

Forecasting of Construction Activities

The impact of the construction industry on the national economy has grown precipitously, especially after 1990 when the construction of two-million-unit housing project commenced. The KRIHS publishes the Quarterly Construction Economic Review, and our short- and mid-term construction investment forecast is as follows: Investment in the construction sector will rise annually by 5-6%, reaching about 48-50 trillion won through 2001, based on 1985 constant prices. This is roughly 1.67 times the total investments made in 1992. We also predict that, in 1993, the construction industry will begin recovery with an expected growth of 3.7%, lower than the forecast 7% growth in the gross national product. (Kim, Jae Young)

Promotion Plan for Long-Term Rental Apartments

We tried to establish in this study specific ways to increase the supply of rental dwellings based on the results of recent surveys and research.

We made the following suggestions: First, creation of a rental system based on the life-span of the building and expanded financial support, while simplifying regulations. Second, dwellings under 60 square meters in size should receive low interest housing loans from the National Housing Fund, as well as tax incentives. Third, land-use laws should be revised to allow construction of rental housing in large metropolitan areas. Fourth, rents should be standard-

Two-Million-Unit Housing Construction Plan

The government's plan to construct two million housing units between 1988 and 1992 was accomplished one year in advance. This plan was ordered by the President of Korea himself, and the KRIHS worked closely with the Ministry of Construction on formulating the plan. The KRIHS also participated in the post-plan.

The primary policy goal of the government plan was to ease the housing shortage problem through a dramatic increase in the housing supply. Other objectives were to stabilize housing prices through controlling speculative demand for housing, as well as to provide housing for low-income families.

To realize that goal, the government took several measures. The first was to develop sufficient land for housing construction; second, to promote housing construction and to lower the financial burden of the end-user by substantially expanding government financial assistance, including the use of public sector funds; third, the government reformed relevant administrative and other regulations to induce increased participation of the private sector; fourth, special incentives in land, loans, and taxes for the construction of the low-income homes were extended; and lastly, equal opportunities were given to the general public in buying homes built with the government assistance and sold at below market prices.

Due to such aggressive support from the government a total of 2.21 million housing units were constructed, by the end of 1992, resulting in a housing supply ratio (ratio of number of housing units to number of households) of 74.2% in 1992, up from 69.2% in 1987. Housing prices, which peaked in 1990, also started to decline significantly in 1992. The net effect of the two-million-unit housing project is the decline in market prices of housing by as much as 20%. As a result of housing price stability and decline in speculative demand for houses, we expect housing prices to continue on a downward trend. More importantly, the successful completion of the two million housing units helps build a foundation for low-income families to rent government-built housing units for life; it signifies a major shift in government policy toward the creation of a more social welfare-oriented nation. (Kim, Jeong Ho)

ized by revising laws relating to rental amount. Lastly, the supply of rental units should be increased through new land development policies.

The following are key approaches to foster the rental housing industry: First, encourage the participation of cash-rich large corporations and insurance companies with adequate long-term capital in promoting enterprises with apartment renting as their main business. Second, reduce the threshold for rental business from the current 20 units to 5-10 units so that small rental enterprises managed by small businessmen or retirees can be promoted. Third, allow trans-

actions between a tenant and owner in case the latter has difficulty in continuing his rental business. Fourth, encourage the participation of those who own multiple dwellings for rental purpose and are involved in rental business outside the legal framework the system by requiring them to register their business with the government or appropriate agencies. And lastly, the tenants must receive full tenure security, annual rental increase should be based on a sliding scale, and rental deposits made by tenants should receive full legal protection. (Ko, Chul)