

국토정책 Brief

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Trend of Housing Inverse Jeonse* and Improvement Plan of Guarantee Insurance System for Jeonse Deposit to Protect Lessee

* Jeonse, or the key money deposit, is a housing rental system specific to Korea. Instead of paying monthly rent to a landlord, a large lump sum payment, roughly between 50% to 80% of the market value, is deposited for the duration of the contract period. Inverse Jeonse means that upon the termination of Jeonse lease agreement, the new Jeonse price is below the amount of lump sum deposit due to the decrease in the market price of the house.

Associate Research Fellow **Jee Hye Kim**, et al.

Summary

1. Price of Jeonse has continued to decline after the announcement of the 9·13 Real Estate Comprehensive Policy

- Although the rent prices have been rising in some areas since September 2019, the prices in most of the areas are still below the level at the time of the announcement of the 9·13 policy
- * Countermeasures for real estate market introduced by the Government on September 13, 2018, under the principle of ‘eradication of speculative demand, tailored measures, and protection of actual users’

2. As of Q2 2019, Jeonse prices have declined in approximately 33.84% of houses nationwide

- As a result of analyzing the actual Jeonse contracts data, the percentage of houses where Jeonse prices have fallen is about 33.84% (2Q 2019)
- [By Housing Type] Apartment (37.35%), Single-family Housing (25.72%), Multi-family Housing (18.5%)
- [By Region] Metropolitan area (33.73%), Seoul (17.75%), Gyeonggi (46.38%), Non-metropolitan area (34.04%), Gyeongnam (58.61%)

3. According to the scenario analysis, the number of households to be exposed to inverse Jeonse risks due to the decrease in Jeonse price is 120,000 to 160,000

- [Housing Exposed to Inverse Jeonse Risks] Decrease rate in Jeonse price of 1% (about 120,000 households), Decrease rate of 15% (about 160,000 households)
- [Housing Vulnerable to Inverse Jeonse Risks] Decrease rate in Jeonse price of 1% (about 800,000 households), Decrease rate of 15% (about 880,000 households)

Future Tasks

- ① **(Expanding the coverage of guarantee insurance for Jeonse)** Expanding the coverage of guarantee insurance for Jeonse in order to ensure that most tenants receive the deposits
- ② **(Simplifying the procedure to determine the eligibility for single-family housing to buy insurance)** Simplifying the procedures such as “Confirmation of Other Jeonse Contract” for single-family housing to buy insurance
- ③ **(Establishing Compulsory Guarantee Insurance System for Jeonse)** Establishing a public institution for deposit money consignment (deposit) and preparing criteria for objects of the compulsory insurance
- ④ **(Provision of Information and Activation of Promotion)** Providing information and activating promotion on housing price calculation methods · results, objects of insurance (e.g. Monthly Rent with Security Deposit is eligible), etc.