

# SECTOR UPDATE

Jun 2026

## Alternative Investment Team

### Kyungja Lee

Team Leader

kyungja.lee@samsung.com

### Jumi Hong

Research Associate

jumi14.hong@samsung.com



Commercial Real Estate Series ②

## Outlook for Korea's hotel market

# Korea: The heart of Asia's hotel market

## Korea: The heart of Asia's hotel market

The hotel sector has emerged as one of the most dynamic segments in Korea's commercial real-estate market. With the number of foreigners visiting Korea projected to surpass 20m in 2026, international tourism has become a primary driver of the nation's hotel growth. Korea's unique competitive edge—powered by the global appeal of K-pop, K-content, and medical tourism—continues to fuel foreigners' interest in the nation, with Korea's visitor growth outpacing Japan's (despite Japan's second wave of inbound tourism).

Hotel demand is overwhelmingly concentrated on 3- and 4-star accommodations. As both international tourists and domestic business travelers prefer value-oriented lodgings, these mid-tier hotels have been recording strong demand. Meanwhile, supply (number of rooms) in these segments tumbled during the global pandemic—many properties closed or were converted to other uses. Rising construction costs make it nearly impossible to build new 3- and 4-star hotels profitably, signaling a structural supply-demand imbalance and potential rise in average daily rates (ADR). ADR growth has been instrumental to the earnings performance of domestic hotels, and ADR has reached record highs. However, even at these high levels, Seoul's ADR remains around 20% below that in other major Asian cities (eg, Tokyo and Singapore). When factoring in the weakness of the Korean won, further upside remains. In contrast, luxury hotels (5 stars and above) have seen limited ADR growth. Additionally, an estimated 2,000-3,000 new 5-star (and above) rooms are expected to enter the Korean market over 2026-2031, which may pressure pricing in the premium segment.

In response, the hotel transaction market has shifted from large-scale usage conversion & redevelopment deals towards acquisitions of 4-star and below properties for operational purposes. Per-room sale prices have risen from about KRW300m in 2023 to KRW400m-500m. With ADR set to surge in the short term, value-add strategies (eg, rebranding, operator changes, and operational improvements) should gain traction. Domestic hotel brands dominate the Korean market. A proven strategy—successfully implemented by foreign institutional investors in Japan—is for mid-scale (3-star) properties to adopt international brands, replace their operators, and elevate service standards to increase ADR by over 20% while compressing cap rates through premiumization. This approach should be particularly effective in Korea given the structural supply contraction for mid-scale hotels amid rising hotel demand from foreigners.

The domestic hotel market is likely to report another boom over the coming years (as seen over 2013-2015), driven by the first wave of inbound tourism, which benefited developers, hotel REITs, and the retail sector. In addition to overseas institutions with value-added expertise possibly returning to Korea, the pool of hotel buyers will likely expand with increased participation from REITs, general corporations, and asset management companies. The hotel transaction market is set to grow to KRW2t *pa*, reaching a level comparable to the nation's logistics center market. Like in Japan, listed REITs are emerging as major players when it comes to domestic hotel transactions, and more and more hotel operators are partnering with such REITs to quickly expand their room inventory.

# REPORT

# CONTENTS

---

## 01 K-Wave p5

- 1) Demand driver ① Inbound tourism: K-Wave and medical tourism
- 2) Demand driver ② Domestic business travel
- 3) Demand: Strong demand for 3- and 4-star hotels
- 4) Supply: Decline in 3- and 4-star hotels
- 5) Performance: ADR upside potential

## 02 Hotel transaction market and Japan case analysis p22

- 1) Transaction market: For operational purposes
- 2) Increase in per-room sale price
- 3) Value-added strategy
- 4) Japan case analysis: Abenomics tourism boom

## 03 Hotel operator status p30

- 1) Operational structure: Acceleration of transition to managed operations
- 2) Operating metrics: Labor cost-to-sales ratios decline
- 3) Hotel operator classification
  - Global top 5 chains
  - Domestic operators affiliated with large Korean conglomerates
  - Brands planned for entry into Korea

## 04 Related companies p36

- 1) Lotte REIT: Transition to a growth-oriented REIT through acquisition of L7 hotels
- 2) Koramco Life Infra REIT: Conversion to growth-oriented REIT through hotel development
- 3) Shinhan Seobu T&D REIT: The one and only pure-play hotel REIT
- 4) Seobu T&D: Expansion to developer from hotel operator

# EXECUTIVE SUMMARY

## Demand

- Inbound tourism—key to hotel demand—is fueled by: 1) K-Wave effects (K-pop, K-dramas, and medical tourism); 2) the weak won; and 3) policy support.
- Korea's hotel industry has been lifted by strong domestic demand (2021-2022) and a growing number of foreign tourists (since 2023).
- Domestic business travel related to the relocation of public institutions should limit the degree to which domestic hotel demand may fall.
- The current surge in Korea is comparable to Japan's Abenomics boom, when the combination of a weak yen and aggressive tourism campaigns (eg, 'Visit Japan') drove up revenue per available room (RevPAR) at a CAGR of 21% over 2019-2024.

## Supply

- The pandemic erased roughly 6,000 hotel rooms (primarily in 3-star hotels) nationwide—many properties were closed or were converted to other uses.
- Rising construction costs make it increasingly difficult to supply 3- and 4-star hotels (ie, a structural supply-demand imbalance has emerged).
- By end-2030, 10 major projects should together add 2,000-3,000 new hotel rooms in Seoul. The vast majority of this new supply is expected to be luxury hotel rooms. Major global hotel brands are exploring their entry into Korea.

## Performance

- Hotel earnings grew from 2023, as: 1) inbound tourists more than tripled y-y; 2) the won weakened; 3) visa-free entry for Japan visitors resumed in Oct 2022.
- Luxury hotels (5 stars and above) have limited pricing power, resulting in lower ADR growth since 2022 vs that for mid-scale segments. In contrast, ADR growth has accelerated sharply for 3- and 4-star hotels, further supported by significant supply reductions.
- In the hotel industry, labor costs are the primary variable expense, with the labor-to-sales ratio the lowest for 3-star hotels and highest for 5-star properties.
- ADR-driven growth is expected to remain concentrated on 3- and 4-star hotels. Despite record-high ADR in Seoul, ADR remains below that in major Asian cities such as Tokyo and Singapore—and when accounting for the won's weakness, further upside for ADR exists.

## Transaction market

- The domestic hotel transaction market, previously limited to less than KRW1t pa, saw a surge during the pandemic, with transactions totaling KRW3t in 2025, driven by the redevelopment of hotels after usage conversions.
- Since 2023, transactions have once again focused on hotel operations, with 3- and 4-star properties dominating activity.
- With ADR rising sharply, value-added strategies should gain momentum—particularly the rebranding of 2-star or lower hotels into 3- and 4-star properties, or converting non-hotel assets such as offices and gas stations into hotels.
- Hotel businesses are moving from owning hotels themselves to managing them for others. Such a strategy helps grow the hotel's earnings rapidly and helps the owners get greater returns (though they carry more risk).

## Conclusion

- The K-Hotel market resembles Japan's over 2013-2015. ADR growth amid supply constraints is set to focus on 3- and 4-star hotels.
- While some transactions have approached KRW600m per room, such cases reflect aggressive value-added initiatives—such as rebranding or asset conversion. Absent such enhancements, future per-room sale prices are projected to lie in the KRW400m-500m range.
- Cap rates for operationally focused hotels are expected to decline towards the low 5% range, positioning hotels as a top-tier investment asset class and making them comparable to logistics centers.
- As in Japan, listed REITs are poised to become one of the primary acquirers of hotel assets. This expansion of the buyer base should drive transaction volume growth and support REITs' dividend growth.

Source: Samsung Securities

PART  
01

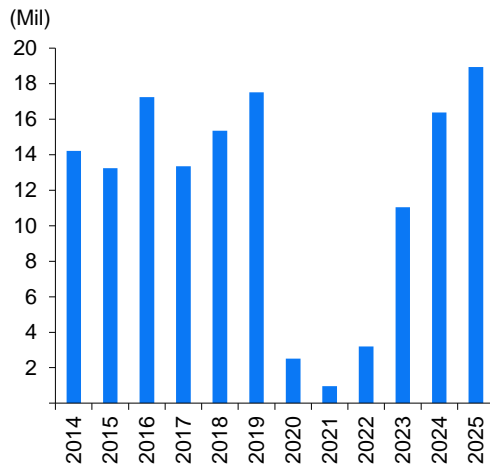
**K-Wave**

## Demand

# Demand: 1) Inbound tourism

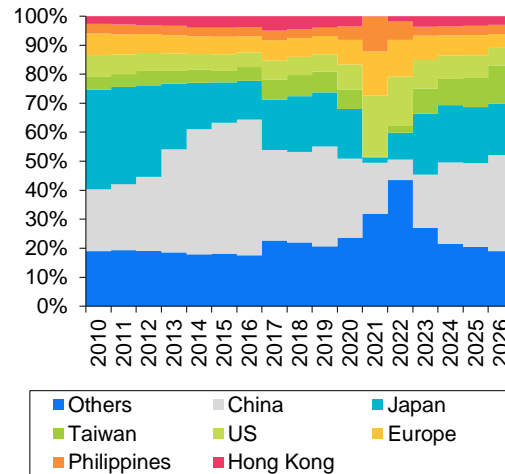
- The number of inbound visitors to Korea reached 18.94m in 2025—surpassing the 2019 peak by 8%—and should top 20m in 2026.
- Visitors' nationalities diversifying: While Chinese arrivals recovered to 68% of the pre-pandemic level in 2025, demand is no longer reliant on China. Taiwanese, US and Singaporean tourist figures exceed the 2019 levels.
- Key drivers behind the surge: 1) K-Wave effects (growing global interest in K-pop, Korean dramas, and medical tourism); 2) the weak won: The won's depreciation mirrors the yen's plunge over 2012-2013, making Korea an increasingly affordable destination for international travelers; and 3) policy support (favorable policies (eg, the 2025 launch of visa-free entry for Chinese group tourists), with an aim of attracting 30m visitors *pa* by 2030).

### Number of inbound visitors



Source: Korea Hotel Association, Samsung Securities

### Portion of inbound tourists, by nationality



Source: Korea Hotel Association, Samsung Securities

### K-Wave

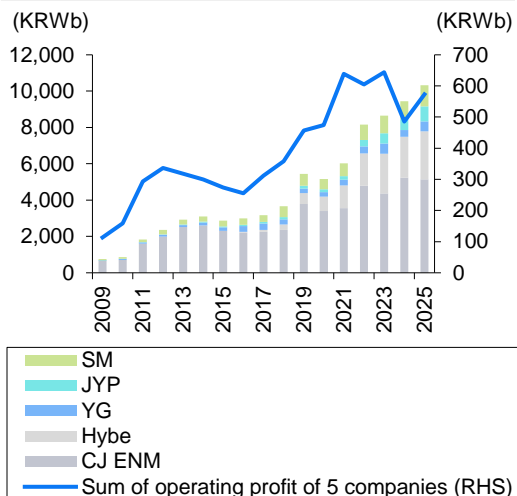


Source: Google

# Inbound tourism: ① K-Wave effects

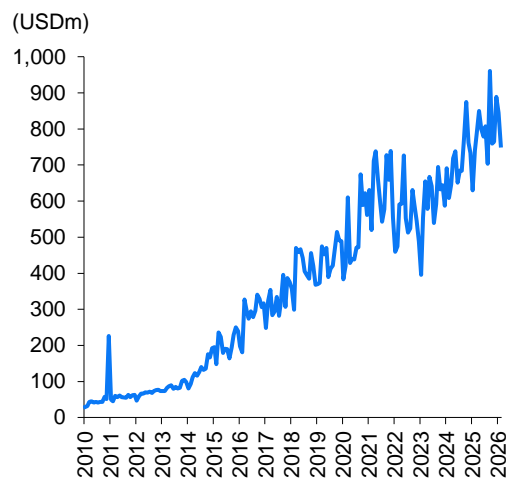
- After weathering the pandemic thanks to strong domestic demand (2021-2022), earnings growth for Korea's hotel industry has, since 2023, been driven by a rising number of international tourists.
- According to the Korea Tourism Organization (KTO), 37% of foreign visitors in 2023 cited K-culture as their primary reason for visiting.
- Hotel performance is increasingly tied to cultural events (eg, concerts) and the sustained growth of K-beauty and biohealth.
- Over Mar-Apr 2026, Seoul hotels experienced record occupancy levels and revenue spikes thanks to concerts held by BTS.

## Combined revenue and operating profit of five domestic entertainment companies



Source: FnGuide, Samsung Securities

## Monthly cosmetics export volume



Source: TRASS, Samsung Securities

## Major concerts in Korea

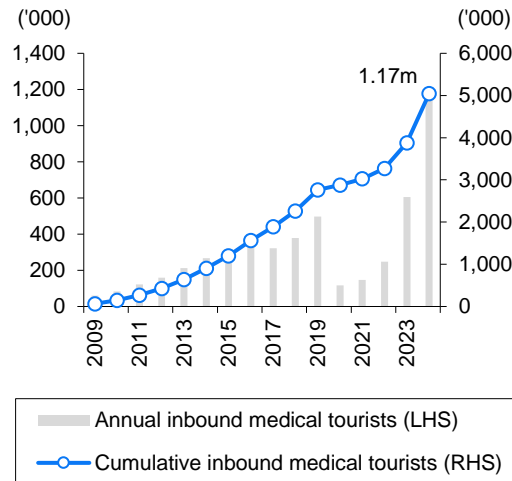
Year	Concert	City
2018	BTS Love Yourself	Seoul
2018	Blackpink In Your Area	Seoul
2019	BTS Love Yourself : Speak Yourself	Seoul
2022	BTS Permission To Dance On Stage	Seoul
2022	Stray Kids Maniac	Seoul
2022	Stray Kids Maniac	Seoul
2022	BTS Yet to Come in Busan	Busan
2022	Blackpink Bom Pink	Seoul
2023	Blackpink Bom Pink Finale	Seoul
2024	Seventeen Follow Again To Incheon	Incheon
2024	Seventeen Follow Again To Incheon	Seoul
2024	Stray Kids Dominate	Seoul
2025	G-Dragon Übermensch World Tour	Seoul
2025	Blackpink Deadline	Goyang
2025	Stray Kids Dominate	Incheon
2025	G-Dragon Übermensch World Tour encore	Seoul
2026.03	BTS Comeback Live 'Arirang'	Seoul
2026.04	BTS Arirang	Goyang
2026.04	Seventeen [New_] Encore	Incheon

Source: Samsung Securities

# Inbound tourism: ② Medical tourism

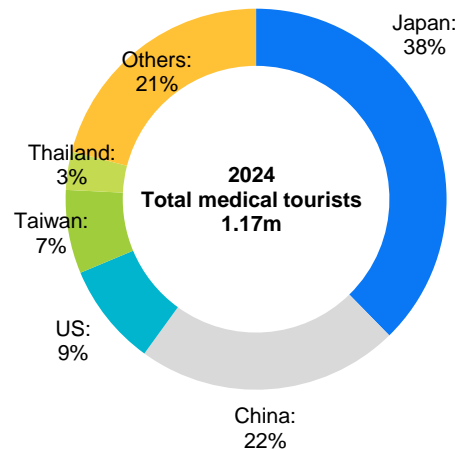
- In 2024, Korea welcomed 1.17m medical tourists, double the previous year's number and the highest figure on record. The government began allowing medical tourism in 2009, and now international patients account for 7% of all inbound tourists, making them the single largest non-leisure segment.
- Compared to regular tourists, medical visitors usually stay significantly longer and spend far more per person—two positives for hotels' profitability.
- Korea ranked first among 19 nation in the cosmetics and biohealth industries, according to a 2024 survey by the Korea Health Industry Development Institute of 6,800 consumers across 15 markets.
- The global fascination with Korean beauty standards—fueled by K-dramas and K-pop—is lifting demand for beauty-related procedures.
- The weak won has dramatically improved Korea's cost competitiveness: medical tourism spending hit KRW1.3t in 2024 (up 120%).
  - In 2024, Chinese patients represented 22% of medical tourists, second only to Japan. The visa-free entry for Chinese group tourists is an upside factor.

**Number of medical tourists**



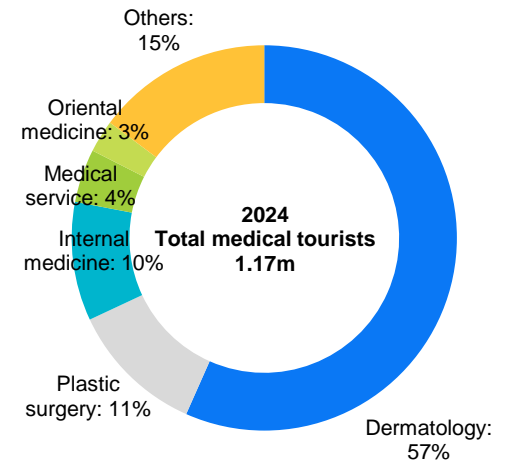
Source: Ministry of Health and Welfare (Apr 2, 2025)

**Medical tourists, by nationality**



Source: Ministry of Health and Welfare (Apr 2, 2025)

**Medical tourists, by medical department**

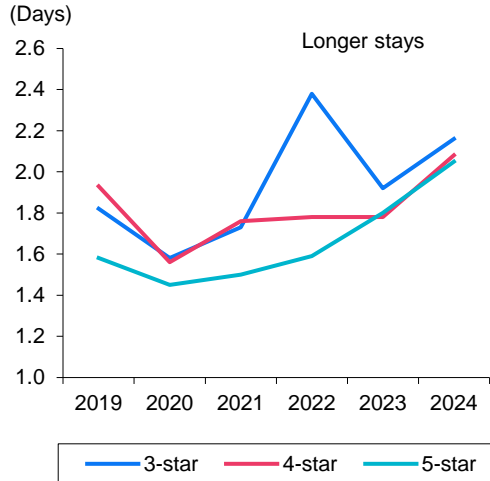


Source: Ministry of Health and Welfare (Apr 2, 2025)

# Inbound tourism: ② Medical tourism

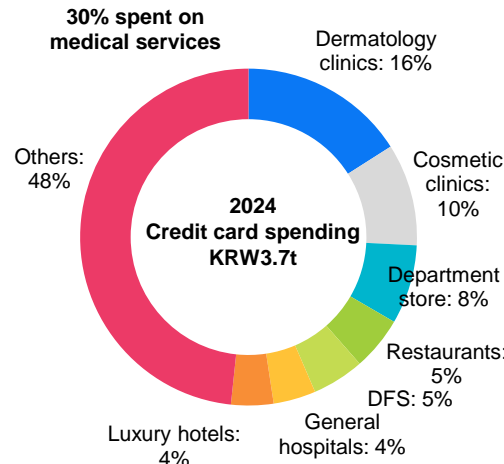
- Impact on hotels' operating results
- 1) Longer stays = higher occupancy: Demand is surging for 3-, 4-, and 5-star hotels and serviced residences in Gangnam and Myeongdong.
- 2) Year-round stability: Medical tourism has no off-season, reducing seasonal volatility for hotels, helping them maintain occupancy rates during traditionally slow periods and manage their fixed costs.
- The number of foreign patients fell 14% at general hospitals in 2024 and 8% at tertiary care hospitals, with numbers in both categories sliding due to a healthcare strike. But the number surged 138% at private clinics.
- 82% of foreign medical tourists choose private clinics. To draw more international patients, clinics have invested in dedicated medical tourism infrastructure.
- In 2024, cosmetic and dermatology clinics accounted for 26% of foreign tourists' credit card spending and general hospitals just 4%.

## Average length of stay, by hotel rating



Source: Korea Hotel Association, Samsung Securities

## Credit card spending by tourists by industry



Source: Korea Health Industry Development Institute

## Most preferred dermatology treatments

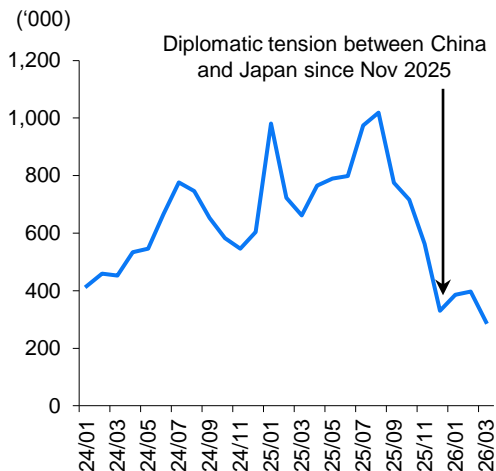
Creatrip	Jivaka Beauty	Elle	Lululab
Aqua peel	Rejuran	Ultherapy	Ultherapy
LDM	Ultherapy	Morpheus	Titanium lifting
MTS	Aqua peel	Thermage	Thermage
Botox	Skin booster	Collagen boosting	Onda lifting
Filler	Thread lifting		Skin botox
Skin booster	LED Phototherapy		Rejuran
Onda lifting			MTS
Laser toning			Pico toning/laser toning
Pore care			Aqua peel
Ultherapy			Chemical peel

Note: Most preferred treatments in beauty platforms (Creatrip, Jivaka Beauty, Elle, lululab), order not related to rankings / Source: Samsung Securities

# Inbound tourism: ③ Policy

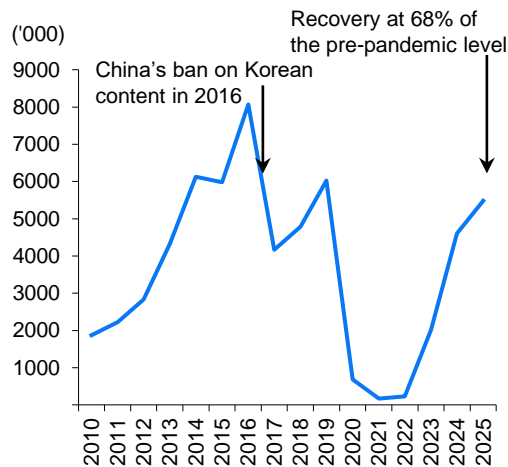
- For years, Chinese tourists dominated Korea’s inbound tourism market, until China banned Korean content (in 2016), triggering a sharp decline in the number of Chinese visitors to Korea. The pandemic caused the slump to deepen.
- In 2025, Chinese tourists accounted for just 29% of all inbound visitors, with the figure standing at only 68% of the pre-pandemic level.
- But, diplomatic tension between China and Japan (since Nov 2025) has led to a drop in Chinese visitors to Japan, and many Chinese redirected their trips to Korea.
- Added to this, Korea’s temporary visa-free policy for Chinese group tourists (since Nov 2025) has acted as a powerful magnet.
- While the portion of international tourists to Korea from any one country is declining, Chinese tourists remain the mainstay—offering significant growth potential.

**Number of Chinese tourists visiting Japan**



Source: Japan National Tourism Organization, Samsung Securities

**Number of Chinese tourists visiting Korea**



Source: Korea Tourism Organization, Samsung Securities

**Diplomatic tension between China and Japan**

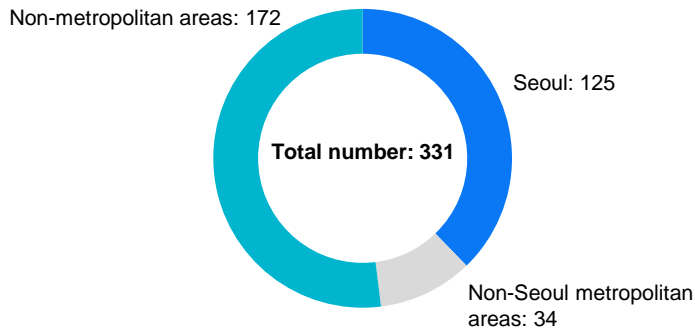
<b>Back ground</b>	<ul style="list-style-type: none"> <li>• Bilateral relations deteriorated rapidly (Nov 2025) due to PM Takaichi's remarks on military intervention in Taiwan</li> <li>• Chinese government issued travel advisories against visiting Japan</li> </ul>
<b>Effect</b>	<ul style="list-style-type: none"> <li>• <b>Tourism:</b> Chinese airlines suspended 16% of Dec 2025 flights and 0.5m Japan-bound tickets were cancelled</li> <li>• <b>Culture/entertainment:</b> Japanese animation film releases canceled or postponed, music concerts suspended</li> <li>• <b>Education/culture:</b> China discourages study in Japan, bans imports of seafood, and considering stricter measures for certain Japanese companies</li> </ul>

Source: Press release, Samsung Securities

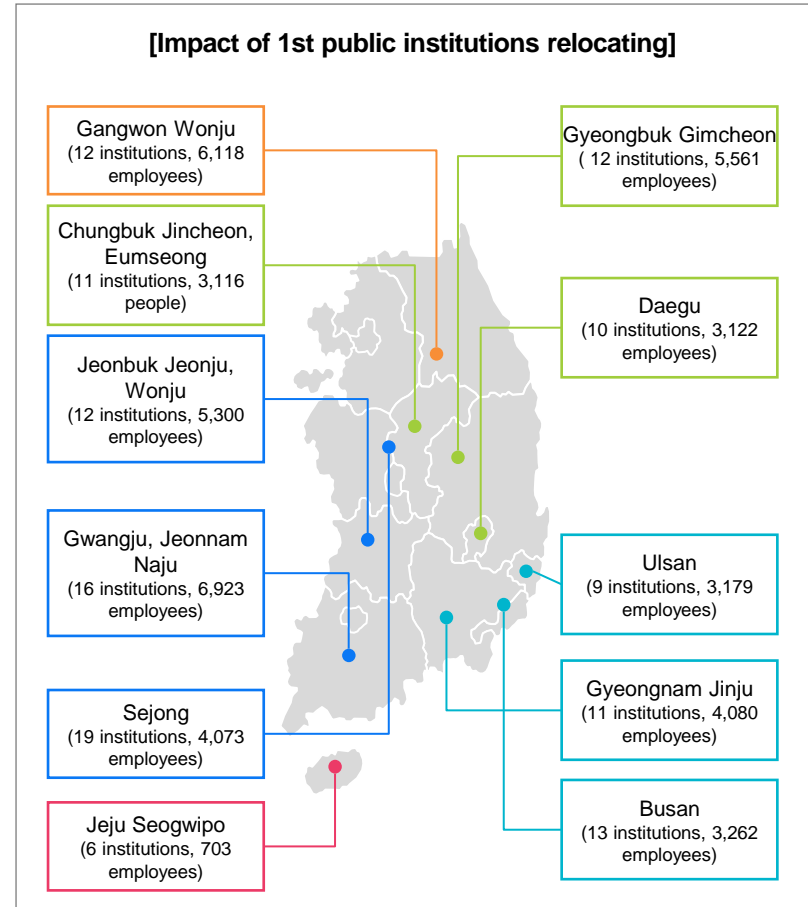
## Demand (2) Domestic business travel

- The other pillar of Korea’s hotel demand is domestic business travel. Demand from professionals traveling from regional cities to Seoul continues to grow steadily.
- This trend first accelerated over 2012-2016, when 153 public institutions were relocated from Seoul (to Sejong City and 10 innovation hubs).
- Now, the government’s five-year plan for state administration includes a renewed push to move public agencies out of the SMA to promote regional economic balance. If implemented as planned (from 2027), this would generate new, recurring business travel demand.
- Today, 159 public institutions—nearly half of all national agencies—are still based in Seoul, Gyeonggi, and Incheon.
- The result: Tourism drives weekend occupancy and business travel sustains weekday demand.

### Location of public institutions



Source: MOLIT Innovation City Development division



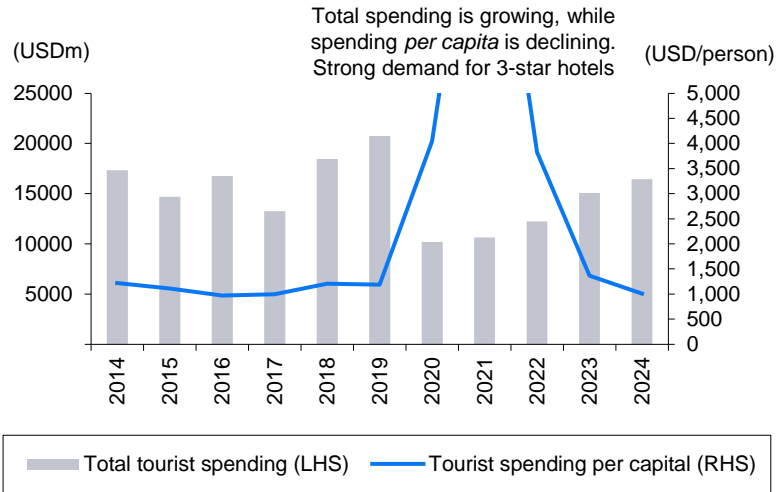
Source: MOLIT Innovation City Development division

## Demand

# Demand: Strong demand for 3- and 4-star hotels

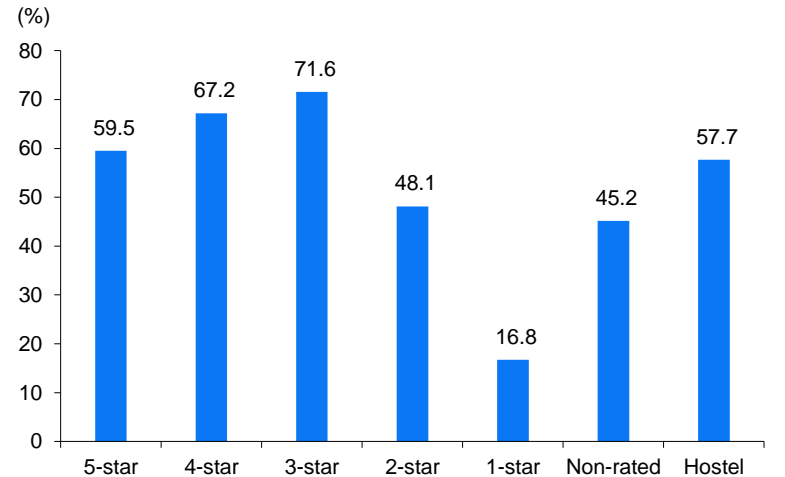
- With inbound tourism powering hotel demand in Korea, traveler preferences are shaping the market—guests are overwhelmingly favoring 3- and 4-star hotels.
- Key areas (Myeongdong, Hongdae, and Dongdaemun; where international tourists cluster) continue to maintain 70-80% foreign guest occupancy levels, even though ADRs are rising sharply.
- While total tourism spending is growing, tourist spending *per capita* is falling. Travelers are choosing comfortable, well-located 3- and 4-star hotels over luxury hotels.
- In 2024, foreign guests as a percentage of the total reached 71.6% at 3-star hotels and 67.2% at 4-star hotels.

### Total tourist spending and tourist spending *per capita*



Source: Korea Tourism Organization, Samsung Securities

### Foreign guests as portion of total, by hotel rating (2024)

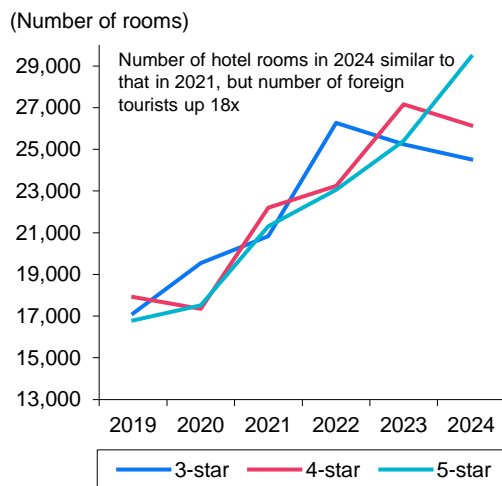


Source: Korea Hotel Association, Samsung Securities

# Supply: Critical decline in number of rooms at 3- and 4-star hotels

- Over 2020-2025, more than 5,800 rooms at 2- to 5-star hotels vanished—not just temporarily, but were permanently shuttered or converted to other uses.
- In 2020 alone, hotel closures jumped 54.4% y-y, and room revenue plunged 47.7% y-y. Many owners chose to sell or repurpose their hotels rather than wait for a recovery. The steepest losses were seen at 3- and 4-star hotels.
- The numbers tell the story. In 2021, 0.97m inbound visitors vs 61,000 hotel rooms in Seoul. In 2024, 16.37m inbound visitors (18x growth) vs 60,700 hotel rooms in Seoul (down 0.5%)
- Rising construction costs make it nearly impossible to build new 3- and 4-star hotels profitably, signaling a structural supply-demand imbalance.

## Korea: Number of hotel rooms, by rating



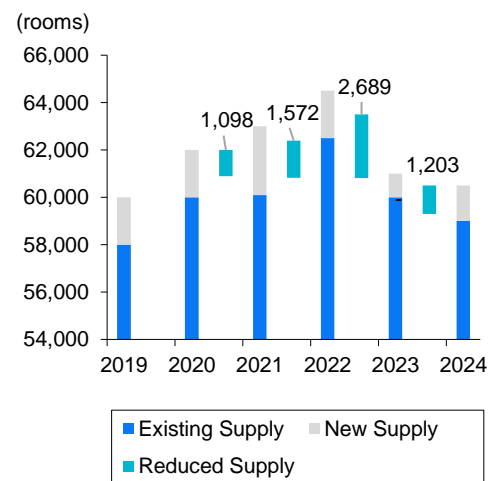
Source: Korea Hotel Association, Samsung Securities

## Korea: Hotel demolitions

	Location / rating	Note
Sheraton Seoul Palace Gangnam	Seocho /5-star	Announced closure of operations in 2020-2021. Opened in 1982, first luxury hotel in Gangnam
Le Meredian Seoul	Gangnam/ 5-star	Sold to Hyundai Construction consortium for KRW0.7t in 2020 (KRW170m per pyeong)
Number of 2, 3, 4 star hotels in Seoul	Seoul	207 in 2019 → 177 in 2022
# of tourism + accommodation biz closed in Seoul	Seoul	26 in 2019 → 68 in 2022 (+161%)
Biz permits and approval	Seoul	77 in 2019 → 45 in 2022 (-42%)

Source: Korea Hotel Association, Samsung Securities

## Number of hotel rooms reduced due to closures and conversions

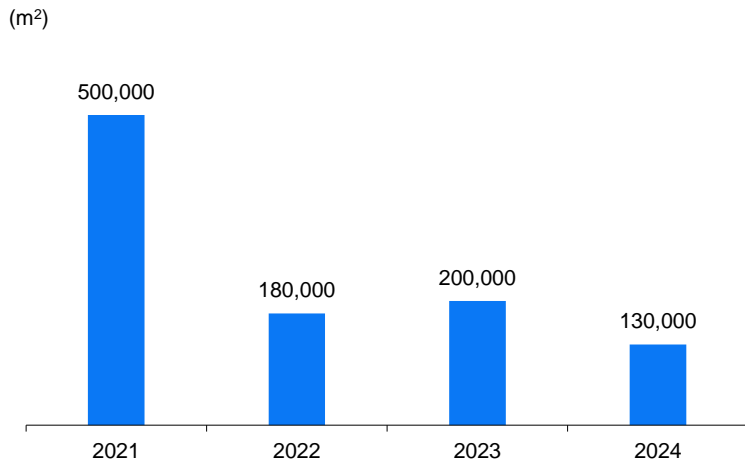


Source: JLL, STR

# Supply constraints deepen

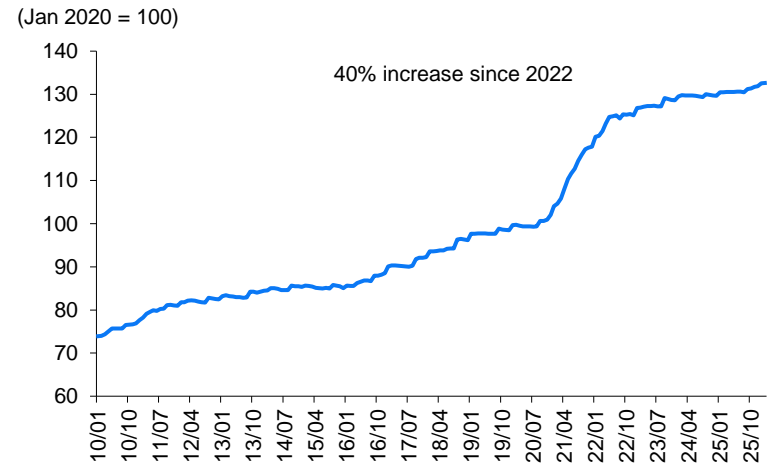
- New hotel construction permits in Seoul have fallen hard: From 500,000 m<sup>2</sup> in 2021 to just 130,000-200,000 m<sup>2</sup> *pa* since 2022.
- The number of hotel operating licenses in Seoul, which peaked at 77 in 2019, dropped to 45 in 2022.
- In fact, permits (area basis) have remained at the lowest level since records began, with little prospect of recovery despite the hotel industry’s boom.
- This is because construction costs for 3- and 4-star hotels in Seoul have surged to KRW15m/pyeong.

## New hotel construction permits(area basis) issued in Seoul



Source: MOLIT, Samsung Securities

## Construction cost index of non-residential buildings

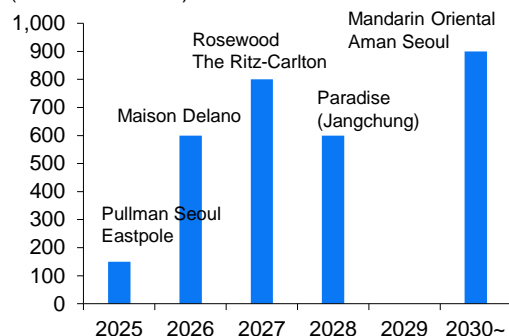


Source: KICT, Samsung Securities

# Supply of 5-star hotels to expand

## 5-star hotel supply forecast

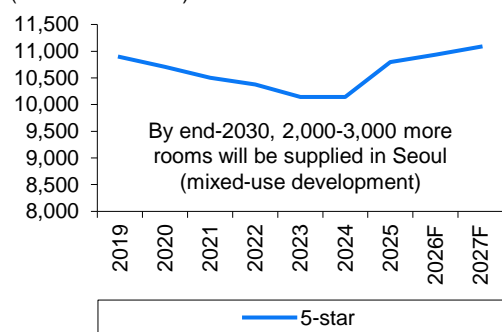
(Number of rooms)



Source: Press release, Samsung Securities

## Korea: Number of hotel rooms

(Number of rooms)



Source: Korea Hotel Association, Samsung Securities

- While there were fewer 3- and 4-star hotel rooms in 2024 than 5-star hotel rooms, we believe that from 2026 the new supply of hotel rooms will focus on 5-star hotels.
- The vast majority of this supply will be luxury hotels within major mixed-use development projects in Seoul.
- By end-2030, 10 major projects should add 2,000-3,000 new hotel rooms in Seoul.
- Ultra-luxury brands like Rosewood and Maison Delano are actively exploring their entry into Korea. The Ritz-Carlton is reportedly evaluating its return to Korea.
- Korea's 5-star hotels often fall short of global standards. But, a significant number of internationally aligned 5-star hotels are expected from 2026, potentially shaping a premium ultra-high-end segment after 2030.

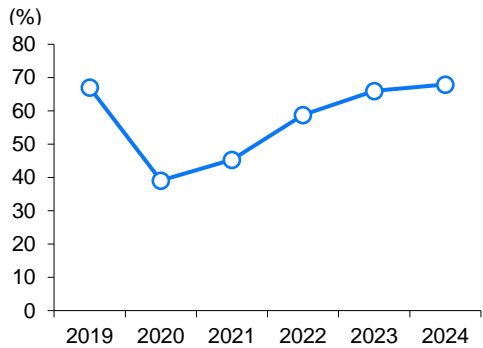
## Seoul 5-star hotel pipeline

Year	Hotel	Rating	Operator/brand	Location	Note
2025	Pullman Seoul Eastpole	5-star	Accor Pullman (Business luxury)	Guui dong	First global 5-star in eastern Seoul within East Pole complex development
2026	Maison Delano Seoul	5-star	Accor 'Delano' (Ultra luxury)	Seonjeongneung	Former Ramada hotel site, first in Asia
2027	Rosewood Seoul	5-star	Rosewood (Global ultra luxury, same level as Aman/Mandarin)	Yongsan UN Command site	250 rooms
2028	Paradise Flagship	5-star	Paradise (5-star+ luxury)	Jangchung-dong	Paradise HQ site
2030	Mandarin Oriental	5-star	Mandarin Oriental (Boutique ultra luxury)	Seoul Station	Part of Northern station area development, 128 rooms
2031	The Ritz-Carlton	5-star	The Ritz-Carlton	Namsan	Brand re-entry discussions Former Hilton site
2031	Aman Seoul	5-star	Aman (high-end)	Cheongdam	Supply of limited number of rooms

Source: Press release, Samsung Securities

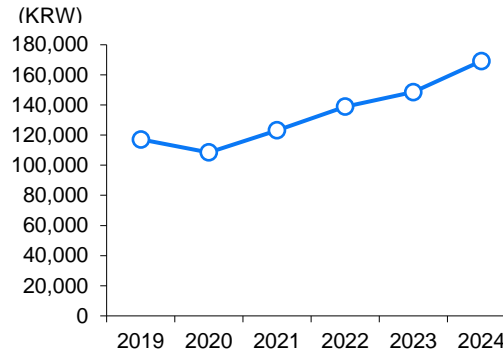
# Momentum began in 2023

## Nationwide hotel ACC



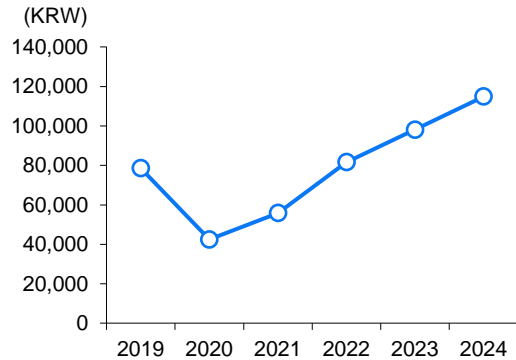
Source: Korea Hotel Association, Samsung Securities

## Nationwide hotel ADR



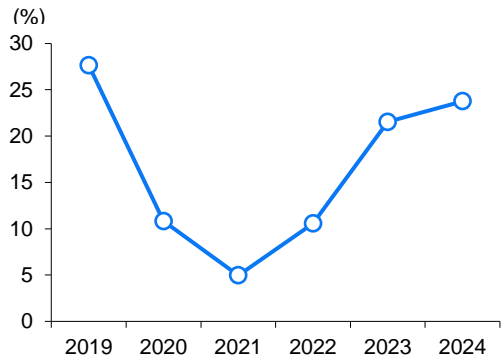
Source: Korea Hotel Association, Samsung Securities

## Nationwide hotel RevPAR



Source: Korea Hotel Association, Samsung Securities

## Nationwide portion of foreign guests



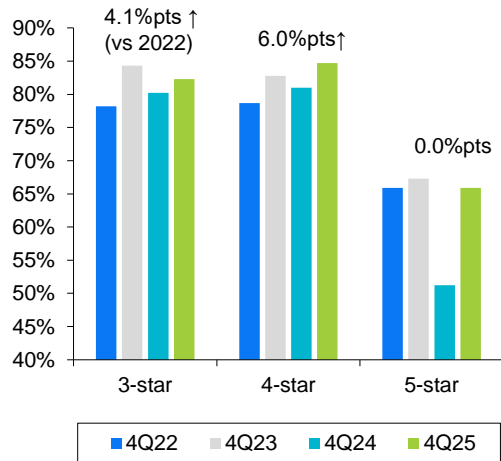
Source: Korea Hotel Association, Samsung Securities

- The number of inbound tourists more than tripled y-y in 2023, rebounding to 63% of the 2019 level
- COVID-19 severe alert lifted in Jun 2023
- Japan's visa-free entry resumed in Oct 2022
- Chinese tourist group tours permitted in Aug 2023
- Revenue per available room (RevPAR) surpassed 2019 levels in 2023, as the share of inbound tourists returned to pre-pandemic levels.

# Hotel industry growth being led by 3- and 4-star hotels

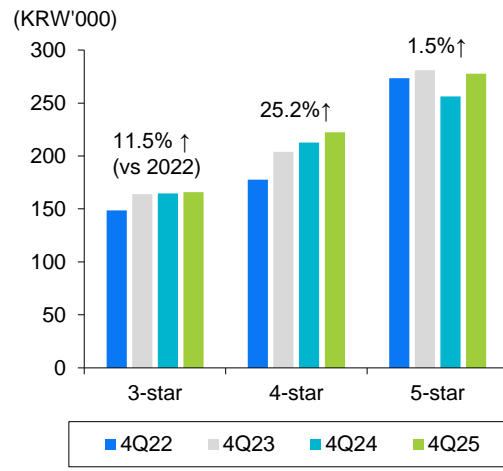
- Foreign tourists tend to stay in 3-star hotels, with such tourists accounting for over 70% of hotels' occupancy in key tourist areas such as Myeongdong, Hongdae, and Dongdaemun. Demand for 3-star hotels shows low price elasticity—even during periods of political unrest, occupancy remains resilient.
- Since 2022, the industry has shifted towards a revenue-maximization strategy, prioritizing ADR growth over occupancy rate (OCC). Although OCC growth slowed over 2023-2024, RevPAR surged thanks to strong ADR increases.
- With the industry in an uptrend, investors favor assets with short-term master-lease agreements. As the current uptrend for the industry is being driven by foreign tourism, international hotel brands are gaining popularity.

**Seoul: Hotel OCC**



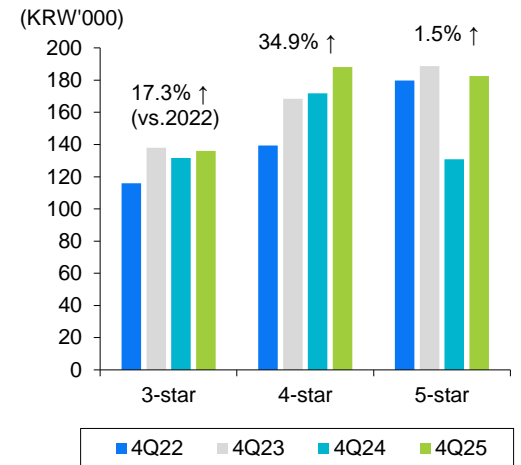
Source: Yanolja, Samsung Securities

**Seoul: Hotel ADR**



Source: Yanolja, Samsung Securities

**Seoul: Hotel RevPAR**



Source: Yanolja, Samsung Securities

# OTA bookings and price elasticity

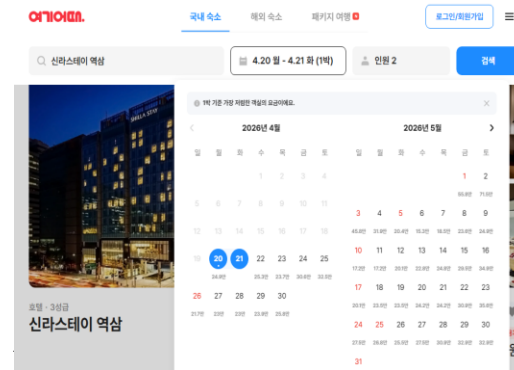
- The core of hotel revenue lies not in room rates alone, but in timing, channel, and booking conditions. Even at identical occupancy levels, revenue varies significantly by hotel tier.
- 5-star hotels typically open inventory to global online travel agencies (OTAs) six months in advance, limiting pricing flexibility. Corporate rate agreements dominate, making short-term rate adjustments difficult.
- In contrast, 3-star and below hotels see 60-70% of bookings made 1-3 months ahead, while 1- and 2-star hotels rely on last-minute bookings (bookings within 7 days account for 70% of sales).
- Labor costs are a critical variable. Although RevPAR for 5-star hotels appears strong, high labor intensity and low price elasticity pose a risk. Rising minimum wage pressure and declining F&B revenue (due to high labor cost ratios) are key concerns.

## When hotel rooms are typically booked, by hotel rating

	5 star	3 and 4 star	1 and 2 star
6 months prior	Honeymoon, anniversary, special event bookings		
3~6 months prior	Business trips, conference-related reservations account for largest reservation volume	Not many	
1~3 months prior	General leisure reservations	Peak reservation period	Peak reservation period
~1 month prior	Not many	Reviews and OTA. Rankings directly impact sales	Bookings made within 7 days account for 70% of sales
Note	Prices that are set six months in advance are hard to adjust		

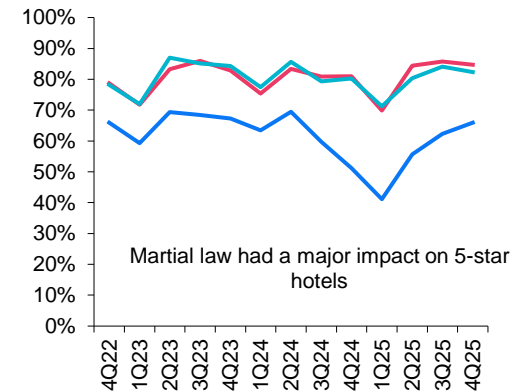
Source: Samsung Securities

## 1-4 star hotels with high OTA dependency have high price elasticity



Source: Yeoji

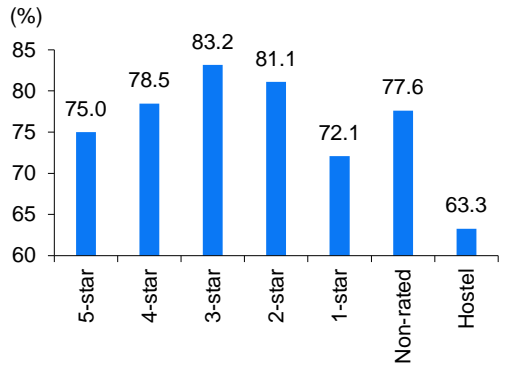
## OCC, by hotel rating



Source: Yanolja, Samsung Securities

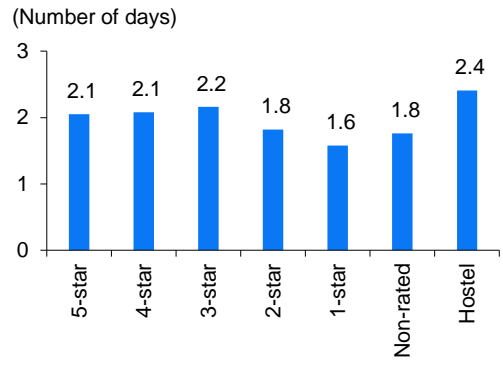
# Profitability improvement for 3-star hotels

Seoul: Hotel OCC (2024)



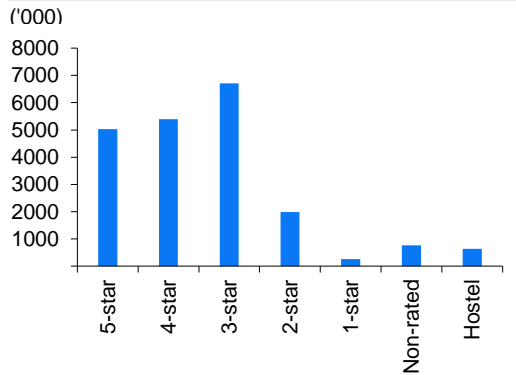
Source: Korea Hotel Association, Samsung Securities

Seoul: hotel average length of stay (2024)



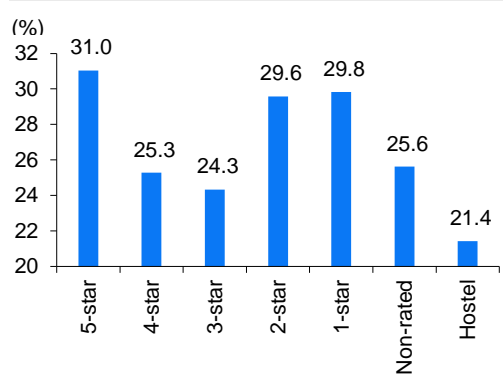
Source: Korea Hotel Association, Samsung Securities

Total guest volume (2024)



Source: Korea Hotel Association, Samsung Securities

Labor cost-to-revenue ratio (2024)



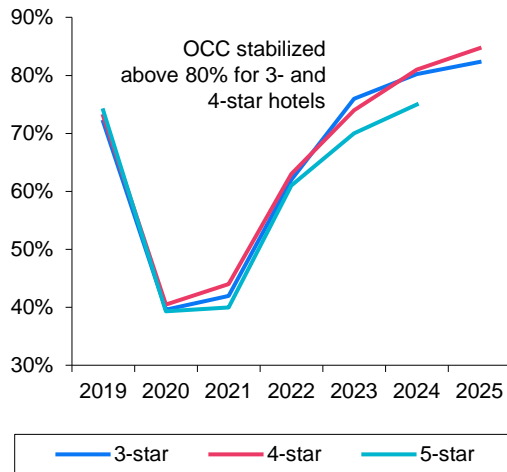
Source: Korea Hotel Association, Samsung Securities

- Seoul's 3-star hotels outperform all other tiers in key metrics: total guest volume, OCC, foreign guest ratio, and average length of stay.
- Labor cost is the primary variable expense for hotel operations. High occupancy levels directly reduce fixed costs per room, enhancing profitability.
- The labor cost-to-revenue ratio is the lowest for 3-star hotels and the highest for 5-star hotels.

# ADR upside

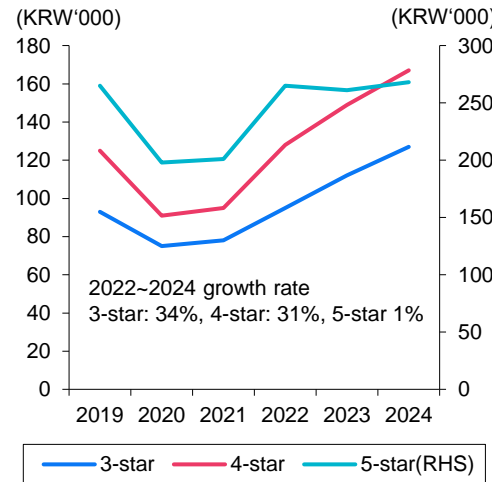
- Seoul’s hotel sector turned positive (according to various performance metrics) across hotel tiers in 2023, but the degree of performance improvement varied significantly by tier.
- Over 2022-2024, ADR rose just 1.1% for 5-star hotels, but surged 33.4% for 3-star hotels and 30.5% for 4-star hotels.
- OCC has stabilized above 80% since 2022 for 3- and 4-star hotels, and ADR has grown faster than OCC—marking a clear industry shift towards revenue optimization.
- Although OCC growth slowed over 2023-2024, ADR gains were substantial, driving RevPAR higher.

**Seoul: Hotel OCC**



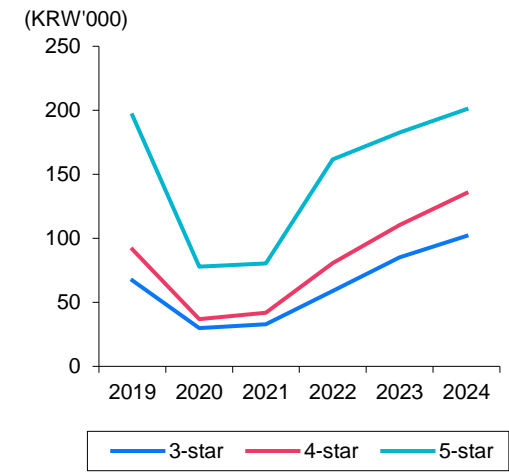
Note: As of 2024, based on data current through Feb 2026  
 Source: Korea Hotel Association, Yanolja, Samsung Securities

**Seoul: Hotel ADR**



Source: Korea Hotel Association, Samsung Securities

**Seoul: Hotel RevPAR**

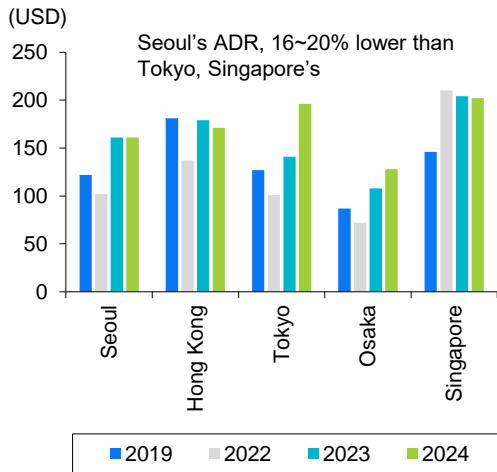


Source: Korea Hotel Association, Samsung Securities

# ADR upside

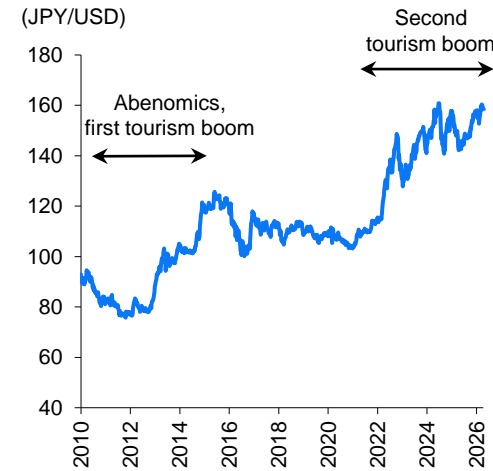
- Seoul's ADR has reached a record high, yet it may rise even further (given the ADR in other major Asian markets).
  - Seoul's ADR is 16% lower than Tokyo's and 20% lower than Singapore's, partially due to the won's depreciation against key currencies.
- The weak won further enhances Korea's price competitiveness. Compared to the levels seen before the pandemic, the won has weakened 26% against the US dollar while the yen has weakened 45% against the US dollar. Japan is experiencing a second tourism boom thanks to the weak yen.
- Japanese hotels' RevPAR growth hit 19% in 2024, with 80% of the growth driven by a rise in ADR—eg, Osaka's RevPAR rose 63% for mid-scale segments.
- Korea benefits from unique K-content demand, which factor is absent in Japan.
- Over the long term, Seoul's ADR may rise an additional 20% via premiumization (on international brand repositioning and property upgrades).

**ADR of hotels of Asia's major cities**



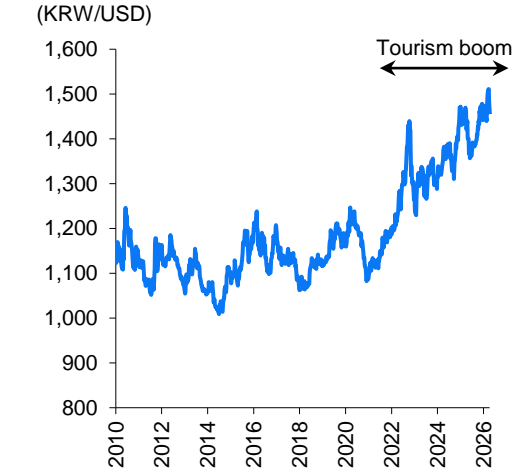
Source: JLL, STR/CBRE, EdgeProp

**JPY/USD exchange rate**



Source: Bloomberg, Samsung Securities

**KRW/USD exchange rate**



Source: Bloomberg, Samsung Securities

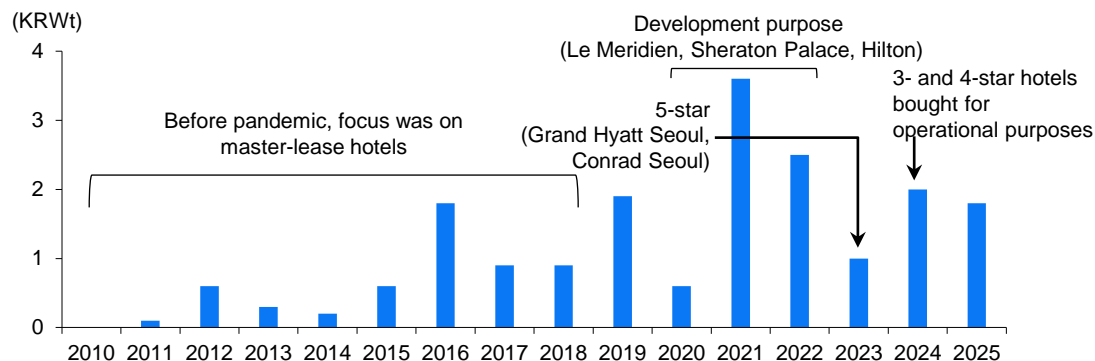
PART

02

## **Hotel transaction market and Japan case analysis**

# Reverting to transactions focused on hotel operations

## Seoul hotel transaction value



Source: JLL, Samsung Securities

## Key sales of 1-4 star hotels over 2023-2026

Year	Hotel	Land area (pyeong)	Gross floor area (pyeong)	Completion year	Transaction value (KRWb)	Price per pyeong (KRW'000)	Seller	Buyer	Transaction purpose
2023	Aventree Jongno	331	1,837	1971	55	29,932	JR Investment Management	The Prima	Operation
2023	Shilla Stay Seobusan	1,891	10,386	2020	95	9,147	MSA	Koreit Asset Management	Operation
2025	Four Points by Sheraton Seoul Station	1,781	27,618	2015	172	28,550	Macquarie Asset	KB Asset Management	Operation
2025	Shilla Stay Mapo	438	5,587	2015	143	25,594	Hana Alternative Asset Management	Shinhan Seobu T&D REIT	Operation
2025	Four Points by Sheraton	466	6,552	2020	246	37,593	IGIS Asset	Pacific Asset Management	Operation (AMC change to Shinsegae after acquisition)
2025	Courtyard Marriott Seoul Namdaemun	946	9,631	2016	254	26,395	KT&G	Heungkuk REITs Management	Operation
2026	Ninetree Dongdaemun	234	2,684	2019	81	30,182	Shinhan Seobu T&D REIT	Baekyang	Operation
2024	SM Group Gangnam office	325	4,447	2008	120	26,986	SM Group	BlueCove Investment (Blackstone)	Office to hotel conversion
2026	Voco Seoul Myeongdong	735	9,126	1979	N/A	N/A	Gravity Asset	Capital Land Investment Management	Operation after brand change
2026	Sotetsu Fresa Inn Seoul Myeongdong	150	1,798	1969	~160	N/A	IGIS Asset	IGIS Value Plus REIT	Selection of preferred bidder

Source: Press release, Samsung Securities

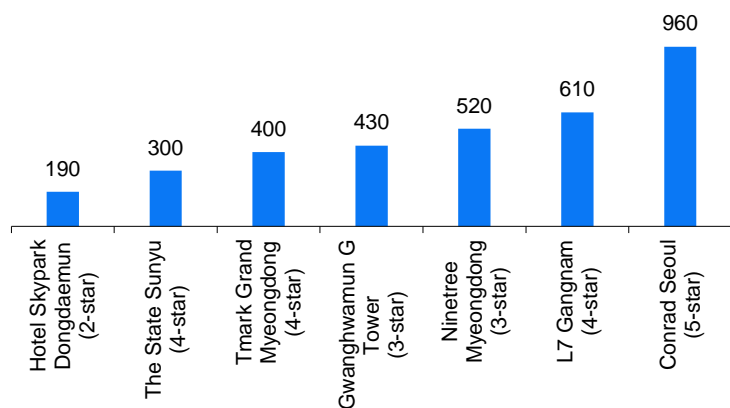
- Since the pandemic, hotel transactions have focused on Seoul, creating an annual market valued around KRW2t—similar to the logistics center sector.
- Over 2021-2022, the primary driver of hotel transactions was redevelopment, with a focus on converting 5-star properties into alternative-use facilities. From 2023, acquisitions have increasingly been for hotel operations.
- Through 2024, transactions were led by large-scale deals. But from 2025, transaction volume shifted towards 3- and 4-star hotels.
- Key transaction areas include Mapo, Hongdae, and Seoul Station—neighborhoods favored by tourists from Southeast Asia and Japan. These locations also benefit from consistent business demand.

# Rising sales price per unit

- The hotel market, buoyed by strong demand from foreign tourists, favors assets with short-term master-lease agreements, a hallmark of a classic boom cycle.
- While minimum revenue guarantee (MRG)-based cap rates have stabilized in the mid-3% range, turnover-based cap rates have risen to the mid-5% level.
- Premium global brands—particularly for Marriott and Hyatt-managed properties—are exerting downwards pressure on cap rates.
- eg, The Grand Hyatt Seoul, acquired for KRW562b in 2019, was resold for KRW730b in 2024, demonstrating clear asset appreciation.
- With the ADR for 3-star hotels rising 33% over 2022-2024, value-added strategies should gain traction in transaction markets over the long term.
- The per-room sale prices for 3- and 4-star hotels rose from the KRW300m level in 2023 to nearly KRW600m as a result of aggressive value-added plans, while assets that had no value added are estimated to trade in the KRW400m–500m range.

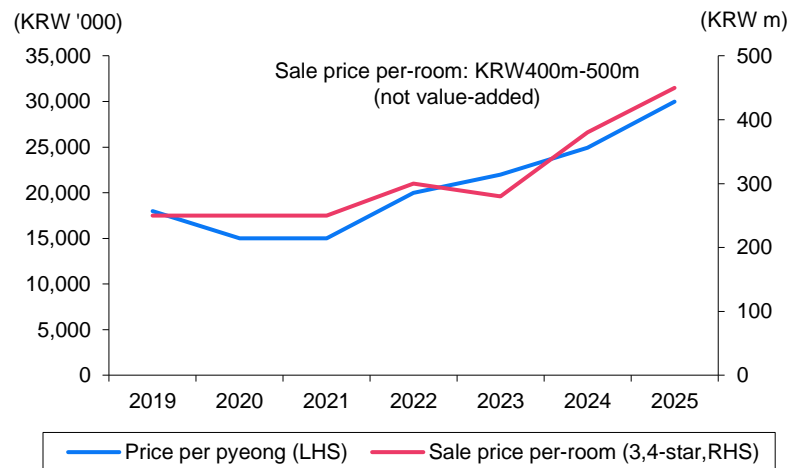
## Per-room sale price (2024 basis)

(KRWm/room)



Source: JLL

## Seoul hotel sale price



Source: JLL

# Value-added strategies

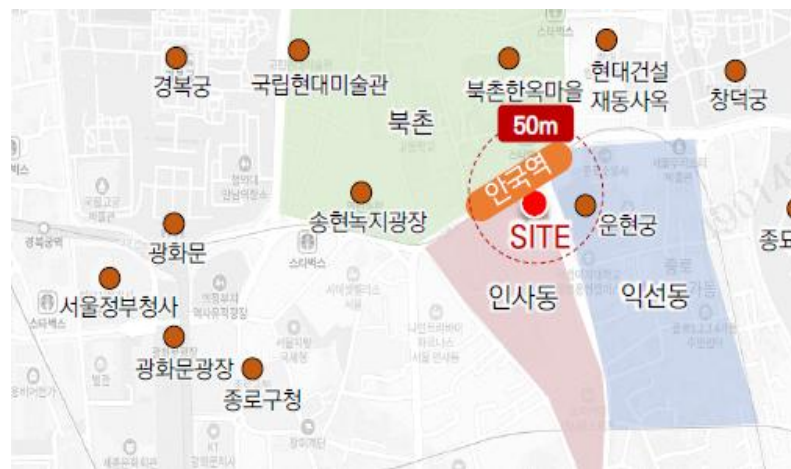
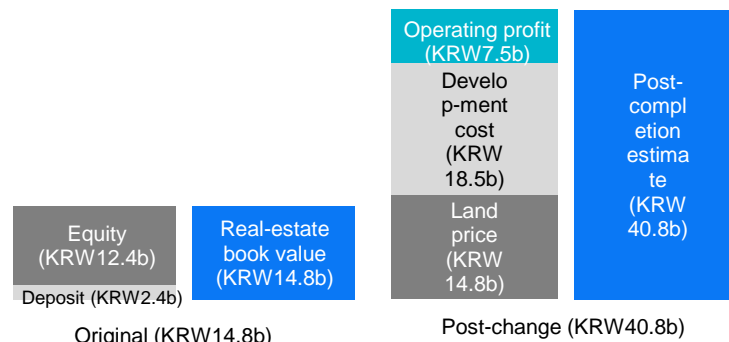
- Key drivers of hotel value include: its brand, its potential for rebranding under flexible contractual structures, and operator quality.
- Investors prefer assets where MRG can be reduced or operators can be switched to better align with market demand.
  - Given the foreign tourist-driven hotel sector's growth, an increasing number of Korean hotels are transitioning to international brands such as Marriott and Accor.
- Value-added strategies increasingly involve upgrading 1- and 2-star hotels to 3-star status through rebranding.
- Domestic corporations and REITs are piloting various projects such as converting gas stations and office buildings into hotels.

## Hotel investment strategies

	Target	Strategy	Case
<b>Core</b>	Stable 3- and 4-star hotel operating assets	Targeting areas popular with international tourists (eg, Myeongdong, Hongdae, Dongdaemun) OCC of 85% or higher given ADR upside	Shilla Stay Mapo Ninetree Dongdaemun Four Points by Sheraton, Seoul Station
<b>Value added</b>	Older assets with OCC 70~80%, ADR KRW80,000-100,000	ADR uplift through conversion to global midscale brands (eg, IHG, Hilton Express, Marriott Moxy) and changes in hotel operators	VOCO Myeongdong (former Tmark), Acquisition price per room known to be KRW600m, aiming for 30% ADR growth
<b>Con-version</b>	Conversion to hotel	Conversion cost of KRW100m-300m per room for vacant offices, offices, gas stations	SM group Gangnam Office, Koramco Life Infra REIT's Jaedong gas station

Source: Samsung Securities

## Koramco Life Infra REIT: Estimated development profit from converting Jaedong gas station into a hotel



Note: Temporary floor area ratio relaxation for small-scale buildings (building permits) from May 2025 to May 1, 2028

Source: Koramco Life Infra REIT, Seoul City, Samsung Securities

# Japan's mid-scale strategy

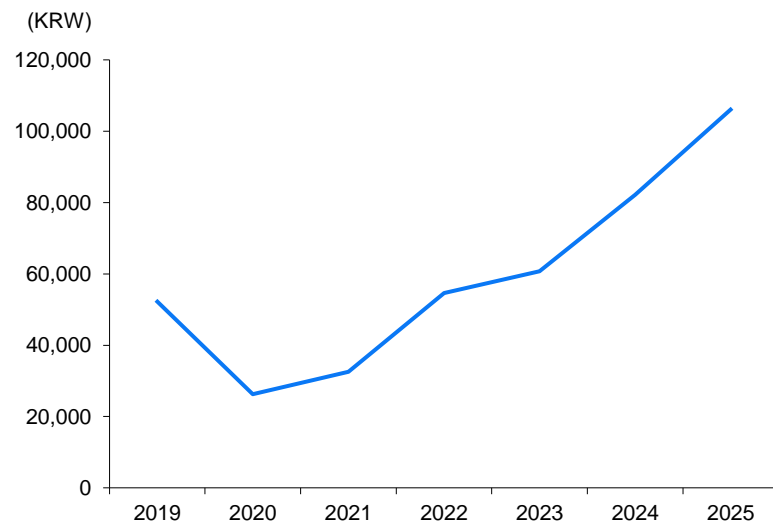
- Hotel transactions in Seoul are predominantly value-added deals, driven by specialized foreign investors, due to the underdeveloped mid-scale hotel segment (eg, 3- and 4-star hotels)—a strategy that has already been well used in Japan.
- KKR's mid-scale play: After acquiring 14 underperforming hotels from the bankrupt Unizo Holdings, KKR rebranded them under Marriott's Four Points Express by Sheraton platform. - It seeks to more than double ADR. Global investors are actively deploying this model across Asia (in Korea, Japan, Singapore, and Hong Kong).
- Japan's hotel market focuses on budget business hotels and luxury international chains. The gap has been filled by global mid-scale brands responding to rising inbound demand. - Inbound tourism has surged, creating an acute undersupply of mid-scale hotels and leaving operators unable to meet rising demand from English and Chinese-language OTAs.
- Japan's hotel supply tightened from 2025, driving ADR and valuation growth. Converting existing select-service hotels into international brands increased ADR 2-3x (LoyaltyLobby data).
- In Korea, where 1- and 2-star RevPAR has already peaked, there should be active switching to international brands and operator swaps to upgrade properties to 3-star status and accelerate value creation.

## Overseas investors' mid-scale hotel strategy in Asia

Country	Investor	Year	Size	Structure	Upgrade strategy
Japan	KKR	2024	14 hotels 3,600 rooms	Acquisition of distressed assets (UniZo Holdings bankruptcy), conversion of mid-scale brand (Four Points Express by Sheraton)	Purchase at distressed discounts, rebranding under a global hotel brand, connection to Marriott Bonvoy's distribution network
Japan	SC Capital, Goldman Sachs, ADI A	2023	27 resorts 7,124 rooms USD900m	Acquisition of Daiwa House portfolio, improvement of rebranding distribution	Focus on nationwide resorts, local operations supported by Japan Hotel REIT, Oriental Express rebranding
Japan	KKR, Gaw Capital	2023	USD410m	Acquisition of Hyatt Regency Tokyo	Flagship full service Luxury upgrade repositioning
Japan	Bentall GreenOak	2023	USD390m	Acquisition of Osaka Rihga Royal Hotels	Preparation for converting existing Japanese flagged hotels into international brands
Korea	Blackstone, BlueCove, Travelodge (Operator)	2024	KRW120b	Acquisition of Gangnam SM Group office, conversion of mid-scale hotel	Office to hotel conversion
Japan	Blackstone	2024	USD1.3b committed	Acquisition of Japan hotel portfolio	Capturing earnings through Japan's surge in foreign tourists, weaker yen, and operational optimization

Source: Press release, Samsung Securities

## RevPAR for 1- and 2-star hotels in Seoul already peaked?

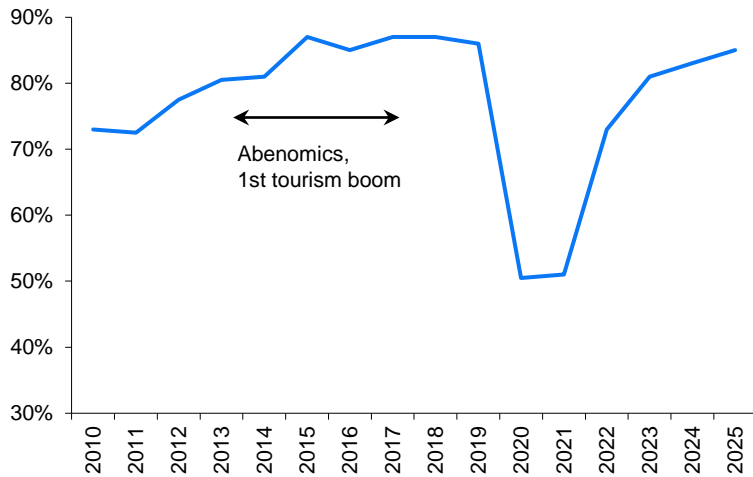


Note: 2025 data is from Yanolja, 2019–2024 data from Korea Hotel Association  
Source: Yanolja, Korea Hotel Association, Samsung Securities

# Abenomics tourism boom (2013-2019)

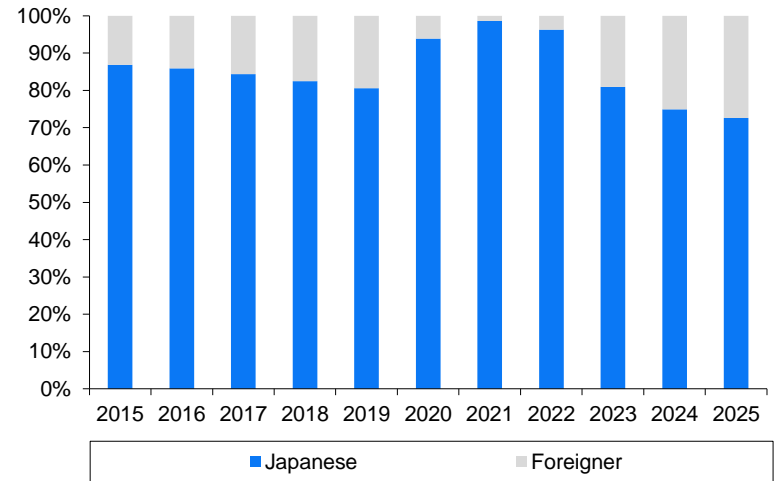
- Japan saw a tourism boom over 2013-2019 under Abenomics, driven by inbound growth. The weak yen and the 'Visit Japan' campaign in 2013 were key catalysts.
- Prime Minister Abe designated tourism as a core pillar of growth in 2012, targeting 20m visitors *pa* by 2020 and 30m *pa* by 2030.
  - Visa requirements were significantly relaxed, and incentives were offered to LCCs to launch new routes. Inbound arrivals tripled over 2013-2018, reaching 31m people (growing at a CAGR: 25.1%).
- Foreign tourist spending as a share of total Japanese consumption rose from 4.7% in 2009 to 17.3% in 2018 (IMF Working Paper, 2020), with the hotel and retail sectors benefiting directly.
- This mirrors current conditions in Korea: The won is weakening, a 'Visit Korea' promotion is underway, and visas are being relaxed.
- In Japan's eight major cities, RevPAR rose 8-30% in 2015 as the number of inbound tourists jumped 47% y-y.

## Japanese hotels: OCC trend



Note: Limited service hotels (limited services beyond room accommodation; business hotels)  
Source: Savills

## Domestic vs international guest ratio in Japan Hotel REIT portfolio

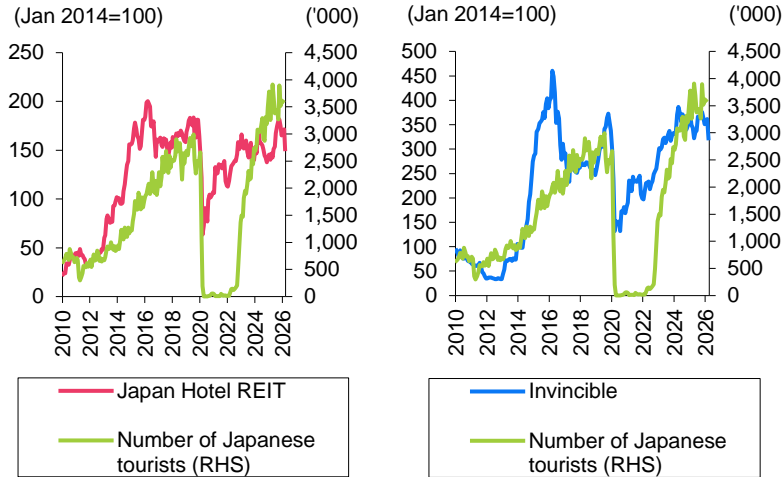


Source: Japan Hotel REIT

# Hotel REITs: Post-pandemic resurgence

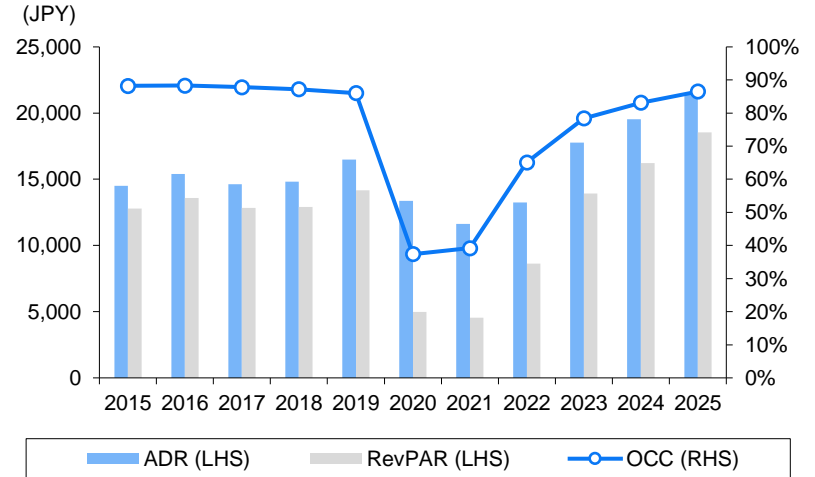
- Hotel REITs have been among the primary beneficiaries of the tourism recovery. Foreign guests as a portion of all guests in REIT-owned hotels surpassed pre-pandemic levels in 2023.
- RevPAR growth slowed from 2016 due to oversupply and competition from Airbnb. However, Japan’s hotel market rebounded strongly in 2024.
- Tokyo’s RevPAR rose 28% in 2024 and 18% in 2025. Osaka, host of the 2025 Expo, saw a 26% RevPAR increase in 2025 (Hospitality Investor).
- Japan Hotel REIT owns 64 properties (spanning 13,000 rooms). It employs a hybrid lease structure to balance growth and stability.
- Fixed rent: Typically used in long-term contracts; provides stable income; commonly applied to airport-adjacent hotels (given low sales volatility) or regionally focused or business-oriented hotels.
- Variable rent: Tied to a percentage of revenue; applied to properties with high traffic fluctuations.
- In 2025, Japan Hotel REIT’s RevPAR grew 17% y-y and its dividends rose 23% y-y.

## Hotel REIT stock prices vs number of tourists visiting Japan



Source: JNTO, Bloomberg, Samsung Securities

## Japan Hotel REIT’s financial performance: RevPAR peaks

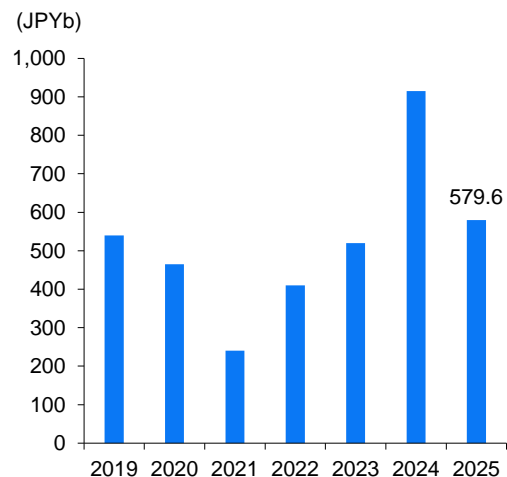


Source: Japan Hotel REIT, Samsung Securities

# Transaction market: Cap rate compression

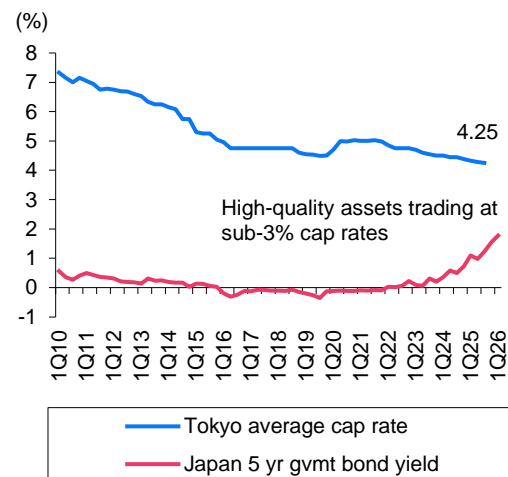
- In 2025, the Japanese hotel transaction volume increased 10%, with J-REITs and Japanese firms together accounting for one-third of all deals.
- Foreign investors have shown strong appetite for Japanese hotels.
  - Blackstone acquired Bespoke Hotel Shinsaibashi in Osaka for JPY14b, for a JPY200b hotel portfolio.
- With new supply set to be constrained, the repositioning and rebranding of existing assets is accelerating.
  - AB Capital acquired two Osaka hotels and rebranded them as City Express (Marriott's mid-scale brand).
- Tokyo hotel cap rates have been declining since 2024. The average is now 4.5%, with high-quality assets trading at sub-3% cap rates.

## Japan hotel transaction value



Source: Colliers

## Tokyo hotel average cap rate



Note: Avg cap rate of Tokyo hotel is based on budget hotels  
Source: CBRE, Bloomberg, Samsung Securities

## Japan hotel investment strategies adopted by foreign investors

	Case
Blackstone	<ul style="list-style-type: none"> <li>• Acquisition of 8 hotel portfolios of Kintetsu Group Holdings in 2021</li> <li>• Additional acquisitions including Osaka, Okinawa Ritz Carlton, Kise Beach Palace,</li> <li>• Expansion of Japan portfolio to USD1.3b</li> </ul>
GIC	Acquisition of Seibu Holdings' hotel and leisure asset portfolio in 2022
SC Capital	Acquisition of Daiwa resort hotel portfolio

Source: Press release, Samsung Securities

## Key transactions in 2025

Hotel	Transaction value (JPYb)	Cap rate	Investor
Hyatt Regency Tokyo	120+	-	Japan Hotel REIT
Asakusa View Hotel	38	3.7%	Hulic REIT
Citadines Central Shinjuku Tokyo	25	-	ML Estate
Holiday Inn Express Osaka City Center Midosuji	22.5	3.5%	Orix JREIT
Bespoke Hotel Shinsaibashi	14	-	Blackstone

Source: Savills, Samsung Securities

PART  
03

## Hotel operator status

## Acceleration of transition to managed operations

- Hotel ownership and operations have increasingly been separated, with two primary models: managed operations and master leases. There is a growing trend towards managing operations to disperse risk and improve cost structure.
- 1) Managed operations: Owner hires a brand hotel to operate the property for a fee, leaving all profit and risk with the owner. This is a widely adopted approach overseas. Expertise of the operator is critical
  - Since the pandemic, the shift towards managed operations has accelerated. In 2022, Lotte, Josun, and Shilla announced plans to grow their managed operations strategy
- 2) Master lease: Korean hotels have traditionally preferred master leases. Creditworthiness of the tenant-operator is critical in master-lease agreements.
  - The tenant-operator commits to a long-term tenancy of more than ten years, pays a fixed rent, and retains full operational discretion—yet bears substantial risk during economic downturns.
  - The recent boom in the hotel industry has lowered demand for assets with long remaining master-lease terms.
- 3) Franchise: Owners license a hotel brand, either running the property themselves or contract third-party operators, often managing multiple brands.
  - Operators share operational risk and fee obligations—exemplified by Seobu T&D's Dragon City.
- While hybrid agreements (combining MRG with revenue sharing) were standard, an increasing number of contracts now exclude MRG entirely.

### Hotel operation models

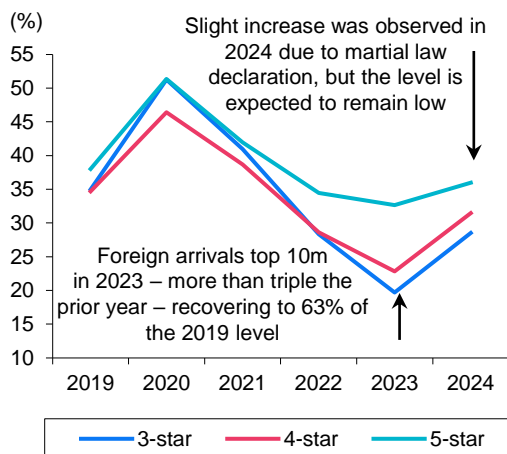
Model	Characteristics	Example	Owner risk	Operator risk
Managed operations	<ul style="list-style-type: none"> <li>• Hotel operator is responsible for managing the property on behalf of the owner</li> <li>• Operator receives a portion of the revenue as an operating fee (fixed fee + incentive)</li> <li>• Operator's management capability is important and this model is widely adopted internationally</li> <li>• Most global hotel chains are third-party operators</li> </ul>	<ul style="list-style-type: none"> <li>• Conrad Hotel</li> <li>• Owner: ARA Asset Management</li> <li>• Third-party operator: Hilton</li> <li>• Brand: Hilton(Conrad)</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> <li>• Direct operation risk</li> </ul>	<ul style="list-style-type: none"> <li>• Low</li> <li>• Fee income</li> </ul>
Master lease	<ul style="list-style-type: none"> <li>• Similar to a standard real-estate lease, the hotel owner leases the property to a tenant</li> <li>• Tenant pays a fixed rent regardless of operational performance</li> <li>• Tenant (operator) enters a long-term lease of 10 years or more with a MRG provided</li> <li>• Perceived as a real-estate investment with stable cash flows</li> <li>• Predominant hotel operating model in Korea</li> </ul>	<ul style="list-style-type: none"> <li>• L7 Hotel Gangnam, Hongdae</li> <li>• Owner: Lotte REIT</li> <li>• Tenant: Hotel Lotte (Operator)</li> </ul>	<ul style="list-style-type: none"> <li>• Low</li> <li>• Fixed rent</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> <li>• Master lease fee burden in case of poor performance</li> </ul>
Franchise	<ul style="list-style-type: none"> <li>• Franchise agreement grants the owner the right to use the hotel chain's brand</li> <li>• Owner operates the property directly and only holds a brand usage license</li> </ul>	<ul style="list-style-type: none"> <li>• Park Hyatt</li> <li>• Owner/operator: Hotel HDC</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

Source: Samsung Securities

# Labor cost-to-sales ratios decline

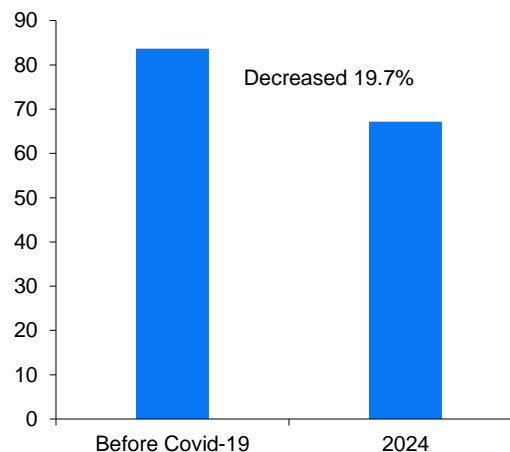
- From 2021, domestic demand rebounded as domestic travelers adapted to COVID-19 conditions, driving up OCC and subsequently normalizing ADR.
- As hotels are labor-intensive with high fixed labor costs, improved OCC has enabled better cost efficiencies, while digital adoption—such as kiosks and robots—has laid the foundations for further labor cost reductions.
- The average number of employees per hotel fell from 83.7 to 67.2 in 2023 (down 165,000 workers), coinciding with a surge in revenue. Operating leverage effects proved strong as a result.
- In 2023, foreign arrivals to Korea reached 11.03m (up 3x y-y and recovering to 63% of the 2019 level), marking the greatest cost-reduction impact period.
- In 2024, labor-cost ratios temporarily rose due to declining F&B revenue. Although F&B is labor-intensive, its contribution to overall sales has been shrinking.

**Labor cost-to-sales ratio**



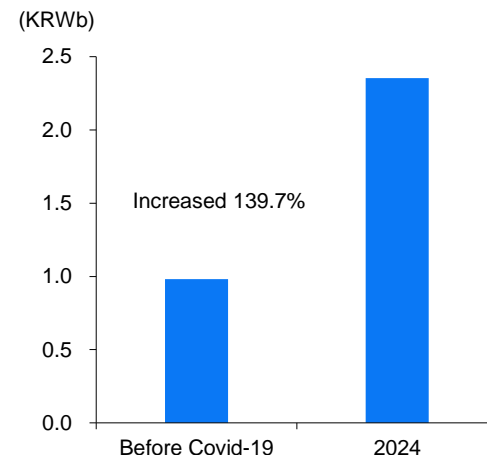
Source: Korea Hotel Association, Samsung Securities

**Average number of employees per hotel**



Source: Korea Hotel Association, Samsung Securities

**Seoul hotel room revenue**










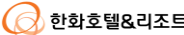








Source: Korea Hotel Association, Samsung Securities

# Classification of hotel operators

- Hotel operators in Korea can be broadly categorized into four groups:
  - 1) Global top-five chains with over 30 brands each
  - 2) Domestic operators affiliated with large Korean conglomerates
  - 3) Specialized operators from Japan and other Asian markets
  - 4) Independent or boutique luxury operators

## Categorization of hotel operators in Korea







Category	Major operators	Operation	Characteristics
Global top-5 chains	    	Third-party operation Franchise	Global OTA Point membership
Domestic operators affiliated with large Korean conglomerates	    	Self operation Hybrid (self operation & third-party operation)	Brand diversification (mid-scale) Duty free, F&B synergy
Japanese operators	  	Self operation Hybrid (self operation & third-party operation)	Specialized, cost-efficient, targeting international tourists
Independent or boutique luxury operators	  	Third-party operation	Ultra-luxury, single-asset focused

Source: Company data, Samsung Securities

# Global top-5 chains: Advantage in attracting foreign tourists

- As tourists from the US, Europe, and Asia become more diverse in nationality, preference for the global top-five hotel chains is rising.
- JW Marriott benefits from having nearly 200m members in Marriott's Bonvoy loyalty program and is rapidly gaining market share through new mid-scale brand launches.

## Global top-5 chains

Category					   
Headquarter	Bethesda, Maryland, US	Chicago, Illinois, US	McLean, Virginia, US	Denham, UK	Issy-les-Moulineaux, France (Accor), Seoul, Korea (Ambassador)
Global size	143 countries, 30+ brands, 9,700 hotels	70 countries + 1,000 hotels, 300,000 rooms	119 countries, 22 brands, 7,800+ hotels	6,000+ hotels, 19 brands, 900,000 rooms	Accor: 110+ countries, 45 brands, 5,700+ hotels
Number of hotels in Korea	38 hotels in 10 cities (as of 2024), planning to add 12 more	8~10 hotels (Grand Hyatt, Park Hyatt, Andaz, Mondrian, Hyatt Place)	6~8 hotels (Conrad, Double Tree, Hilton Garden Inn)	Intercontinental (IHG's flagship luxury brand)-Crown Plaza-Voco	7+ brands including Novotel-Mercure-Ibis-Pullman-Sofitel-Fairmont-Grand Mercure, operates 30+ in Seoul-Busan-Jeju-Incheon-Daegu-C hangwon-Suwon
Characteristics	Announced a target of 50 hotels by 2025 (officially mentioned Asia-Pacific market)	Most limited global chain in Korea Luxury-focused strategy	Plans to open 1,000 Hilton brand hotels in Asia-Pacific market by 2025	Parnas hotel (GS group) operates via IHG brand license Brand conversion to Westin (Marriott) in 2025	Covers full range from luxury(Fairmont-Sofitel)-economy (Ibis) Widest brand spectrum in Korea
Royalty program	Marriott Bonvoy, 200m members	World of Hyatt (loyalty points accrual, complimentary stay benefits)	Hilton Honors, 160m members	IHG One Rewards	ALL - Accor Live Limitless
Contract	Management contract + Franchise	Management contract + limited number of franchises	Management contract + Franchise	Management contract-Franchise	Established AAK in Korea which operates as Accor's only local subsidiary in the country
Characteristics	<ul style="list-style-type: none"> <li>• Largest global chain with 38 hotels in Korea, strategic partnership with Josun Hotels &amp; Resorts</li> <li>• Covers full range from luxury ~ mid-scale, fast expansion through conversion strategy</li> <li>• Global loyalty customer base with Marriott Bonvoy members</li> <li>• Acquired Starwood in 2016, integrating brands such as Sheraton, Westin, W Luxury Collection, St.Regis</li> </ul>	<ul style="list-style-type: none"> <li>• Luxury-focused strategy</li> <li>• Limited number of hotels in Korea, but higher asset value and price per room than Marriott</li> <li>• Grand Hyatt Seoul acquired PAG/Inmark in 2019 and resold to BlueCove in 2024 for KRW730b, validating the asset value</li> <li>• Beginning of mid-scale expansion with the launch of Hyatt Place</li> </ul>	<ul style="list-style-type: none"> <li>• Conrad established itself as a prime asset in Korea</li> <li>• Hilton Honors members, strong inbound demand supported by high preference among business travelers from US/Europe</li> <li>• Partnership with SLH (small luxury hotels) enables bookings across independent luxury hotels</li> <li>• Strong commitment to expansion across Asia-Pacific</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term partnership with Parnas Hotel (GS Retail) but brand exit as a result of COEX building's conversion to Westin (Marriott) in 2025</li> <li>• Strengthening its lifestyle position through the launch of Voco</li> <li>• Preference among Asian business travelers</li> <li>• Slow growth due to reliance on a single partner (Parnas)</li> </ul>	<ul style="list-style-type: none"> <li>• The only global hotel chain offering a full spectrum brand portfolio across all price segments</li> <li>• Localized operations backed by Ambassador's 60 years expertise and Accor's global booking platform (TARS)</li> <li>• AAK (JV) is the only locally incorporated entity among global hotel chains in Korea</li> <li>• Ibis Ambassador Gangnam pioneered Korea's midscale business hotel segment in 2003</li> </ul>

Source: Company data, Samsung Securities

## Domestic operators affiliated with large Korean conglomerates

- Domestic operators affiliated with large Korean conglomerates include Lotte Hotel, Hotel Shilla, E-Mart, and GS Retail, with each pursuing independent hotel brands.
- Lotte, Shilla, and Paranas are actively expanding into 3- to 4-star hotels to target inbound tourists.
- Key brands include L7, Lotte City Hotel, Shilla Stay, Gravity, and Nine Tree.

### Domestic operators affiliated with large Korean conglomerates

Category	 HOTEL LOTTE	THE SHILLA	JOSUN HOTELS & RESORTS	 PARNAS
Parent company	Lotte Group (Hotel Lotte)	Samsung Group (Hotel Shilla)	Shisegae Group (E-Mart)	GS Group (GS Retail)
Brands	Signiel / Lotte Hotel / Briv / Lotte City Hotel / L7	The Shilla, Shilla Monogram, Shilla Stay	Westin Josun, Josun Palace, Grand Josun, Four Points by Sheraton Josun, Gravity, L'Escape	Grand Intercontinental, Westin Seoul Parnas, Parnas, Ninetree
Royalty program	Lotte Members (link to L.POINT)	Shilla Rewards		Parnas Rewards
Operational structure	Owner-operated+management contract expansion Lotte REIT asset acquisition strategy	Direct ownership	Owner operated+global brand license (Marriott Westin, Four Points, etc)	Direct ownership, owner-operated (IHG, Marriott brand license)
Key brands and hotels	<ul style="list-style-type: none"> <li>• Signiel: Seoul, Busan</li> <li>• Lotte Hotel: Seoul, Busan, Ulsan, Daegu, Jeju</li> <li>• Briv: Seoul</li> <li>• Lotte City Hotel: Mapo, Guro, Myeongdong, Jeju</li> <li>• L7: Gangnam, Hongdae, Haeundae</li> </ul>	<ul style="list-style-type: none"> <li>• The Shilla: Seoul, Jeju</li> <li>• Shilla Monogram: Busan (planned)</li> <li>• Shilla Stay: Seodaemun, Mapo, Yeoksam, Jeju</li> </ul>	<ul style="list-style-type: none"> <li>• Josun Palace Luxury Collection: Josun Palace Seoul Gangnam (282 rooms)</li> <li>• Westin Josun: Seoul (462 rooms), Busan (520 rooms)</li> <li>• Grand Josun: Busan (311 rooms), Jeju</li> <li>• L'Escape: Seoul Myeongdong (luxury collection)</li> <li>• Gravity Autograph: Gravity Seoul Pangyo (291 rooms)</li> <li>• Four Points by Sheraton: Four Points Josun Seoul Station Myeongdong</li> </ul>	<ul style="list-style-type: none"> <li>• Intercontinental: Grand Intercontinental Seoul</li> <li>• Westin: Westin Seoul Parnas</li> <li>• Parnas: Jeju</li> <li>• Ninetree: Gangnam, Myeongdong, Dongdaemun, Insadong, Pangyo</li> </ul>

Source: Company data, Samsung Securities

PART  
04

# Related companies

## Transition to a growth-oriented REIT through acquisition of L7 hotels

# Lotte REIT(330590)

Market cap	KRW1.4t	2026F Dividend yield	5.6%
------------	---------	----------------------	------

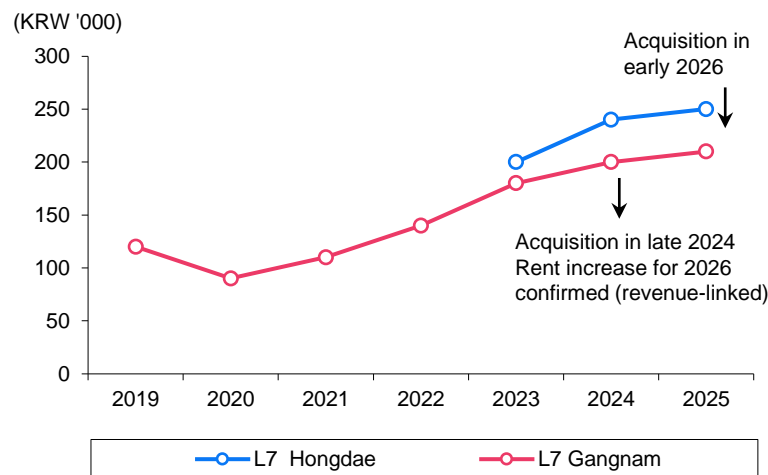
- Beginning with L7 Gangnam in late 2024 and culminating with the full integration of L7 Hongdae in Jan 2026, the portfolio's AUM has grown to KRW2.9t, with hotels now accounting for 21% of its total assets.
- Hotel assets operate under a fixed-plus-variable rental structure. In 2025, RevPAR rose 10% in Hongdae and 11.8% in Gangnam.
  - L7 Gangnam has outperformed its targets that were set at the time of its acquisition. A 10% rent increase for 1H26 has been confirmed (based on a variable component tied to 20% of the prior six months' room revenue).
  - Hongdae's OCC is projected to reach the 90% range in 2026 (vs 87% in 2025).
- Lotte REIT's value-up plan was announced in late 2024, hinting at a 100bps increase in dividend yield *pa* through 2028. Historically, dividend growth has been driven by reduced interest costs; now, it is increasingly being supported by earnings growth from growth-oriented assets.

### Financial metrics

	2024	2025	2026E	2027E
Revenue (KRWb)	126	141	144	146
Net profit (KRWb)	16	36	38	47
EPS (adj) (KRW)	65	125	133	164
EPS (adj) growth (%)	(72.7)	78.0	92.6	6.4
Operating profit margin (%)	60.0	63.4	65.0	66.3
ROE (%)	0.8	1.5	3.1	3.4
P/E (adj) (x)	46.9	31.6	36.3	29.6
P/B (x)	0.7	1.0	1.3	1.3
ROA (%)	0.7	1.4	1.5	1.9
Dividend yield (%)	7.0	6.1	5.6	6.0

Source: Company data, Samsung Securities

### ADR trend of acquired hotel assets: CAGR of 4%



Source: Company data, Samsung Securities

## Conversion to growth-oriented REIT through hotel development

# Koramco Life Infra REIT (357120)

Market cap **KRW461.9b** 2026F Dividend yield **7.6%**

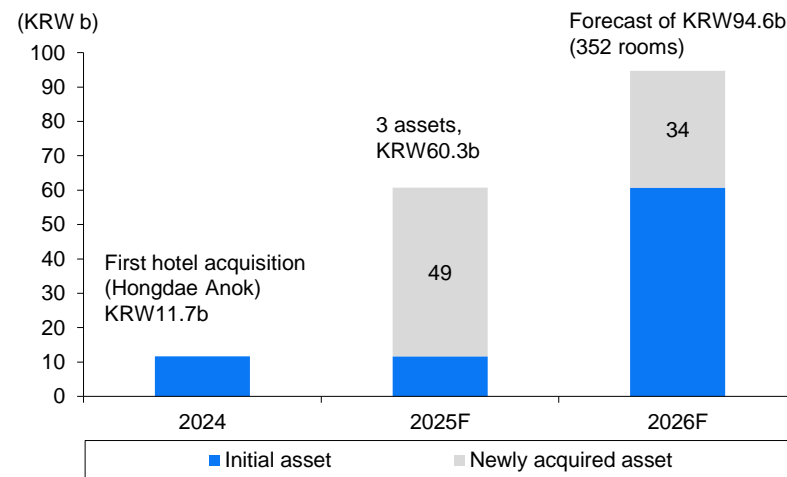
- Since 2024, the portfolio has focused on acquiring 2-star hotels. Hotel assets currently represent 3% or KRW60.3b of its AUM, but the company plans to expand the figure to KRW100b in 2026.
- Value-added strategy: Hotels in Sillim and Guwol have been rebranded as 3- and 4-star properties under the Marriott brand.
- Development strategy: Existing gas stations are being repurposed. The Anguk gas station is being redeveloped into a co-living hotel, with construction having begun in Apr 2026 and its opening planned for Oct 2027.
- The dividend yield from existing gas stations is 4.2%, while the three hotels generate yields of 5.8-6%. The Anguk gas station, following its redevelopment into a hotel, is projected to be valued at over KRW40b—more than double its original value.

### Financial metrics

	2024	2025	2026E	2027E
Revenue (KRWb)	83	73	77	81
Net profit (KRWb)	36	19	20	24
EPS (adj) (KRW)	396	195	204	243
EPS (adj) growth (%)	44.1	(50.9)	4.8	19.4
Operating profit margin (%)	71.5	67.6	66.2	66.5
ROE (%)	7.4	3.9	4.4	5.7
P/E (adj) (x)	10.8	22.8	23.3	19.5
P/B (x)	0.8	0.9	1.1	1.1
ROA (%)	2.8	1.5	1.5	1.7
Dividend yield (%)	9.7	7.4	7.6	6.9

Source: Company data, Samsung Securities

### Hotel expansion strategy



Source: Company data, Samsung Securities

The one and only pure-play hotel REIT

# Shinhan Seobu T&D REIT (404990)

Market cap **KRW281b** 2025 Dividend yield **7.3%**

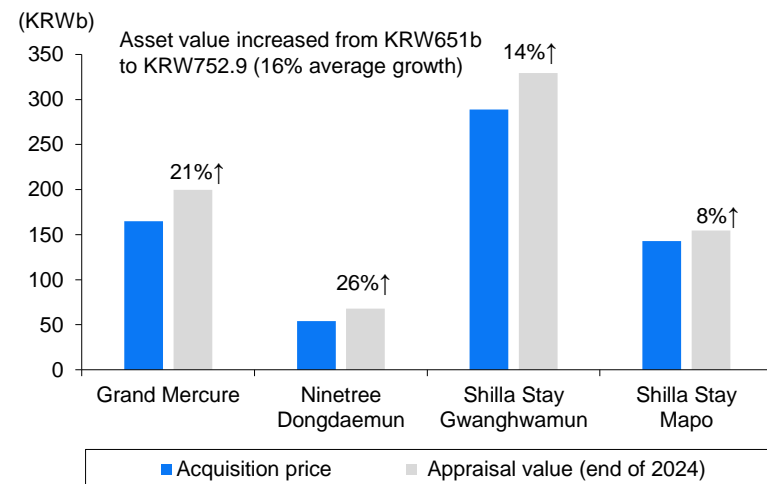
- Driven by improved hotel performance, the minimum DPS guidance per period has been raised to KRW137. In Dec 2025, the sale of the Dongdaemun Nine Tree Hotel (originally acquired for KRW54b) generated a disposal gain of KRW27b.
- The disposal gain from December is equivalent to a DPS of KRW330, and the recovered principal will be deployed to fund the acquisition of preferred shares in Shilla Stay Mapo (which asset was secured in 2025).
- The company plans to focus future acquisitions on 3- and 4-star hotels. Sponsor Seobu T&D should begin large-scale mixed-use development in 2026, and Shinhan Seobu T&D REIT is likely to incorporate these assets.
- CBs: As of now, KRW5.5b in 1CB and KRW32.7b in 2CB remain unconverted. In the event a put is exercised, the company plans to repay the debt using low-rate short-term bonds to further reduce its interest costs.

## Financial metrics

	2022	2023	2024	2025
Revenue (KRWb)	30	31	36	59
Net profit (KRWb)	9	10	9	5
EPS (adj) (KRW)	157	175	164	(30)
EPS (adj) growth (%)	275.9	12.0	(6.8)	적전
Operating profit margin (%)	57.3	60.2	62.9	67.0
ROE (%)	3.3	3.7	3.5	(0.7)
P/E (adj) (x)	23.3	20.9	21.0	(118.7)
P/B (x)	0.8	0.8	0.7	0.8
ROA (%)	1.5	1.6	1.2	0.5
Dividend yield (%)	8.7	7.9	7.2	7.3

Source: Company data, Samsung Securities

## Asset value of acquired hotels



Source: Company data, Samsung Securities

The one and only pure-play hotel REIT

# Shinhan Seobu T&D REIT (404990)

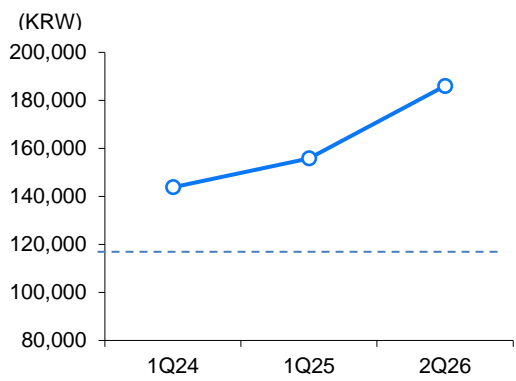
Market cap	KRW281b	2025 Dividend yield	7.3%
------------	---------	---------------------	------

- Gwanghwamun G Tower and Shilla Stay Mapo have high revenue-linked distribution ratios, ensuring that revenue growth directly flows to shareholder dividends. Both assets have already exceeded their MRG thresholds.
- The Yongsan Grand Mercure applies a high MRG (KRW356,000 per room on annual basis) to enhance the REIT's dividend stability.
- The refinancing of G Tower in Mar 2026 should reduce the firm's funding costs 90bps, with lower interest costs and improved hotel performance serving as the drivers for dividend growth.

## RevPAR exceeding the MRG threshold by hotels

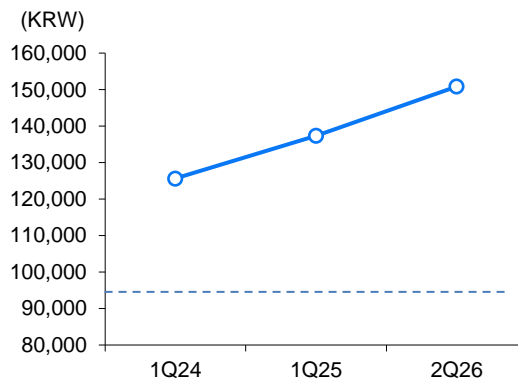
Category	Shilla Stay Gwanghwamun	Ninetree Dongdaemun (sold)	Yongsan Grand Mercure	Shilla Stay Mapo	Formula
Number of rooms	338	219	202	382	(a)
Annual occupied rooms	123,370	79,935	73,730	139,430	(b) = (a) * 365
Basic rent	42%	38%	40%	40%	(c)
MRG (annual, KRW/b)	5.29	2.20	10.51	5.3	(d)
RevPAR exceeding MRG threshold (KRW)	102,132	72,427	356,500	95,030	(d) / (c) / (b)

### Shilla Stay Gwanghwamun: RevPAR



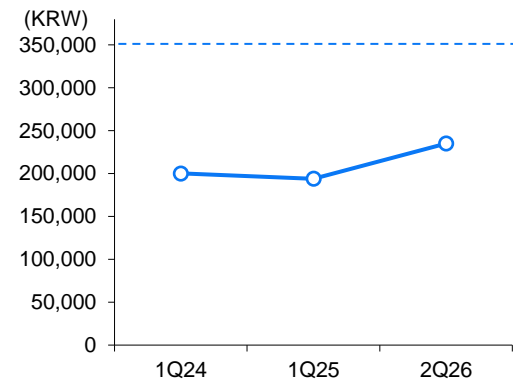
Source: Company data

### Shilla Stay Mapo: RevPAR



Source: Company data

### Yongsan Grand Mercure: RevPAR



Source: Company data

From hotel operator to developer

# Seobu T&D (006730)

Market Cap **KRW899.2b** 2025 Dividend yield **0.8%**

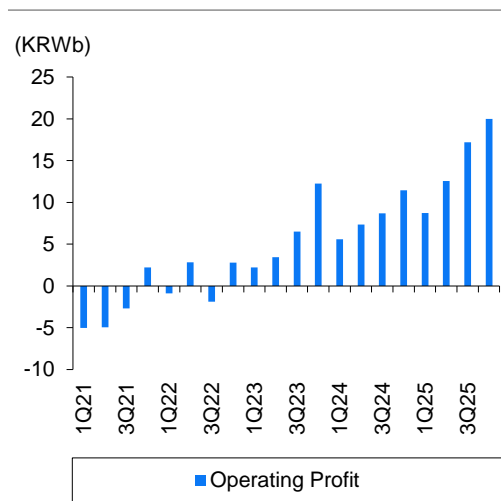
- Originally founded as a parking and fuel business, the company has leveraged its terminal/logistics land assets to become a developer and hotel company.
- Its first major developments were Incheon Square 1 and Yongsan Dragon City (comprising Ibis, Novotel, and Grand Mercure; 1,700 rooms). Yongsan Dragon City's operating profit increased 50% y-y in 3Q25.
- As of 2025, 74% of its operating profit came from hotels and 26% from shopping malls (Incheon Square 1). Revenue from the Najin Arcade development project should begin to be recognized in 2026.
- The company has: 1) expanded its room inventory to 2,600 through Shinhan Seobu T&D REIT; 2) recently acquired Shilla Stay Mapo via the REIT; and 3) plans to take over direct operations upon the expiration of the master lease agreement.

## Financial metrics

	2022	2023	2024	2025
Revenue (KRWb)	135	169	181	248
Net profit (KRWb)	25	147	65	116
EPS (adj) (KRW)	248	2,052	514	1,206
EPS (adj) growth (%)	(58.5)	728.4	(74.9)	134.4
OP Margin (%)	14.2	22.0	26.6	28.3
ROE (%)	2.5	18.0	3.7	7.7
P/E (adj) (x)	28.5	3.5	10.5	10.9
P/B (x)	0.7	0.5	0.4	0.8
ROA (%)	1.2	6.7	2.5	3.8
Dividend yield (%)	0.6	0.6	1.8	0.8





Source: Company data

## Hotel business operating income



Note: Operating revenue generated irrespective of ownership, Grand Mercure owned by Shinhan Seobu T&D REIT  
Source: Seobu T&D, Samsung Securities

## Dragon City: Franchise

Hotel	Number of rooms
 GRAND MERCURE SERVICED RESIDENCES	Grand Mercure Ambassador Hotel and Residence Yongsan: 202
 NOVOTEL AMBASSADOR SEJUL YONGSAN	Novotel Ambassador Yongsan: 621
 ibis STYLES	Ibis Styles Ambassador Yongsan: 591
 NOVOTEL SUITES AMBASSADOR SEJUL YONGSAN	Novotel Suites Ambassador Yongsan: 286

Source: Ambassador Hotel Group, Seobu T&D

From hotel operator to developer

## Seobu T&D (006730)

Market Cap KRW899.2b 2025 Dividend yield 0.8%

- The company owns 40,000 pyeong of land, with the start of the Yongsan Najin Arcade development project signaling the beginning of large-scale land development.
  - In Apr 2026, it received approval for the Najin Arcade development project. Acquired in 2017, the land's value has since increased 51% (book value in 2025: KRW150b).
  - Plans include the development of high-end officetels and premium office space. The officetels will be offered for presale upon the start of construction in 2026, generating revenue immediately, with peak revenue recognition likely in 2028.
  - The Sinjeong-dong site is scheduled to break ground in early 2027, as a trillion won-scale mixed-use development featuring a logistics center, shopping mall, and residential facilities. Peak revenue recognition is likely in 2030.
- This is the fastest-developing parcel among the pilot sites for an urban high-tech logistics complex. The project has a construction cost of KRW1.8t, with residential presales revenue likely to land in the KRW1t range.

### Seobu T&D: Development sites

	Yongsan Najin Arcade	Sinjeong-dong	Square 1 Plus
Location	Yongsan-gu Hangang-ro 3	Yangcheon-gu Sinjeong-dong 1315	
Site area	1,823 pyeong	31,534 pyeong	5,858 pyeong
Gross floor area (plan)	23,000 pyeong	238,936 pyeong	Not decided
Primary purpose	Office, High-end officetels	Logistics center/Shopping mall/Officetel/Apartment	Retail/Neighborhood commercial facilities/Public contribution facilities
			
Land acquisition date	2020	~1979	2019
Land book value (2025)	KRW147.7b	KRW620b	KRW23.6b
Expected development cost	KRW1t	KRW4t-5t	Not decided

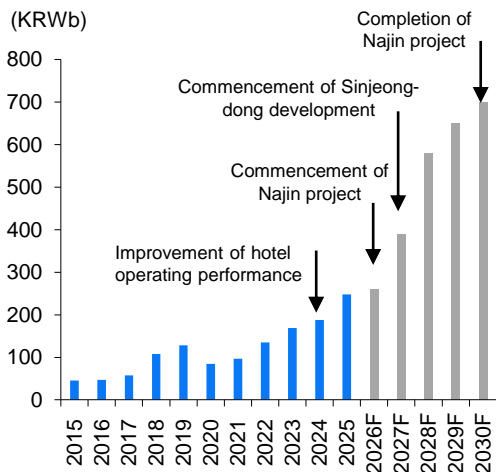
Source: Company data

# Seobu T&D (006730)

Market Cap	KRW899.2b	2025 Dividend yield	0.8%
------------	-----------	---------------------	------

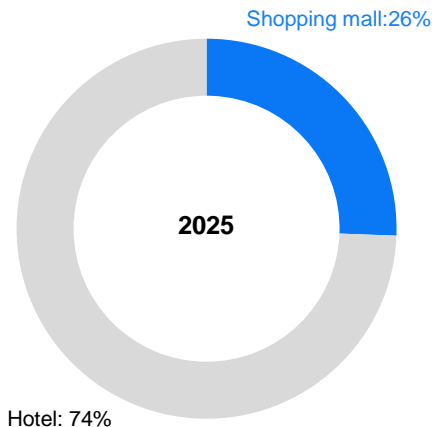
- Seobu T&D's cash flow is likely to improve significantly from 2030, as the recovery of investments from the Najin Arcade development project should coincide with the start date of when the acquired hotels will begin to be operated directly.
- In 2030, following the expiry of operator contracts for Shilla Stay Gwanghwamun and Shilla Stay Mapo (both hotels are owned by Shinhan Seobu T&D REIT), Seobu T&D is likely to pursue new lease agreements.
- Starting with Dragon City's 1,700 rooms, a total of 2,400 hotel rooms have been secured (as of Apr 2026).
- Currently, 74% of revenue is generated from hotel operations. However, if the Najin Arcade development projects proceeds as scheduled, revenue contributions from hotel operations and development projects should prove similar in 2028.

## Seobu T&D: Revenue



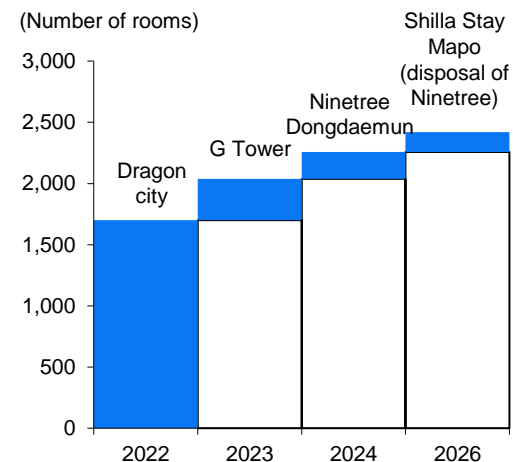
Source: Company data, FnGuide

## Seobu T&D: Revenue composition (2025)



Source: Company data, Samsung Securities

## Number of rooms secured: 2,400



Source: Company data

# Compliance Notice

---

- As of 6/25 2025, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 6/25 2025, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.
- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
- This material has not been distributed to institutional investors or other third parties prior to its publication.



## Samsung Securities

### SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,  
Seochodaero-ro, Seocho-gu, Seoul, Korea 06620  
Tel: 02 2020 8000 / [www.samsungpop.com](http://www.samsungpop.com)

**Family Center:** 1588 2323

**Voice Of Customer:** 080 911 0900



Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA