



PRESS RELEASE
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Datapulse Technology proposes first foray into hotel sector with acquisition in Seoul, South Korea, for S\$42.7 million

- Freehold property is in prime Myeongdong/Namdaemun area of Central Seoul, one of Asia's gateway cities
- Potential upside from rebranding and re-positioning of the 127-room hotel
- South Korea offers more opportunities for hotel investments



*Datapulse's property sits on prime land in Central Seoul.**

Singapore, 17 December 2018 -- Further to its announcement on Oct 3, 2018, Mainboard-listed Datapulse Technology Ltd ("the Group") has conditionally agreed to buy a hotel in one of the choicest areas of the South Korean capital of Seoul for some S\$42.7 million.

The acquisition, which covers the 742-sqm freehold site and the building on which the 127-room hotel sits on, is located in the bustling shopping and tourist area of Myeongdong/Namdaemun. It is also close to the Euljiro Business District which will allow the hotel to tap into demand from Free Independent and business travellers in the area.

South Korea is one of the few countries which allows foreign parties to own freehold land. Such properties command a premium on their valuations and tend to retain their value over cycles and time better than leasehold properties.

The hotel's location boasts superb transport connectivity. It has access to various transportation networks and is only one stop away from Seoul station that connects to Incheon International Airport and others cities such as Busan, Jeonju, Gwangju and Mokpo. The City Hall and Myeongdong train stations are a short walk from the hotel.



The 11-storey hotel, which was built in 2013 and refurbished in 2016, has a total gross floor area of 5,758 sqm. Facilities include food and beverage outlets, meeting rooms and a public bath house.

The property is currently operated by its Korean vendors, Hotel Prima Co., Ltd under a standalone local midscale brand called Aropa. At present, the hotel may not fully benefit from the economies of scale typically associated with a hotel chain.



*Hotel lobby area.**

Datapulse, which proposes to engage an international midscale hotel brand to manage it, is confident it will widen the appeal of the property and help increase the hotel's occupancy and average daily rate. Moreover, such an operator would improve operating efficiencies and generate a higher operating income, which ultimately could result in capital appreciation of the property.

Datapulse Chairman Mr Aw Cheek Huat said: "The proposed acquisition presents an attractive opportunity to establish a foothold in South Korea. Seoul, with a population of about 10 million (25 million in the Greater Metropolitan Area), is one of the world's leading financial and business centres.

"The proposed acquisition is also in line with what we have previously said about the new business direction that Datapulse would be taking, in becoming a property investment company, with a focus on hospitality assets."

Based on market reports, there are signs that the Group will be purchasing the hotel near the bottom of the market, with tourist arrivals growing again after a sharp dip in numbers last year, largely due to a drop in mainland Chinese tourists as a result of political tensions between South Korea and China.

Total cost of the proposed acquisition is expected to be just about S\$45.6 million, comprising the sale price and estimated professional fees and other transaction expenses. The purchase price is at a 2 per cent discount to an independent valuation of the property.

The acquisition will be funded by a combination of internal resources and bank borrowings.

Having received satisfactory findings from the various due diligence investigations (including commercial due diligence), the Board of Directors believes that the proposed acquisition will enable the Group to enhance shareholders' returns by generating stable income and capital appreciation through value added asset enhancement initiatives. The Company will complete the proposed acquisition after satisfaction of certain conditions, including the receipt of shareholders' approval.

"We feel that the Korean market continues to offer good prospects for hotel investments, so we are still on a look-out for further opportunities in the sector," Mr Aw said.



Why South Korea?

South Korea, with a population of 51.5 million, is currently Asia's fourth largest economy and a leading industrial country with global giants like Hyundai, Samsung, LG Electronics, Daewoo and Ssangyong.

Its capital, Seoul, is one of Asia's gateway cities and one of the world's leading MICE (meetings, incentives, conferences and exhibitions) destinations with the number of international meetings growing steadily over the years. It was ranked third globally for the number of meetings held, according to the 2016 version of the International Meetings Statistics Report by the Union of International Associations. Seoul also hosted the second highest number of participants for international MICE in 2016.

Seoul is a popular leisure destination and some of the best known tourist spots include the Myeongdong and Dongdaemun shopping precincts where the hotel is located. The capital is also home to the Changdeokgung Palace and the Jongmyo Shrine, both of which are on the UNESCO World Heritage list. The capital also accounts for 60 - 70 per cent of visitor arrivals to South Korea.

According to real estate consultancy firm JLL, after a sharp dip in tourist arrivals, from 17.24 million in 2016 to 13.35 million last year largely due to political tensions, the tourism industry is enjoying a significant recovery this year following a successful Winter Olympics in February 2018 and the easing of political tensions after the meeting of North Korean leader Kim Jong Un and US President Donald Trump in Singapore.

The expected growth in secondary source markets such as India and Southeast Asia and the recovery in Chinese visitations should see total visitor arrivals reach about 15 million in 2018. "As the expected recovery continues, visitation to South Korea is likely to eventually surpass prior peak levels and exceed 18 million visitors by 2021 or 2022," JLL added.

The South Korean government has also continued to implement various initiatives to boost the country's tourism industry and reduce its dependence on Chinese tourist arrivals. Marketing efforts now focus on Southeast Asia and include the issuance of e-visas to travellers from the region and the promotion of halal tourism.

Incheon Airport's opening of Terminal 2 earlier this year saw its capacity increase by 18 million passengers a year. Gimpo Airport is also scheduled for expansion with a second terminal which will raise capacity by 5 million passengers when it is completed in 2025. With further investments in the pipeline, Incheon aims to be the world's third busiest airport for international travellers, with 95 million passengers a year.

A wave of new hotel developments in 2013 to 2015 due to a shortage of rooms has since abated as the government has withdrawn incentives previously used to stimulate hotel construction. In particular, there is a shortage of midscale hotels in Seoul, amid strong demand which is largely driven by international travellers.

JLL notes that with hotel room supply expected to stabilise in the coming years at around 2 to 4 per cent per annum and "coupled with strong demand resulting from an expected ongoing recovery in visitor arrivals, the limited supply growth bodes well for the outlook of future trading performance".

It also pointed out that the South Korean hotel sector is adjusting to a major shift in the composition of visitors as secondary source markets continue to rise and independent travelling among Chinese tourists becomes increasingly popular. "This trend is expected to continue and drive Seoul market-wide trading performance in combination with moderate new supply," JLL said.

"As a result, the outlook on the RevPAR (revenue per available room) growth is positive for 2018 with projected growth in the range of 6 per cent to 8 per cent. As growth continues and market-wide occupancy level approaches historical peak, ADR (average daily rate) growth is projected to accelerate beginning of 2019-2020, driving sustained top line growth in the medium term."

* Source: Hotel Aropa

Location Map





About Datapulse Technology Limited

Datapulse Technology Limited, with its headquarters in Singapore, is principally engaged in consumer, investment and property business. It is listed on the mainboard of the Singapore Stock Exchange.

Media queries

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Information found in this press release relating to South Korea are extracted from the report titled "Seoul, South Korea: A Global Gateway Poised for Hospitality Investment" issued by Jones Lang Lasalle (JLL). The report can be accessed at the following link: <https://www.jll.com.sg/en/trends-and-insights/research/seoul-south-korea-global-gateway-poised-for-hospitality-investment>. More information on the proposed acquisition may be found in the Company's announcement dated 16 December 2018.

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