



COVID-19 Sentiment Survey

**The impact of COVID-19 on the
South Korea Hotel Industry**

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Han Sol Park
Manager

Daniel Voellm
Managing Partner

HVS is recently completed an anonymous short survey about the COVID-19 pandemic and its unprecedented impact on the South Korea hotel market. On a property level, the survey focuses on hoteliers' point of view on contingency measures, business strategies, signs of recovery indication, and comparison between pre-COVID-19 crisis and post-COVID 19 crisis.

SURVEY QUESTIONS

Contingency Plans

- The level of effectiveness for each contingency measure
- Other contingency measures being undertaken
- Contingency measures being undertaken from the Corporate Office to support Hotel Owners
- The period of implementing the contingency measures
- Implementing promotions to drive Rooms & F&B sales
- Implementing new F&B business models
- Experience of increase in staycation business

Sign of Recovery & Market Outlook

- An indication to sign of recovery
- A recovery period by each market segment
- Group booking status
- A recovery period by each source market
- The market's dynamic between pre- and post COVID-19

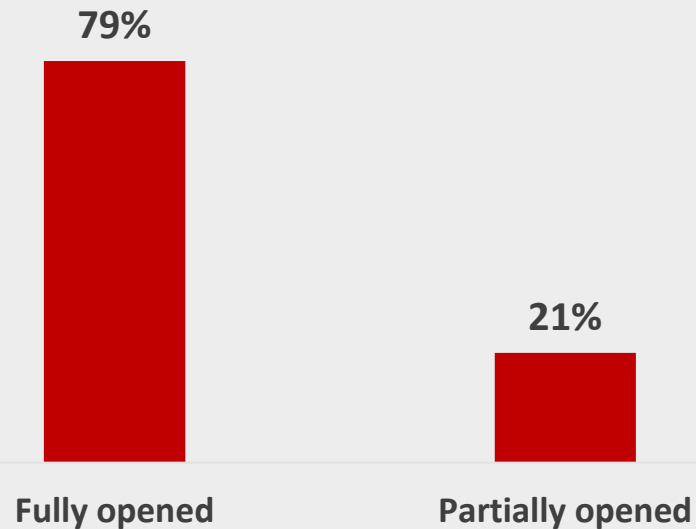
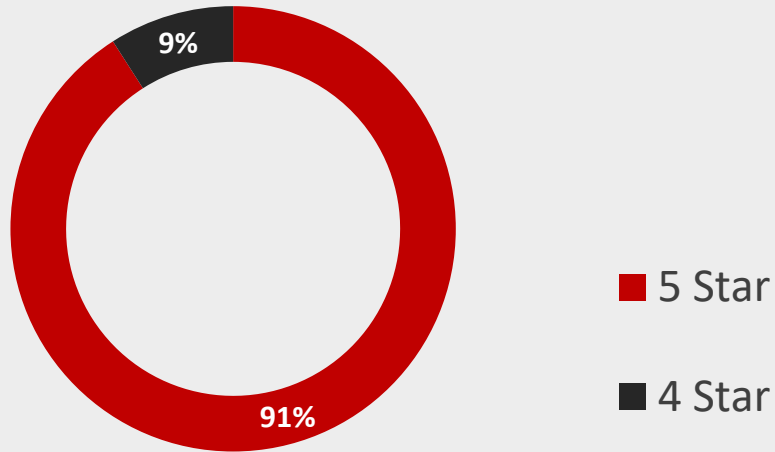
- The survey was distributed to participants on 11 June 2020.
- The data collection period was available through 10 July 2020. The analysis was performed thereafter.

Key Takeaways

- Almost 80% of the sample hotels are fully opened
- Contingency measures are planned for an average of 6.4 months. Most respondents answered 6 months.
- 50% of respondents' corporate offices offer to defer FF&E programs and PIPs
- Designing room package for staycation driving sales for both rooms and F&B was found most effective among initiatives properties are currently implementing.
- Most hoteliers believe that a travel ban lift is a priority to welcome new and return business.
- Leisure demand is expected to partially recover the fastest in less than four months in comparison to other segments. 85% respondents expected the full recovery of leisure demand to be achieved in less than 12 months.
- 65% of properties witnessed cancellations of group bookings due to COVID-19.
- Most respondents' outlook for the Domestic market is a fast recovery within 6 months, followed by short haul market including China.
- As a direct impact of COVID-19, lower performance in both occupancy and average rate is expected by most of respondents.

Respondents

14 hotels with a total of 5,900 rooms

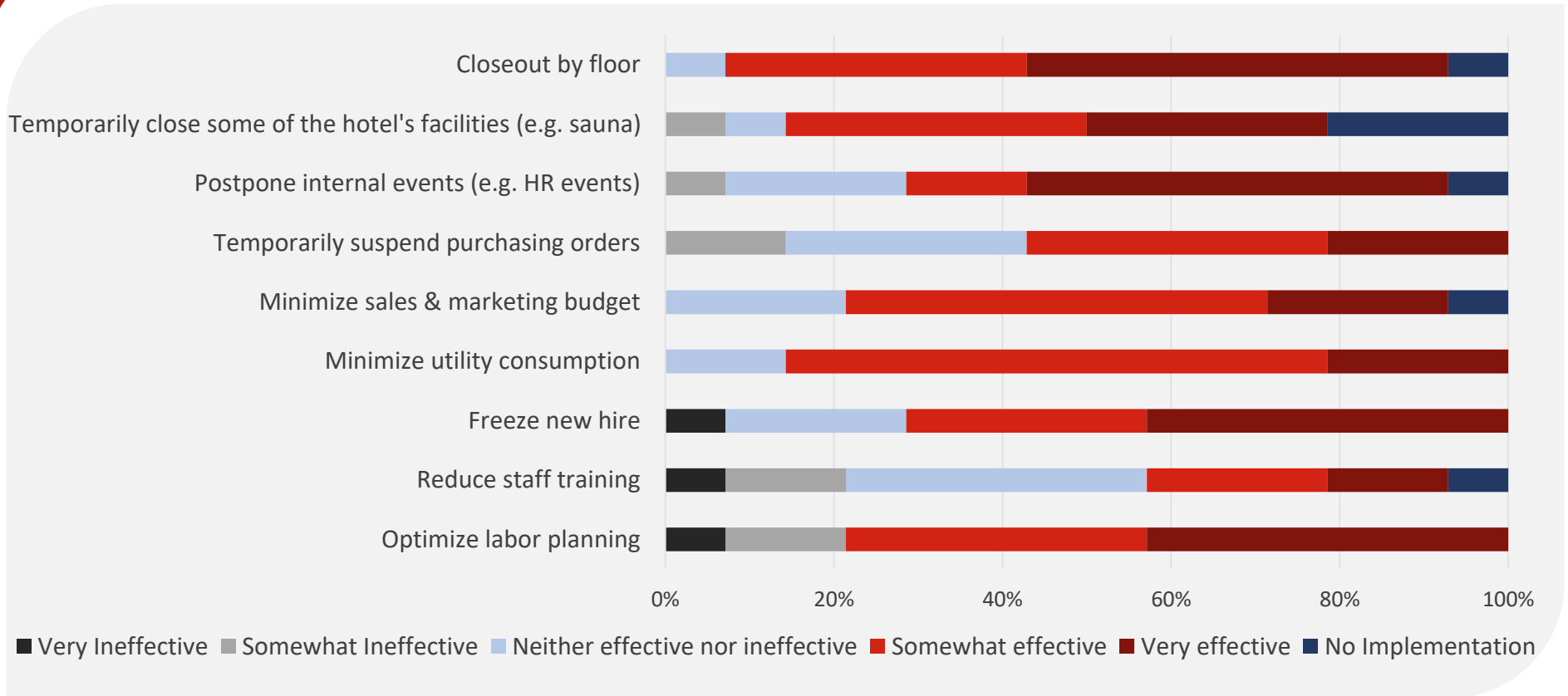


- Over **90%** of the properties in the survey sample are in the 5-star positionings.
- Almost **80%** of the survey sample are fully opened for operation
- About 35% of the properties responded to the survey are located within Seoul. Over 70% of the properties responded to the survey are in Seoul and its metro area.
- All of hotels in the sample survey are **branded hotels**

CONTINGENCY PLANS

Contingency Plans

What is the level of effectiveness for each measures?



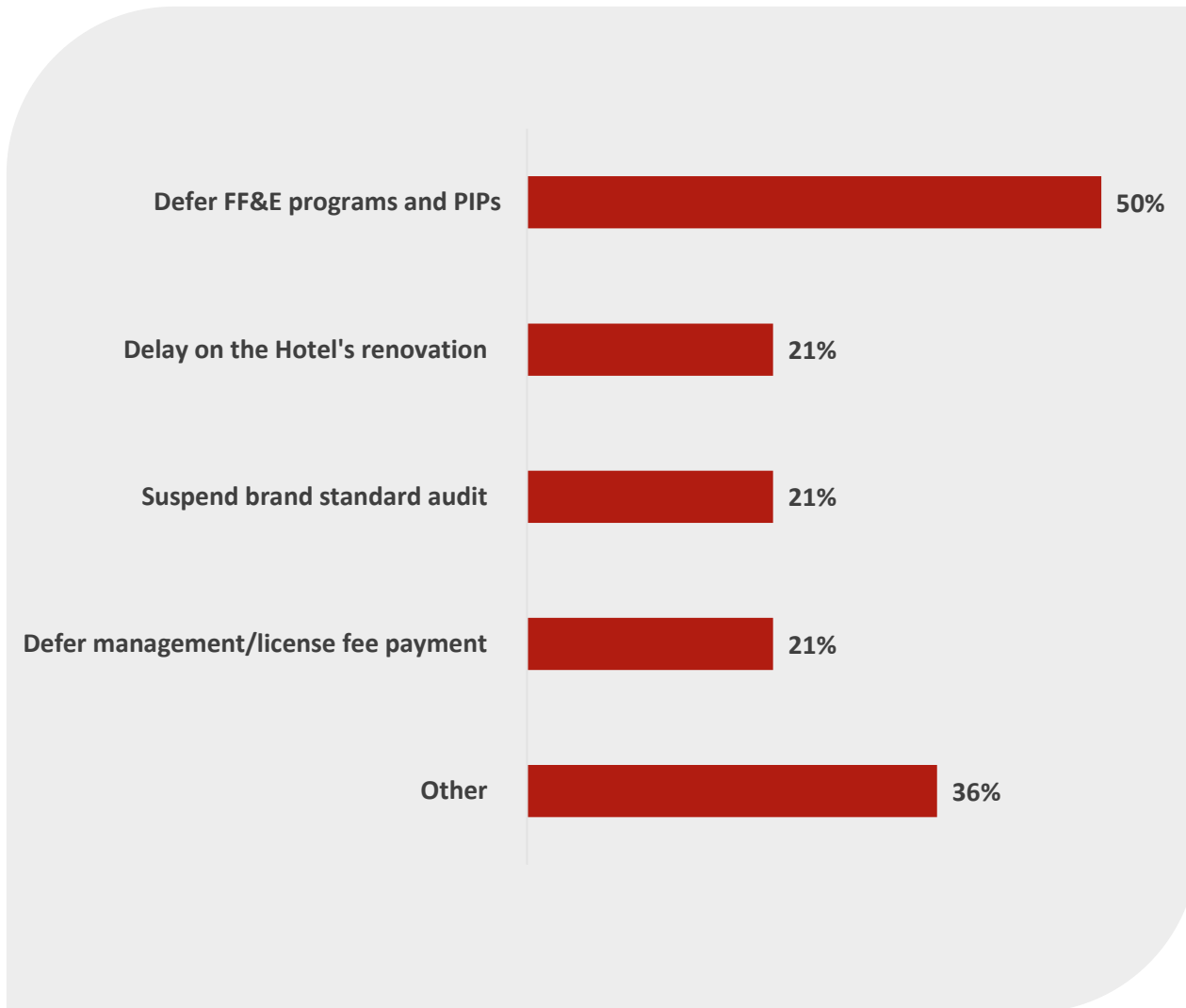
- Contingency measures are planned in average for 6.4 months. Most of respondent answered for 6 months.
- A reduction in staff training** is deemed least effective

- Hotel operators found that **controlling room inventory by closing out by floor** as most the effective contingency measure.

- Other effective measures provided by respondents are the shortening F&B operation hours, maintaining minimum roster for government subsidy, and cross training.

Contingency Plans

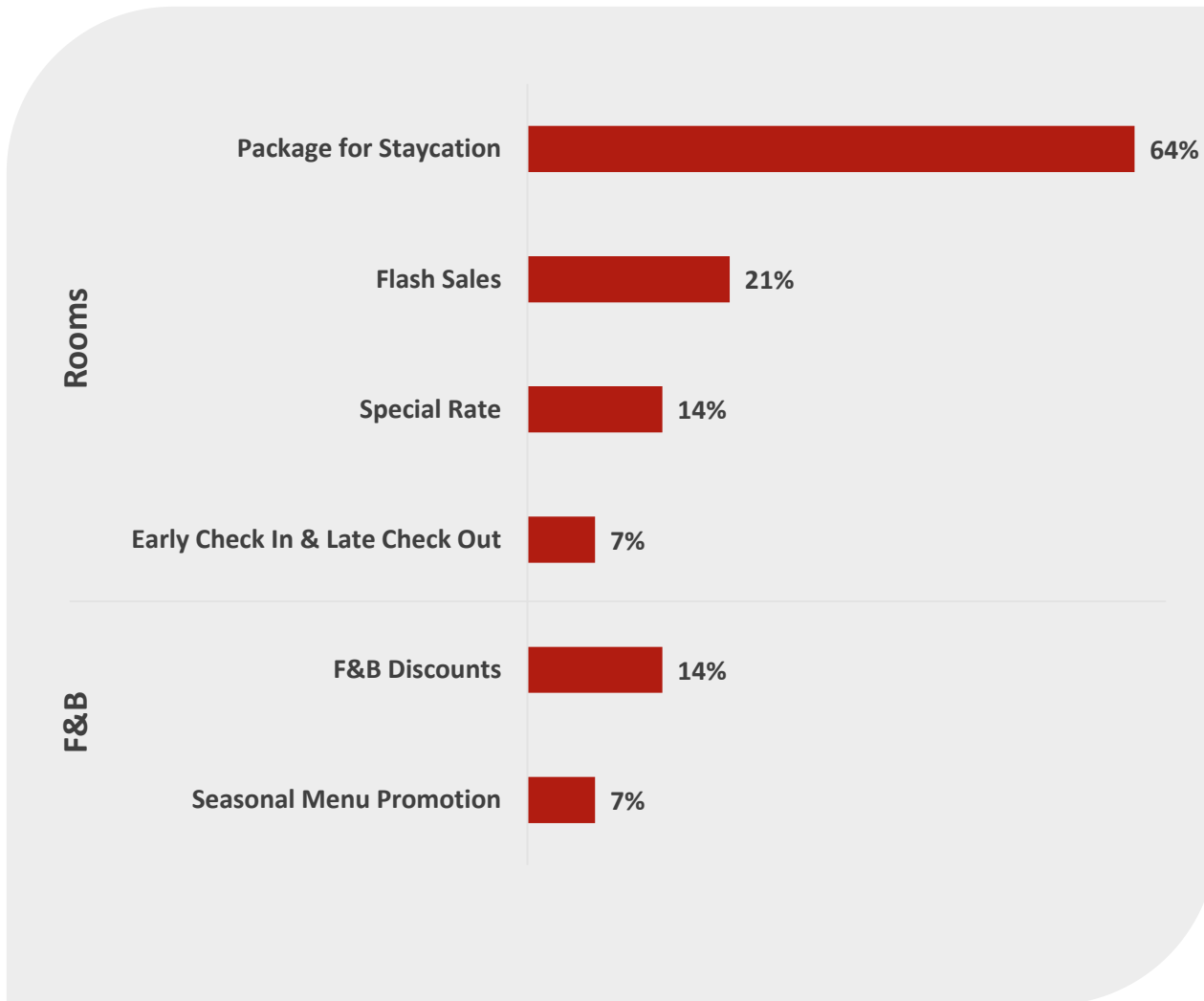
Which relevant measures were undertaken from the Corporate level to Hotel Owners?



- 50% of respondents' corporate offices offered to **defer FF&E programs and PIPs**
- Other measures include payroll reduction, mandatory leave, expense audits and savings in revenue management fee.

Contingency Plans

What are the room and F&B promotions that the properties are currently implementing?



- Designing room **packages for staycation** in driving sales for both rooms and F&B was found to be the most common initiative properties are currently implementing.
- Some properties succeeded by providing **room discounts** through **flash sales** and constrained **special rates**.
- **F&B discounts** and **seasonal menu** promotion were adopted to drive F&B business

Contingency Plans

Staycation Business and F&B

Does your property witness an increase in a staycation business over this period?

✓ 57% ✗ 43%

- More than half of the properties witnessed an increase in a Staycation business, capturing between 20 to 700 rooms per week.

Does your property implement any new F&B business models to support local resident demand?

✓ 43% ✗ 57%

- Less than half of the properties adopted new F&B business models. Such models include online deliveries and takeaways of lunch boxes.

SIGNS OF RECOVERY & MARKET OUTLOOK

Signs of Recovery

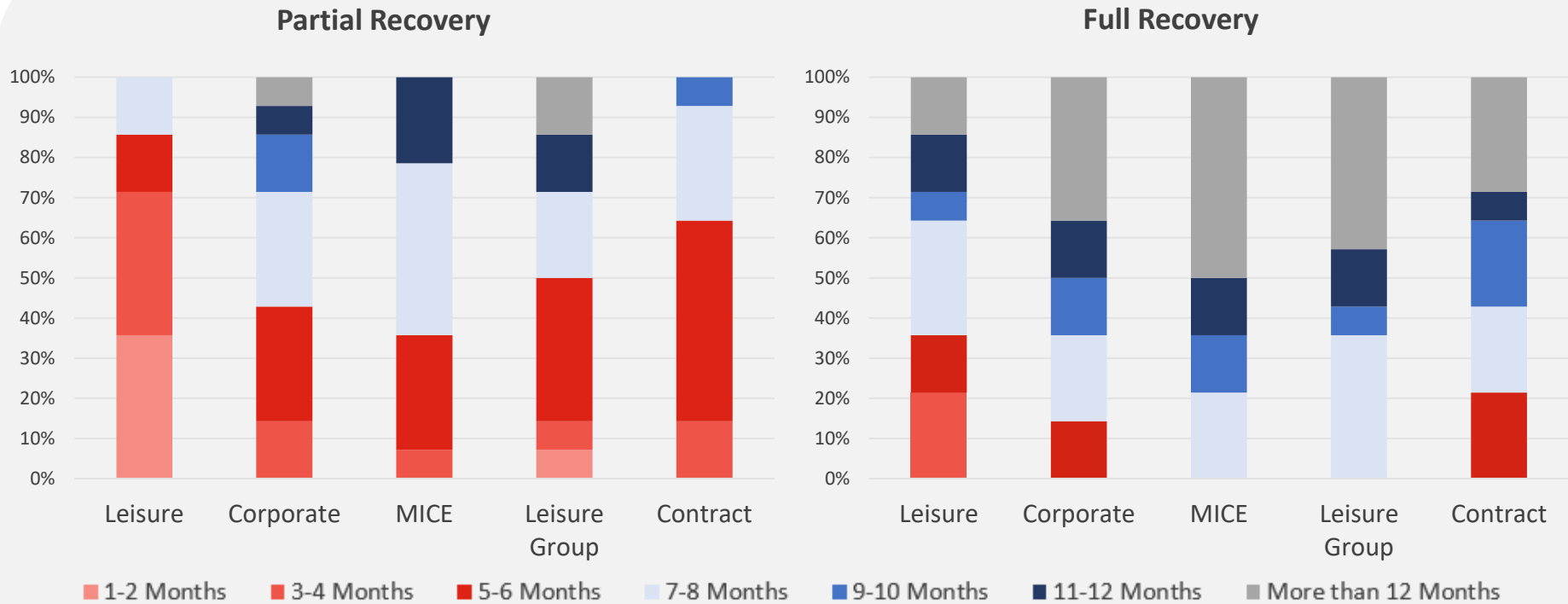
Which of the following would indicate a sign of recovery?



- Most hoteliers believe that a **travel ban lift** is the priority to welcome new and return business.
- It is found that hoteliers perceive an **official announcement from the government or local authority** as more important than **official announcement from the World Health Organization**.

Segmentation

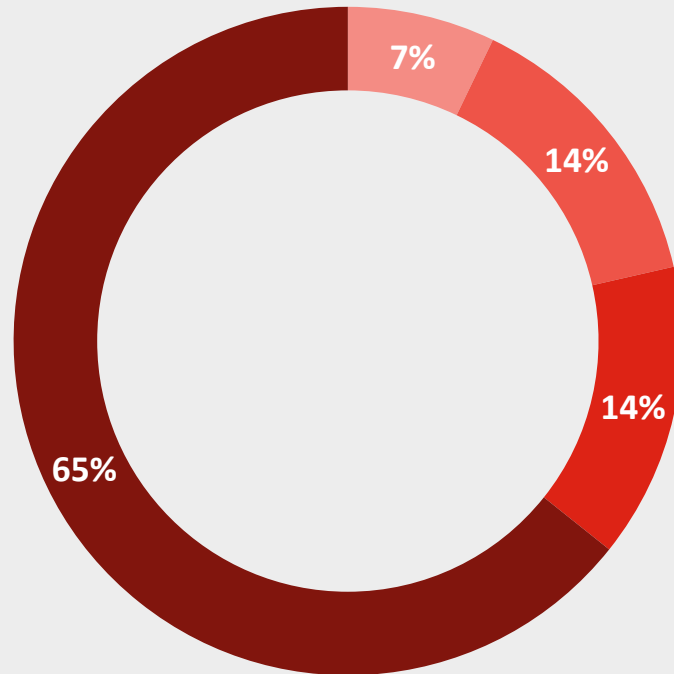
How many months would each market segments take to recover?



- **Leisure** demand is expected to initially recover the fastest in less than four months. 85% of respondents expect the full recovery of leisure demand to be achieved in less than 12 months.
- **MICE and leisure group** demand are expected to initially recover faster than **corporate** demands, however full recovery for both are expected to take longer than **corporate** demand.
- All respondents expect **contract** demand to initially recover within ten months, and 28% expect it to fully recover only after 12 months.

Group Booking Status

The hotel's group booking status during COVID-19.

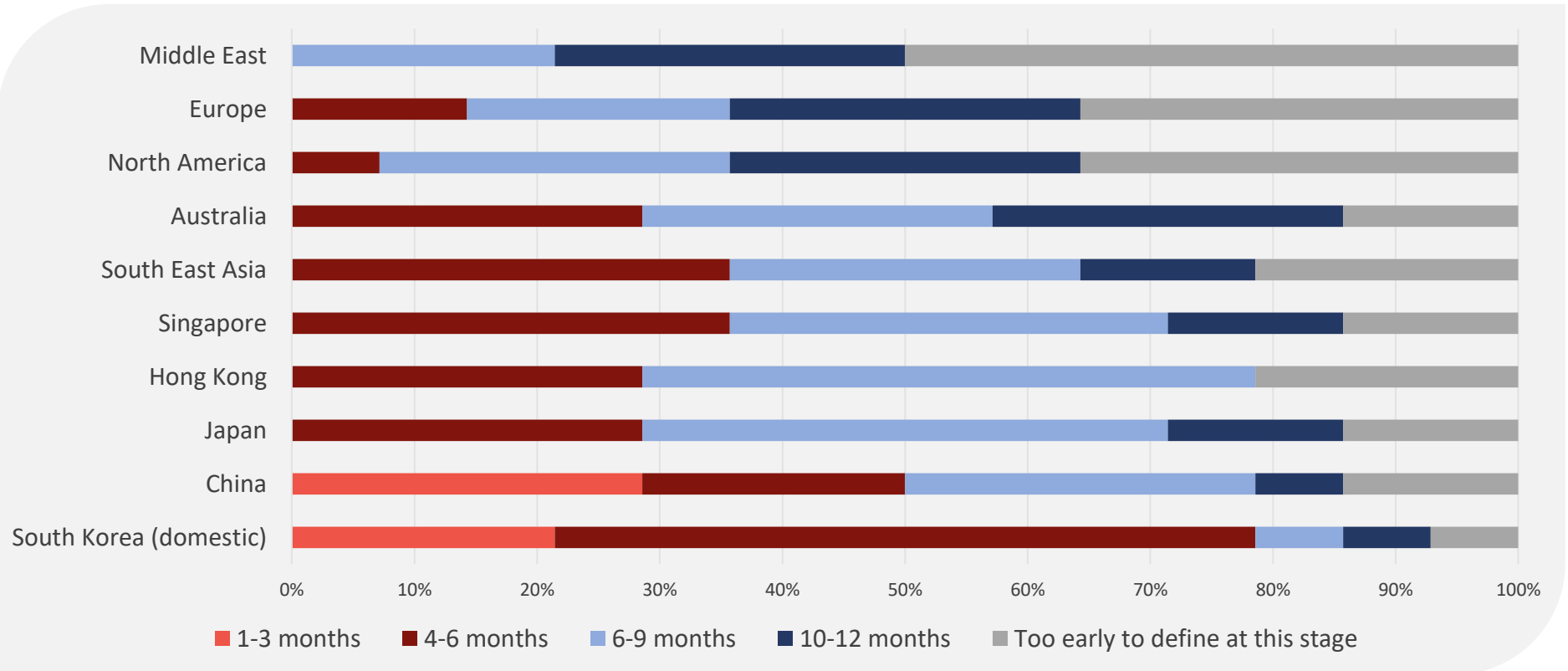


- Most of group booking during COVID-19 was postponed to within next 3 months (2020 Q3)
- Most of group booking during COVID-19 was postponed to end of 2020 (2020 Q4)
- Most of group booking during COVID-19 was postponed to 2021
- Most of group booking during COVID-19 was cancelled

- 65% of properties witnessed **cancellation of group bookings** due to COVID-19.
- Hoteliers responded that postponed group bookings could overlap to future group bookings for the same dates. There are also issues that the postponed group bookings can be further postponed or be cancelled entirely should the COVID-19 situation worsen at a future point.

Source Market

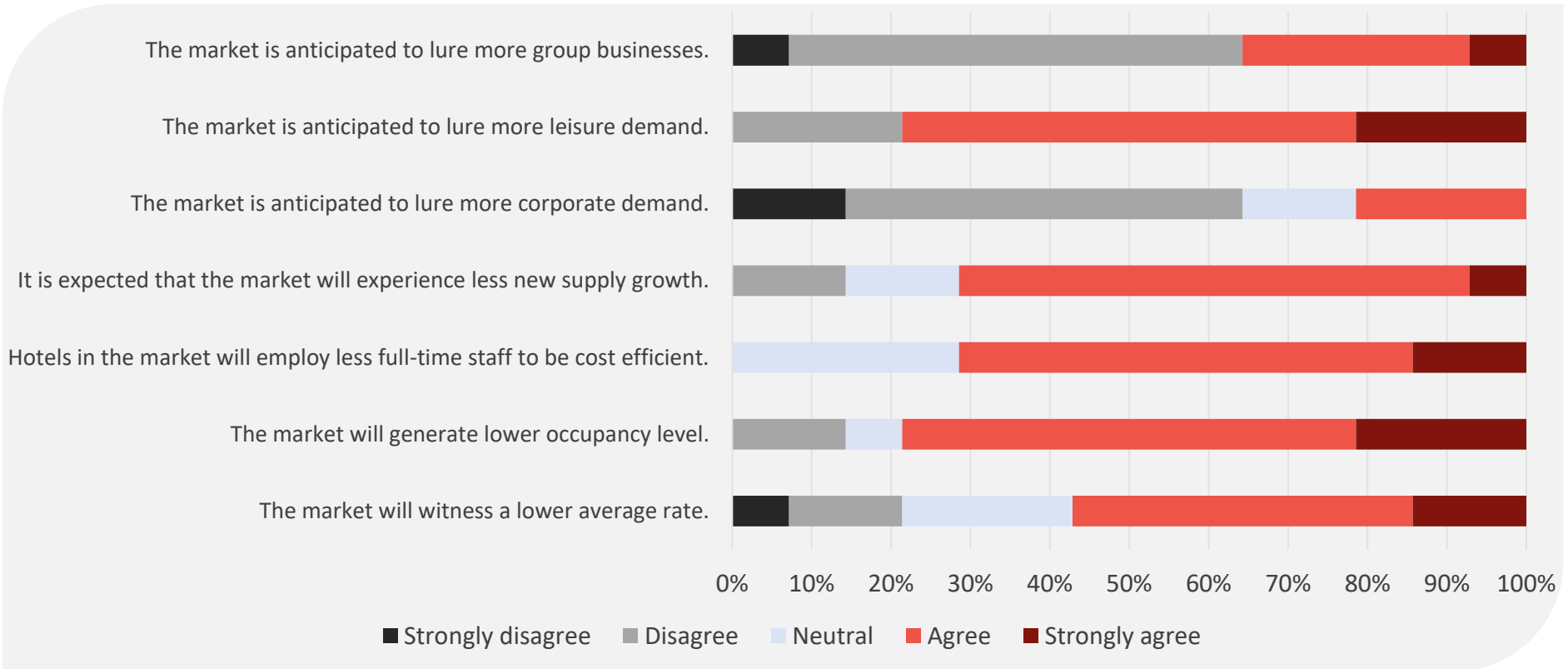
How many months would each source market take to recover?



- Most respondents expect the **Domestic** market to show a fast recovery within six months, followed by the short haul markets including **China**.
- The majority of source markets is expected to recover in between four to nine months. Exception are the long-haul markets of **North America, Europe and Middle East** which are expected to recover by mid-2021.

Market Outlook

Assuming that the market will be recovered by Q2 2021, how would the market perform in comparison to the pre-COVID-19 period?



- As direct impact of COVID-19, **lower performance in both occupancy and average rate** is expected by most of respondents.

- Most of hoteliers believe that it is difficult to **capture new business from corporate and group** segments.
- The focus is firmly on **leisure** demand.

- With the uncertainty in the market, 71% expect that the industry will experience **less supply growth**, 14% think the opposite.

About HVS

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The team has worked on a broad array of projects throughout the asset life-cycle that include economic studies, hotel valuations, operator search and management contract negotiation, development strategies for new brands, hotel asset management, research reports and investment advisory for hotels, resorts, serviced residences and branded residential development projects. HVS Hong Kong's clients include key investors, developers, hotel operators and lenders.

About Us



Hansol Park is a Manager at HVS Hong Kong, Hansol is a Seoul native and resident who graduated from the Ecole Hoteliere de Lausanne in Switzerland. Prior to joining HVS, Hansol excelled as a revenue manager with Marriott International at JW Marriott Dongdaemun Square Seoul and Courtyard by Marriott Botanic Park. Hansol has contributed his career in hospitality industry for 7 years.

✉ hspark@hvs.com

☎ **+82 10 8837 7254**



Daniel J Voellm, Managing Partner HVS Asia-Pacific is based in Hong Kong and has provided advice in all major markets across 18 countries in the region. Daniel Voellm started his career at HVS in the New York office; as Vice President at the global headquarters he conducted a wide range of appraisals and market studies as well as underwriting due diligence services in 22 US states and in Canada. Daniel brings a strong understanding of the hospitality industry to HVS. His experience in hotel and food and beverage operations in Germany, Switzerland, England and the US is complemented by an Honours Bachelor of Science degree from Ecole Hôtelière de Lausanne in Switzerland. Daniel works closely with key institutional and private owners of hotel properties, financiers, developers and investors, and has gained a strong understanding of their investment requirements and approaches to assessing the market value of investment properties. Daniel further advises on property and concept development and strategy.

✉ dvoellm@hvs.com

☎ **+852 3628 3871**