

KRIHS Policy Brief

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Housing market outlook and challenges in the second half of 2019: Review on the implications of reinforced price ceiling system

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1> The government policies to stabilize housing market provided financial regulations and the supply of housing considering both aspects of supply and demand. Recently, an approach to introduce price ceiling system to private residential properties is actively discussed

2> Although the housing market is in a state of stability across the country, concerns are raised recently centering on the reconstruction housing complexes in Seoul

3> According to KRIHS analysis, the housing sales prices in Seoul are expected to decrease by 1.1%p per year if the housing price ceiling system is reinforced to include private residential properties in cities

4> The housing market forecast for the second half of 2019 reveals that it is likely to be weakened due to the implications of government policies such as the introduction of reinforced price ceiling system as the market has declined or entered the slowdown phase

- The housing sales prices are expected to decline by 1.3~1.6% and 1.2~1.6% per year for the entire nation and the metropolitan area, respectively

- The housing rental prices are expected to decline by 2.1~2.3% and 2.2~2.4% per year for the nationwide and the metropolitan area, respectively

- The number of housing sales is expected to record 690,000~740,000 units and 340,000~380,000 units per year in nationwide and the metropolitan area, respectively

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Policy proposals

- ① Need to constantly monitor blind spots of housing policies and reinforce early response capabilities to stabilize the housing market
- ② Review and implement reinforced price ceiling system for private housing properties to remove elements that may hinder the stability of housing market such as reconstruction and redevelopment complexes
- ③ Strengthen liquidity management so that the recent interest rate cut and greater market liquidity cannot undermine the housing market
- ④ Gradually increase the property tax on house to reduce the volatility risk of housing market and reduce asset bipolarization
- ⑤ Introduce housing rental and monthly lease report system to establish a housing lease information system and release various statistical data based on the system, and implement policy support activities to protect the tenants
- ⑥ Make efforts to diversify financial risks that are currently concentrated on consumers by expanding limited liability loans and other measures to protect the housing consumers with the aim of resolving the issue of passing on the risks of mortgage loans based on low interest rates that are spreading excessively