

Housing prices forecast to stay the same or higher in the capital city and to decline at a faster pace in provinces

Necessary to minimize market risks by close-monitoring of local real estate markets and adjusting the intensity of policies

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1> Housing Market

House prices rose 0.47% in the first half of 2018 but have declined since May. Amid the increase in housing construction, the lease price of houses dropped 1.0% in the first half of 2018, both in the capital area and the provinces.

The number of home sales has decreased since transfer taxation rate was raised in April and the pace of decline is increasing month to month. The number of permitted house completion was 205,000 during the first five months this year, decreased by 13.8% from the previous year (238,000).

The number of new houses which could not find a buyer stood at 60,000 nationwide as of the end of May 2018, increased by 3,000 from the end of last year.

2> Factors affecting the housing market in 2H,2018

Major factors include the government's real estate policies such as transfer tax increase, and the reforms of comprehensive real estate tax and rental income tax, growing new home supply with an increase in permitted house completion, possibility of interest rate hike, and psychological contraction. These factors contributed to the stabilization of the housing market.

Amid low interest rate and abundant liquidity, however, there is a possibility that housing prices may move up in areas which have positive factors to regional development, such as redevelopment and reconstruction plans, urban regeneration new deal projects, development projects as local governors' election pledge, and the expansion of subway system including GTX.

3> Outlook of the housing market in 2H, 2018

Housing prices fell 0.2 % nationwide; up 0.3 % in the metropolitan area and down 0.7 % in provinces

The prices of home lease fell 1.2% nationwide due to an increase in house construction; up 1.2% in the metropolitan area and down 1.1% in provinces.

Home sales declined to about 850,000 houses, which is below the long-term average of 900,000, and the number of permitted house completion declined to about 500,000.

Unsold houses increased to 70,000 due to concerns about oversupply, increase in comprehensive real estate tax and rental income tax, and financial regulations



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Policy proposals

- ① Although the overall condition of the housing market is stabilizing, there also exist local, destabilizing factors. Hence, keep monitoring the market situation and adjust the intensity of real estate policies considering their market impact, while maintaining policies customized to respective areas.
- ② Consider bigger discount on guarantee rate for deposit return in case home lease is in oversupply, the cultivation of long-term private leasers, the upward adjustment of deposit guarantee by region, tenant protection such as LTV and DTI regulation easing for actual consumers and the expansion of housing financing measures
- ③ Reinforce risk management for mortgage loans in preparation for interest rate hike, and adjust interest rate ceiling for the underprivileged including low income earners