

Housing price in 2019 will stay flat in the capital region and drops greater in other regions

Sustain policy consistency and highlight public interest in housing policy

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Summary

1. Housing market trend in 2018

- The sale price rose by 1.10% in 2018 with the upward trend curved by the 9.13 Measures. The rise by region was 3.31% in the capital region, 6.22% in Seoul and -0.86% in non-capital regions, indicating higher rises in the capital region.
- Jeonse prices dropped both in the capital and non-capital regions affected by increases in the number of constructions completed.
- Volatility in trade increased after April when higher real estate sale tax was imposed and the 9.13 Measures. The number of transactions was 801,000 houses nationwide as of November 2018, a decrease of 8.6% compared to the same period in the previous year (875,000).
- Housing permits and licenses issued were 456,000 as of November, a decrease of 17.5% compared to the same period in the previous year (532,000).
- Houses left unsold across the country were 60,000 at the end of November 2018, 3,000 added primarily in non-capital regions.

2. Determinants of the 2019 housing market

- There are more downwards movements such as increasing uncertainties in the global economy, the nation's economy going sluggish, possible interest rate rises, increases in the number of people moving into newly built houses, and housing policy conditions including the third term new town supplies.
- However, given the abundant short-term floating assets, there are possibilities for local housing price rises in expectation of redevelopment, reconstruction, urban regeneration new deal projects, social overhead capital investment including the GTX railways, and improvements in the South-North relationship.

3. 2019 housing market prospects

- The sale price to drop by 0.5% nationwide; stay flat within a 0.1% range in the capital region; drop by 1.1% in non-capital regions. The jeonse price to drop by 1.1% nationwide, 0.8% in the capital region, and 1.3% in non-capital regions.
- The number of transactions to be at the similar level as the early 2010s, approximately 780,000; permits and licenses at the long-term average level, 500,000.
- The number of houses left unsold is expected to be 70,000, primarily affected by declines in the number of permits and licenses issued, with significant regional deviations.



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Policy proposals

1. While the market is becoming stable, regional deviations continue. Sustain the consistency of regionally tailored policies, pay attention not to let favorable conditions in certain areas stir up speculation, and strengthen the roles of municipalities including strengthening demand validation and controlling supplies.

2. Develop measures to prevent sudden price drops by, for example, purchasing more houses for public rental housing in over-supplied areas, strengthen monitoring to minimize the side effects of land compensations and abundant floating money, and develop measures in connection with local project stabilization plans.

3. Develop tenant protection measures to prevent defaulted jeonse contracts, measures to prevent deteriorations in the living conditions for low income classes affected by the economic downturn, offer more opportunities for houseless households and genuine demanders, and continue making efforts to protect tenants and resolve bipolarization by for example raising comprehensive real estate holding tax and real estate sale tax.

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