

Abstract

The Imbalance between Demand and Supply of Tourist Accommodations in Seoul

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Since 2008, the number of foreign tourists visiting Seoul has grown at an average rate of over 10 percent per year. The growing tourism market requires more accommodation facilities. However, the supply of hotels has largely focused on the high-priced luxury type in spite of the increasing demands for economy (business) or budget hotels. In general, a sound supply system of accommodation facilities has a pyramid type structure, with a large number of lower-priced rooms at the bottom of the pyramid and a small number of high-priced rooms at the top. The origin of Seoul's current tourist accommodation problem is there. As a result, many tourists visiting Seoul have complained about the difficulty of finding clean and safe mid- or low-priced hotels while existing hotel managements contend the possibility of an oversupply of new hotels in the city. This study aims to analyze this current and controversial issue, focusing on the degree to which the demand and supply of tourist accommodation in Seoul is unbalanced.

We classified whole accommodations in Seoul into four tiers : high, mid-high, mid-low, and low price, according to their name and average room price per night. This is the first attempt in the country to provide such detailed information about the demand and supply status of whole accommodations. The results show that, in 2013, the supply of rooms in high priced hotels was in proper status comparing with the demand level. In 2018, five years later, the rooms in the highest tier will be in over supply, considering the number of hotels with a planning permission. Both mid-high and mid-low price accommodations in Seoul was in short supply. This will continue in 5 years later too. The lowest tier will be in proper status later as well as now, considering that the demand for this lowest tier by tourists will not be so strong as long as most of the lowest facilities does not aim for tourists, but only for citizens as they are.

Based on the results, we suggest that the supply of mid-priced accommodation should be

increased for the time being, even to the extent of converting the planned high-priced hotels into mid-priced hotels. In addition, a policy should be established to manage the service quality of the fast growing mid-low and low price accommodations.

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