

Prospects for 2016 housing approvals and policy recommendations

Summary

□ Housing approval numbers fell to 370,000-390,000 units in 2008-2010, before and after the global financial crisis. But the numbers rose to 770,000 units in 2015, with cumulated housing approvals in the first four months of 2016 up 30.9 % year-on-year.

□ The rise in housing approvals comes as the authorities supplied homes that had contracted after the global financial turmoil, and they hurriedly supplied homes before the housing market correction kicks in according to the housing cycle.

□ The public sector shows a higher change in housing approvals between the first half of a year and the second half of a year, but an annual change in housing approvals is attributed to the private sector. Housing approvals in the private sector turned out to be more sensitive to housing prices and the economic landscape.

□ At a point when the housing market swings to a correction from a peak, housing approvals are inclined to decline in the latter half. Given that, housing approvals in the latter half of 2016 are likely to shrink from the first half.

□ An analysis of a scenario incorporating a trend analysis as well as the changing pattern of housing approvals, housing approvals would total 590,000-630,000 in 2016.

Policy recommendations

- ❶ It is required to come up with strategies to minimize side effects from fast-growing housing supply and bring "jeonse" (lump-sum rental deposit) prices under control.
- ❷ It is suggested to thoroughly review the impact of housing supply growth on the national economy and housing market. Also, construction companies need to draw up their internal management plans including using unsold homes as rental housing.
- ❸ It is suggested to use existing houses of prospective residents as trust-type cheap rental housing to facilitate migration of prospective residents, as well as to ramp up low-priced rental housing to strengthen residential stability for low income households.
- ❹ It is necessary to draw up a housing supply-demand map that can diagnose short-term/long-term housing supply-demand dynamics by region.

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