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## 2. Seoul Housing Policy

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Policy Area: Housing

# Background: Housing Policy Beginnings

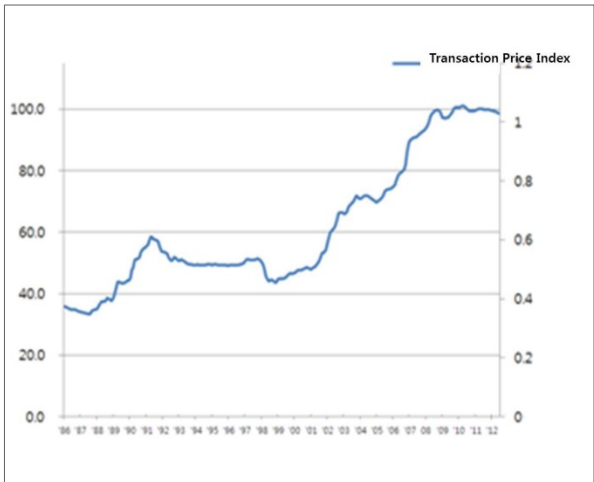
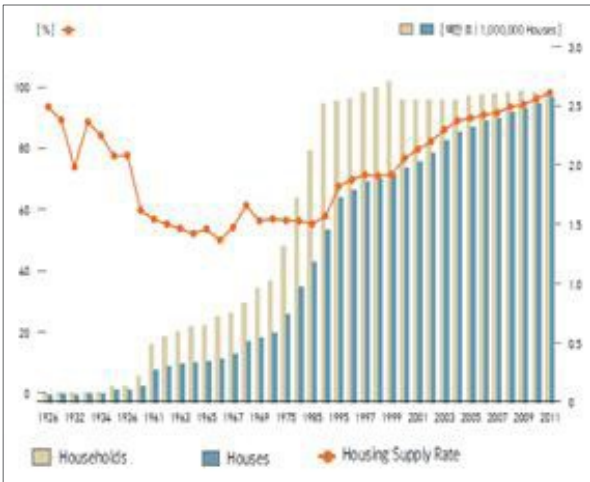
## Abrupt Increase of Housing Demand due to Rapid Urbanization

Until the local government system came into effect in 1995, Seoul focused its housing policy mainly on supplying houses to meet the demands caused by population growth. The city's population rose dramatically from 2.45 million in 1960 to 5.43 million in 1970, 8.36 million in 1980, and 10.61 million in 1990, but the amount of housing fell far short of the growth. Seoul was in perpetual need of housing.

The housing shortage caused by Korea's continued economic growth and urbanization often precipitated housing price increases and speculation. Finding solutions for this problem has always been a crucial national challenge while the country was enjoying rapid economic growth, and was the reason that housing supply and price control policies were alternately implemented in response to the cycle of housing shortage, followed by rising house prices, followed by speculation and then control policies. The household/housing supply ratio reached 100% nationally in the early 2000s; but not until 2010 for Seoul.

**Figure 1 - Number of Households vs. Houses in Seoul (1926 – 2011)**

**Figure 2 - Housing Prices in Seoul**



Source: National Statistical Office, Census (1926 – 2011); the Seoul Institute, quoted from "Seoul in Maps".

## Massive Supply of Housing

### Revision of Institutional Measures for a Massive Supply of Affordable Sites & Housing

Until the mid-1950s, the government's housing policies amounted to no more than emergency aid. With the 5-Year Economic Development Plan in 1961 however, policies began to look like construction policies. In 1962, the Korea National Housing Corporation was created to aggressively respond to the housing shortage; in 1967, the Korean Housing Fund was established. The Land Readjustment Program Act was passed in 1966 to take on systematic construction of the urban area. In the mid-1970s, the institutional framework was founded to supply more affordable housing.

### Land Readjustment Program

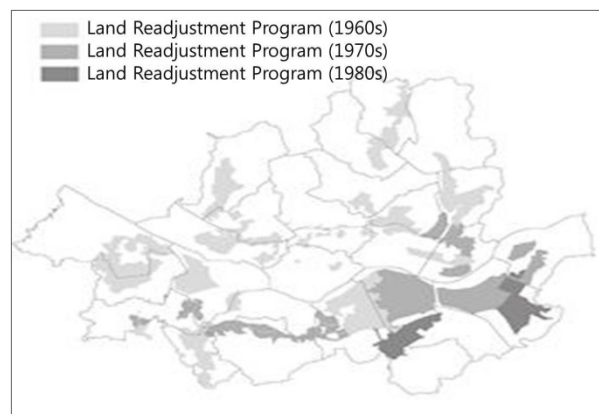
The first 5-Year Economic Development Plan generated higher demand for public land to be used for housing, industry and transportation. The augmented Land Readjustment Program focused on systematic development of urban areas on the outskirts of existing ones. In Seoul, the Land Readjustment Program was most active in the 1960s and 1970s, and the areas it targeted accounted for some 40% of the total urban area. Because it mainly supplied detached housing sites, it did not make the most efficient use of the land. In some regions such as Yeongdong, municipal housing complexes were built to attempt to supply houses at affordable prices. However, the question of whether to construct housing was left to landowners to decide, limiting the program's effectiveness in terms of addressing the housing shortage.

**Table 1 - Land Readjustment Program by Period**

	1960s	1970s	1980s
Number of Program-Implemented Areas	20	14	5
Total Area	63,673,800 m <sup>2</sup>	49,650,100 m <sup>2</sup>	14,541,300 m <sup>2</sup>
Average Area	3,183,700 m <sup>2</sup>	3,546,400 m <sup>2</sup>	2,908,300 m <sup>2</sup>
Lot size reduction rate	31.6%	43.7%	55.0%

Source: Seoul Metropolitan Government, The Seoul Institute, 2009.

**Figure 3 - Seoul Land Readjustment Program Areas by Period**



Source: Seoul Metropolitan Government, The Seoul Institute, 2009.

### Mass Supply via Public Development

Judging from detached houses alone could not resolve the shortage in Seoul, the government initiated a policy designed to supply housing on a massive scale via public development in the 1970s. For this development, the Housing Construction Promotion Act and the Housing Site Development Promotion Act were passed in 1972 and 1980, respectively. In 1976, the Urban Planning Act adopted an apartment district system to facilitate apartment supply, designating Banpo, Apgujeong, Seocho, Dogok, Cheongdam and Gaepo as such areas – the areas that had been developed in accordance with the Land Readjustment Program. Housing was built in earnest under the 10-Year Housing Construction Plan in 1972. In line with the plan to supply 2.5 million units between 1972 and 1981, some 1.87 million were built nationally with 497,000 units in Seoul. However, the programs pursuant to the Housing Construction Promotion Act only targeted residential areas within the boundaries of the urban plan zone, and supplying land on a large scale became an issue.

To facilitate the supply of housing sites, the Housing Site Development Promotion Act was enacted in 1981. The Housing Site Development Program is a type of public development designed to develop inexpensive land (green spaces in urban outskirts, etc.) and supply a large number of houses at affordable prices. Unlike the Land Readjustment Program, authorization is limited to public institutions, using development profits for urban infrastructure, facilities and public housing. Nationwide, 640 km<sup>2</sup> was developed through the Housing Site Development Program, 336 km<sup>2</sup> in the Seoul metropolitan area and 37 km<sup>2</sup> in Seoul itself. Large apartment complexes were built in Godeok, Sanggye, Junggye, Gaepo/Yangjae, Suseo, Shinnae, and Mokdong. Land was supplied through the Housing Site Development Program at 60% of the land development cost for public lease housing and at 95 – 110% for house purchase, depending on unit size.

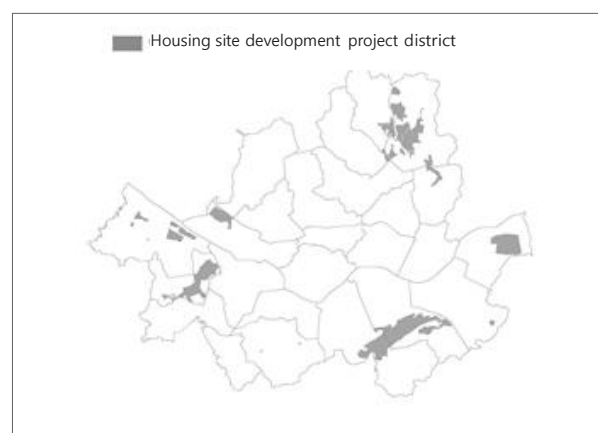
**Table 2** - Outcome of District Designation for the Housing Site Development Program (late 2006)

(Unit: km<sup>2</sup>, (%))

Category	Total	Korea Land Corporation	Korea Housing Corporation	Local Governments
National	639,674 (100.00)	344,313 (53.83)	171,325 (26.78)	124,036 (19.39)
Seoul Metropolitan Area	336,123 (100.00)	190,042 (56.54)	88,199 (26.24)	57,882 (17.22)
Seoul	37,106 (100.00)	6,438 (17.35)	7,378 (19.88)	23,290 (62.77)

Source: Seoul Metropolitan Government, The Seoul Institute, 2009.

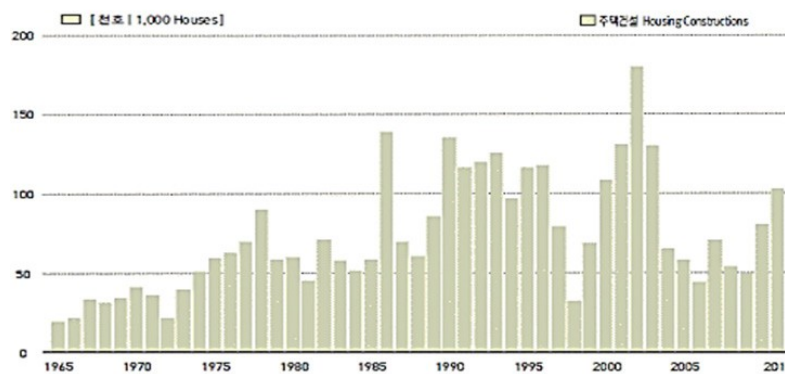
**Figure 4** - Housing Site Development Program Districts in Seoul



Source: Seoul Metropolitan Government, The Seoul Institute, 2009.

In 1988, a plan was drafted to supply 2 million units, resulting in 2.14 million units being built in the Seoul metropolitan area, including the 5 new cities – such as Bundang and Ilsan – by 1991. Even after 2002, the policy to supply housing en masse continued, including plans for 1 million national public housing and 1.5 million Bogeumjari units.

**Figure 5 - Housing Construction in Seoul (1965 – 2011)**



Source: Seoul Metropolitan Government, Seoul Statistics, 2013, quoted from "Seoul in Maps".

## Redevelopment of Deteriorating Houses

### Redevelopment of Deteriorating Housing in the 1980s

In the early phase of industrialization, a large amount of unauthorized housing was built throughout Seoul. These "slum" areas were mostly located on hillsides adjacent to urban areas and were often called by their nickname, Dal-Dongne. The Dal-Dongne redevelopment projects began in earnest after passage of the Urban Redevelopment Act in 1976.

### Start of the Joint Redevelopment Program

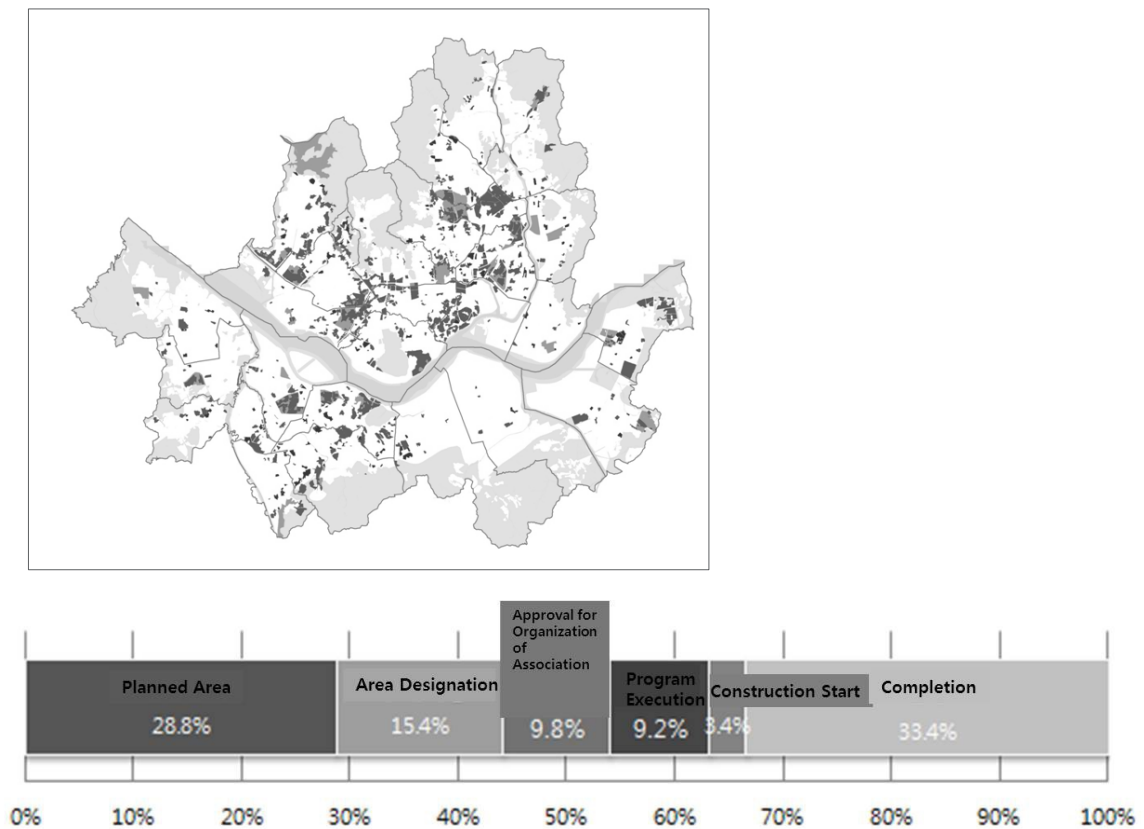
The Joint Redevelopment Program was launched in the early 1980s to encourage the redevelopment of such housing areas. This program is jointly carried out by residents' associations and private construction companies. The unit- and landowners did not have to contribute to receive newly-constructed units, but there was no real consideration of tenants, inviting strong opposition. Through this joint program, some 140,000 seriously deteriorating units were demolished by 2008 and 290,000 new ones built. Seriously deteriorating houses that low-income earners had lived in were replaced by high-rise apartments occupied by the middle class. The shortage of affordable housing, caused by this method of redevelopment, became a driving factor behind the construction of detached houses for multiple households during the time when housing prices soared in the late 1980s.

**Table 3 - Housing Improvement Programs in Seoul**

	Total Number of Areas	Area of Planned Districts	Area of Designated Districts	Area of Program Execution	Program Completed Areas
Total	1,300	374	200	292	434
Designated for Improvement	305	57	121	105	22
Redeveloped	529	60	36	91	342
Areas for Detached House Reconstruction	276	186	39	49	2
Areas for Apartment Re-construction	190	71	4	47	68

source: Seoul Metropolitan Government, Jan. 2012.

**Figure 6 - Designated Housing Improvement Program Areas in Seoul**



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**Figure 7 - Heukseok-dong**



**Figure 8 - Oksu-dong**



**Figure 9 - Oksu-dong**



### **Supply of Redeveloped Lease Housing for Tenants**

In the Joint Redevelopment Program, many houses were demolished without any back-up plans for low-income tenants evicted from their homes into sometime even poorer conditions, creating greater insecurity among such families. Seoul thus began building public housing for tenants, used in the redevelopment lease housing system that the city introduced. However, supply was only 20% of the total demand, and many tenants had to give up and move to other regions. Even today, the public lease housing supplied via redevelopment numbers only 56,500 units.

### **Introduction of the Residential Environment Improvement Program for Low-Income Residents**

The Residential Environment Improvement Program aims to improve the residential environments of areas occupied by aging, dilapidated houses. In an effort to reduce the involuntary migration of low-income residents, the City of Seoul limited its extensive improvement programs that relied on full demolition in 2012 and adopted the Residential Environment Improvement Program which seeks to both preserve and improve the existing urban area at the same time. The public sector provides assistance with infrastructure (roads, parking lots, public squares etc.) and community facilities (community centers, childcare centers, senior centers etc.) while residents participate in improving houses and the community itself. Today, the program is active in 23 districts in Seoul.

## **Supply of Public Lease Housing for Low-Income Earners**

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### **Increased Supply of Public Lease Housing**

In Seoul, the supply of public lease housing began with housing for permanent lease for those in the lowest income class in 1988. Until 2013, housing for permanent lease, public lease housing, redeveloped housing for lease and other types of public lease housing had been built for the low-income class, but as of that year, housing with 20-year leases or longer accounted for only 6.1% of the total housing stock. This is due to the difficulty of increasing the stock in a short span of time as it is not easy to supply large housing sites and finance the costly construction projects. Currently, the City of Seoul aims to increase public lease housing to

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10% of total housing.

The types of public lease housing can be divided by income level of the potential tenants: first, housing for permanent lease and purchased housing for lease of those in the lowest income class; second, public lease housing (e.g., national public housing and redeveloped housing for lease) for those earning 70% or less of the average income; and third, SHIFT for lower class households and those in the middle class earning up to 180% of national average income. These types are explained in the following paragraphs.

**Type 1: Purchased Housing for Lease and Housing for Permanent Lease**

The policy for permanent lease housing, pursued in line with the plan to supply 2 million houses, was the first housing welfare policy for the poorest class, including those covered by the livelihood protection scheme. Permanent lease housing was deemed innovative because 85% of the construction cost was financed from the national coffer. It inevitably put a strain on the national budget, forcing a stop to the program after 190,000 units were built nationwide (47,000 in Seoul). From 2003, multi-unit houses were purchased in the downtown area as part of the purchased housing policy to be used for lease to those in the lowest income class. Purchased housing for lease was available in built-up areas and tenants were very satisfied with the policy. In 2005, the government introduced a system where it leases private houses from the owners and then sub-leases them out to low-income tenants.

**Type 2: Public Lease Housing for Those Earning 70% or Less of National Average Income**

Public lease housing was provided as part of the subsequent program to the Housing for Permanent Lease Program, but supply was limited due to the insufficient nature of government support. The supply of public lease housing began in earnest in 1998 after the Asian financial crisis hit South Korea. A certain percentage of public lease housing was necessary to ensure housing for families hit hard by the financial crisis, which had caused housing prices to fluctuate wildly. Examples of public lease housing include 50-year public lease housing, national public housing, and redeveloped housing for lease. Redeveloped housing for lease has been supplied to evicted residents since the 1990s while national public housing began in the 2000s. The national public housing program expanded to 1 million units by 2003. To further facilitate housing supply, the Special Act on National Public Housing Construction was passed.

**Type 3: SHIFT (Long-term Public Lease) to Include the Middle Class**

In 2008, the City of Seoul introduced a long-term public lease system called SHIFT, which included the middle class. Unlike public lease housing for which the tenants pay monthly rent, SHIFT is a public housing system where the tenants pay the jeonse deposit (50% of the house price). It is enthusiastically supported by the middle class, who have some amount of extra funds.



**Table 4 - Public Lease Housing in Seoul**

	Type 1			Type 2			Type 3	Total
	Housing for Permanent Lease	Purchased Housing for Lease	Jeonse Lease	Redevelopment, Environment Improvement Lease	Public Lease Housing, 50-Year Lease Housing	National Public Housing	SHIFT	
Period	1988 – 1993	2004 – Present	2005 – Present	1989 – Present	1992 – 1995	1998 – Present	2007 – Present	
Government Financing	85%	45%	City of Seoul	City of Seoul	50%	30%	City of Seoul	
National Public Housing Fund Loan	-	50%	-	-	20%	40%	-	
Target Beneficiaries	Benefit recipients, single parent families, housing savings account holders	Benefit recipients, lowest income class	Benefit recipients, lowest income class	Persons evicted from unauthorized housing areas	Evicted residents, housing savings account holders	People earning 70% or less of national average income, housing savings account holders	Housing savings account holders	
Units Supplied	47,700	15,600	27,600	56,500	20,500	21,700	26,300	215,900

## Financial Residence Assistance for Low-Income Residents

### Rent Assistance for Low-Income Residents

Despite the continuing supply, there is still a serious shortage of public lease housing. For low-income tenants who cannot move into public lease housing, the Jeonse Deposit Loan Program and the Monthly Rent Assistance Program are available. The Jeonse Deposit Loan Program, financed by the National Public Housing Fund, was provided to 14,600 low-income households and 17,400 working households each year between 2002 and 2009.

Since 2002, the City of Seoul has had its own monthly rent assistance system for low-income households. Recipient incomes are verified every year; eligible candidates belong to the socially vulnerable classes, earning 150% or less of the minimum cost of living. The program is financed through the Social Welfare Fund

created by the city and from 2002 to 2010, 23,300 households benefited from the program. Since 2010, the number of assisted households has been increasing annually. From 2015 and onwards, the Housing Voucher Program will be implemented at the national level. The rent assistance system is deemed an effective policy as it utilizes an extensive range of private lease housing to minimize the number of those who are left behind, and responds to varied demands for housing assistance.

**Table 5 - Number of Rent-Assisted Households in Seoul**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Households	963	1,040	1,537	2,231	2,782	3,255	3,175	3,382	4,982

Source: Internal documents, Seoul Metropolitan Government.

**Introduction of Minimum Required Residential Conditions**

“Minimum required residential conditions” refers to the basic conditions required of residential units, and were introduced to the Housing Act in 2010 to ensure the rights to housing for low-income earners. The minimum conditions are divided into 3 categories – area, facilities, and structure/performance/environment; if any one of these is not up to the standard, a unit is considered to have failed in satisfying minimum requirements. Area” refers to the minimum area required to house a certain number of people in a household: 14 m<sup>2</sup> for a single-person household and 43 m<sup>2</sup> for a 4-person household. The number of houses in Seoul that fail to meet this requirement quickly dropped from 23.5% in 2000 to 19.1% in 2005 and to 8.9% in 2010.

**Table 6 - Required Area by Number of Household Members (Minimum Required Residential Condition)**

Number of Household	One	Two	Three	Four	Five	Six
Area	14 m <sup>2</sup>	26 m <sup>2</sup>	36 m <sup>2</sup>	43 m <sup>2</sup>	46 m <sup>2</sup>	55 m <sup>2</sup>

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## **Know-how of Introducing the Policies**

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### **Regulatory Policies for Housing Market Stability**

The further housing construction expanded, the greater the industry's influence became, and the market became one of the most important drivers of the economy. Naturally, housing policies had 2 overarching goals – to ensure housing stability and to manage the economy. Regulations were placed and removed from the market time and again.

Policies designed to control speculation contributed significantly to laying the foundation for the housing market and to stabilize housing prices. When real estate prices went up, various measures were announced to contain speculative activities. These included: modification of the transfer income tax in 1978; differentiation of the housing sale prices in 1982; introduction of the housing bond bidding system in 1983; introduction of the integrated land tax in 1985; enactment of three Acts on the public concept of land ownership in 1989; requirements for property registration to be in the name of the actual owner in 1995; strengthened standards for reconstruction in 2002; introduction of the comprehensive real estate tax in 2003; stronger LTV(Loan To Value ratio) in speculation prone areas; mandatory reporting of actual transaction prices in 2005; and maximum caps on sale prices in speculation prone areas in 2007. Currently, a significant number of speculation control measures are used to ensure fairness and efficiency in the housing market.

### **Organizational Structure for Massive Housing Supply**

Collaboration between the Central Government's Economic & Land Development Departments and Seoul Policies to supply housing on a mass scale cannot be pursued without political determination and support at the national level. In the past, the policy was part of the 5-Year Economic Development Plan, but in the 1970s, the 10-Year Housing Construction Plan and the plans to supply 2 million units were separate plans. In this process, much of the legal framework and many institutional measures were introduced to ensure a supply of affordable housing sites and secure funds to implement the relevant policies, such as the Housing Construction Promotion Act, the Housing Site Development Promotion Act, and the National Public Housing Fund. At the time, housing policies were the core policies implemented by the central government, pursued in collaboration with the Economic Planning Board, the Ministry of Construction, the City of Seoul and other government organizations.

### **Foundation of the LH Corporation & SH Corporation to Supply Housing for Low-Income Families**

Passed in 1963, the Public Housing Act defined public housing as affordable housing provided to local government institutions and non-homeowners. Founded in 1962, the Korea Housing Corporation had built some 2 million houses by 2008; of these, 63% were for purchase or short-term lease, and 37% were for long-term lease. The City of Seoul also founded the SH Corporation in 1989 to pursue its own lease housing programs, which supplied 155,000 units of lease housing and 88,000 units of housing for sale. The Corporation also ex-

cutes various other programs for the city, such as the Eunpyeong New Town and the urban development program in Magok District. The LH Corporation and the SH Corporation are institutions that translate government housing policies into action (e.g., housing site development and supply, making affordable housing available to low-income families, and construction of public lease housing for low-income households). They have contributed considerably to ensuring housing for low-income families in a period of fast-paced economic growth.

**Policy Financing**

**Introduction of the National Public Housing Fund**

The National Public Housing Fund is the heart of South Korea’s public housing finance. The Fund was first created in 1981 pursuant to the Housing Construction Promotion Act. Before then, the housing funds were used to issue housing bonds and build houses, but the lack of financing resulted in only negligible results. The National Public Housing Fund is funded by government contributions, money from issued National Housing Bonds and housing lottery tickets, deposits from the general financial market and National Public Housing Fund bonds, and housing savings accounts which give priority for housing to its holders. The proportion each is responsible for varies according to the circumstances of the market. In 2005 when the housing market was booming, housing bonds provided a high percentage of funding. In 2010 however, there were more funds on standby from housing sales (such as through the housing savings accounts) than from other sources.

The Fund has various uses: construction of housing for lease or sale; assistance with house purchases or jeonse deposit loans; improvement of seriously deteriorating houses; or purchase of housing sites. The National Public Housing Fund has financed approximately 4.5 million housing units, with public lease housing accounting for 48.2% and small housing units for sale making up the remaining 51.8%.

**Table 7 - Sources of the National Public Housing Fund**

(Unit: %)

	National Housing Bonds	Housing Savings Accounts	Funds Carried Forward	General Ac-count Trans-ferred Funds	Lottery Fund Pro-ceeds	Loan Re-pay-ments	Loan & Deposit Interest	Total
2005	37.3	7.2	19.4	-	2.1	24.1	9.5	100.0
2011	23.2	21.1	19.8	2.8	1.1	24.3	7.6	100.0

Source: Land & Maritime Affairs Statistics, Ministry of Land, Transport & Maritime Affairs ([Http://stat.molit.go.kr](http://stat.molit.go.kr))

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## Policy Challenges

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### **Increasing Housing Prices due to Extensive Housing Site Development & Infrastructure Construction**

The Public Housing Site Development Program has been quite effective in terms of supplying affordable housing sites and creating built-up areas in a systematic manner. Sizable housing sites were made available in a short period of time due to the acceptance of private land for public development under the Housing Site Development Promotion Act. However, a prerequisite of the program was accepting land from the private sector, which meant resistance from those evicted and social conflict from compensation issues. Moreover, extensive development programs for both residences and infrastructure on the city outskirts pushed residential site and housing prices up. Investing profits from public development of infrastructure enabled a steady supply of housing and continued construction of infrastructure, but the program was structurally limited in that increased compensation for land and development unavoidably led to an increase in housing prices.

### **Urban Expansion & Development of Bedroom Communities Leads to Chronic Traffic Congestion between Seoul and the New Cities**

The chronic issue of traffic congestion between Seoul and the adjacent new cities triggered controversy and called for construction of self-sufficient cities. New cities were built to supply housing in a short time and most of them now act as bedroom communities. Recently, extensive development has changed so that it provides both a place to live and a place to work; as part of this program, separate business areas have been built in some new cities (e.g., Pangyo, Gwanggyo). The views of new city development are changing.

### **Reduction of the Number of Owner-Occupants**

Despite rising incomes and a massive supply of housing, owner-occupant rates have dropped. Nationally, the rate was 71.7% in 1970; by 2005, it had dropped to 56%. In Seoul, the rate remained in the low 40% level until 2005. Housing prices that increased faster than income levels are the reason for these low rates.

**Figure 10 - National & Seoul Owner-Occupant Rates**



Source: National Statistical Office, Census (1970 – 2005)

#### **Increased Public Housing Supplier Debt**

Despite the positive assessment of public lease housing, supplier debt has soared, evidence that any policy to provide housing for low-income families will increase the burden on government.

#### **Reduction of Affordable Housing due to the Housing Improvement Program**

Under the Joint Redevelopment Program launched in the early 1980s, 140,000 seriously deteriorating houses were demolished and 290,000 built by 2008. Even so, the program had problems remaining public in nature, due to such issues as forced eviction and the low rate of original returning resident. While it is true that many from the unauthorized residential areas escaped poverty and entered the middle class, it has become all the more important to address the ever-worsening polarization in income and provide adequate housing for low-income earners.

#### **Shortage of Permanent Lease Housing for the Lowest Income Class**

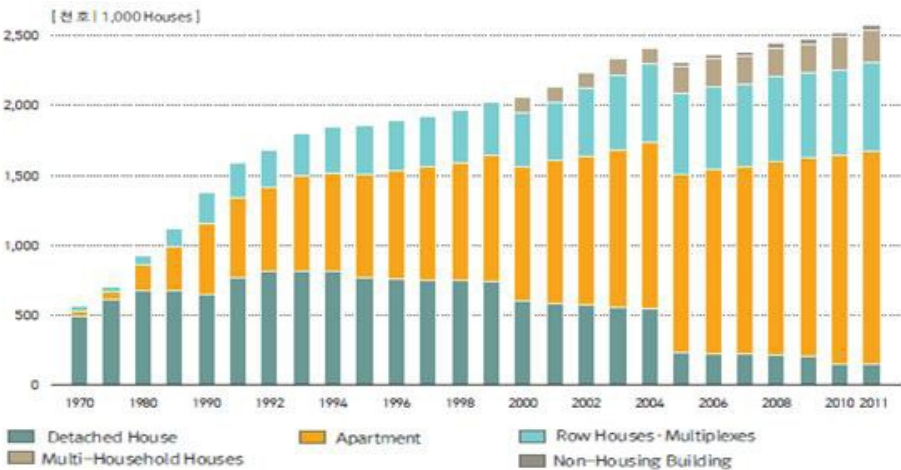
Permanent lease housing is for those in the lowest income class, with rent equal to only 20% of rent on the free market. The number of people on standby for permanent lease housing is 66,000 nationally, and 20,000 households in Seoul. This indicates that the demand for affordable public lease housing is quite high. National public housing is for the lower two income quartiles, but the rent is too high for those in the first and second quartiles. The fact that permanent lease housing leads to social isolation of low-income earners calls for integrated management of both permanent lease housing and national public housing. Recently, the Act on Support for Improving the Quality of Life of Tenants in Long-Term Public Rental Housing has passed, making it possible for the government to provide assistance based on the different amounts reflected in rental pay-

ments. Basing rent on income level may help resolve the shortage of permanent lease housing and include areas not covered by previous policies.

**Change of Housing Type from Detached Housing to Apartment Units**

The extensive development of housing sites and massive supply of housing subsequently transformed the type of housing constructed. The preference for apartment units over detached houses was due to the concentration of apartments in Gangnam and the new cities. Some 70 – 80% of new housing units were apartments, which accounted for only 0.8% of total housing stock in 1970 but jumped to 53.0% by 2005. However, the higher rent and purchase prices, when compared to multi-unit housing, has been another source of pressure on people.

**Figure 11 - Housing Stock by Type, 1970 – 2011**



Source: National Statistical Office, Census (1926 – 2011); The Seoul Institute, quoted from "Seoul in Maps".

**Effect of the Policies**

**100% Housing Supply Rate**

So far, South Korea's housing policy has been aimed at home ownership through massive supply of housing. It was tacitly assumed that economic and income growth would keep housing demand afloat. Thus for the past 40 years, the government's housing policy encouraged people to resolve the housing issue by finding their own homes. Unlike the US or European countries that promoted home ownership through financial and tax incentives, Korea focused more on providing homes at affordable prices. Thanks to the housing site development program, which provided affordable housing sites and homes, the housing supply stood at 100% in the early 2000s. However, the rate in Seoul, where a quarter of the nation's population lives, reached 100% only in 2010.

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### Increased Supply of Public Lease Housing

Permanent lease housing, 50-year public lease housing, and national public housing are some of the most well-known housing welfare policies where tenants can live at an affordable price for a long time. The City of Seoul has endeavored to secure sufficient public lease housing, making it mandatory in private-sector redevelopment and reconstruction programs to include a certain percentage of public lease housing. This allowed for some 56,000 units of public lease housing, which is a phenomenal feat. Based on such efforts, 210,000 units of public lease housing were available in Seoul as of 2013, bringing the percentage against the total housing stock to 6.1%. Recently, more varied approaches have been taken to resolve the shortage of housing sites: studio-type housing on small city-owned lands; supply of public lease housing based on a cooperative-type approach; and quasi-public lease housing supplied by remodeling privately-owned homes.

**Table 8 - Percentage of Public Housing for 20-Year or Longer Leases against Total Housing Stock**

Year	1995	2000	2004	2010	2012	2013
Percentage	3.5	4.5	5.0	4.6	5.2	6.1

Source: Seoul Metropolitan Government, Basic Seoul Urban Plan for 2020, 2006; The Seoul Institute, 2013.

### Shift to Community-oriented New Towns & Redevelopment Policies

Some of the excesses of the New Town and redevelopment programs have reduced the number of affordable housing units and caused involuntary migration of the previous residents. To address this issue, the City of Seoul has recently adopted a new vision for its housing improvement program – “The city where people come first.” The existing programs relied heavily on profitability and full demolition and were modified and diversified to put more emphasis on resident communities and villages, and the city provides administrative and policy support to ensure the right of tenants to housing. The city has also conducted research on existing areas where the programs were at a standstill to incorporate input from residents and set a new direction for development. When residents agree to go further with the program, the city provides administrative support to carry it on.



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## Implications

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Housing policy in South Korea has maintained home ownership as its goal, through economic and income growth. The full-scale housing site development program that began in the early 1980s developed green zones on the city outskirts to keep the supply of housing affordable. This in turn allowed housing prices to stay low, thereby encouraging more people to own homes and increasing the size of the middle class. After the Asian financial crisis however, the financial market for the real estate industry opened, accelerating housing price increases and the resulting size of mortgages. Because housing prices rose faster than income levels, home ownership in Seoul has remained near the 40% level despite the massive supply of housing.

Extensive development of housing sites was carried out by including the cost of infrastructure (roads, parks, waterworks, sewer lines etc.) in housing prices. Prices of housing in these programs were lower than market prices, and the expectations for price increase were what maintained the demand for new housing, but the prerequisite for this was that high economic and income growth must be maintained. It is questionable whether this model would be reasonable in many developing countries. Without both economic and income growth, the extensive development programs could also serve as a means to provide more housing units to high-income earners.

Unlike the new housing program pursued by the public sector, the programs to improve existing built-up areas were led by private capital. As a result, areas previously occupied by low-income earners were taken over by the middle class, while the original residents were pushed out to basement units nearby or cheap housing on the outskirts. This indicates that large-scale demolition type improvement will inevitably result in the migration of low-income residents. Extensive development of existing built-up areas also reduces the affordable housing stock, putting additional strain on these low-income earners. It is therefore necessary for the public sector to invest in infrastructure and community facilities, encourage residents to improve and preserve their residential environment, and diversify program methodology. Public investment in infrastructure and community facilities is critical. In Seoul, the dilapidated houses in Dal-Dongne reduced living costs during fast-paced economic growth, thereby helping people work their way into the middle class. Widespread awareness that the residential areas for low-income earners within the city hold their own significance is essential.

During its rapid growth, South Korea developed its own policies and methodologies to apply to its own market. The research institutes at government agencies and institutions played a pivotal role in this process. Well-trained experts helped reduce adverse effects from the policies and introduced or developed new policies after conducting onsite research, data analysis and simulations. Each country is unique in its economic, social and cultural circumstances. It would be unwise for another country to take the Korean model for direct application, but such a country would be advised to refer to the experience and make adjustments as neces-

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sary. To do this, central and city governments need to conduct their own research and studies to build on the Korean experience and make further progress.

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