

Coronavirus Knocks Down Gangnam Real Estate Prices

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The prices of aging apartments in Gangnam are dropping rapidly as the coronavirus epidemic delivers a severe blow to the economy.

Older apartments in the affluent area are considered bellwethers of property prices because they tend to surge when designated for renovation or reconstruction, and the government had introduced tougher regulations to stabilize them to little effect.

But now some have been put up for sale at W300-400 million below market rates, while statistics show prices in Gangnam declining at a faster rate than in other parts of the capital (US\$1=W1,212).

In an apartment complex from the late 1970s in Daechi-dong, 84 sq.m units are being offered for sale at less than W2 billion. Only late last year, the asking price was W2.35 billion.

The asking price for apartments of the same size in another 1970s complex in Jamsil stands at W2 billion, compared to W2.4 billion late last year.



Apartment prices in Seoul overall dropped in the first half of last year due to tightened government regulations but quickly picked up again.

But now analysts say that the economic impact of the coronavirus epidemic could end up doing what the government could not and taming real estate prices in the

Shim Kyo-eon at Konkuk University said, "Apartment prices in Seoul increased so sharply recently that people are feeling frustrated, and once the economic impact of the epidemic hits home, more and more people will put their homes up for sale to come up with cash."

"We may not see apartment prices rise again until at least the end of this year."

But two variables may prop up apartment prices in Seoul -- a shortage of supply and government pump-priming measures. "Some multiple homeowners may put up their homes up for sale to save increased taxes, but interest rates are low, and jeonse or Korean-style deposit leases are rising, so most will be able to ride out the storm," Lee Sang-woo said.

"Past cases show that government stimulus funds end up flowing into the real estate market, so the decline in Seoul apartment prices could be short-lived."