

Diagnosis of Regional Housing Supply and Demand and Policy Issues

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Summary

1. As regional economy conditions, favorable development and housing and Jeonsei prices responding to regional housing supply and demand are differentiated, it is necessary to establish regional measures to cope with it.
2. Housing supply and demand by region
 - As a result of analysis of housing supply and demand based on annual housing demand (The 2nd Comprehensive Plans for Housing), estimated volume of housing supply (Completion after approval) and the number of existing houses, Korean housing market is separated in 4 categories: excess demand, balanced, excess supply, oversupply.
 - Each region is included in different category of housing market as follows: Daejeon is expected to exceed demand, Seoul, Incheon and Jeonnam is expected to be balanced in supply and demand. Ulsan is one of regions which will exceed supply and Chungnam (Sejong), Gyeongbok and Jeju are expected oversupply regions.
3. Recent study on risks of housing market
 - The result of studying risks of the market with the use of CMAX (Over 50) and long-term(10 years) average rate(100%), increased rate of housing sales price and consumer confidence index follows.
 - The regions of Chungbuk, Chungnam, Gyeongbok, Gyeongnam and Jeju are over 50 average of CMX and unsold housing rate (over 100%) is higher compared to long-term average
 - The increase rate of housing sales price in Sejong, Seoul, Busan compared to the rate of previous month is higher than average increasing rate (0.21%), which might be overheated.
 - The consumer confidence index for housing market in Seoul, Incheon, Gyeonggi, Busan, Daejeon, Gangwon, Jeonbuk and Jeonnam increased by more than one level and it means that the regions might be overheated housing market.
4. It is required to implement continuous monitoring and flexible policies that properly fit the situation.
 - It is necessary to implement demand management policy to the regions which is supposed to be balanced in supply and demand but housing sales price rapidly increases.

- It is necessary to implement supply management policy to the regions where housing sales price rapidly decreases.

Policy Implication

1. It is required to consider demand management policy toward Seoul, Busan and Gangwon by strengthening subscription requirements for houses and monopoly limitation and restricting the number of guarantee of intermediate payment and limits and designating selective housing speculation zone and speculation-prone areas after thorough monitoring process.
2. It is necessary to consider supply management policy toward Gyeongbuk, Chungnam, Ulsan and Gyeongnam by reducing public land supply, limiting construction company's guarantee, strengthening screening process, expanding rental business and strengthening housing construction standards after thorough monitoring process.
3. It is essential to manage side effect from unsold housing risks with oversupply and overheated market with investment demand inflow by establishing monitoring system for regional housing market.