



Foreign housing investment in Seoul: Origin of investors and location of investment



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ABSTRACT

Foreign housing investment is an outcome of increased mobility in the era of globalisation. The literature has acknowledged the impacts of global migration and capital flows on space. However, an understanding of foreign home ownership is scarce in spite of its growing volume and influence. This study explores who the foreign buyers of housing in Seoul are and where the houses owned by foreigners locate. By analysing housing transaction data and the location of ethnic communities, this paper shows that foreign housing investment in Seoul is closely associated with overseas Koreans rather than any average global talent or immigrant. The location of foreign owned houses is linked to the geography of ethnic clusters as well as areas where high potential investment returns are perceived. Foreign housing investment has the potential to strengthen long-term settlements of foreigners, and to encourage the emergence of “global villages”.

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Introduction

Foreign housing investment is one of the outcomes of increased mobility (Hines, 2001) after deregulation on foreign property ownership has been acted upon (Adair et al., 1999; Hsing, 2006; Keivani, Parsa, & Mcgreal, 2001; LaPier, 1998). Global human/capital flows have created more opportunities for foreign home ownership. As a result, foreign housing investment is emerging in many countries reshaping urban space in concert with spatial and economic restructuring (Hodos, 2002; Sassen, 2001). The literature has acknowledged the impacts of global migration and capital flows on space (Friedmann, 1986; Hugo, 2004; Javorcik, Ozden, Spatareanu, & Neagu, 2011; Kim & Han, 2014; Sassen, 2005). However, how foreign home ownership is related with urban changes has not been examined in the literature in spite of its growing volume and influence. Accordingly, the primary purpose of this paper is to investigate ‘who’ are the investors and ‘where’ the foreign owned housing is located. In addition, this study aims to analyse spatial patterns of foreign housing investment in conjunction with socio-economic and demographic characteristics to provide implications to spatial development, using Seoul as a case study. Although immigration is new to Korean society and the magnitude

of foreign housing investment is small, there is increasing influence of foreign nationals upon spatial development in Seoul. Particularly, relaxation of foreign property investment in 1998 in an attempt to overcome the Asian financial crisis provided momentum to stimulate capital flows into the housing sector. This paper makes an effort to add understandings of new creation of urban spaces made by increased global mobility with home ownership.

Factors to explain foreign housing investors and the location choice

Foreign housing investment by individuals can be understood as an outcome of interrelated activities: global migration associated with ethnicity and capital investment. Firstly, the literature has described that international migration has grown significantly due to new divisions of labours and the advancement in technologies (Friedmann, 1986; Hugo, 2004). Flows into the world labour market have been accelerated since the 1980s especially between the first- and the third-world (King, 1990). Due to widening income gaps between cities, large-scale immigration takes place in global cities. High-income nations absorb immigrants and international migration supplements the labour shortage (Hugo, 2004). Managerial elites and low-wage workers are likely to be destined to core countries, more specifically, global cities, to work for the new economy (Sassen, 2001). As a result of massive global

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migration, there is an increasing number of flexible citizenship associated with transnationality (Ong, 1999). This transnational class involves cross-border economic activities (Peng, 2000; Rauch & Trindade, 2002). International mobility of people and products has led international real estate investment, too (Hines, 2001). The demand for housing changes due to the influx of new labour forces. Immigration is one of the stimulators in housing investment. For instance, many Hong Kong residents migrated into developed countries and their immigration was often associated with housing investment (Gutstein, 1990). Most of new Asian investment in Canadian property was completed by migrants from Hong Kong (Edgington, 1996). As the number of immigrants from Hong Kong increased, home ownership by them also increased in Canadian cities.

Secondly, many studies have approached Foreign Direct Investment (FDI) as one of the corporate strategies in a globalising era (Dunning, 1998; He, 2002; Sassen, 2001). Global property investment can be understood as a specific type of foreign direct investment (Kim, O'Connor, & Han, 2014). At corporate levels, more specifically in the real estate sector, a high concentration of global property investment has appeared in global financial centres (Lizieri, 2009). Cross-border investment in office buildings called 'towers of capital' is growing in size with a geographical focus on international financial centres (Lizieri, 2009, 2012) in favour of strategic risk-return management (Baum & Hartzell, 2012). In line with growth of the financial market, for instance, pension funds, global property investment is also expanding. US \$553 billion out of US \$1328 billion, or approximately 40% of the total commercial property transactions, were invested in cross-border property investment in the period 2008–2011 (JLL, 2012). Approximately 45% of office spaces in the City of London were owned by non-UK firms (Lizieri & Kutsch, 2006). After the Asian financial crisis in 1998, Seoul's office market faced transformation due to a massive influx of global office investment (Kim, O'Connor, & Han, 2014). Transaction volumes increased significantly and foreign investors started playing a pivotal role in the Seoul office market. Global investors accounted for one-third of the total office transactions in Seoul in this period reaching 60–70% in selected years (Kim, O'Connor, & Han, 2014). Global office investment was recognised as one of the contributing factors to reshape contemporary space via the property and financial markets as discussed in Lizieri (2009) and Kim et al. (2014). The vast majority of global investment in offices has been completed by firms rather than individuals due to the large amount required for investment.

Finally, the importance of ethnicity has been felt in various countries for international human and capital flows (Bandelj, 2002; Sun, Tong, & Yu, 2002). For instance, in the Central and Eastern European countries, political alliances, migration, trade and cultural ties were found to be more significant than institutional arrangements related to transaction costs (Bandelj, 2002). Hong Kong and Taiwan are main investors especially in Guangdong and Fujian provinces in China possibly due to linguistic advantages and geographic closeness (Sun et al., 2002). In Shanghai, traditional values have attracted foreign, mainly Hong Kong, real estate developers (Zhu, Sim, & Zhang, 2006). In the same way, the ethnic concentration of migrants is often linked to housing investment. Inbound FDI in China, as the second largest recipient (Cheng & Kwan, 2000; Sun et al., 2002), has increased due to the increased activities by ethnic Chinese communities such as Hong Kong, Taiwan and Singapore (Dunning, 1998). Ethnic Chinese networks have an economically greater impact on bilateral trade with regard to market information and matching and referral services (Rauch & Trindade, 2002). The ethnic connections are often tightly associated with family relationships (Sassen, 2005). These three key elements for foreign housing investment is conceptualised in a diagram (Fig. 1).

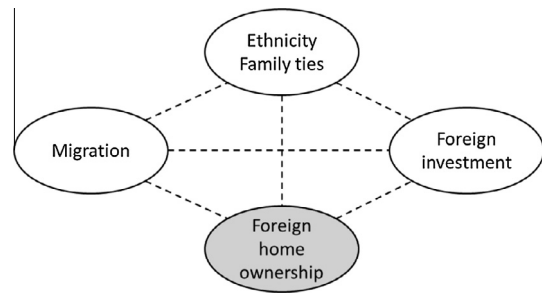


Fig. 1. Key factors of foreign home ownership.

With regard to locations for foreign housing investment, the global city literature provides a clue for location patterns of foreign housing investment. Global cities are destination for migrants including both professionals and low-skilful labourers (Friedmann, 1986; Hugo, 2004) and places for global capital accumulation. An influx of immigrants to global cities has created spatial outcomes due to this bifurcation of economic structure (Sassen, 2001, 2005). Global elites tend to be at centres in exclusive suburban and exurban enclaves whereas working class is pushed to suburbs and/or into inner-city, public housing (Walks, 2001). Within a global city, spatial specialisation is becoming evident due to income gaps, large-scale immigration from rural or from abroad, and the evolution of jobs (Friedmann, 1986; Hugo, 2004; Li & Wu, 2006; Vogel et al., 2010). Typical examples of spatial specialisation are expressed in inner areas, immigrant communities, gentrifying areas, and informal manufacturing and industrial service areas (Hall, 2001; Sassen, 2001). This specialisation can be relevant to location choice of foreign nationals for their housing investment since, as discussed, foreign housing investment has complicated layers that include migration, ethnicity, and capital flows. As home ownership tends to be a barrier to mobility (Ha, 2010), it can create long-term effects on space.

Whilst global office investment has been a research focus, spatial distributions of foreign home ownership at individual levels, in conjunction with spatial restructuring in global cities, have not been addressed in the literature. Therefore, following questions can be raised: who are main foreign investors in the housing market; what locations do foreign investors select within a global city; what are the spatial outcomes of foreign housing investment; and how the location of foreign housing investment is interrelated with economic/demographic structure?

Data and method

This study uses housing transaction records between January 2006 and June 2010, collected from all local governments in Seoul. Transaction data were requested from the local governments in Seoul via the [Korea Public Information Disclosure System \(PIDS\)](#). The data includes 4782 housing transactions by foreign nationals. The transaction data include basic information regarding the transaction such as address, a transaction date, home country information and foreigners' ethnic background information (foreigner or overseas Korean).

Interviews were also conducted to provide insights on investors' home ownership decision making. Interviewees include a real estate broker for overseas Koreans, emigrants, government officials, and foreign nationals in Korea such as English teachers, administrators and a military officer. Fifteen interviews were conducted in 2010 in Korea and Australia with a semi-structured set of questions including reasons to purchase housing in Seoul, reasons to choose a particular location, management methods, and financial methods. Interviews were recorded or annotated as appropriate

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