

S.Korea to ease property rules to boost faltering market

SEOUL, April 1 (Xinhua) -- South Korea planned to boost its faltering real estate market with the comprehensively easing measures such as the offer of exemptions on acquisition and capital gains taxes along with the financial support for first- time home buyers, the Construction Ministry said Monday. The first-time home buyers, who earn less than 60 million won (54,000 U.S. dollars) per year and purchase homes valued at less than 600 million won, will be subject to exemption for the property acquisition tax, the Ministry of Land, Infrastructure and Transport said in a joint statement with related ministries including the Finance Ministry. No capital gains tax will be imposed on buyers of home worth less than 900 million won for the next five years right after the home purchases. The tax exemptions will be effective by the end of this year. On the supply side, Seoul also planned to reduce public home supplies, while restricting the public supply to the homes of less than 60 square meters. The size of public fund for financial support to the first-time home buyers will expand to 5 trillion won (4.5 billion U.S. dollars) from the current 2.5 trillion won, while cutting the interest rate of loans from the public fund to a range of 3.3-3.5 percent from the current 3.8 percent. The debt-to-income (DTI) ratio for the first-time home buyers will be adjusted depending on banks' own decision, while the loan-to-value (LTV) ratio will be eased to 70 percent by the end of this year. The comprehensive policy package, including tax, finance and supply & demand, came amid the deepening of the recession in the real estate market. Housing prices in the Seoul and its suburban areas fell 0.3 percent in the second half of 2011, declining faster at 1.1 percent in the first half of 2012 and 1.9 percent in the second half. Nationwide housing transactions, an indicator of future home prices, slid to 73,500 in 2012, the lowest since 2006 when the related data began to be compiled. Falling housing prices reduced demand for home purchases, raising demand for home rents and rent fees. It led to a rise in daily livelihood costs for overall households, while falling transactions resulted in the weaker profits for construction companies and real estate developers. South Korea's housing market has been feared to enter a long- term recession period as seen in Japan and the U.S. due to structural problems such as aging population, retiring baby boomers and low growth trend. The Finance Ministry said in a Dec. 3 report that slower growth of the country's population and households weakened real demand for housing as places of residence, cautioning that retiring baby boomers were expected to sell large-sized homes and boost oversupply in the market. The South Korean economy was feared to fall into the long-term low growth trend due to persistent uncertainties at home and abroad, leading to slow growth in household income. It would prevent the potential home buyers from purchasing homes through debt leveraging. The Finance Ministry slashed its 2013 growth outlook for the country to 2.3 percent from an earlier forecast of 3 percent, lower than a 2.8 percent growth estimated by the Bank of Korea (BOK). The ministry said it will unveil a plan for supplementary budget, estimated to reach around 10 trillion won (some 9 billion U.S dollars) this month in a bid to stimulate the sluggish economy in the early period of new presidency under President Park Geun- hye.