

Policy Implications for Housing Support for Newlyweds to Strengthen Housing Ladder

Park Misun, Associate Research Fellow, Korea Research Institute for Human Settlements

Summary

1. Characteristics of and housing conditions for newlyweds

- Fewer young Koreans are getting married due to economic instability, the burden of childrearing, and high housing prices (rental or purchase). Housing support for newlyweds has thus emerged as a major social need for raising the country's low birth rate and ensuring a more sustainable society.
- Among newlyweds in Korea, those with children tend to have a single income earner, resulting in a sharp fall in the proportion of double income families. This makes it difficult to respond to higher household spending and rising housing demand amid the growing number of households.
- For government support of housing expenses, newlyweds say their biggest needs are assistance in buying a home, followed by support for loans for jeonse (a Korean rental system based on a large key money deposit), and provision of public housing.
- Since 71 percent of newlyweds move within two years and their average residence period is also the same period, they apparently tend to move after their leases expire.

2. Analysis of newlyweds' housing needs

- To afford housing, newlyweds borrow an average of KRW 79 million from parents and KRW 80.8 million from banks. After children enter the picture, such families tend to rely on a single income source. Thus policy support is needed to lower interest costs and provide childrearing amenities and adequate-size homes more affordably.
- Support measures should target childrearing and other issues such as noise on floors, public daycare centers, infant nurseries, and unmanned home delivery systems.
- While the government is fully aware of the importance of such support, its feasibility assessment is low.

3. Policy support for newlyweds

- (Central government) The range of households eligible for policy support has been expanded from low-income families to newlyweds. Existing measures include a direct method of providing less expensive housing and an indirect one of offering low interest loans. Based on its housing welfare roadmap, the government is easing qualifications for newlyweds and strengthening housing support for them.
- (Local government) Policy measures support newlyweds' housing in large cities and areas with heated housing markets (e.g., Seoul, Gyeonggi-do, and Busan) and regions needing more residents (e.g., Gangwon-do).

Policy implications

- ① Qualification for housing support should be set considering urgency and changes to an applicant's housing needs. Housing complexes should be constructed in a way to strengthen the “housing ladder” and allow a virtuous circle.
- ② Measures should target raising the incentive for couples to have children, reinforcing housing stability, and expanding housing size to encourage having more children.
- ③ From a long-term perspective, this support should be inclusively approached under a framework targeting households with children and support for first-time homebuyers rather than that targeting the institution of legal marriage. Another crucial change is promotion of the value of balancing work and family life.