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Supporting the middle-classes for owing their homes is the main housing policy of South Korea, as well as in my country, Japan. But the house-lease systems of these two countries are utterly different.

The South Korean government has escaped the construction of public rental housings for the low-income group by making full use of the unique private house lease system – the “Jonsei-Walsei System”.

As a result of this, the number of public rental housings in South Korea is only 3.4 percent, 390 000¹ housings units, compared to Japan’s 6,7 percent. But now the government wants to see one million new rental dwellings!

Jonsei and Walsei

After the World War II, the Jonsei- and Walsei system started as a kind of deposit system. It derived from the circumstances that few people used the banking loan system. As the interest rates exceeded 10 percent most investors preferred a lump sum, rather than a high monthly rent.

Jonsei

If a person who wants to rent a flat or a house, he/she needs to deposit a large sum of money to the owner which comes to 30-80 percent of the housing price – a Jonsei. The renter can use the residence without paying a rent for 2 years. When the landlord pays back the Jonsei, excluding the interest for two years, the tenant must move out unconditionally. In the time of renewing the contract, the tenant can not reject a big raise in the Jonsei.

Walsei

The walsei-tenant must pay the landlord a monthly rent, because the Walsei which is deposited is far more inexpensive than jonsei. The tenant must move out unconditionally when the landlord pays back the Walsei, also without its interest, after two years. The tenant can not reject a big raise in rent and the Walsei in time of renewing the contract.

Although the interest rate went down to 4 percent recently, the housing price and the Jonsei have been increasing. The rent of a 23 m² flat; Walsei is 1727 \$US and the rent is 35 \$US, which is less than 20 percent than the market rent, excluding maintenance fees and public utility charges.

Street scene from Seoul. PHOTO: MASTERFILE/IBL

SOUTH KOREA

A scheme for one

Construction of Housing

Until the end of the 1980’s, South Korea has been suffering from a chronic housing shortage, owing to the population concentration into urban areas and because of the rapid development of industrialisation.

In the early 1980’s the South Korean government made an effort to construct a lot of housings by improving legal systems and establishing the Korean National Housing Corporation and the South Korea Land Corporation. The government also established the National Housing Funds which were to assist all those who were going to construct or purchase housing. Consequently, 6.12 million public-funded housing units were built from 1982 to 1995. Since 1984, when The Rental Housing Act, was established, the State began constructing the public rental houses.

However, after five years of the lease hold started, the tenants were scheduled to buy their flats. But, only few of the tenants made use of this “offer”, independent whether they lived in the public rental housing or in the private rent-



million rental dwellings

al housing. Simply because they could not afford the price asked. The government encouraged the middle classes to construct or purchase their own dwellings.

Bad Housing Situation and Public Rental Housing

In Seoul, back in 1985, 41 % of the households² lived in one-room residential units. Many families rented a part of a detached house or very small flats and basements areas for living, sharing conveniences. Today many families live in “row houses” and in small apartment units in private houses. In 2000, 18.2 percent of the South Koreans lived in dwellings less than 46 m²³. In Seoul an average of 3 persons occupy a 2-room (including kitchen) flat of 23-43 m². As many buildings and facilities of the public rental housing were very decrepit, they have turned into slums, having bad impact on the surroundings.

One-million-rental-housing-scheme 2003-2012

In 2003 the South Korean government started a scheme for the aim of constructing one million national rental units. This scheme aims at raising the rate of Public Rental Housings up to 15% of that of all housing.

The target group for this project are the less well off people, whose income are less than 70 percent of the annual household income for an urban worker, about 21 780 \$US in 2003. The lease term is 30 years.

However, in the first place, to obtain building lots for this scheme itself is a big issue, and the Korean administrative organ has exercised its powerful authority in urban development works.

For example, in 1990 the government carried out a drastic land policy in order to control the skyrocketing land prices. This had in fact much effect on the number of homeless people whose number had reached over 10 000 by 1997. Today there are about 5 500 homeless people in the whole country!

From quantity to quality

It seems now that the government intend to shift the emphasis of the South Korean housing policy from quantity to quality. However, the housing situation is still complicated and unsatisfactory, and also unfair and unreasonable. The South Korean tenants' rights are few and toothless. The lease term is stipulated to 2 years according to The House Lease Protection Act. The tenant can not renew the contract without the landlord's consent.

A lot of low-income tenants suffer from an extremely bad housing situation, and high housing costs might cause serious social instability in the future. The most important thing is to what degree the Korean people can carry out the proper housing policy based on the idea of protecting housing rights for the low-income tenants as a human right.

Fact and figures

In 2000 only 41 percent of the households in Seoul owned their dwelling, 41 percent consisted of Jonsei housing and 16 percent was Walsei housing⁴. In urban areas Jonsei housing often corresponds to 2/3's of all housing. Notably is that in South Korea as a whole the proportion of homeownership has declined from about 80 percent in 1960 to 54 percent in 2000.

¹ Source: Information on South Korea, by Tosikazu Suto

² Source: National Census 1985

³ Source: Major Statistics of Korean Economy, 2002. Korean National Statistics office.

⁴ Seoul Development Institute

