Branded Residences Market Review

SOUTH KOREA

August 2024

C9 HOTELWORKS

Resort Destinations Command Higher Price Premiums for Branded Residences

Rental management programs with international hotel operators is a strong driver of demand in secondary housing market

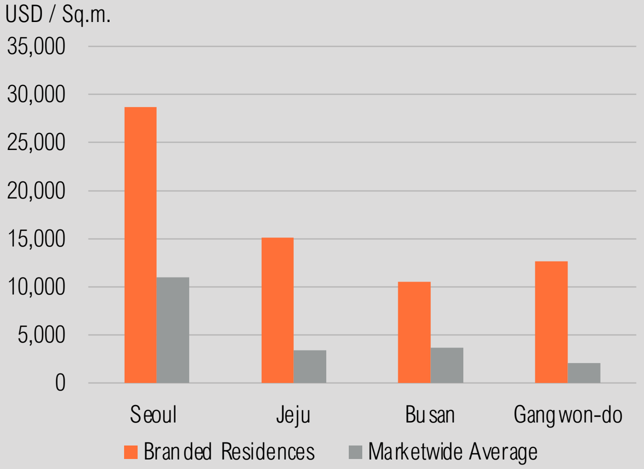
"South Korea's luxury real estate market has evolved significantly, transitioning from traditional residential properties to innovative branded residences. The trend began in 2008 when The Ananti Hotel introduced a pioneering co-ownership model, targeting affluent buyers seeking luxury vacation homes and social prestige. This success spurred other domestic brands like Lotte and Hanhwa Resorts to follow suit, while international players such as Marriott and Capella entered the market, adding investment appeal with structured rental programs.

Today, branded residences stand out as high-value investments within South Korea's luxury real estate market. These properties often command a price premium up to 4 times the market-wide built-up sales price. Seoul has the highest built-up sales price across all regions, reaching USD28,713 per square meter this year. Nevertheless, branded residences have higher price premiums in resort destinations compared to cities.

Jeju and Gangwon-do, two of the country's emerging resort markets, have seen significant growth driven by increased tourism activity. The high accessibility from Seoul has spurred demand for secondary homes and investment properties in these areas. Branded residences with recognized affiliations are breaking market sales price records while maintaining above-average sales pace as these properties are perceived to have higher investment value with less risk. Currently branded residences in Jeju and Gangwon-do has 4 and 6 times higher built-up sales prices compared to market-wide averages, respectively.

Therefore, with a more attractive rental management programs introduced by international hotel brands, we see branded residences to continue to grow in demand in South Korea. Property prices in the existing market make branded residences competitive and a viable alternative asset class in the broader real estate sector."

Built-up Sales Price Comparison



Source: Ministry of Land, Infrastructure & Transport and C9 Hotelworks Market Research; YTD Jul 2024

Market Trends

- Seoul has the highest built-up sales price with USD28,713 per square meter, followed by Jeju at USD15,084, Gangwon-do USD12,629 and Busan with USD10,508. Prices are highly associated with the location of the property.
- Branded residences have strong price premiums in secondary housing markets such as Jeju and Gangwon-do compared to primary housing markets in Seoul and Busan. This is because primary housing markets have higher concentration of premium pure-residential developments, particularly in well-developed areas, which bring up the market-wide price.
- Brand premiums have a significant impact in resort destinations with the current supply commanding between 4.42 to 6.06 times higher than the market average price versus 2 to 3 times in cities.

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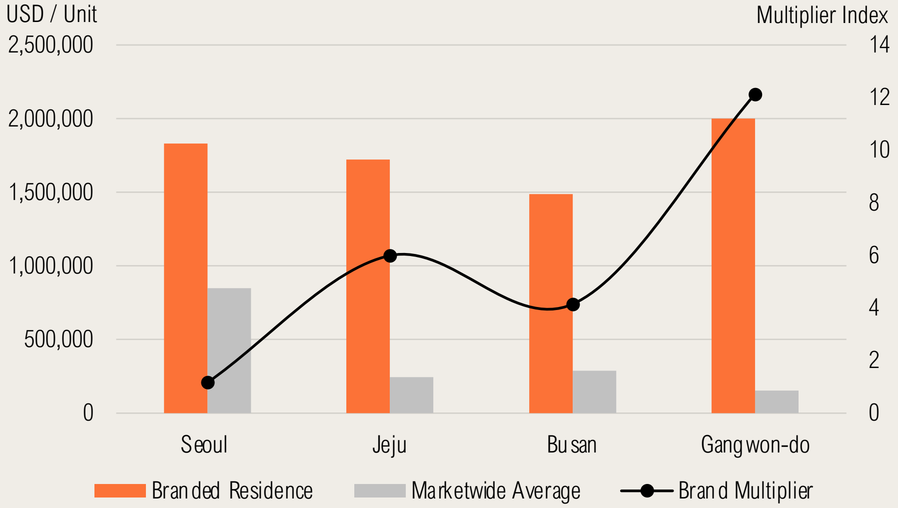
Price Indicators

Gangwon-do leads with the highest average unit sales price for branded residences at USD1.99 million per unit, driven by the introduction of the ultra-luxury Capella project. Seoul and Jeju follow closely with averages of USD1.83 million and USD1.72 million, respectively, while Busan's current supply averages USD1.48 million per unit. Despite similar price points in Seoul, properties in luxury districts like Gangnam can command over three times the current price, primarily due to higher land values rather than the product itself.

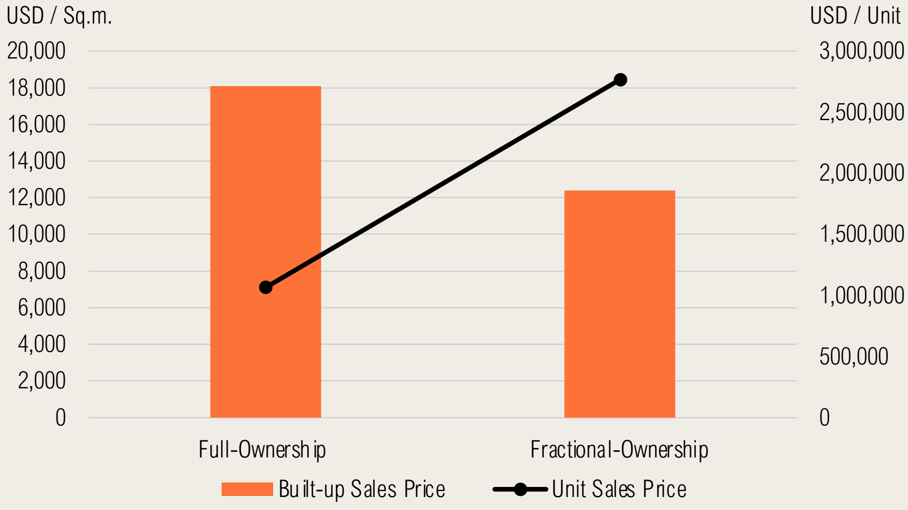
Average Unit Sales Price by Key Markets



Properties in tourism areas like Jeju Island and Gangwon-do exhibit significant price differentials, with branded residences commanding premiums of 6 to 12 times the market-wide unit transaction prices. This is driven by the higher perceived investment returns associated with strong tourism demand.

Source: Ministry of Land, Infrastructure & Transport and C9 Hotelworks Market Research

Sales Price of Branded Residences by Ownership Structures



Average built-up sales price in full-ownership structures is USD18,107 per square meter, whereas fractional-ownership sales price average USD12,386 per square meter. However, fractional-ownership branded residences command higher unit prices because of larger unit size as properties are mainly in resort destinations.

Source: C9 Hotelworks Market Research

- While fractional-ownership branded residence models command higher unit sales prices, averaging USD2.76 million per unit, the full-ownership branded residence model boasts a 46% higher average price per square meter.
- Although the fractional-ownership branded residence model is supposed to attract higher demand through lower entry prices, the full-ownership branded residences outperform in sales volume, with an average of 10.5 units sold per month compared to 5.5 units for the fractional-ownership model. Our research suggests that demand volume is primarily driven by the property's quality and investment value, whereby sales price has less impact to driving demand.

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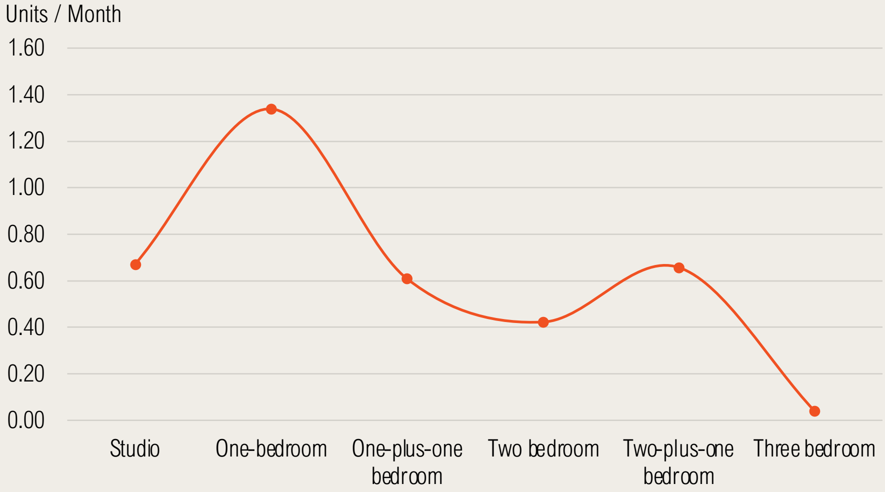
Demand Indicators

Sales Pace by Configuration



One-bedroom is the most popular configuration, with an average sales rate of 1.34 units per month. This trend is largely driven by the fact that most branded residences serve as vacation homes or are purchased as investment properties. Two bedroom and two-plus-one bedroom configuration are typically introduced as premium units, whereby the proportion makes up 15% of supply.

Source: C9 Hotelworks Market Research
*Exclude alternative branded residence as products are sold as membership levels and not unit

Built-up Size by Configuration

Unit sizes range from 18 square meters to 151 square meters. Most popular configuration (one-bedroom units) are sized between 33 and 95 square meters with an average of 60 square meters. It is also key to note that branded residences only have between 10% to 30% of areas dedicated to exterior space, which is low compared to properties in other resort destinations.

Source: C9 Hotelworks Market Research
*Exclude alternative branded residences as products are sold on membership basis and not units

Branded Residences Pipeline

Properties	Units	Year	Location	Type	Brand Association	Property Developer
Ritz Carlton Residences	N/A	N/A	Jeju	Hotel Residence	Marriott	WP Investment
Maison Delano	52	2026	Seoul	Hotel Residence	Accor	Ennismore
Lake de Ananti Chord	N/A	2027	Gyeong-gi	Memberships	The Ananti Group	The Ananti group

A total of three branded residences are expected to enter the sales cycle in the short term, with a higher focus on the luxury segment. These new entries are expected to introduce further supply of rental management programs to the market.

Source: C9 Hotelworks Market Research

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