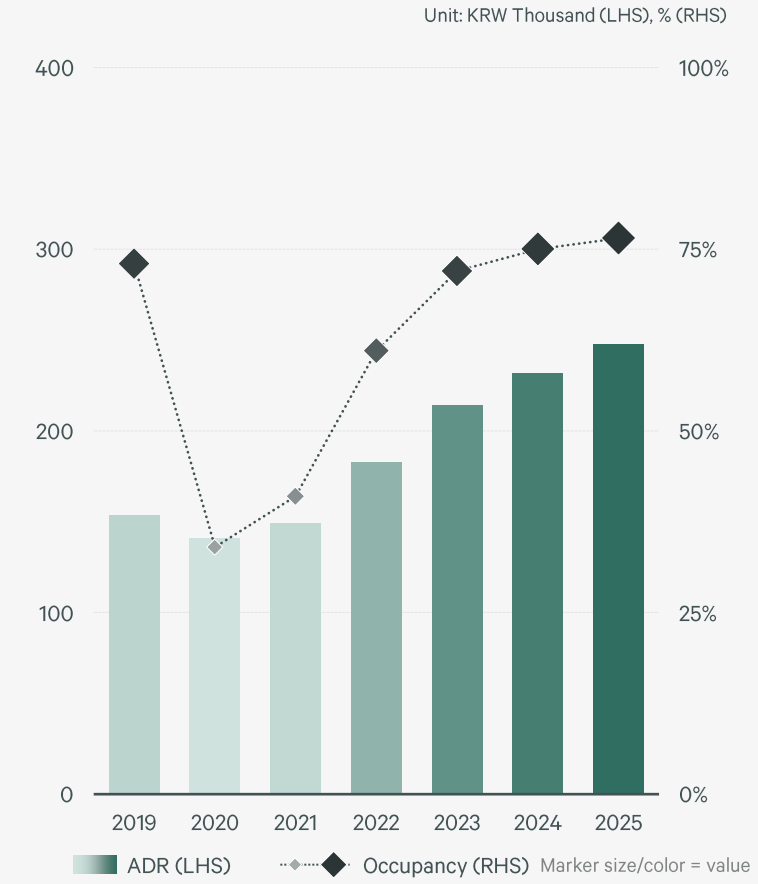
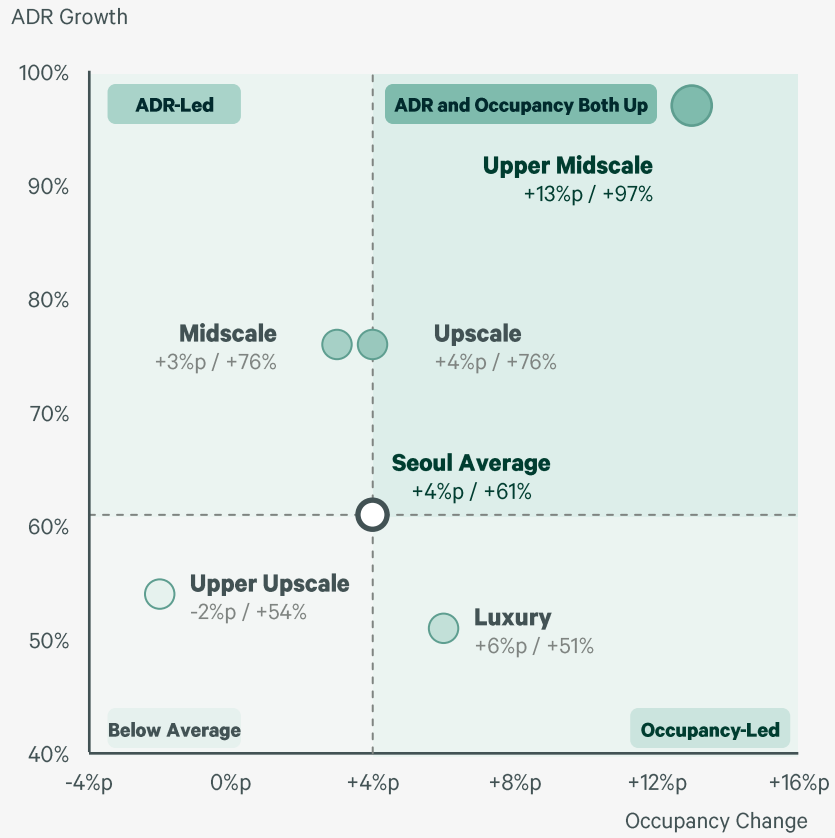


Figure 34: ADR and Occupancy Change by Tier (2019→2025)



Note: Economy tier excluded from analysis
Source: CoStar, CBRE Research, October 2026.

1) The increase in rooms sold if Seoul's occupancy rises from 76% in 2025 to New York's level of 84%: 84% ÷ 76% − 1 ≈ 8% (assuming a fixed room count).

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RevPAR Up 69% from 2019, More Than Doubles in Upper Midscale Segment

In 2025, Seoul hotel RevPAR performance reached its highest level since 2015. Seoul hotel RevPAR stood at KRW 189,000 in 2025, 69% above 2019. After falling to KRW 47,000 in 2020 due to the pandemic, RevPAR returned to 2019 levels in 2022 and has since grown at an average annual rate of 19% over the past three years. Growth slowed from 38% in 2023 to 13% in 2024 and 9% in 2025, but has shown signs of rebounding in 2026.

By tier, the middle tiers with lower RevPAR levels have seen the fastest growth in RevPAR. Upper midscale stands out, with RevPAR reaching KRW 127,000, 2.3x its 2019 level, while upscale (85%) and midscale (84%) also outpaced the Seoul average (69%). By contrast, luxury (64%) and upper upscale (50%), with higher RevPAR levels, rose less than average, with upper upscale recording the lowest growth. The RevPAR gap between luxury and upper midscale narrowed from 3.5x in 2019 to 2.4x in 2025. Earnings improvement in the upper tiers, where new supply is concentrated, may be relatively slower.

With supply barely growing and inbound demand expanding, Seoul hotel occupancy has reached high levels, and excess demand is being absorbed through ADR. Even under conservative demand assumptions, demand will outpace supply through 2032, suggesting a solid floor for performance. However, RevPAR growth is slowing, and new supply pressure in the upper tiers and the effect of FAR relaxation in the 2030s remain key variables.

As assets whose value is determined by operating performance, hotels have seen the recovery in RevPAR become the starting point for their revaluation as operating assets in the investment market.

Figure 35: Seoul Hotel RevPAR Trend

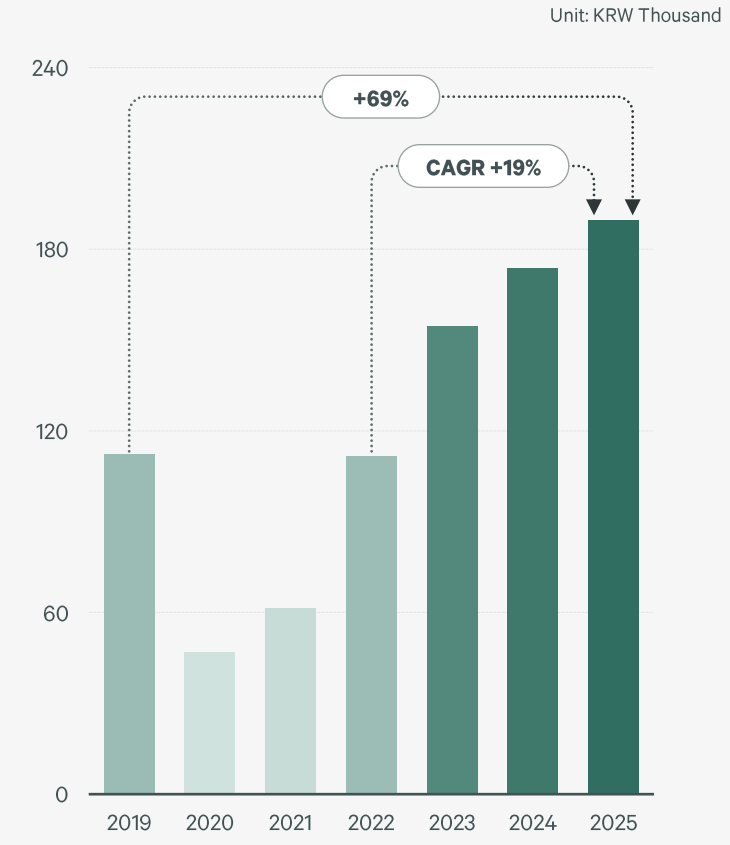
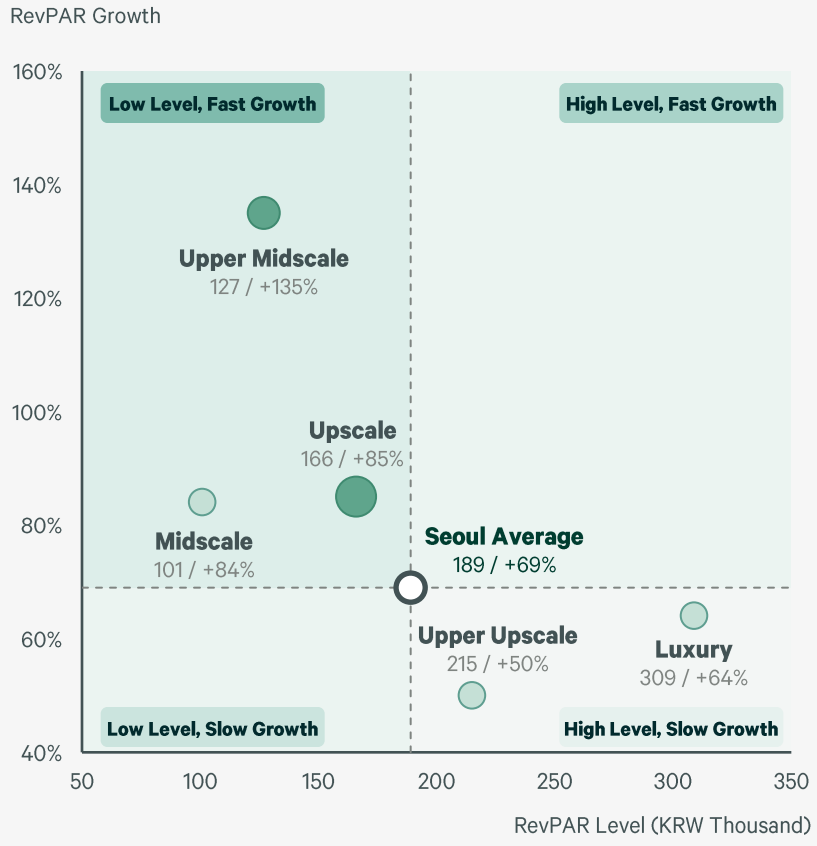


Figure 36: RevPAR Level and Growth by Tier (2019→2025)



Note: Economy tier excluded from analysis
Source: CoStar, CBRE Research, October 2026.

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03

Hotel Investment Market and Rebranding Analysis

Hotels Trade Again as Operating Assets; Next Returns Lie in Brands and Contract Structures

Seoul Hotel Transaction Activity Recovers

Hotels account for approximately 5% to 10% of annual Seoul commercial real estate investment volume, trailing office and logistics but comparable in size to retail. Many of Korea's major hotels are held long-term by conglomerate affiliates, so large operating hotels rarely come to market and transactions mostly involve small and mid-sized assets. Hotel transaction recovered from a 2020 low of approximately KRW 0.3 trillion to around KRW 1.8 trillion in 2025.

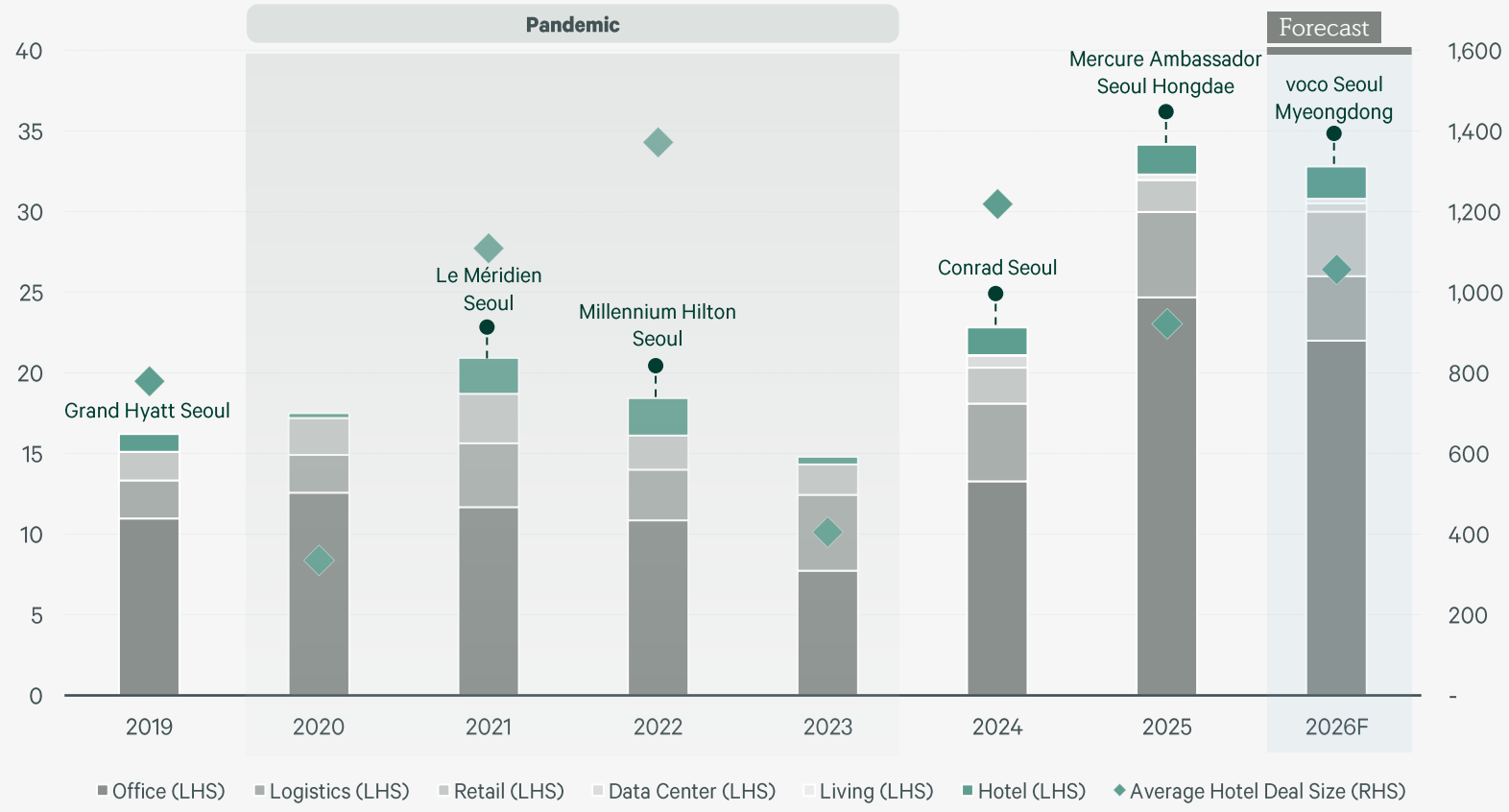
The character and valuation basis of Seoul hotel transactions have diverged depending on acquisition purpose. In 2019, before the pandemic, hotels traded on the premise of continued operation. From 2020, redevelopment plays dominated. Hotels such as Le Méridien Seoul and Millennium Hilton Seoul were acquired for demolition and redevelopment into prime office-led mixed-use complexes. Post-pandemic, operating-purpose acquisitions, such as voco Seoul Myeongdong, resumed.

For redevelopment deals, hotels were valued as development sites, priced on FAR and post-development value. In 2021–2022, when redevelopment deals were concentrated, transaction values per asset were high, at KRW 110 billion to KRW 137 billion. In 2019 and in 2024–2025 after the market normalized, hotels were valued on the cash flow from their rooms. Transactions in these periods were selective and centered on small and mid-sized operating assets. As a result, the average deal size rose only modestly, from KRW 78 billion in 2019 to KRW 92 billion in 2025.

Institutional investors, led by asset managers, have been the main buyers of both redevelopment and operating-purpose transactions. By source of capital, domestic capital accounted for 78% of hotel transaction volume between 2019 and 2025, with foreign capital making up the remaining 22%.

Figure 37: Seoul Commercial Real Estate Investment Volume and Key Hotel Deals

Unit: KRW Trillion (LHS), KRW 100 Million (RHS)



Source: CBRE Research, October 2026.

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From Exit to Entry: Conversions Halt as Per-Room Prices Climb

Conversion acquisitions have driven redevelopment deals. Many hotels traded before 2023 were acquired for conversion to office or residential use as sellers sought to exit the hotel sector amid weak tourism demand and rising financing costs from interest rate hikes. Reflecting development value, these deals priced at KRW 300 million to KRW 600 million per room, above operating-purpose transactions.

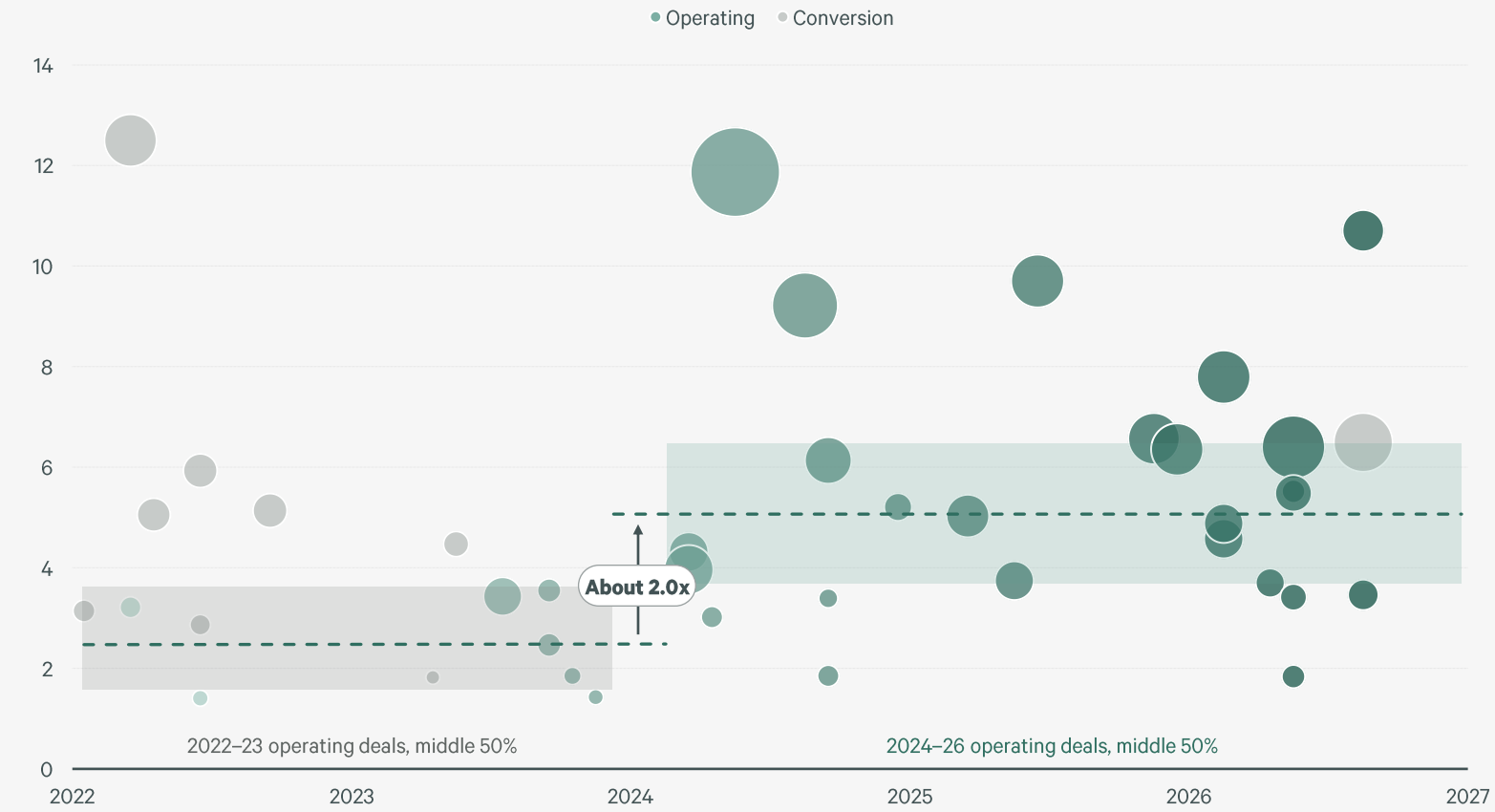
Conversion acquisitions have been scarce since 2024. Although the site of the Swiss Grand Hotel (formerly Grand Hilton Seoul) in Hongeun-dong, Seoul, was acquired for apartment development in 2026, this was an exception. The price reflected the development value of a large 39,000 sq m site, and the location is poorly positioned for tourism and business demand. With operating performance now supporting values, there is little incentive to convert operating hotels in central Seoul to other uses.

Prices have risen markedly in recent years. Because the traded hotels differed in size, the average deal size rose only modestly. On a per-room basis, however, the median price of operating-purpose transactions doubled from about KRW 250 million in 2022–2023 to about KRW 500 million in 2024–2026. As operating hotel prices have approached the levels once paid in conversion deals, the price advantage of conversion has disappeared. That said, most operating deals in 2022–2023 were priced below KRW 400 million per room, while those since 2024 have ranged from around KRW 200 million to more than KRW 1 billion. Price differentiation by location and asset grade has therefore become sharper.

Both trends indicate the same conclusion: a Seoul hotel is now worth more held as a hotel than converted to another use. Purchasers of hotels have thus shifted their focus from development gains to operating income.

Figure 38: Price per Room by Period and Deal (41 Deals, Bubble Size = Deal Value, Excl. Millennium Hilton Seoul)

Unit: KRW 100 Million/Room



Note: Median is the middle value when operating-asset deals in each period are ranked by price per room.
Source: CBRE Research, October 2026.

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Hotel Deals Converge on Central Zone and Hongdae

Of the 41 major hotel deals in Seoul since 2022 (excluding Millennium Hilton Seoul), nearly half were in the Central Zone, covering Jung-gu and Jongno-gu, with 16 in Jung-gu alone. These were in Myeongdong, Euljiro, Namdaemun, and Seoul Station. The aforementioned small and mid-sized operating-asset deals were concentrated in the Central Zone.

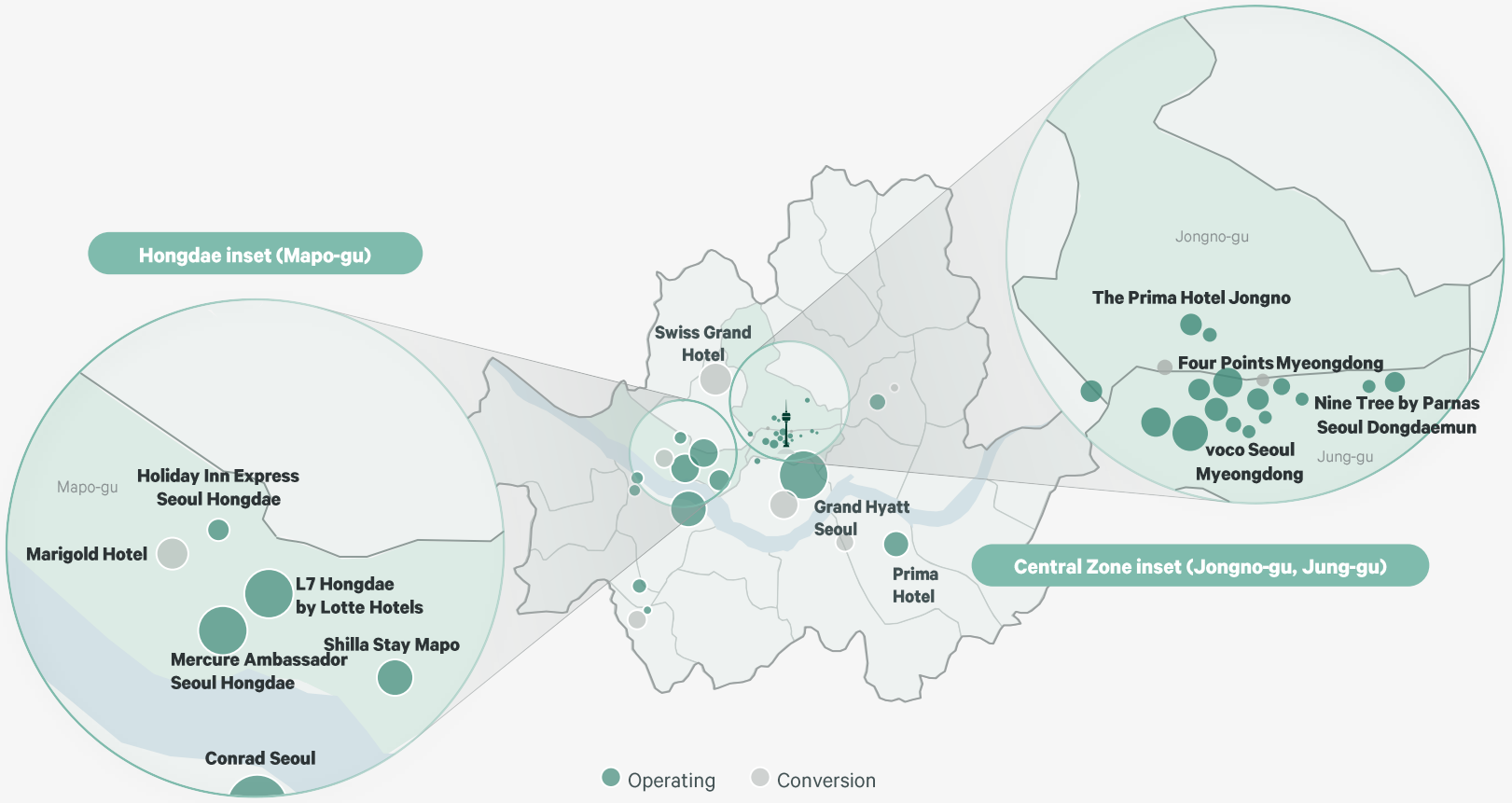
In Myeongdong and other core tourist districts in the Central Zone, some assets were acquired, repositioned, and resold, such as voco Seoul Myeongdong. This suggests small and mid-sized hotels in the Central Zone offer relatively high liquidity.

Alongside Central, transactions have been clustered around Hongik University Station (Hongdae). Four of the five deals in Mapo-gu took place in this area, including L7 Hongdae by Lotte Hotels, Mercure Ambassador Seoul Hongdae, and Holiday Inn Express Seoul Hongdae. Hongdae draws large numbers of foreign tourists, and like Central, it has a well-established base of room demand.

Both areas also have policy support. Of the nine areas eligible for permanent regulatory relief under Seoul's Tourist Accommodation Special Zones, the Myeongdong Special Tourist Zone and Bukchang lie within Central. The Mapo District (Sinchon-ro and Yanghwa-ro corridors) lies in Hongdae. With policy reinforcing location fundamentals, the two areas are likely to remain the focus of operating-purpose hotel transactions.

Large-asset transactions remained limited. Outside the two hubs, deals were largely one-off conversions or single large-asset deals. Examples include the Swiss Grand Hotel conversion (Seodaemun-gu) and five-star deals such as Grand Hyatt Seoul (Yongsan-gu) and Conrad Seoul (Yeongdeungpo-gu).

Figure 39: Location of Traded Seoul Hotel Assets (41 Deals, Bubble Size = Deal Value, Excl. Millennium Hilton Seoul)



Note: Locations are approximated at the dong level and adjusted in dense areas to avoid overlap. The map is a simplified schematic of gu boundaries; scale varies by gu.
Source: CBRE Research, October 2026.

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Domestic and Global Investors Expect Hotel Prices to Rise

CBRE's 2026 Korea Investor Intentions Survey found that approximately 57% of respondents expected hotel prices to rise, in line with logistics and value-add offices. Despite being an operating asset, investors are assessing the hotel sector on par with traditional core sectors, excluding data centers and core offices. However, most of these respondents expect increases of less than 10%, a more modest outlook than for other sectors.

The view of Seoul's hotel market is no different from beyond Korea's borders. According to CBRE's Asia Pacific Investor Intentions Survey, Korea recorded the highest share of respondents expecting hotel acquisition prices to rise by 10% to 30% among the markets surveyed. In Japan and Singapore, responses were concentrated on increases of less than 10% or no change, so expectations for Korea are one step higher in magnitude. This contrasts sharply with Hong Kong SAR and mainland China, where most respondents expect significant discounts.

With domestic and global sentiment aligned, capital is also moving. Korea led Asia Pacific hotel investment in H1 2026, alongside Japan and mainland China. The drivers, however, differed. In mainland China, the inclusion of four-star and above hotels as eligible underlying assets for mainland China's public REITs (C-REITs) from late 2025 broadened liquidity and exit routes, which partly contributed to the period's strong investment volume. In Korea, by contrast, capital flowed into the country on the back of operating performance and inbound tourism demand, even as cap rates compressed.

Korea also recorded the highest share of "unsure" responses (15%) among the markets compared. Prices are rising, but market consensus on value is still forming.

Figure 40: Domestic Investors' Asset Price Outlook by Sector (2026)

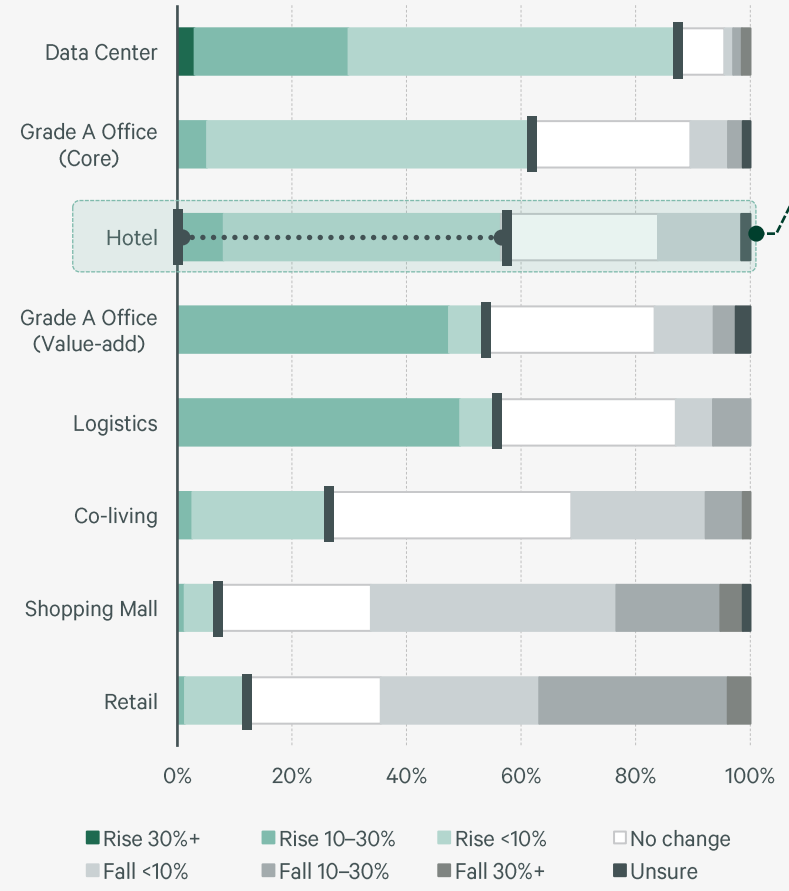
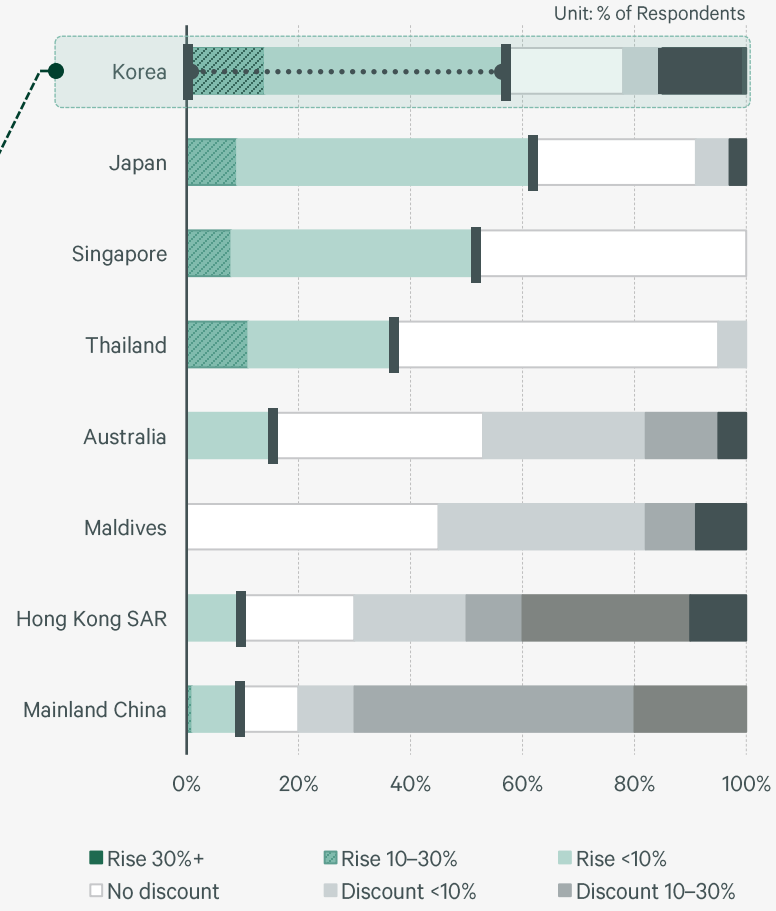


Figure 41: Expected Hotel Acquisition Pricing by Market



Source: CBRE Research, October 2026.

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Seoul Offers Highest Cap Rate Among Asia Pacific's Four Compressing Markets

Since 2022, hotel cap rates across Asia Pacific have moved in different directions. Cap rates compressed, lifting asset values, in four markets: Seoul, Tokyo, Osaka, and Singapore. Compression was largest in Osaka (130bps) and Seoul (about 120bps), while Tokyo (about 50bps) and Singapore (10bps) saw only modest compression. Cap rates expanded in Beijing (150bps), Shanghai (100bps), and Sydney and Melbourne (160bps), where values underwent corrections.

Among the four markets that saw cap rate compression, Seoul has the highest implied cap rate for 2026, at 4.7% to 5.5%. Seoul thus shares the appreciation trend while remaining less priced in than other markets. However, Seoul's cap rate fell sharply in a single year, from about 6.9% in 2024 to about 5.3% in 2025, before compression slowed to about 5.1% in 2026. Upside from simply acquiring and holding assets is now more limited than in the past.

As cap rates vary with interest rates, absolute levels alone are hard to compare. On a spread basis over policy rates, Seoul (170bps to 250bps) is comparable to Tokyo (175bps to 265bps), and further compression will depend on the interest rate path. Interest rate pressure also applies to new development. In core central locations, land and financing costs during development are higher, raising the bar for project feasibility.

Nevertheless, Seoul's position is clear. In direction, it belongs to the cohort of markets where values are rising. In level, it maintains the highest cap rate among them. With new hotel development remaining difficult, capital concentrating on limited stock supports prices, but this in turn weighs on expected returns. CBRE expects Seoul to have room for further appreciation if interest rate conditions improve, which is why Asia Pacific investors see significant upside for Korean hotels.

Figure 42: Hotel Cap Rate Trends in Major Asia Pacific Cities

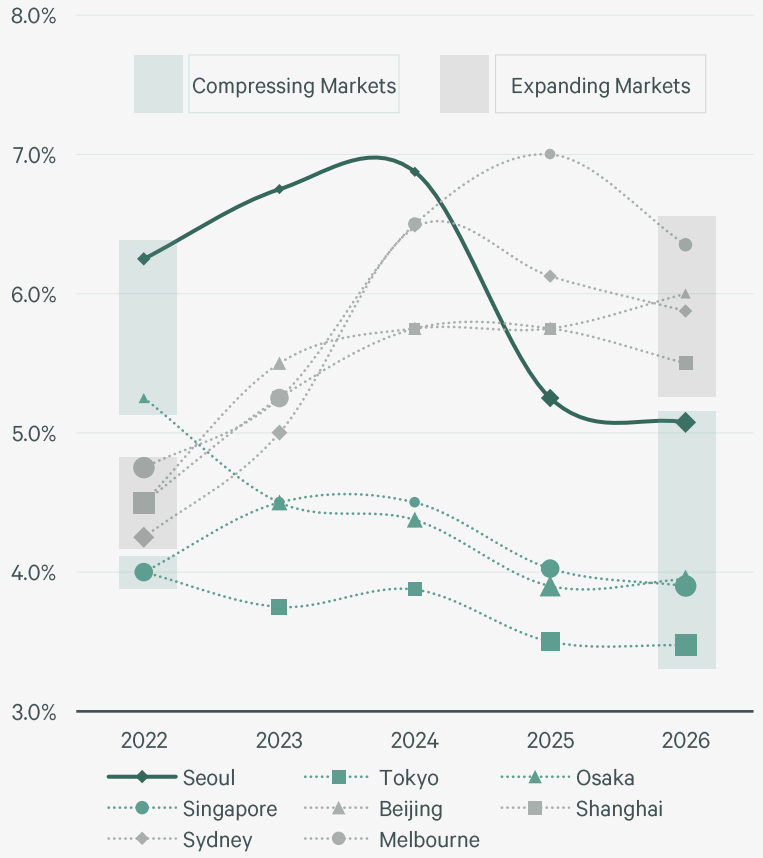
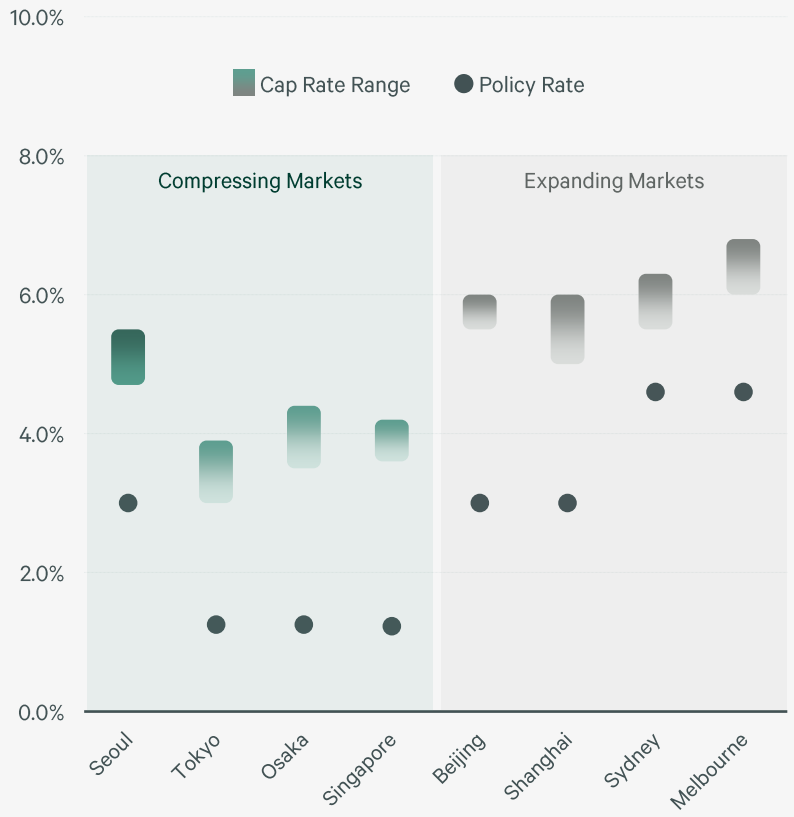


Figure 43: Estimated Hotel Cap Rates vs. Policy Rates (Q3 2026)



Note: Policy rate refers to each country's benchmark rate (Singapore has no policy rate; three-month compounded SORA is used instead).
Source: CBRE Research, October 2026.

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Hotel Cap Rates Fall Fastest Among Sectors to Near Logistics Levels

Turning from major Asia Pacific markets to sectors within Seoul, hotels have been repriced most sharply. Since March 2023, the median hotel cap rate has fallen 168bps, from 6.8% to 5.1%. Over the same period, retail compressed by only 50bps and Grade A office by 30 bps, while logistics rose 20bps. The decline for hotels is more than three times that of retail, the second largest.

As a result, the sector ranking has shifted. Hotels, which had the highest cap rate of the four sectors, now rank second-lowest after Grade A office. Ranked from the lowest cap rate, meaning the highest price for the same income, the order is now Grade A office, hotels, logistics, and retail. The gap with Grade A office narrowed by 137bps, from 225bps to 88bps, while the gap with logistics reversed from 175bps to −13bps. The market has begun to value hotels on par with logistics.

Hotels, whose income varies with operating performance, have long been expected to deliver higher yields than leased assets. The performance recovery and constrained supply discussed earlier appear to have largely erased that risk premium. In the domestic investor survey, expected hotel price growth was similar to that for logistics and value-add office, in line with Asia Pacific investors' views. Confidence in hotels' growth prospects is already being priced in.

However, similar yields do not mean similar risk. As hotels, whose income changes daily, trade at cap rates similar to logistics, the cushion between cap rates and borrowing costs has thinned accordingly. Borrowing costs have also been rising recently.

Figure 44: Seoul Cap Rate Trends by Sector (Range Midpoint)

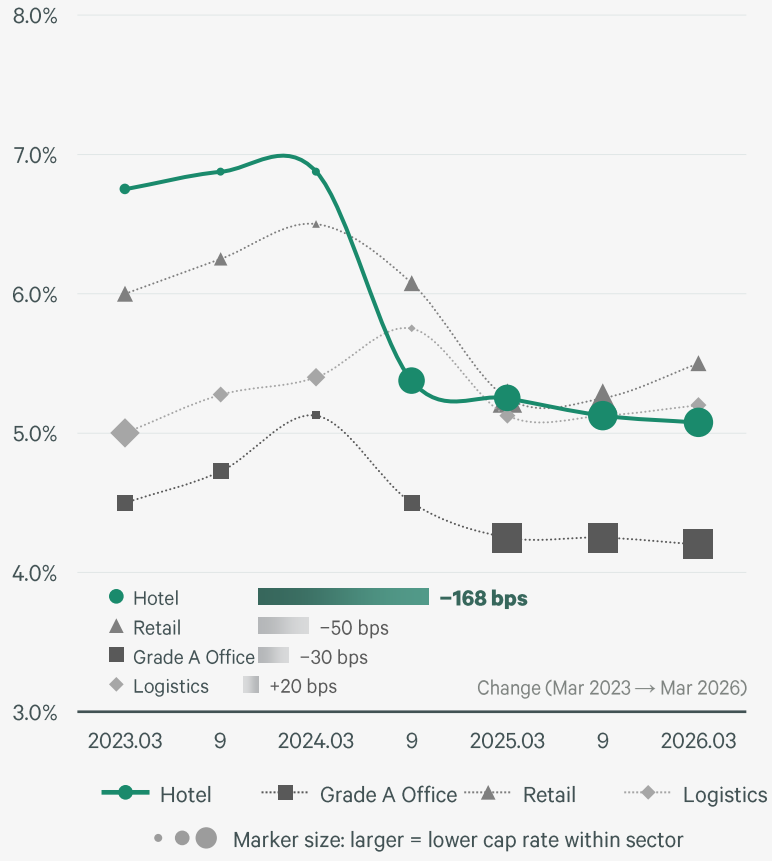
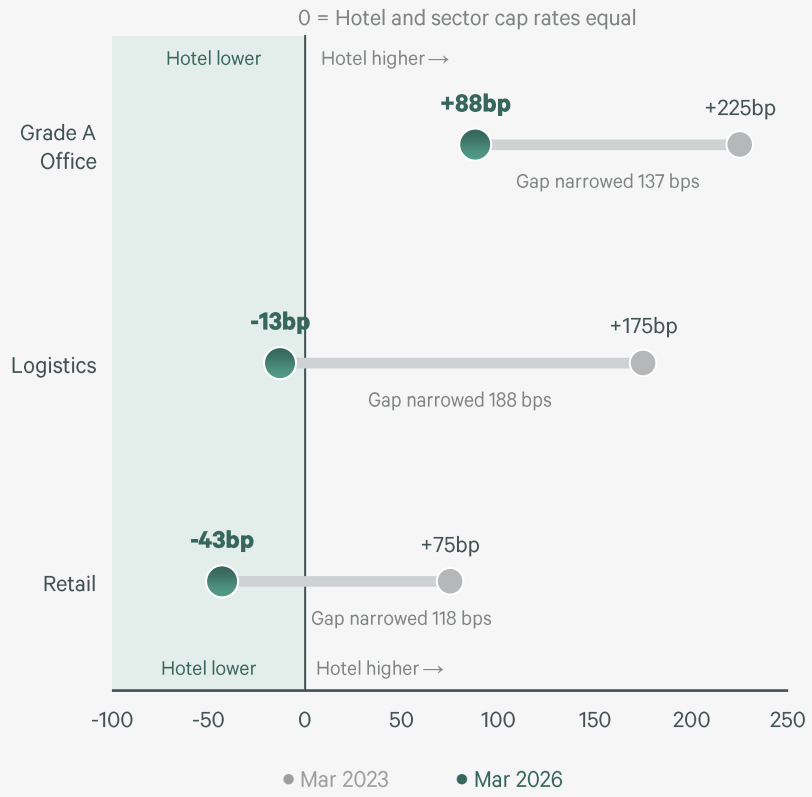


Figure 45: Cap Rate Gap Between Hotels and Each Sector (Hotel − Sector, bps)



Note: Midpoint of the cap rate range at which CBRE Capital Markets and Valuation experts expect assets to trade, based on recent deals and investor views.
Source: CBRE Research, October 2026.

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Occupancy Nears Ceiling, Funding Costs Priced In: Asset Enhancement the Remaining Lever

Funding conditions in Korea are moving ahead of base interest rates. The three-year bank bond yield rose from 2.68% in September 2025 to 4.40% in September 2026, a rise of more than 170bps in one year. That is more than three times the 50bps rise in the base rate over the same period.

From 2024 to May 2025, there was effectively no gap between the three-year bank bond yield and the base rate. Thereafter, bank bond yields alone rose while the base rate was on hold, widening the gap to 1.59 percentage points in June 2026. The gap remained at 1.40 percentage points in September, even after two rate hikes. Because lenders price loans off market rates, funding costs tend to price in expected base rate hikes in advance. Despite this, the base rate is expected to rise further, with Oxford Economics forecasting the average base rate to rise to around 3.5% in 2027 before easing to around 3.0% in 2028.

High funding costs are not unique to hotels. On an all-in cost basis for senior secured loans, Seoul hotels are priced in the mid-to-high 5% range, similar to Grade A logistics and slightly above office. Hotels, despite being operating assets, can now secure financing on terms not materially different from those of other major asset classes.

The sticking point is not financing terms but the source of repayment. Unlike office and logistics, where income is fixed by lease contracts, hotels without a master lease must service debt from operating revenue, which varies with occupancy and average daily rate (ADR). Debt service is fixed, but operating performance fluctuates. With Seoul hotel occupancy at 77% in 2025, operating performance has effectively reached its ceiling. As there is little room to grow income by selling more rooms or lowering funding costs, the remaining lever for returns is asset enhancement.

Figure 46: Three-Year Bank Bond Yield–Base Rate Spread

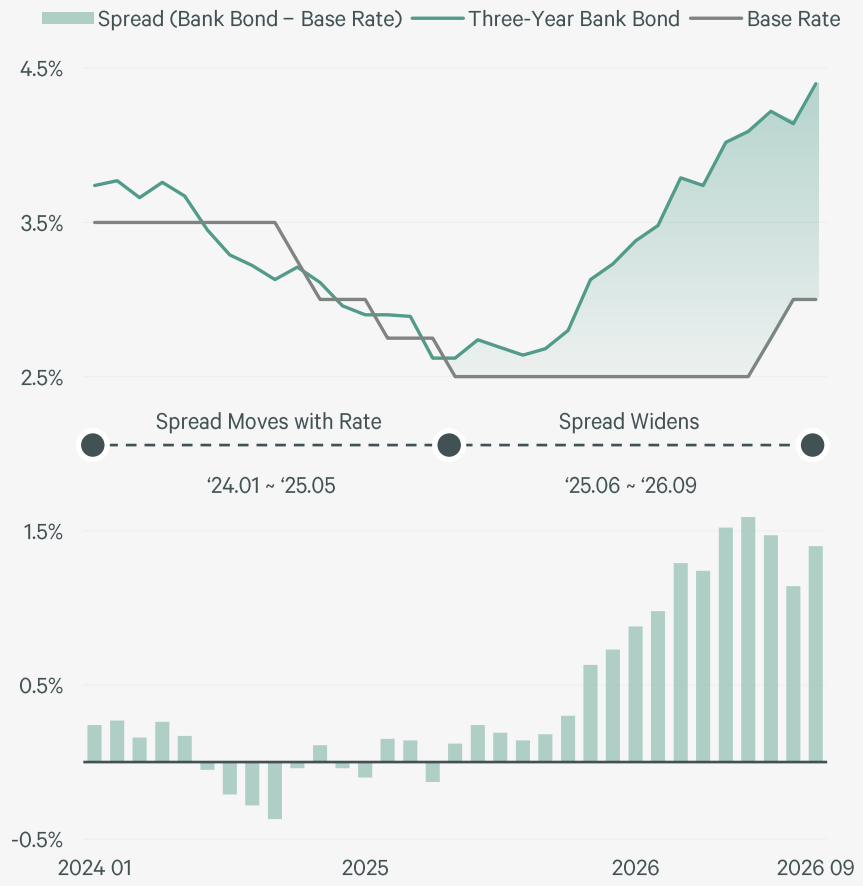


Figure 47: Korea Base Rate Outlook (Annual Average)

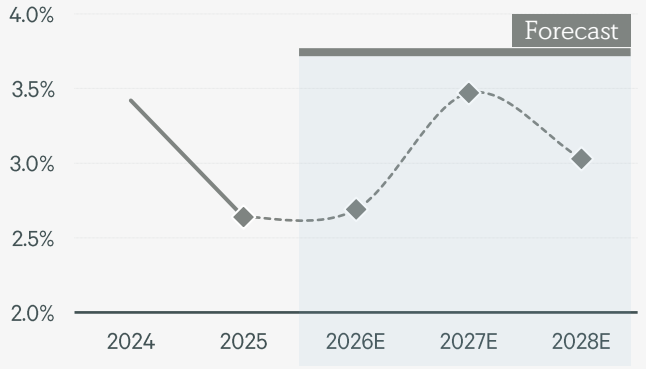
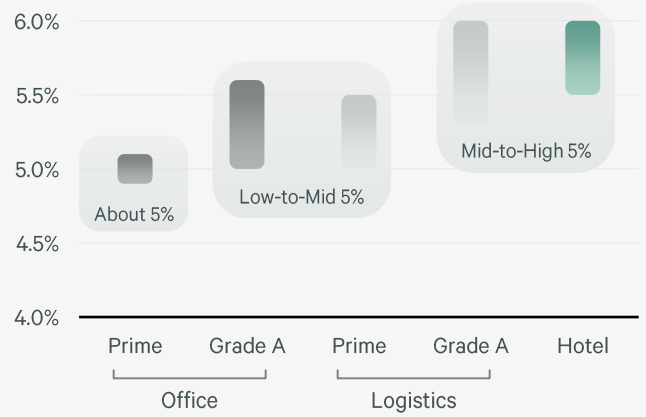


Figure 48: Senior Secured Loan All-in Cost by Sector



Source: Bank of Korea, Korea Financial Investment Association, Oxford Economics, CBRE Research, October 2026.

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Rebranding: One Execution Path That Moves Multiple Value-Add Levers

Value-add strategies following a hotel acquisition fall broadly into six categories: ① rebranding, ② renovation, ③ reconfiguration of use and room mix, ④ revenue diversification, ⑤ operational efficiency, and ⑥ capital structure optimization. Each differs in the magnitude of impact, the speed at which results materialize, and the capital required.

Because hotels are valued as both real estate and operating businesses, rebranding has the greatest impact of these strategies. Adding a brand, an intangible asset, brings going-concern value[1] into the valuation alongside physical real estate value. The results are larger and faster than those from physical improvements or operational efficiency gains.

The more fundamental reason is that rebranding encompasses both facility upgrades and higher operating standards, drawing the other levers along with it. The Property Improvement Plan (PIP)[2] required to meet brand standards entails renovation, followed by reconfiguration of the room mix and podium-level uses. Upgrading amenities to brand standards leads to revenue diversification. As the brand's operating guidelines and specialist staff come in, operational efficiency ultimately follows. While operational efficiency can be pursued without a brand change, it does not capture a brand premium. Capital structure optimization differs in nature, as it is a financial tool unrelated to asset value.

In short, rebranding is not one option alongside the others but an execution path that moves multiple value-add levers through a single decision. Deciding on rebranding is therefore deciding the entire value-add strategy. As rebranding involves brand fees and PIP investment, its net benefit depends on the rebranding contract structure.

Figure 49: Comparison of Six Hotel Value-Add Approaches

Type	Value-Add Approach	Action	Constraints and Costs
Execution Path	**① Rebranding**	**Attach a global brand to an unbranded or lower-tier asset to upgrade its tier**	Brand fees and global brand PIP requirements
②–⑤ Combined — **Accompanies rebranding or executed alone**	**② Renovation (CapEx)**	Upgrade rooms, lobby, and F&B and replace aging systems to reprice to market	Large capital outlay with long payback
	③ Use and Layout Reconfiguration	Adjust room count, change floor uses, and convert any office space to hotel use	Permitting risk and structural constraints
	④ Revenue Diversification	Improve podium retail leasing and add non-room income such as signage	Depends on location and available space
	⑤ Operational Efficiency	Cut operating costs and improve staffing and service to lift gross operating profit (GOP) margin	Executed alone, does not capture a brand premium
Financial Lever Independent of asset value	**⑥ Capital Structure Optimization**	Enhance returns by restructuring the investment, such as refinancing	Room to act limited by capital market conditions

Source: CBRE Research, October 2026.

1) Going-concern value: Business value based on future cash flows, assuming continued operation, as opposed to liquidation value from selling individual assets. For hotels, it adds operating intangibles, such as brand and operating capabilities, to real estate value.
2) PIP (Property Improvement Plan): The set of upgrades to guest rooms, lobbies, amenities, and other facilities, along with their timeline, that an operator requires an owner to complete to meet brand standards upon rebranding or contract renewal.

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Case Study: From Closed Hotel to Branded Operating Asset - voco Seoul Myeongdong

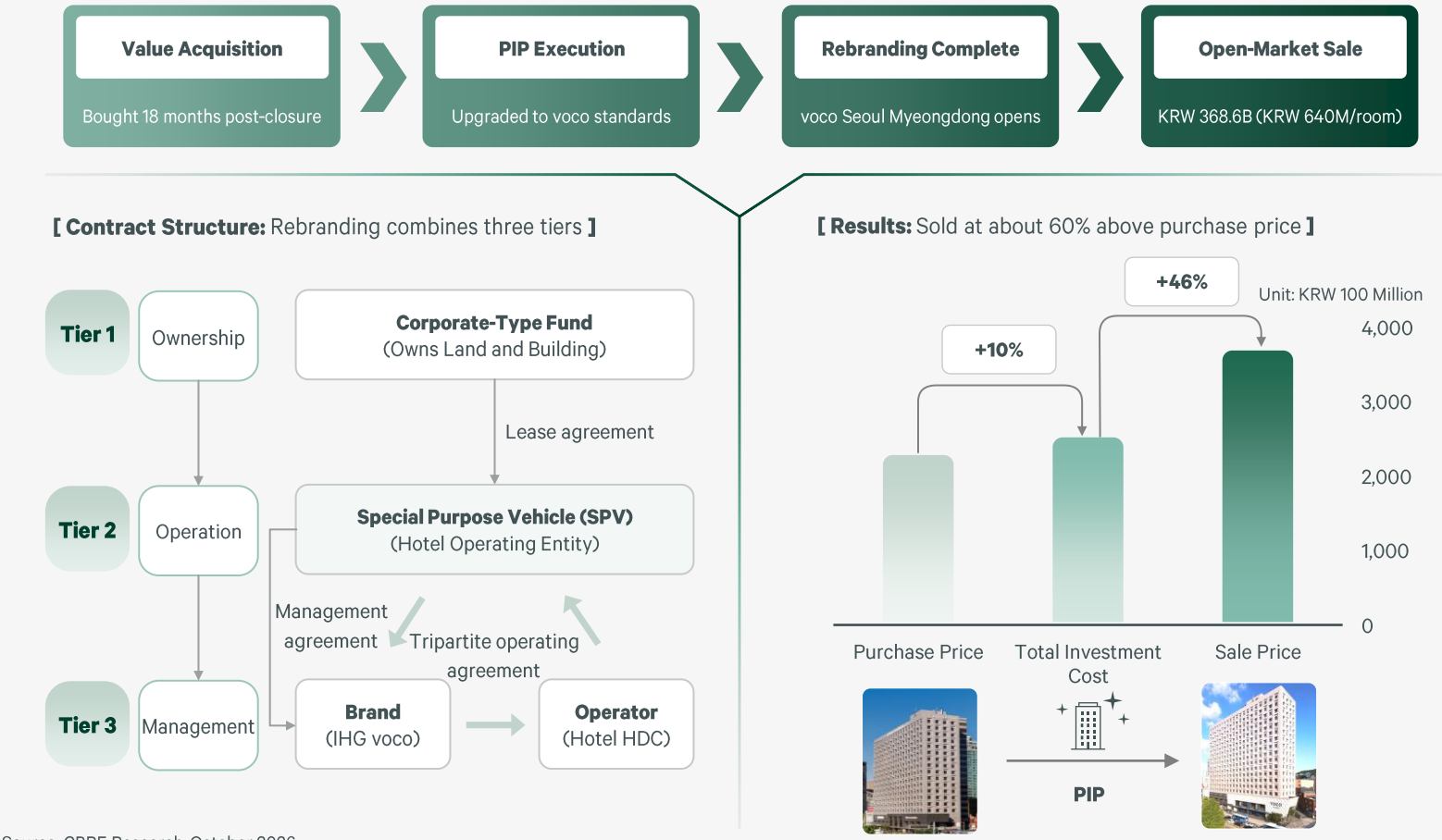
Assets for which rebranding had a significant impact include voco Seoul Myeongdong. Converted from office to hotel use in 2016 as TMark Grand Hotel Myeongdong, the property closed during the pandemic, and its fund fell into an Event of Default (EOD) in September 2022. After an office redevelopment plan was cancelled, Gravity Asset Management and TPG Angelo Gordon acquired the 576-room hotel for KRW 228.2 billion, 18 months after it closed. The buyers opted to keep it as a hotel and chose rebranding.

The rebranding used a three-tier structure. A corporate-type fund owns the land and building, a Special Purpose Vehicle (SPV) operates the hotel under a lease agreement, and IHG and Hotel HDC participate under a hotel management agreement. This let the owner convert the unbranded asset to voco, IHG's upscale brand, without operating it directly. Total investment, including purchase and transaction costs, was reported at about KRW 250 billion. Buying an existing hotel kept the CapEx share low.

voco Seoul Myeongdong reopened in September 2024 and was sold in June 2026 for KRW 368.6 billion. The sale price was about 60% above the purchase price, with the per-room price rising from about KRW 400 million to KRW 640 million. The asset was repriced from a closed hotel to a branded operating asset. Market factors such as cap rate compression while held also contributed significantly, but converted assets miss such a revaluation.

For the buyer — a foreign investor — the acquisition hedged the risks of the improvement process. The asset had been upgraded and reopened, with proven performance. The purchaser bought the property as occupancy hit record highs on recovering inbound demand, securing stable cash flow from day one.

Figure 50: voco Seoul Myeongdong Value-Add Structure and Results



Source: CBRE Research, October 2026.

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Rebranding Options: Domestic Operators and Global Chains

Rebranding involves two key questions: which brand to adopt, and under what contract structure. This section addresses the first. Brand options fall broadly into two groups: in-house brands of conglomerate-affiliated operators, and global chains present in Korea.

Domestic operators are led by conglomerate affiliates, including Lotte, Shilla (Samsung), Josun (Shinsegae), Parnas (GS), Walkerhill (SK), and Hanwha. Lotte, Shilla, and Walkerhill currently operate mainly under their own brands, while some operators combine in-house brands with global chain partnerships. Josun operates The Westin Josun, a Marriott brand, and Parnas partners with IHG and Marriott. In-house and global brands are not mutually exclusive. The voco Seoul Myeongdong case discussed earlier follows the same structure, with domestic operator Hotel HDC operating an IHG brand.

All five major global hotel groups, Marriott, Hilton, IHG, Accor, and Hyatt, operate in Korea, with Accor running its Korean business through a partnership with Ambassador Group. Each group holds multiple brands from luxury to midscale, making the choice of chain and the choice of tier two separate decisions.

In the midscale segment, operators beyond conglomerate affiliates and global chains have also become viable options. The Hyoosik, which has developed and operated more than 300 lodging facilities nationwide, plans to expand into upscale and midscale (three- and four-star) tourist hotels by increasing collaboration with global brands such as Marriott and Hilton.

Given this wide range of brand options, the remaining question is which brand to choose in terms of tier (demand) and character (conversion cost).

Figure 51: Major Domestic and Global Hotel Operators and Brand Tiers

Category	Operator	Key Brands	Primary Tier	Global Brand Partnership
Domestic	Hotel Lotte (Lotte)	Signiel, Lotte Hotel, L7, Lotte City Hotel	Luxury–Upscale	–
	Hotel Shilla (Samsung)	The Shilla, Shilla Stay	Luxury, Upscale	–
	Josun Hotels (Shinsegae)	Josun Palace, Grand Josun, Gravity	Luxury–Upscale	Marriott
	Parnas Hotel (GS)	Nine Tree	Upper Upscale–Upscale	IHG, Marriott
	Walkerhill (SK)	Grand Walkerhill, Vista Walkerhill	Luxury	–
	Hanwha Hotels (Hanwha)	The Plaza	Upper Upscale	–
Global	Marriott (U.S.)	JW Marriott, Westin, Courtyard, Moxy	Luxury–Midscale	–
	Hilton (U.S.)	Conrad, Hilton, DoubleTree	Luxury–Midscale	–
	IHG (UK)	InterContinental, voco, Holiday Inn	Luxury–Midscale	–
	Accor (France)	Fairmont, Sofitel, Pullman, Novotel, Mercure	Luxury–Midscale	Ambassador (JV)
	Hyatt (U.S.)	Park Hyatt, Grand Hyatt, Andaz	Luxury–Midscale	–
Other Operators	The Hyoosik (Korea)	Anook, Anook Signature	Midscale–Upscale (Planned)	Marriott, Hilton (Planned)
	Travelodge (UK)	Travelodge	Midscale	–

Source: CoStar, CBRE Research, October 2026.

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Two Axes of Brand Selection: Character (Rebranding Cost) and Tier (Demand)

Brand selection combines two axes: brand character and chain scale tier. Character depends on how much of its own identity a hotel retains. Soft brands allow a hotel to keep its own name and design while adding the chain's reservation network and loyalty program. Their rebranding costs are thus lower than those of lifestyle brands, which require adherence to design standards, or classic brands, which apply the chain's facility and service standards across the board. In Seoul, L'Escape Hotel joined The Luxury Collection under this model in December 2025, seven years after opening.

Tier indicates a brand's price point and target demand. As tiers are set by brand, not by hotel, choosing a brand also sets the tier.

Although Seoul has hotels in all 12 combinations, supply is concentrated in classic brands. Of about 30,000 branded hotel rooms, 83% are classic brands, with lifestyle at 11% and soft at 6%.

Lifestyle brands are prominent in the upscale and upper midscale tiers, where revenue premiums appear to justify their higher rebranding costs. Soft brands, by contrast, are concentrated in the upper tiers. Because they retain their own name and design, affiliation is only available to hotels with a track record proven through long-term owner operation.

Future supply will also remain classic-led. Of the 18 branded hotels opened or scheduled to open since 2024, 12 are classic, while soft and lifestyle brands are limited to a few, such as Maison Delano Seoul. Much new supply also comes from rebranding existing hotels. Of the eight hotels opened by the five major global chains since 2024, five are rebranded hotels, accounting for 74% of rooms. With rebranding as the main supply route, the next question is which contract structure to adopt.

Figure 52: Key Seoul Brands by Brand Character and Chain Scale Tier

(Rank by room count in parentheses)

Brand Character \ Chain Scale Tier	Luxury	Upper Upscale	Upscale	Upper Midscale
	Tier: High			Low
High — **Classic Brands**: Chain-standard brands with consistent service and facility standards	• Four Seasons • Park Hyatt • JW Marriott • InterContinental • Lotte Hotel, etc. (2nd)	• Westin - The Westin Josun Seoul - The Westin Seoul Parnas • Pullman • Le Méridien Seoul Myeongdong (4th)	• Courtyard • Four Points • Novotel • Lotte City • Shilla Stay, etc. (1st)	• Mercure • Holiday Inn Express • Fairfield, etc. (3rd)
Rebranding Cost — **Lifestyle Brands**: Differentiated by design, F&B, and community themes	• Mondrian - Mondrian Seoul Itaewon • Andaz - Andaz Seoul Gangnam (9th)	• L7 - L7 Hongdae, Gangnam, Myeongdong (6th)	• voco - voco Seoul Myeongdong, Gangnam • Aloft - Aloft Seoul Myeongdong, Gangnam • AC Hotel - AC Hotel Seoul Gangnam (5th)	• Moxy - Moxy Seoul Myeongdong, Insadong (10th)
Low — **Soft Brands**: Chain reservation network and loyalty program, with the hotel's own name and design	• The Luxury Collection - Josun Palace Seoul Gangnam - L'Escape Hotel • MGallery - Hotel Naru Seoul (8th)	• Autograph Collection - The Plaza Seoul - RYSE - Gravity • Tribute Portfolio - The Link Seoul (7th)	• BW Premier Collection - Orakai Cheonggyesan (12th)	• BW Signature Collection - Orakai Daehakro (11th)

Source: CoStar, CBRE Research, October 2026.

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Operator and Contract Structure Determine Control, Risk, and Upside

Rebranding does not end with choosing a brand; it is complete only once the contract structure is decided. Operating structures divide first by whether the owner operates the hotel directly, which determines both the profit and loss and the control the owner retains.

Under indirect operation, the owner steps away from operations. Under a master lease, the operator leases the building and the owner receives fixed rent. Even with partial revenue-linked rent, the operator absorbs most performance volatility. Under a management agreement, the owner hands day-to-day operations and control to a specialist operator but keeps profit and loss, bearing both performance gains and losses.

Under direct operation, the owner runs the hotel with its own capabilities. Under a franchise, the owner borrows only the brand and reservation network while running operations. Fees are lower than under a management agreement, but operating costs and burdens rise. This works best when the owner has proven its capabilities running the hotel before affiliation. Independent operation carries no brand fees and offers the greatest control, but forgoes the reservation network and brand premium.

Beyond a master lease, operating profit and loss accrue to the owner; what changes is the degree of control and operating burden. However, greater control does not mean greater upside. Independent operation offers the most control and retains all profit, with some room to improve operations, but revenue must be grown without a brand. By contrast, management agreements and franchises involve fees but offer the highest revenue upside, thanks to the brand's reservation network and recognition. The better structure depends on whether a brand's revenue uplift exceeds its fees, and whether the owner can operate it and absorb profit and loss volatility.

Figure 53: Owner Upside, Risk, and Control by Operating Structure

Category	Indirect Operation		Direct Operation	
Operator	**Specialist hotel operator Independent of owner capability**		**Hotel business (owner) Effective only with operating capability**	
Operating Model	**Master Lease**	**Management Agreement**	**Franchise**	**Independent Operation**
Contract Structure	Fixed rent received	Fees paid to operator (brand or third-party)	Royalties paid; brand and reservation network	Owner-operated (no brand fees)
Returns Accrue To (Risk & Upside)	Operator (owner receives rent)	Owner	Owner	Owner
Operating Capability Needed	No	No	Yes	Yes
Control	None	Low	Medium	High
Revenue Upside	Low	High	High	Medium
Brand & Operating Fees	None	High	Medium	None

Source: CBRE Research, October 2026.

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Contract Structure Determines Fee Levels and Calculation Basis

Fee basis and levels vary by contract structure. For comparison, we assume an upscale (around four-star) hotel with total revenue of 100, operating expenses of 65, and gross operating profit (GOP) of 35 under all three structures. Actual figures vary by operating performance and contract terms.

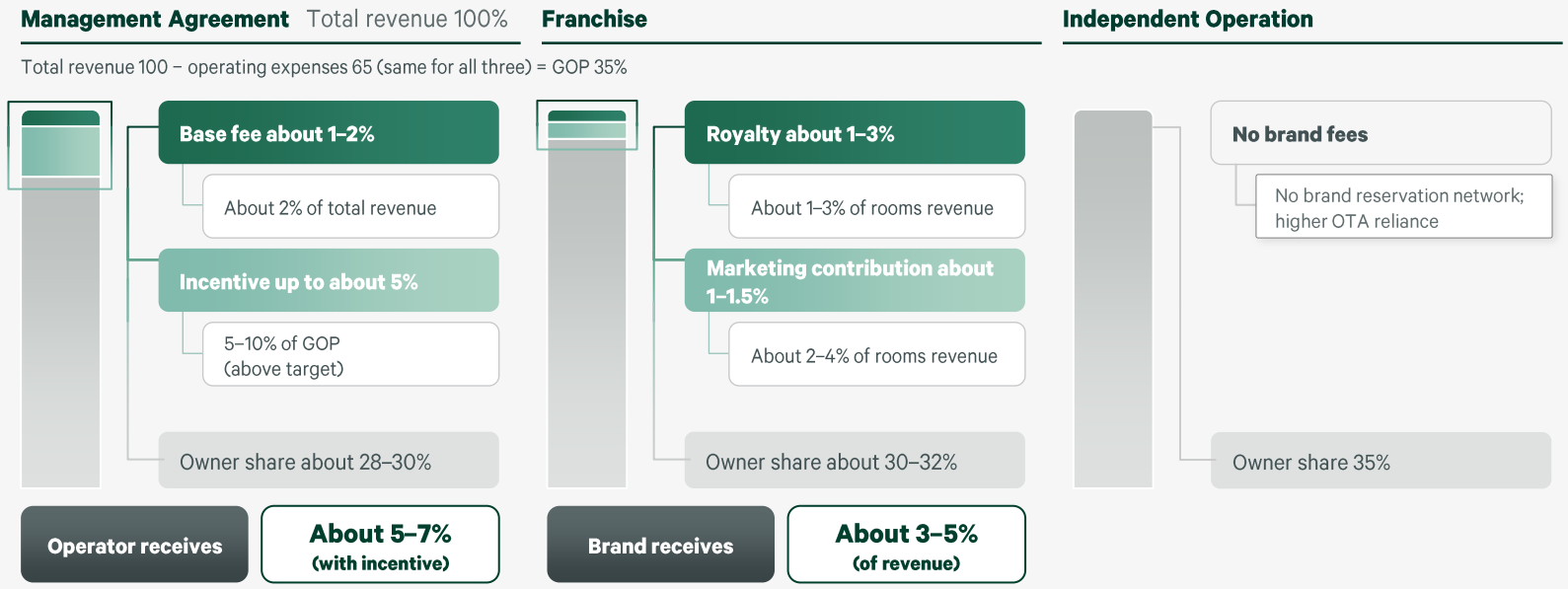
Under a management agreement, the owner pays the operator two fees. The base fee is around 2% of total revenue, regardless of performance. The incentive fee adds 5% to 10% of GOP when performance beats targets. The operator receives about 5% to 7% of total revenue, leaving 28% to 30% to the owner; the upper 7% is about 20% of GOP.

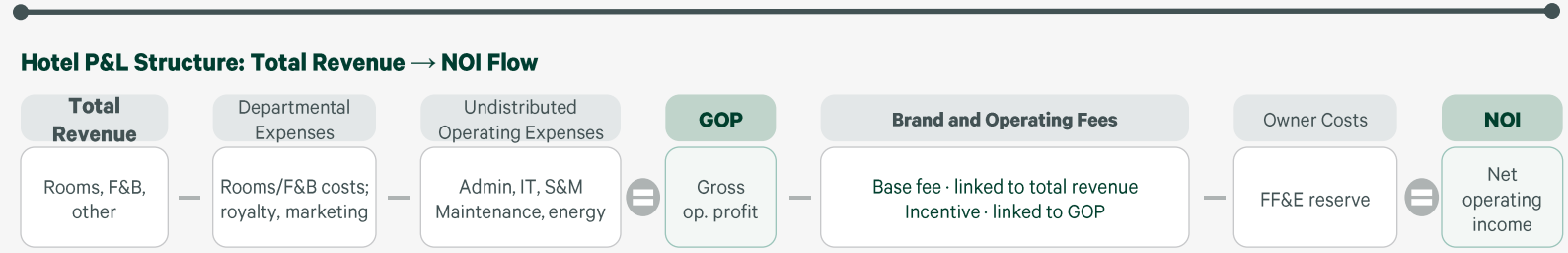
Under a franchise, the owner pays the brand a royalty fee and a marketing contribution of 1% to 3% and 2% to 4% of rooms revenue, respectively. For upscale hotels, where rooms are around 40% of total revenue, this is about 3% to 5% of total revenue, leaving 30% to 32% to the owner. Independent operation pays no brand fees, so the owner keeps all GOP, but bears its own sales costs and relies more on booking channels.

Fees also track different metrics: base and franchise fees follow revenue regardless of profit, while incentive fees follow GOP and grow only with profit.

The owner's share is not the final return: property taxes, insurance, and the FF&E reserve (about 3% to 4%) are deducted to reach net operating income (NOI). With revenue and costs held constant, this omits the OTA[1] dependency costs of independent operation. Fees should thus be weighed against the revenue uplift a brand delivers.

Figure 54: Fee Flow by Contract Structure (% of Total Revenue, Assuming 35% GOP Margin)





* For ease of comparison, all fees are deducted after GOP; under some accounting standards, certain fees are included in operating expenses.

Source: CBRE Research, October 2026.

1) OTA (Online Travel Agency): An online booking platform, such as Booking.com, Expedia, or Agoda, that sells hotel rooms on behalf of hotels in exchange for a commission on each booking, typically 15% to 25% of the room rate.

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04
Outlook and Recommendations

Select Timing and Structure to Match Market Phase as Supply-Demand Gap Persists

Record Demand and Constrained Supply Fuel Virtuous Cycle; Key Is How Long Gap Lasts

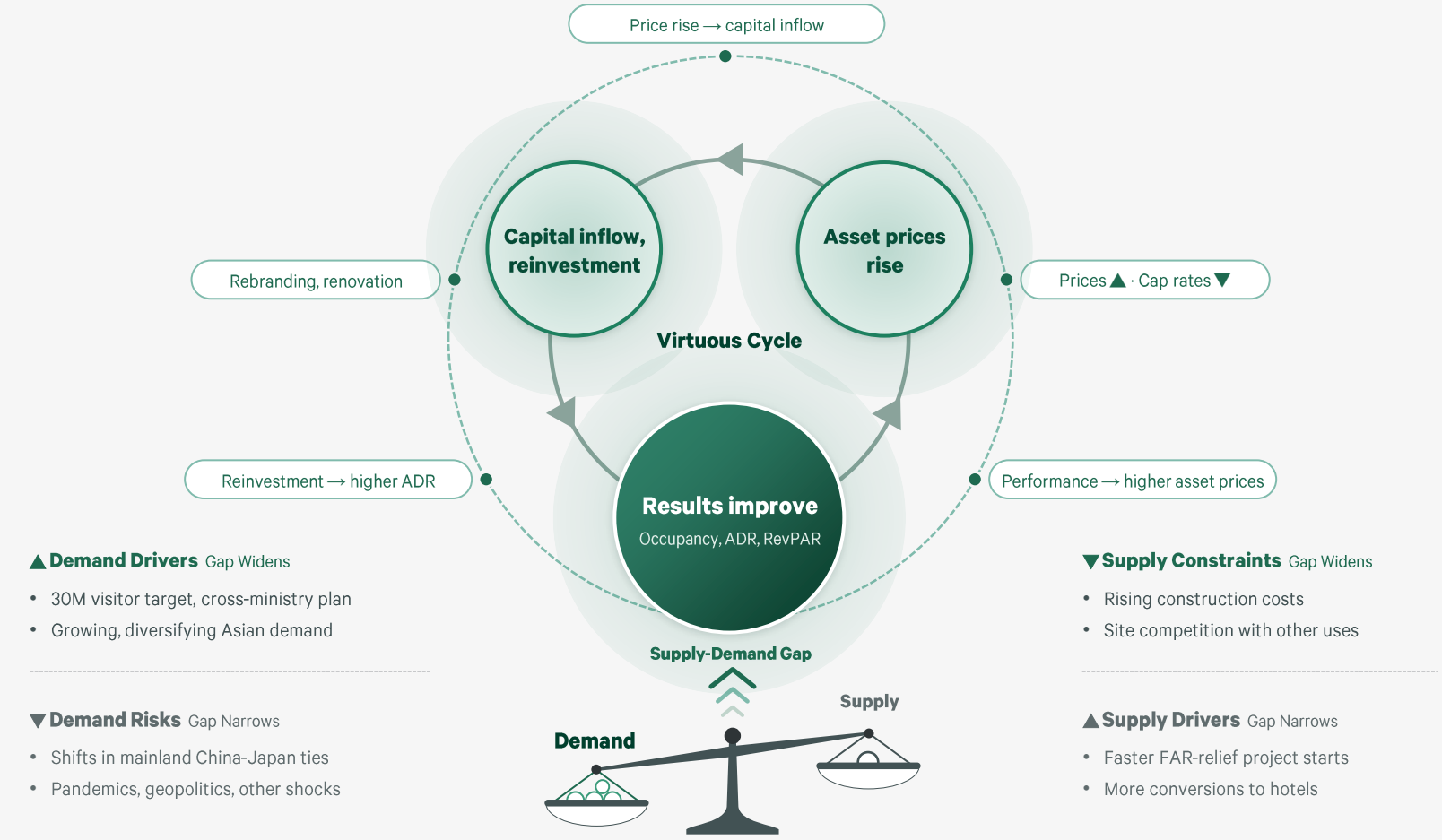
The supply-demand gap continues to drive the Seoul hotel market. Inbound visitors reached a record 18.94 million in 2025 and continued to grow in 2026, while rooms have risen by only 1.1% a year since 2019. New rooms scheduled through 2032 also amount to only around 7% of stock.

This gap first showed up in performance. With supply constrained, rising demand flowed into ADR, which accounted for most of the RevPAR gains since 2019. Improved performance then carried over into asset prices. The median per-room price of operating-purpose transactions in 2024–2026 was approximately 2.0x that of 2022–2023, and Seoul hotel cap rates have compressed by approximately 120 bps since 2022. Higher prices in turn attract capital, and incoming capital lifts ADR further through rebranding and renovation.

For this cycle to continue, demand must keep exceeding supply. As long as the 30 million visitor target and growing, diversifying Asian demand support demand, and rising construction costs and feasibility competition with other uses constrain supply, the gap will persist. More than half of new rooms will open by 2029, while the effect of FAR relaxation is likely to appear only after 2029. The gap is therefore likely to persist through the late 2020s.

On the demand side, Asian demand could disperse if mainland China-Japan relations recover or visa-free programs change, or if external shocks occur. Diversifying demand is a positive sign: mainland China and Japan's combined share of inbound visitors fell from more than half in 2019 to about 48% in 2025, while Taiwan, the U.S., and other markets grew rapidly. On the supply side, FAR relaxation could add rooms faster than expected, narrowing the gap and slowing ADR and asset price growth.

Figure 55: Structure and Variables of the Supply-Demand Gap



Source: CoStar, CBRE Research, October 2026.

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Value-Add Targets the Supply Gap, Core the Rate Decline, and Opportunistic the Post-2030 Market

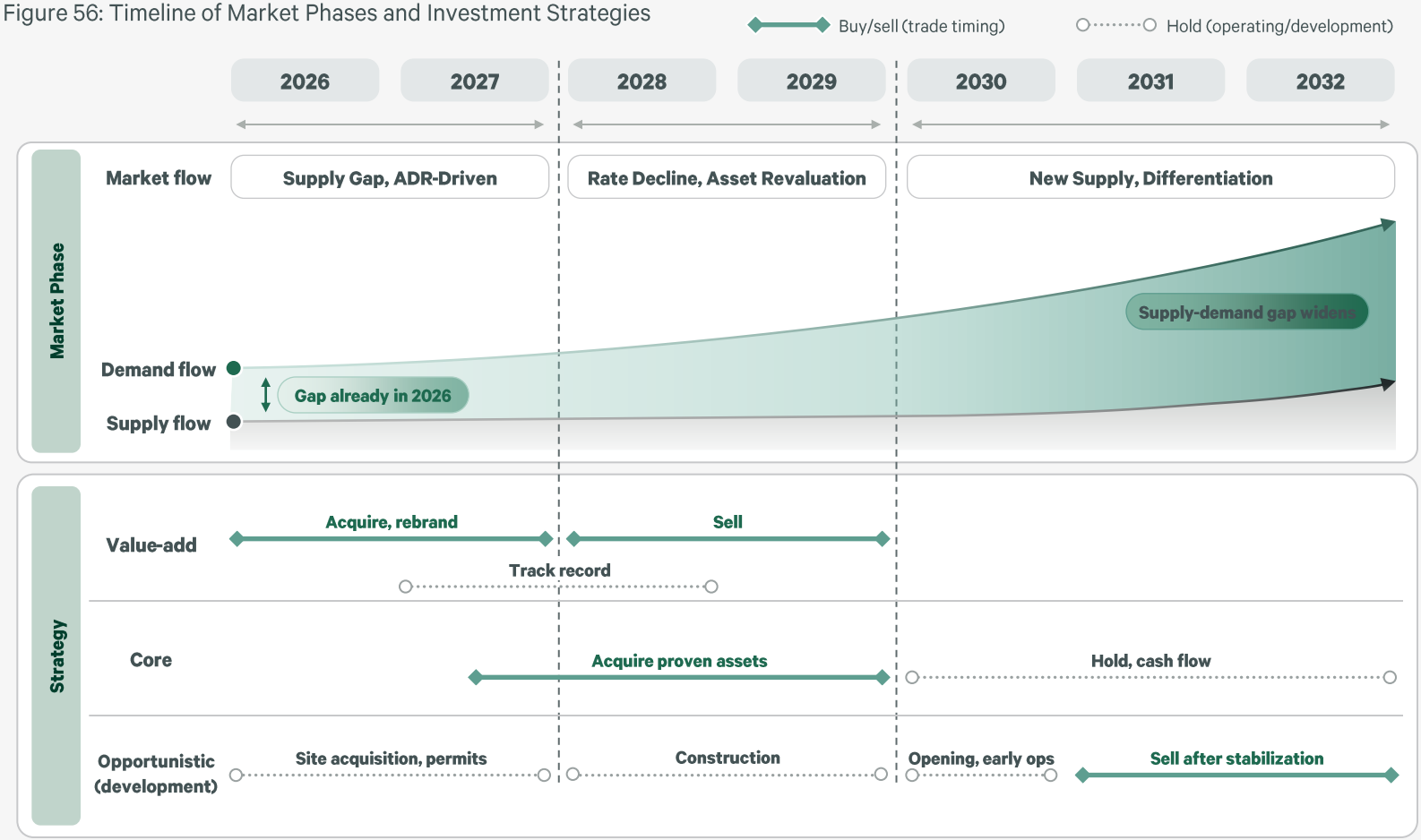
Even as demand continues to outpace supply, market phases will shift. Based on the hotel pipeline and interest rate outlook, CBRE has divided the Seoul hotel market through 2032 into three phases. Through 2027 is the **supply gap and ADR-driven phase**. With supply tied to the existing pipeline, rising demand will translate into ADR growth.

2028–2029 is the **rate decline and asset revaluation phase**. As the base rate falls after peaking in 2027, financing conditions will improve, and assets with proven performance may be revalued first. From 2030 is the **new supply and differentiation phase**. Although projects driven by regulatory easing will begin to open, limited volumes mean the supply-demand gap will persist. In this phase, performance gaps between hotels may widen by location and brand.

Investment strategies will vary by market phase. Value-add investors will acquire existing hotels during the supply gap through 2027, rebrand them, build an operating track record, and sell in 2028–2029 to realize gains. This is the capital that reinvests in the virtuous cycle discussed earlier. During a rising rate period, the structure must offset higher financing costs with ADR growth. Core investors acquire assets with proven performance from H2 2027 for stable cash flow, positioning them as potential buyers of assets sold by value-add investors.

For opportunistic (development) strategies, even if sites are secured now, permitting and construction mean hotels are likely to open after 2030. As completions coincide with the new supply phase, the key is to build a track record for sale through early operational stabilization. In the temporary areas, site acquisition and permitting must meet the permit deadline, and rising construction costs also affect feasibility. Depending on market conditions, a forward sale may also be an option.

Figure 56: Timeline of Market Phases and Investment Strategies



Source: CBRE Research, October 2026.

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Seller Preparation Lifts Prices; Buyer Due Diligence Protects Returns

Transactions continue as market phases shift, but in a market where prices have already risen, the better-prepared side leads the deal. Sellers must prepare the case for higher prices, and buyers must verify the conditions that protect returns.

Sellers should firm up rebranding potential before a sale. Without a plan, value gains from rebranding are likely to be credited to the buyer who executes it. Securing a brand Letter of Intent (LOI) and PIP in advance allows sellers to present rebranding terms and costs in numbers. In performance history, ADR trends over at least one to two years are key, as most of the recent RevPAR gains came from ADR rather than occupancy. For mid-to-upper-tier assets, scarcity is also a selling point: new rooms scheduled through 2029 amount to only 2% of mid-to-upper-tier stock. If the sale precedes 2030, when supply grows centered on upper midscale, this scarcity is easier to price in.

Buyers should assume that, even for the same location and tier, the return left to the owner differs by contract structure and facility improvement costs. As a share of total revenue, the operator's take under a management agreement is about 5% to 7%, while franchise fees (royalty and marketing contribution) are about 3% to 5%. Facility improvement costs rise with older assets or assets converted from other uses, and should be included in acquisition costs when calculating returns.

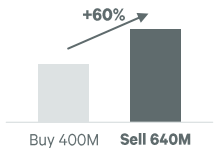
Financing costs also require scrutiny. Value-add investors acquiring assets through 2027 will be raising capital while the base rate is forecast to rise from 3.0% as of October 2026 to 3.5%. They should therefore assess both their capacity to service interest under ADR fluctuations and refinancing rates. With the base rate forecast to fall to 3.0% in 2028, refinancing timing may also be an important variable.

Figure 57: Action Items for Sellers and Buyers

Potential Sellers

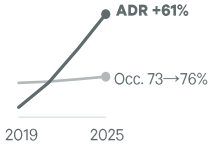
1 Lock in rebranding potential before sale

voco Seoul Myeongdong: about KRW 400M → KRW 640M per room (in about two years)



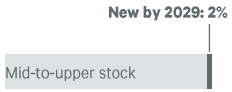
2 Track ADR history over at least 1–2 years

Occupancy near peak: ADR trend sets the price



3 Leverage mid-to-upper-tier scarcity

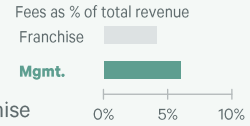
Limited new mid-to-upper-tier room supply expected through 2029



Potential Buyers

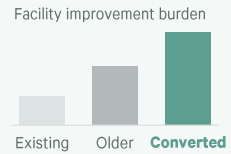
1 Contract structure determines real returns

Management agreement about 5–7% vs. franchise about 3–5% (of total revenue)



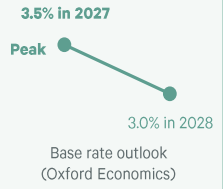
2 Count facility improvements in acquisition cost

Burden rises for older and converted assets



3 Check debt service under ADR and rate swings

Rates expected to rise through 2027; check interest burden and refinancing rates



Source: CoStar, Oxford Economics, CBRE Research, October 2026.

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A Volatile, Upward-Trending Sector: Brand and Contract Structure Hinge on Where Operating Returns Accrue

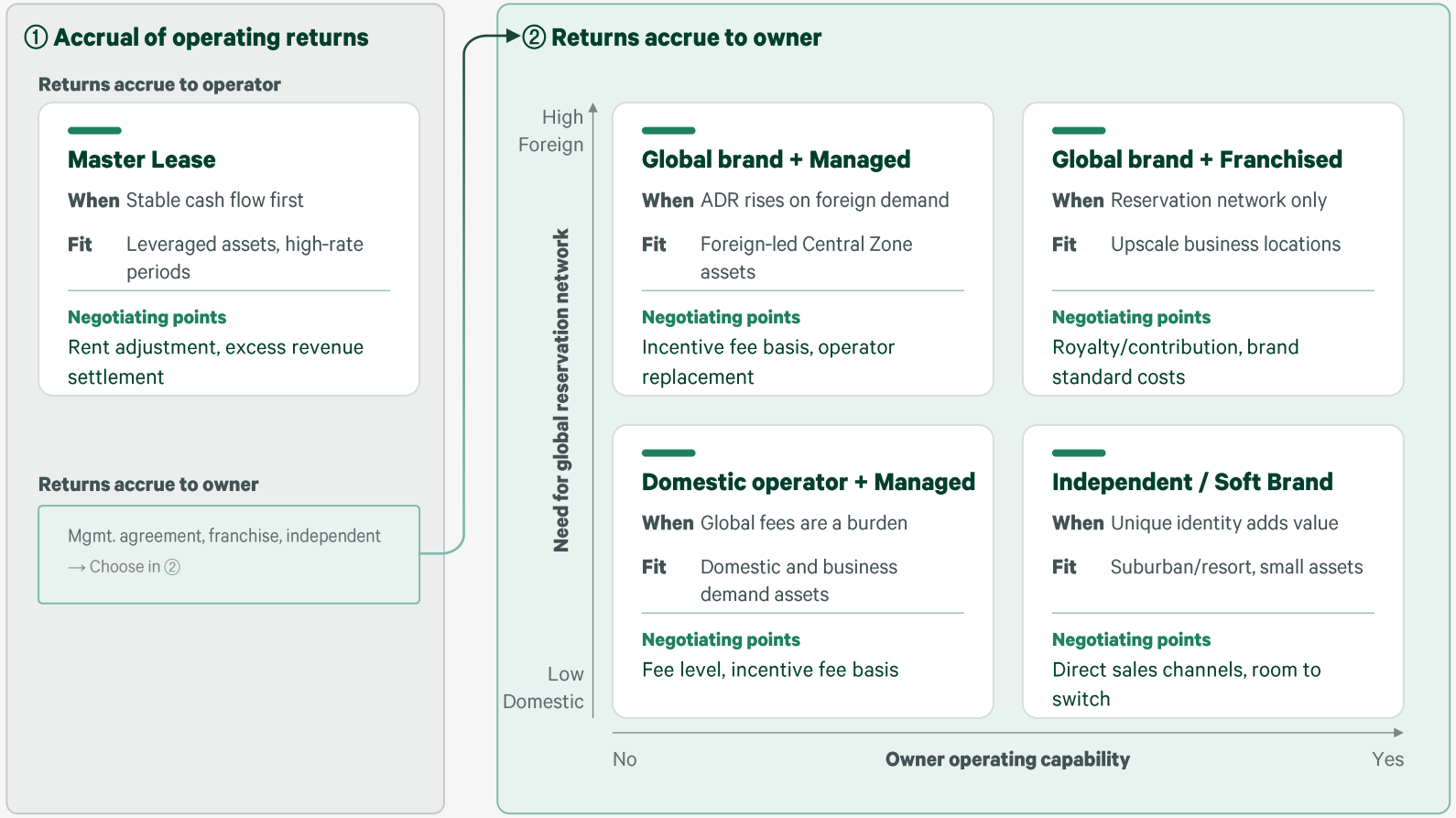
The ADR volatility buyers must assess is inherent to hotel assets. Room rates reset daily, so changes in demand flow directly into performance. Inbound demand recovered to higher levels after three shocks and policy changes, and constrained supply keeps the long-term trend upward. The remaining question is to whom the returns from that volatility accrue.

The choice narrows in two steps. The first is to determine to whom operating returns accrue. For returns to accrue to the operator, the owner receives fixed rent under a master lease. If returns accrue to the owner, operating capabilities and the need for a global reservation network determine the structure. Owners without operating capabilities choose a management agreement; those with them operate directly through a franchise or independently. Central Zone assets with high shares of foreign guests benefit most from global brands. For domestic-heavy assets, management agreements with domestic operators such as Lotte, Shilla, and Josun, independent operation, or soft brands are options.

Even for the same asset, the right structure differs by market phase. In 2027, when ADR is expected to rise, management agreements and franchises allow the owner to capture the upside, but this may coincide with rates rising toward their peak. Highly leveraged assets may therefore be safer under a master lease that fixes the source of interest payments, though ADR gains then pass to the operator.

In 2028–2029, ahead of a sale, the remaining contract term and operator replacement terms will shape core buyers' options. As new supply grows from 2030, reservation networks and brand premiums may gain value, so independent assets should keep room to switch. Whichever structure is chosen, terms are fixed at signing, so the cost of volatility must be cut before the contract.

Figure 58: Contract Structure by Accrual of Operating Returns and Operating Conditions



Source: CBRE Research, October 2026.

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Eight Indicators to Gauge the Next Phase

If contract structure determines how to execute, market signals determine when. Signals of the next phase will appear first in eight indicators across demand, supply, performance, and capital.

On **demand**, the key questions are whether inbound visitor growth exceeds the conservative path (4% a year) and whether Korea's share of mainland Chinese travelers, driven by policy changes, holds. The nearest signal is whether measures such as visa-free entry for mainland Chinese tour groups continue.

On **supply**, scheduled room openings and construction costs are leading indicators. Supply growth after 2030 will depend on how many FAR relaxation projects are added to the pipeline and whether construction cost increases ease.

On **performance**, the pace of RevPAR growth should be monitored. RevPAR growth, which had been slowing, reaccelerated in 2026 (11% as of July 2026). As occupancy approaches developed-market levels, growth will rely more on ADR, so sustained ADR growth will determine whether performance holds.

On **capital**, the interest rate path should be watched. If the base rate falls after peaking in 2027 as forecast, resolving the negative leverage between financing costs and cap rates, leveraged investment returns will improve and buying capacity will expand.

If the eight indicators hold their direction, the structure supporting ADR and asset values will persist. If demand falls below the conservative path or supply grows faster than expected, outcomes will diverge by location and asset. The longer they hold, the more current demand will read as a structural trend.

Figure 59: Eight Key Monitoring Indicators for the Seoul Hotel Market

Demand	Supply	Performance	Capital
Inbound visitor growth **+16%** 2024–2025 ▶ Above the conservative path (4% a year)?	**Scheduled room openings** **About 3,900 rooms** 2026–2032 ▶ Does the pipeline actually get delivered?	**Occupancy** **76%** 2025 ▶ Approaching developed-market levels (mid-80s%)?	**Base rate outlook** **3.5% ⟶ 3.0%** (annual avg.) 2027 ⟶ 2028, Oxford Economics ▶ Is 2027 the peak, as forecast?
Korea's share of mainland Chinese travelers **66%** Aug 2026, mainland Chinese visitors to Korea and Japan ▶ Does policy-driven demand hold?	**Construction Cost Index** (non-residential) **137.4** Aug 2026 (prelim.), 2020 = 100, +5.3% y-o-y ▶ Do construction cost increases ease, and how far?	**RevPAR growth** **11%** 2025–2026 YTD ▶ Does ADR-led growth continue?	**Seoul hotel cap rate** **4.7–5.5%** 2026, highest of four compressing markets ▶ Further compression as rates fall?

Source: CBRE Research, October 2026.

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