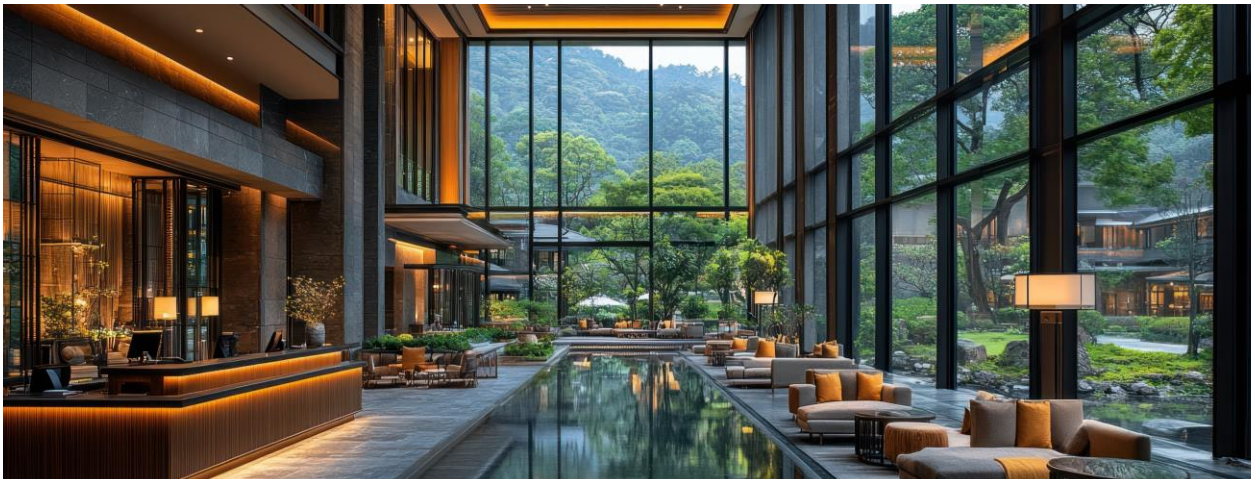
ASIA PACIFIC HOTEL TRENDS | Q3 2025

Investment accelerates in Australia & Korea; hotel conversions continue to dominate in mainland China



Key Trends

- Market fundamentals in **Korea** have improved significantly compared to six months ago, supported by robust international tourist arrivals that have already exceeded pre-pandemic levels. The investment focus remains on core CBD, YBD, and GBD hotels. Both international capital, led by private equity, Southeast Asia private capital and local Korean conglomerates are pursuing hotel assets.
- In **mainland China**, buying activity is being led by opportunistic buying focused on conversion to rental housing in tier I cities. The buyer profile has evolved, with an increase in opportunistic investors, including SOEs, seeking distressed assets at attractive prices. Transactions remain concentrated in tier I cities, although some domestic players are exploring strong tier II markets.
- Investment activity and performance growth in **Australia** continue to accelerate. Investment volumes are tracking positively, breaching US$1 billion y-t-d, already surpassing 2024 figures. Liquidity is accelerating, with many previously slow-moving deals now moving toward unconditional exchange. Buyers feel that the market is past the bottom, allowing them to underwrite more aggressively and close the gap between vendor and buyer pricing expectations.

> "Despite tourism demand and hotel performance in Asia Pacific beginning to stabilise, growth still exists versus other asset classes. Limited supply and growth in MICE will continue to drive performance, with investors retaining a strong appetite for key markets."

Steve Carroll
Head of Hotels & Hospitality
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Korea

Strong tourism receipts drive steady investment momentum

TOURISM

– Market fundamentals have improved significantly compared to six months ago, supported by robust international tourist arrivals that have already exceeded pre-pandemic (2019) levels.

– Conversely, domestic tourism continues to be subdued. Koreans strongly prefer overseas travel, viewing domestic destinations as comparatively expensive.

TRANSACTION ACTIVITY

– The investment focus remains on core CBD, YBD, and GBD hotels.

– The prevailing strategy for opportunistic capital is value-add, focusing on converting unbranded hotels to branded franchises or restructuring master leases.

– Recent highlights include the acquisition of Mercure Hongdae by Goldman Sachs (via JB Asset Management) which was notable for its stabilisation play. After completing the deal Goldman extended the master lease (held by Accor/Ambassador) and secured a strong anchor retail tenant for the 20% retail component.

• Both international capital, led by private equity, Southeast Asia private capital and local Korean conglomerates are pursuing hotel assets.

PERFORMANCE

– Seoul continues to outperform, with Seoul being the only market in Asia Pacific to see occupancy fully recover compared to 2019 levels. RevPAR is also up 7.8% y-o-y as of August y-t-d, which ranks among the top within the region.

OUTLOOK

– The availability of hotels for sale will increase starting in Q4 2025 and continuing into 2026 as individual owners offload unbranded three- and four-star hotels and funds that received pandemic-era extensions bring assets to divest and recycle positions.

– Investors should strategically evaluate the broad range of options from master lease and HMA structures to unbranded assets.

– While a gap in pricing expectations still exists between buyers and sellers, the anticipated increase transaction volume will help clarify valuations.

SIX-MONTH OUTLOOK

ADR	OCC (%)	REVPAR
↑	↑	↑

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Activity led by opportunistic buying focused on conversion to rental housing in tier I cities

TOURISM

- Domestic tourism volume remains strong, but per-person consumption has softened due to economic headwinds and government policies restricting luxury spending.
- In contrast, international tourism demand is growing significantly, driven by the expansion of visa-free policies, benefiting luxury hotels in tier I cities and top tier II cities.

TRANSACTION ACTIVITY

- Transaction activity remains subdued, with the average ticket size shrinking. Deal flow is characterised by the acquisition of underperforming hotel assets for conversion into alternative uses, predominantly rental housing.
- The buyer profile has evolved, with a noticeable increase in opportunistic investors, including SOEs, seeking distressed assets at attractive prices.
- Transactions remain concentrated in tier I cities, although some domestic players are exploring strong tier II markets such as Nanjing and Hangzhou.

PERFORMANCE

- The strong supply pipeline and intense competition are prompting operators to adopt a strategy of lowering ADRs to maintain occupancy, leading to a price war cycle.

OUTLOOK

- Market conditions are not anticipated to improve significantly in the near term given the high supply pipeline and competitive landscape.
- Owners of underperforming hotels facing distress are advised to adjust pricing immediately to meet institutional investor yield requirements to facilitate divestment.
- Investors are recommended to target assets that present a clear value-add or repositioning angle to justify the required going-in cap rates.
- Government bodies are showing a willingness to commence dialogue with owners regarding the extension of land use rights. This involves exploring the conversion of commercial hotel land use to residential to extend the tenure from approximately 20 years to 70 years, offering a solution for owners facing land tenure expiry issues.

SIX-MONTH OUTLOOK

ADR	OCC (%)	REVPAR

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Australia

Investment activity and performance growth continue to accelerate

SIX-MONTH OUTLOOK

ADR	OCC (%)	REVPAR

TOURISM

– Visitor arrivals continue to recover from the pandemic, with y-o-y July 2025 increasing by 12.8% for short-term tourist arrivals.

TRANSACTION ACTIVITY

– Investment volumes have tracked positively, breaching US$1 billion year-to-date, surpassing 2024 figures. Liquidity is accelerating, with many previously slow-moving deals now moving toward unconditional exchange or settlement.

– Increased buyer activity is linked directly to greater certainty in the debt market. Buyers feel that the market is past the bottom, allowing them to underwrite more aggressively and close the gap between vendor and buyer pricing expectations.

– Melbourne is re-emerging as an attractive investment destination, due to its market growth despite recent supply additions. Furthermore, there has been increased positivity from investors with the ability to secure foreign owners' land tax exemption for hotels that are operated as a HMAs (i.e. the hotel owner owns the staff).

– Brisbane remains highly sought after due to its long-term growth trajectory tied to the 2032 Olympics and infrastructure uplift.

PERFORMANCE

– Strong performance growth is primarily driven by a resurgence in event-led demand (e.g., the Spring Racing Carnival, large concerts, and major sporting finals), which is boosting occupancy and ADR across Sydney and Melbourne.

– There has been strong market-wide RevPAR growth across the nation, led by Brisbane CBD (+10% y-o-y RevPAR), Perth CBD (+9% y-o-y RevPAR) and Darwin (+7% y-o-y RevPAR). Sydney CBD and Perth CBD have also shown strong y-o-y RevPAR growth (both 6%), backed by an increase in occupancy (both 4%).

OUTLOOK

– Investors are advised to capitalise on the current market dynamics where vendor and buyer expectations are aligning. Sellers are tempering pricing while buyers are benefiting from cheaper debt and strong performance fundamentals.

– The diminishing supply risk across major markets combined with a coordinated government focus on event tourism will help support continued rate growth into 2026.

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