

International

Lost Seoul: Middle-class dreams spoiled by soaring house prices

Seoul home price surge the fastest in the world

SEOUL: Even with unemployment spiking as the coronavirus pandemic swept South Korea in February, Baek Seung-min asked his wife to quit her nursing job to help reach a dream they had spent a lifetime chasing: buying their own apartment. The 35-year-old interior designer said giving up his wife's 58 million won (\$48,000) salary would improve their chances of securing a property after the government introduced a host of measures aimed at cooling rampant property prices.

The unusual plan was to cut his wife's income for a while so the couple's annual earnings were low enough to be eligible for a quota system in new property developments designed to give more low-income newlyweds access to housing. Even so, Baek and his wife decided to settle two hours west of his Seoul workplace in Incheon, where borrowing rules were looser and apartments far cheaper.

"Seoul home prices grew way out of reach, we had to go all the way to Incheon to buy our place," Baek said. "The government is crushing our dreams when they curb loans and tell us not to buy homes, it enrages me." Despite more than 20 cooling policies introduced by President Moon Jae-in's government, home prices in Seoul have risen more than 50% since 2017, the fastest pace in the world, according to statistics site Numbeo. The surge has dashed the hopes of many young families and signaled that the "middle class contract" that helped build Asia's fourth-largest economy may have slipped out of reach.

Anger at inequality

When the left-leaning Moon took office in 2017, his central promise was to create a level playing field for all South Koreans and a society where hardworking people could raise a family and afford a home. But tighter mortgage rules featuring vastly lower loan-to-value ratios, along with various tax penalties to discourage speculative transactions, are contributing to higher



Anger wipes out Moon's approval

rents and larger down payment requirements - hurting those the policies are intended to help. Mortgage rules for Seoul now cap borrowing at 40% of the value of the home. Pockets of the glitzy suburb of Gangnam are also subject to a transaction permit system, meaning sales without a permit can be made invalid if a purchase is considered "speculative".

Critics say such policies mean the "gold spoon" children of the wealthy can snap up the best homes with their cash, leaving "dirt spoons" trapped as second-class citizens - fuelling the inequality Moon promised to tackle. While some

families are cutting their incomes to improve their chances of getting a boost onto the property ladder, others are getting divorced on paper to reduce real estate taxes or not registering their marriage to keep separate home-buying applications, according to two lawyers and a tax accountant Reuters spoke to.

Anger at Moon's economic policies has wiped out a surge in his approval ratings from the handling of the coronavirus pandemic, slipping back to a near nine-month low of 44.5%, according to a Real Meter survey yesterday. The Presidential Blue House declined to comment for this article. On Tuesday, Finance Minister Hong Nam-ki said stabilizing home prices was the government's biggest public welfare policy goal as plans were announced to add more than 132,000 new homes in Seoul through 2028.

Middle class ticket

For decades following the 1950-53 Korean War, South Koreans saw a degree from a top university and an apartment in Seoul as the fastest way to the middle class, which explains why about three-quarters of household wealth is concentrated in real estate. But now, "dirt spoons" who studied hard and secured white-collar jobs such as lawyers and interior designers say the cooling measures Moon introduced have made it impossible for them to buy a property in Seoul even with a six-figure salary.

It now takes an average Korean household more than 14 years of income to buy an average

Seoul home, assuming zero expenses. It was 11 years when Moon took office, KB Bank data shows. Hong Na-ri, a lawyer who rents a three-bedder with her twin daughters and husband in Seoul, says her family is priced out of the property market. The price of the flat Hong has been renting in Seoul's Songpa neighborhood has more than doubled to 1.8 billion won since she moved to the area in 2015.

"When I got married (in 2015) I believed prices will go down...now everyone asks me why didn't buy one when I could. It makes me anxious, but there is nothing I can do," said the 35-year-old, whose combined household income ranges from \$6,700-\$10,000 a month. "It's not like I can move outside of Seoul, away from our babysitter, preschool, and my job." Moon is trying to fix structural problems in the economy. He has sought to rein in the powerful chaebol conglomerates such as Samsung and Hyundai, which have seen their profits far outstrip household income growth.

Tighter mortgage rules were introduced because the easier credit available under his predecessor was blamed for initially stoking the housing bubble. Yun Chang-hyun, a conservative economist and member of parliament for the opposition United Future Party, says the government's approach is creating more uncertainty about future. "More than 20 separate set of measures without success has caused stress and anxiety among people they must buy something now or never." — Reuters

Videos show explosion in North Korean town

SEOUL: Videos shot from China show an explosion lighting up the night sky across the border in North Korea, multiple media reported on Wednesday, in what one South Korean outlet said was an apparent gas leak that caused a deadly blast on Monday. Reuters could not immediately verify the videos, which were obtained by Seoul-based Daily NK, which monitors North Korea, and the Associated Press. Other South Korean media also cited unnamed sources who reported the fire and explosions. Citing an unnamed source inside North Korea, Daily NK reported on Wednesday that as many as 15 people had died in the explosion and resulting fire at a house in Hyesan, Yanggang Province.

The Associated Press quoted a travel agent in the Chinese border town of Changbai who said he observed the explosion and filmed a video of it, but did not know the cause. The videos show a fire glowing over tree tops, punctuated by multiple explosions that send columns of flame into the sky. North Korean state media has made no mention of an incident, and South Korean officials said they could not immediately confirm the reports. — Reuters

N Korea on flood alert; heavy rain kills 16 in South

SEOUL: Days of heavy rain could cause flooding or landslides across North Korea, officials warned, as the South said yesterday 16 people had died in the downpours lashing the peninsula. North Korea is particularly vulnerable to sustained heavy rain as many mountains and hills have long been stripped of vegetation, allowing water to flow downhill unchecked. But the South has also suffered, with authorities saying at least 16 people had been killed in the past few days by floods in the central region. Another 11 were missing, while 1,600 people had been displaced from their homes, authorities said.

The North's official KCNA news agency said areas hardest-hit by the downpour include Hwanghae province, a major agricultural region. "It is important to take necessary measures for the regions



CHEORWON: Residents clean debris from their home following heavy rain fall in Chorwon yesterday. — AFP

which are in danger," said Dokgo Hyok Chol, an official at the State Hydro-meteorological Administration. KCNA did not mention any casualties or damage caused by the rain. At least 138 North Koreans

died after torrential rain triggered major floods in 2016, the United Nations said at the time. More than 160 people were killed by a massive rainstorm in the summer of 2012. —AFP