4 Urban transformation “Korean style”
Lessons from property-based urban development

Hyun Bang Shin

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Introduction

In her observations of the emergent trend in Africa to produce blueprints of futuristic cities, Vanessa Watson (2014: 215) examines how African governments are keen to work with international investors to turn existing urban centers or peripheries into “gateways for international investors and showpieces for ambitious politicians”. The efforts of the African cities can also be witnessed in other parts of the world—for example, in Southeast Asia, where governments have engaged in megaprojects to build brand new urban centers in peri-urban areas (see, e.g., Percival and Waley, 2012). One of the reasons behind this is the urgent need to address extant urban problems in the context of global competition for footloose capital while ensuring the legitimacy of incumbent political elites. In this global endeavor, Asian urbanism has emerged as a source of inspiration (Roy and Ong, 2011).

In this regard, South Korea (hereafter Korea) provides an interesting point of reference for cities elsewhere in the Global South. Cities in Korea are often depicted as vertical cities with endless clusters of high-rise condominiums and office buildings, supported by the seamless connectivities and mobilities of data, people and commodities. For onlookers, Korea’s experience in transforming its urban-scape “from hovels to highrises” (cf. Power, 1993) may be received with a sense of wonder, an urban manifestation of Korea’s “economic miracle” that has become a source of developmental aspiration. The Korean version of Asian urbanism, be it real or imagined (Shin, 2019), has been increasingly utilized by the Korean state and its agencies—such as the Korea Land and Housing Corporation—as an export to other countries in the Global South (see Jung, 2019; Kim, 2018; Lee, 2015; van Noorloos and Leung, 2017).

However, there is a danger of idealizing the developmental achievements of Korea when specific policies and projects are isolated from the sociopolitical relations that gave rise to them. In this regard, this chapter aims to highlight the importance of situating this developmental experience within Korea’s broader sociopolitical relations while avoiding the risk of falling into “methodological
nationalism” (see Choi, 2014; Doucette and Park, 2019). Lessons to be learned will have to involve a careful analysis of how Korea’s urban development experience—which has relied heavily on accumulating property assets—came about and what this experience means for social equity and justice from a critical perspective.

The rest of the chapter is divided into four sections. First, it will discuss the post-war challenges and some of the noteworthy urban development experiments before the 1980s, when the country was prioritizing industrialization over the adequate provision of housing. Second, the salient characteristics of property-based urban development from the 1980s onward will be examined, focusing on (1) the speculative nature of urban development, (2) rent gap and development gains, (3) vertical accumulation, and (4) displacement and dispossession of extant land users. Third, the role of the state will be analyzed, examining the extent to which the state endeavored to establish property as hegemonic. The final section will summarize the discussions and present lessons for urban development “Korean style” for other countries in the Global South.

Pre-1980s urban development: post-war challenges and experiments

The reality of urban development in Korea before the 1980s was that the private sector was weak—albeit on the path to realizing an economy of scale—and the level of housing investment stayed relatively low despite government emphasis on increased production. According to a report from the Korea Research Institute for Human Settlements (1981: 13–14), the share of housing investment in gross national product averaged 1.6 percent between 1962 and 1966 and below 3 percent between 1967 and 1971. In the 1960s, the housing supply in Korea was dominated by small-scale private builders who produced nearly 90 percent of new housing (Korea National Housing Corporation, 2001: 232). The Korea National Housing Corporation (hereafter KNHC), a public housing agency, was established in 1962 to build homes for low-income families nationwide; however, its contribution remained minimal during the early years (ibid.). The central government’s attempts to increase housing production were often overly ambitious and its projections underachieved. For instance, the second five-year economic development program (1967–1971) aimed at the construction of 800,000 dwelling units, which was roughly equal to one-fifth of the total number of existing dwellings in 1965 (Ministry of Construction and Transportation of Korea, 2002: 27; Planning and Coordination for the Cabinet Office, 1967: 397). Once put into the implementation stage, the plan was substantially scaled down to aim for 500,000 units in order to save the government from humiliation (Ministry of Construction and Transportation of Korea, 2002: 27).

One of the key urban problems was sprawling illegal dwellings of poor quality. During the years of recovery after the Korean War (1950–1953), illegal and sub-standard dwellings sprung up in large numbers on available land in urban areas. This phenomenon was particularly acute in Seoul, Korea’s capital. The Seoul
Municipal Government largely regarded these dwellings as “cancerous elements” that deterred “continuous implementation of capital building” (Seoul Municipal Government, 1970: 263) or as undesirable features that “damaged urban landscape” (Seoul Municipal Government, 1973: 4). Policy responses in the 1950s and 1960s were mostly focused on containing their growth and demolishing existing illegal, poor quality dwellings. A report stated that, between 1958 and 1972, the municipal government managed to relocate approximately 0.3 million residents from 48,718 dwellings to the city outskirts (Jeong, 1984, cited in Jang, 1998: 27). Disciplinary measures were announced occasionally to discourage additional construction of such dwellings. For instance, right after the military coup in 1961, the owners of illegal dwellings subject to demolition were to be put on trial in a military court (see Kim et al., 1996: 74). However, clearing all the substandard neighborhoods with illegal dwellings posed various constraints and faced resistance, and many of them managed to survive.

In light of the difficulties in dealing with mushrooming illegal dwellings in Seoul, the municipal government made a proposal to the central government for the enactment of a special law enabling the municipal government to take more systematic measures to eradicate illegal dwellings and settlements. The Temporary Act on the Promotion of Housing Improvement (hereafter the Temporary Act) was thus enacted in 1973. It aimed at completing the “improvement” of all illegal and substandard dwellings by 1981, which was the year the Temporary Act was due to expire. The key to achieving this goal was to allow the free transfer of ownership of those public lands occupied by squatter dwellers from the central government to the municipal government. In this way, when an illegal settlement on such public land became subject to renewal, land sale revenues could be retained by the municipality, providing it with the financial resources to proceed with the subsequent renewal of other settlements (Kim et al., 1996: 85). The ideas behind the Temporary Act can be seen in the administrative statement by the Seoul Municipal Government below (Seoul Municipal Government, 1974: 331):

What is urgent in reality is to tackle the illegal, substandard dwellings that exist in disorder in great numbers all around the city … these dwellings impoverish mountains and fields; cause inundation of rivers and flooding of urban districts; make citizens sick due to the pollution from contamination; cause low self-esteem that produce social problems as there are no benefits of having cultural facilities; and degrade the façade of Seoul. [Therefore,] it is inevitable to improve these illegal dwellings and put them in order.

The Temporary Act ultimately targeted approximately 121,000 dwellings in 230 project areas in Seoul, which accounted for about three-quarters of the 155,467 illegal dwellings identified in December 1973 (Seoul Municipal Government, 1974: 345–346). Any units excluded from this renewal measure were subject to demolition (Kim et al., 1996: 86). The main renewal method adopted was self-help renewal by means of either “in situ upgrading” or “clearance
and redevelopment”, depending on site conditions. The “in situ upgrading” scheme was not popular due to the financial burden, as it depended on owner-occupiers taking the initiative and paying for the expenses of upgrading their dwellings to the standard prescribed by the Building Act (Kim et al., 1996; Lee, 2000). The lack of meaningful progress was the same for the “clearance and redevelopment” scheme. However, this scheme is noteworthy for its laying out of the basic principles that the more commercially oriented urban redevelopment scheme from the 1980s (known as the Joint Redevelopment Program, or Hapdong Jaegaebal in Korean) was founded upon.²

The efforts by the Korean state to clear shanty settlements were structurally constrained as well. While the rebirth of the city center was essential for the authoritarian developmental state to demonstrate its power (e.g., the clearance of substandard dwellings along the Cheonggye Stream), substandard settlements located away from the new central business district survived the clearance efforts of the government, serving the function of providing affordable housing for the urban poor and keeping their labor costs low (Mobrand, 2008; see also Kim, 2010). Maintaining such living conditions for labor also met the interests of both the state and nascent capitalists because the state concentrated available resources on nurturing the growth of capital (especially the emergent conglomerates known as chaebol) that depended heavily on low wages and a large pool of surplus labor (Park, 1998).

The relatively weak emphasis on housing investment is reflected in macroeconomic statistics as well. When the Korean economy began to take off in the 1970s, gross investment in fixed capital formation expanded sharply to support Korea’s industrialization. The value of gross fixed capital formation as a share of gross domestic product (hereafter GDP) at 2000 constant prices increased from 14.9 percent in 1970 to 26.1 percent in 1985, hitting a ceiling of 39.3 percent in 1996 (The Bank of Korea, 2004). The absolute amount of housing investment increased in line with the expansion of investment in fixed capital; however, the share of housing investment in real GDP hardly exceeded the 5 percent threshold level between 1970 and 1985 (ibid.). In other words, housing investment received less emphasis in comparison with other investments in facilities and non-residential construction in times of rapid economic development.

Post-1980s property-based urban development

The urban policy of the Korean developmental state took a major turn in the 1980s, building upon the lessons from the previous era. The state proceeded with mass housing provision based on “bricks and mortar” subsidies to private builders; they also stipulated various laws to support the intervention by state agencies and property owners in land and housing development. The central government led by the December 1979 coup leader made a bold announcement in August 1980 that it would construct 5 million dwellings during the next ten years (Dong’a Ilbo, 1980; see also Son, 2000). Pursuit of this goal may have appeared quite mad, as it more or less equated with the total number of housing
stocks nationwide in 1980 and twice the total number of urban housing stocks (Economic Planning Board of Korea, 1982). The Korean state managed to boost housing production substantially throughout the 1980s by supporting private builders, many of which were subsidiaries of conglomerates, to increase their outputs. The total number of dwellings constructed between 1982 and 1992 reached about 4.1 million units (Korea National Housing Corporation, 2004; Ministry of Construction and Transportation of Korea, 2002). Between 1988 and 1992, 2.7 million of these units were produced (ibid.), assisted by another big push from the central government, which was led by the successor of the aforementioned coup leader.

The enactment of the Housing Site Development Promotion Act in 1980 also enabled the use of state agencies such as the Korea Land Corporation to develop land in urban peripheries and rural areas that could then be used for mass housing construction by builders (see the chapter in this volume by Im Seowhan). In Seoul, where the most crowded living conditions were amplified by the large presence of substandard settlements, urban redevelopment projects were launched to replace such settlements with high-density apartment complexes (Kim, 2010). In contrast, the strengthening of social welfare received much less attention throughout the 1980s and 1990s. It was only from the late 1990s, after the Asian financial crisis, that the Korean developmental state began to embark on initiatives to put together programs to build social safety nets and expand social housing programs (Song, 2009). Urban development in Korea from the 1980s can be summed up as property-based development that aimed at the physical improvement of the built environment for profitable gains. It exhibited the following key characteristics.

**Speculative urbanization**

The construction of an urbanizing society in Korea was initially led by the economic motifs of the Korean developmental state, which prioritized economic growth and industrialization. After a brief moment of import substitution, the authoritarian developmental state led by the military dictatorship pursued an export-oriented economy, investing in the formation of industrial clusters (Castells, 1992). A number of select small towns and cities across the country, such as Ulsan, Changwon, and Gumi, emerged as sites of concentrated investment to develop and expand manufacturing capacity, working in multi-scalar processes that brought together state actors as well as those in localities (e.g., on Changwon, see Choi, 2014). Infrastructural development as productive investment to support the growth of these industrial clusters also took place, rapidly giving rise to the accumulation of fixed assets (Harvey, 1978). In this regard, the 1960s and 1970s can be considered as a period of industrialization leading to urbanization (Shin, 2018). The opening of Korea’s first expressway—the Gyeongbu Expressway—to connect the southern port city of Busan with Seoul might be one of the best demonstrations of such fixed asset accumulation coordinated by the developmental state (Choi, 2010).
However, the 1980s onward saw the rising importance of speculative urbanization that built on the growth and commodification of land and housing development (La Grange and Jung, 2004; Shin, 2009) as the main locus of wealth accumulation by real estate businesses as well as urbanites, especially the upper-class and emergent middle-class families. One of the key strategies pursued in this regard was the promotion of large-scale residential estates called *danji*, which allowed cost-efficient infrastructure provision and the standardization of condominium construction. Initially applied to the massive housing site development in the south of the Han River, the concept was developed to facilitate the ten-year (1972–1981) housing construction program (Planning and Coordination for the Cabinet Office, 1972: 253–254) and was subsequently supported by the aforementioned Housing Site Development Promotion Act. One of the most well-known *danji* was the Mokdong *danji*, which accommodated about 27,000 units, geared largely towards emergent middle-class families (Shin and Kim, 2016: 545; see also Lett, 1998: 115–117; Son, 2000). The *danji* model has become the norm for new town programs as well as commercialized inner-city redevelopment programs, both of which were embarked upon from the 1980s.

The Korean developmental state in the late 1980s embarked on the construction of new residential towns; this was in sharp contrast to its practice of building new industrial towns throughout the 1960s and 1970s. The five new towns constructed between 1989 and 1996 included Bundang, Ilsan, Pyeongchon, Sanbon and Jungdong, all located on the peripheries of Seoul and thereby serving as “bed towns” for middle-class families whose breadwinners largely commuted to Seoul (La Grange and Jung, 2004). The Housing Site Development Promotion Act was instrumental in the construction of these new towns, with the Korea Land Corporation acting as developer of all new towns except Jungdong, which involved the KNHC and Bucheon Municipal Government as the other two developers. Development gains were anticipated by the Korea Land Corporation, which sold assembled land to private builders, who subsequently constructed commercial condominiums for profit. Through the Housing Site Development Promotion Act, the Korean developmental state was able to fast-track planning and construction processes.

Speculation was a frequent source of concern in the housing market. Condominiums were particularly attractive to the emergent middle class from the late 1970s (Gelézeau, 2007; Yang, 2018). Middle-class buyers rushed in and snatched up condominium units supplied in large numbers in the south of the Han River in Seoul, commonly referred to as Gangnam. Living in an apartment complex came to be regarded as a key status symbol, as Lett (1998: 110) notes: “The stereotypic image of South Korea’s contemporary middle class included not only residence in Kangnam [Gangnam] south of the Han River but also life in a high-rise apartment complex”. Various reports suggest that new condominium units in new apartment complexes (*danji*) became the object of intense competition among buyers. For instance, in 1977, 19,800 applications were reported to have been made for 160 new units put up for sale, creating rampant speculative fervor among buyers (see Mobrand, 2008: 381–382).
Condominiums produced as a result of commercial urban redevelopment were particularly attractive to middle-class speculative buyers because these units were supplied at production cost for the original property owners with little profits imposed by developers (Ha, 2001). Typically, financially weak property owners sold their rights to these newly redeveloped condominium units to speculative buyers, while developers enjoyed profits from selling excess redeveloped units supplied through high-density development (Shin, 2009). Such units supplied at production cost caused a large price increase in the market, allowing buyers to reap their own returns on speculative investments.

Rent gap and development gains

As Harvey notes, “land is not a commodity in the ordinary sense. It is a fictitious form of capital that derives from expectations of future rents” (2012: 28). When a piece of land gets (re)developed, the completion of development can be equated with the closure of the rent gap between capitalized (“actually realised”) land rent based on the extant use of the land and potential land rent that is expected when the land is put to “the highest and best use” (Clark, 1988; Smith, 1979). A number of factors contribute to the rise of a rent gap. It can be created “by continued urban development and expansion … that has historically raised the potential ground rent level in the inner city” (Smith, 1996: 67–68)—though there is no reason to assume that this would happen only to inner-city areas (see Lees, Shin and López-Morales, 2016). In a country such as Korea that has experienced condensed urbanization and heavy investment in fixed assets, including infrastructure (Shin, 2019), the potential land rent in underdeveloped land in urban peripheries or former agricultural areas would experience a rapid increase, raising expectations for ample development gains when such land is designated for (re)development. This process of rent gap closure through (re)development would underlie the state-led development of new housing sites as per the Housing Site Development Promotion Act.

The urban redevelopment of substandard settlements in Seoul is an example of how the rent gap drives commercial property-based development. Here, the rent gap may have grown by a number of factors, some of which I will outline here. First, as noted above, city-wide development in Seoul places development pressure on existing substandard settlements in order to put the land to “the highest and best use”, such as condominium estates for more affluent families or office buildings for businesses. Second, rent gaps may also be enlarged by changes to the planning regulations that affect substandard settlements. For instance, higher building density permitted to a parcel of development land would increase the potential land rent. Changing the land use designation into something that allows for more profitable development (e.g., agricultural use converted to urban residential use) would also create a larger rent gap and thereby greater development pressure. Third, as property owners in substandard settlements usually face a lack of de jure property rights due to the illegal status of their properties standing on public land, property owners and particularly absentee landlords would have less
incentive to make substantial reinvestment in their properties; this would lead to the devaluation of their properties and subsequently lower capitalized land rent. Furthermore, if a neighborhood is designated as a redevelopment district, additional structural extension or modification of the dwellings would be prohibited in accordance with the Urban Planning Act until the commencement of redevelopment (Ministry of Construction and Transportation of Korea, 2000: 40–41). This would force property owners to “keep the building appropriate to its site, or, withhold investment, minimize maintenance and variable costs, and milk it as it stands, resulting in a broadening of the rent gap” (Clark, 1988: 252); it would also discourage inward investment even more, thereby keeping the capitalized land rent at low levels and enlarging the rent gap.

If we take the increase in land price as a proxy to understand the extent of rent gap closure, redevelopment of dilapidated neighborhoods should result in ample profiteering opportunities, especially when much of the land in such neighborhoods is not privately owned. According to a report from the Seoul Municipal Government in 1998, about 40 percent of the land in redevelopment project neighborhoods in Seoul was in public ownership, while 57 percent of dwellings were without land titles and thus illegal (Seoul Municipal Government, 1998: 20–21, cited in Shin, 2009: 908). As the high share of public land and illegal dwellings commanded lower land prices, redevelopment projects aimed at privatizing public land and commercial high-density developments led to the surge of (official) land prices. For example, in Sanggye 4-1 District—which was located in northeastern Seoul and was one of the first redevelopment project sites completed just before the 1988 Seoul Summer Olympic Games—the purchase price of public land was KRW 90,750 per square meter, which was only half the price of the private land in the adjacent neighborhood (Jang, 1998: 58–59).

Nevertheless, when news of (re)development spreads, there is a growing expectation that development gains can be made, attracting speculative interests who would exploit the opportunity by, for example, purchasing extant properties at higher prices to win the right to become a member of the redevelopment association, entitling them to purchase a redeveloped unit at a discounted price. Such speculative activities lead to the rise of capitalized land rent. As Clark notes, “[c]apitalized land rent rises rapidly, and the rent gap narrows rapidly, towards the end of the cycle when the property becomes an object of speculation with a view towards redevelopment” (1988: 252). Korea has seen many such speculative interests in the process of promoting urban redevelopment as well as housing site development.

Furthermore, the profit-oriented nature of urban redevelopment can also be seen in the way project financing hinges on maximizing the production of commercial units for sale. This is because the size of profits for redevelopment associations are determined by the number of new units sold in the new housing market. According to data released by the Ministry of Land, Infrastructure and Transport, there were, in total, 547 redevelopment districts designated between 1972 and 2004 in Korea, which were to produce nearly 300,000 new flats. Of these, only 6.4 percent were allocated to the members of the redevelopment
association that led the redevelopment, while 77.7 percent were produced for sale in the new housing market (see Table 4.1).

**“Vertical accumulation” and the vertical city**

Maximizing development gains and returns on investment can be aided by building densification as a key planning tool. One way to judge the degree of densification is to examine the floor-area ratio (hereafter FAR), which is the ratio of a building’s gross floor space to the net area of the ground where the building stands. FAR has been an effective planning tool for the government in propelling or restraining real estate development: A high FAR would incentivize real estate investors, as a larger building volume for sale can be provided on the planned site, whereas a low FAR would have the opposite effect. The case of urban redevelopment summarized in Table 4.1 also illustrates the importance of density for commercial gains. Between 2005 and 2017, the average share of redeveloped flats for sale in the new housing market decreased to 44.5 percent, which translated to lower profitability than in previous years. However, this was compensated for by higher density development: The average number of redeveloped flats per district between 2005 and 2017 turned out to be 949 units, 76.4 percent more than the figure for the 1972–2004 period.

In Seoul, until the late 1990s, planning regulations on building density control were relaxed several times to allow for high-density development (Lee and Bae, 1998: 268). Between 1983 and 1990, the maximum FAR in general residential areas was 250 percent for north Seoul and 300 percent for south Seoul (Seoul Building Ordinance No. 1766, issued May 4, 1983). From November 1990, it was increased to 400 percent (Seoul Building Ordinance No. 2660, issued November 9, 1990) before decreasing to 300 percent in 1998 (Seoul Building Ordinance No. 3499, issued April 30, 1998). This high-density development enabled vertical accumulation (Shin, 2011), leading to a significant increase in the number of both dwellings and residents in, for example, redeveloped neighborhoods. According to the Housing Redevelopment Bureau

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**Table 4.1 Distribution of redevelopment flats per use in designated redevelopment districts in Korea**

<table>
<thead>
<tr>
<th>Year</th>
<th>Designated Redevelopment Districts, (A)</th>
<th>Number of New Flats (B)</th>
<th>Redevelopment Association Members</th>
<th>For Commercial Sales</th>
<th>Public Rental Flats per District, B / A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972–2004</td>
<td>547</td>
<td>294,166</td>
<td>18,942</td>
<td>6.4%  228,707 77.7%</td>
<td>46,517 15.8% 538</td>
</tr>
<tr>
<td>2005–2017</td>
<td>972</td>
<td>922,535</td>
<td>411,758</td>
<td>44.6% 410,452 44.5%</td>
<td>100,325 10.9% 949</td>
</tr>
</tbody>
</table>

Source: MOLIT Statistics System. URL: http://stat.molit.go.kr/
of the Seoul Municipal Government, 65 redevelopment districts, which were completed between 1990 and 1996, experienced a 32 percent average increase in households and a 303 percent increase in the number of dwellings (Seoul Municipal Government, 1998: 32). The data from the Housing Division of the Seoul Municipal Government also shows that, by the end of 2010, the total number of new dwellings constructed in 211 redevelopment project sites reached 206,145, replacing 79,935 units that became subject to demolition. As the size of the redeveloped flats was much larger than the dwellings they replaced, the overall increase in building volume would have been much larger than the increase in the number of dwellings.

A major outcome of such densification has been the rise of condominiums or apartments as a popular form of residence, transforming Korea into “the republic of apartment” (Gelézeau, 2007). By 2005, the majority (52.7 percent) of dwellings in Korea turned out to be apartments, and the latest 2018 Census results (Statistics Korea, 2019) reveal that apartments accounted for 61.4 percent of all dwellings. In Seoul, 58 percent of all dwellings were apartments, slightly lower than the national average, largely due to the presence of multi-household units. In Korea as a whole, of all the construction permits received from the central government between 1977 and 1981, apartments constituted 36.3 percent (Korea Land and Housing Corporation, 2016: 236–237); between 1982 and 1986, this rate increased to 51.9 percent. From 1992 to 1996, 99.1 percent of all housing construction permits from the central government were apartments (ibid.).

**Displacement and dispossession**

One of the problems of property-based urban development in Korea is the proliferation of large-scale displacement of original land users by incoming new users who are financially more affluent. When the Seoul Municipal Government turned its inner-city districts into a new central business district, it cleared the site of poor urban dwellers living in shanty units, driving them away to urban peripheries (Kim, 2010). It is suggested that, during the 14 years between 1958 and 1972, the Seoul Municipal Government displaced to urban peripheries about 300,000 residents (about 17 percent of the municipal population in 1958) housed in 48,718 substandard dwellings (Jeong, 1984, cited in Jang, 1998: 27).

When the commercial redevelopment of substandard neighborhoods began in the early 1980s, the process also entailed the displacement of poor owner-occupiers and most tenants. A field report from the Asian Coalition for Housing Rights suggested that, during the six years of implementing redevelopment projects in Seoul between 1983 and 1988, about 720,000 people were subject to eviction (Asian Coalition for Housing Rights, 1989a, 1989b). A report from a municipal think tank (Kim et al., 1996) examined urban redevelopment projects of the mid-1990s (1993–1996) and estimated that more than four-fifths of tenants were displaced. In the case of housing sites developed by the Korea Land Corporation and based on the Housing Site Development Promotion Act, land
users other than landlords were largely driven away from what was constructed at the end of each project. This was because landlords were considered the only legitimate stakeholders under the governing law, thereby allowing them to avoid physical displacement.

While poor tenants and owner-occupiers were subject to direct physical displacement from their homes and neighborhoods, another major problem was the loss of affordable dwellings or what Peter Marcuse (1985) referred to as “exclusionary displacement”. By the end of 2010, as noted above, urban redevelopment projects led to the demolition of 79,935 units—or 8.3 percent of total available housing stocks in 1980, when property-based urban redevelopment was being conceptualized to eradicate substandard neighborhoods. This represented a significant loss of affordable housing for low-income populations in Seoul in general—that is, their “exclusionary displacement”.

To the extent that gentrification can be understood as a class remaking of urban space at the expense of the original land users’ right to stay put (Lees, Shin and López-Morales, 2016), urban development in Korea can be seen as the burgeoning of new-build gentrification, which is deeply embedded in the political economy of Korea’s speculative urbanization (Shin and Kim, 2016). The continuous efforts by the Korean developmental state, in alliance with developers, builders and aspirational middle-class investors, to transform the urban-scape of Seoul to become more global and presentable to the world drove the urban poor away from the city center to the urban peripheries, rendering them less visible and dispossessing them of the right to stay put and sustain their livelihoods (Kim, 2010). Even though the role of property owners was pivotal in Korea’s housing site development and urban redevelopment, poor property owners were constantly subject to cooptation as well as replacement by affluent investors in urban redevelopment projects (Ha, 2001; Shin and Kim, 2016). Tenants in particular were subject to much harsher treatment, having no right to stay put nor to demand compensation throughout the 1980s. Although they were entitled to relocate to public rental housing from the 1990s, tenants did not have a say in any kind of consultation or planning process. In other words, their rights were dispossessed.

The role of the developmental state and the construction of property hegemony

As noted previously, land and housing development in Korea until the late 1970s involved a private sector that was too weak to pursue large-scale market-led housing construction, although some builders experimented with the provision of condominium units as new commodities for the emergent middle classes (Sonn and Shin, 2020). Real estate investment received less emphasis in comparison with other investments in production facilities and non-residential construction in times of rapid economic development and condensed urbanization. Only from the mid-1980s did the real estate sector experience a substantial increase in investment when the central government announced an ambitious scheme in
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1980 to supply 5 million dwellings. Another push from the state came in 1988 when the central government publicized its plan to construct 2 million housing units, which was part of the state’s effort to restore its legitimacy after having been challenged by the explosive democratization and labor movements (Lee, 2007). The construction of new towns, extensive housing site development, use of state agencies (e.g., the Korea Land Corporation for land development and the KNHC for social housing construction) and the growth of private builders were all part of this big push to scale-up housing construction.

Rather than the direct provision of housing for the social reproduction of labor, the Korean developmental state was supporting property owners to take the lead in the process of urban development so that the state could continue to earmark available financial resources to support industrial production (Holliday, 2000). Such approaches were consistent with the developmental state’s focus on subsidizing the growing conglomerates (chaebols) as capitalists, which were nurtured by the state throughout the 1960s and 1970s to expand industrial production capacity (Park, 1998). Urban poor tenants were largely absent in the state’s considerations, while emergent middle-class families utilized their growing purchasing power to tap into the new markets in high-rise condominiums, often with speculative intent, a behavior which began to spring up across Seoul and eventually in other major cities (Shin and Kim, 2016; Yang, 2018).

The involvement of the subsidiaries of large conglomerates (chaebols) as financiers and builders in urban development has been particularly important—indeed, indispensable—to the success of land and housing development in Korea (La Grange and Jung, 2004). Large-scale land development and housing redevelopment projects required long-term commitment resulting from the frequent prolonging of land assembly and disputes between developers and property owners, while heavy upfront costs were to be spent on site preparation, compensation and actual construction (Ha, 2001). As a result, top-ranking private builders, which were subsidiaries of chaebols, were involved and became increasingly influential in urban (re)development projects, gaining a kind of brand name (e.g., apartment complexes named after conglomerates, such as Hyundai Apartments or Samsung Apartments). To support private builders and house buyers, the Korean developmental state also established the National Housing Fund (NHF) in July 1981, which provided financial support for homebuyers and builders in the public and private sectors (Ha, 1987: 107–109). Its main sources included the central government budgetary contribution and the National Housing Bonds (Ministry of Construction and Transportation of Korea, 2002: 232). Below-market rate interest loans from the NHF were provided to builders when constructing flats with a floor space of less than 85 square meters (ibid.: 272). The NHF was also the major source for supplementing funding shortages when the redevelopment project funds and land sale revenues were insufficient to finance the purchase of public rental flats in redevelopment projects (Kim et al., 1995; Ministry of Construction and Transportation of Korea, 2002: 227).

To further help builders and property owners financially, off-plan purchasing was widely practiced. This system was first introduced by the Ordinance on
Housing Supply in 1977 in order to encourage housing construction in general; it also became a powerful tool for urban redevelopment and the mass construction of housing. Under this system, builders were permitted to sell their flats at an early stage of a project, usually when a project reached 10 or 20 percent of the project schedule. The down payment and period instalment from homebuyers assisted builders with the remaining work. The final instalment was made upon the homebuyers moving in (Yoon, 1994: 70–72). For a redevelopment project, it was found that about one-third of the total project costs were spent by builders before they began to receive down payments through the off-plan purchase system (Korea Housing Institute, 2001: 56–57; Lee and Bae, 1998: 277–279).

While the Korean developmental state is conventionally characterized by its bureaucratic efficiency and the dedication of its civil servants to the developmental ethos (Woo-Cummings, 1999), it is important to note that the Korean developmental state has promoted the hegemonic ideology of modernism and nation-building vis-à-vis the real and constructed threat from North Korea, which was mobilized as a means to produce nationwide consensus for the domination of political and economic elites. At the same time, the state resorted to the use of violent and brutal oppression of any resistance that challenged its legitimacy: Notable examples include the so-called Yushin Reform and a series of presidential decrees known as Emergency Measures (Shin, 2018). Such brutal oppression underlay Korea’s property-based urban development (Korea Center for City and Environment Research, 1998).

With the rise of the commercial redevelopment of substandard settlements, many low-income tenants staged protests against redevelopment that provided them with no compensation upon displacement (ibid.). In the end, the Korean developmental state introduced concessions to eligible tenants in the form of public rental units for their re-housing (Ha, 2001; Kim, 2010). Various financial and administrative measures were put in place to both placate the dissenting tenants and ease the pressure on the growth coalition (inclusive of property owners, builders, and the municipal government) that often faced delayed schedules and increased costs.⁹

Throughout the history of urban (social) movements centered on housing justice (ibid.), the focus has largely been on improving the redistributive mechanism in order for a larger share of the appropriated rents, in the form of increased compensation, to be given to the urban poor who faced displacement and increased costs of living in the form of “forced consumption” (Shin, 2008). While such an approach of redistributive justice may have an advantage in ameliorating the hardships that displaced poor people have to endure, it does not change the unjust system itself (see Harvey, 2008; Marcuse, 2009). The introduction of redevelopment compensation, for instance, justified the persistence of property-based urban redevelopment that continued to produce exclusionary displacement for the urban poor who were squeezed into fewer affordable housing stocks, often ending up paying higher rents. The growth of public rental housing stocks from the early 1990s was helpful but inadequate: By 2015, the public rental housing sector constituted 11.8 percent of national housing stocks (or
15.6 percent of all housing stocks in Seoul), but the share of public housing units with guaranteed rental periods of 20 years or more turned out to be only 5.4 percent over the entire country and 7.0 percent in Seoul (Korea Land and Housing Corporation, 2016).

The hegemonic position of real estate property was strengthened throughout the 1980s and especially during the 2000s, when real estate prices underwent a rapid increase, negatively affecting not only middle-class families but also the working poor who aspired to the accumulation of property assets (Park and Jang, 2016). The fact that Korean households generally depended heavily on real estate properties for household finance highlights the importance of property in the everyday life of Korean people of all generations. According to the results of the household finance survey conducted by Statistics Korea in 2016, property assets account for 69.2 percent of household assets (see Jin and Kim, 2017: 403). Rapid increases in housing prices further helped consolidate this property hegemony: As demonstrated in Figure 4.1, based on the purchase price composite index between 1999 and 2019, housing in Seoul has experienced a 164.6 percent increase on average, which is much higher than the national average of 110.1 percent. Within Seoul, the rate of increase was steeper in southern Seoul (215.5 percent), where luxury condominium units were more concentrated. The

![Figure 4.1 Housing Purchase Price Composite Indices (each year index is based on January 2019 = 100.0).](https://onland.kbstar.com)
overall trend of long-term increase in housing prices during the past decades is evident, suggesting that investors in housing would be unlikely to lose their money on a long-term basis. This guarantee of returns on real estate investment sustains property hegemony in Korea and conditions its contemporary urban politics (Shin, 2018).

**Conclusion**

The urban transformation in Korea during the economic take-off under the Korean developmental state benefited from the proliferation of the property-based urban development model, which was deeply embedded in the specific spatiotemporal contexts that accompanied particular sets of state-society and state-capital relations. In essence, property-based urban development, characterized by its speculative nature and verticality, is effectively a rent gap-based revenue-sharing model. Unfortunately, the lessons from Korea entailed adverse impacts on extant land users (especially poor owner-occupiers and tenants), who incurred direct physical displacement because they were not part of the policy design and could hardly make financial contributions. Exclusionary displacement through the loss of affordable housing stocks was another detrimental consequence for the urban poor. The Korean urban development experience could therefore be equated with exacerbated social injustice as the developmental gains were disproportionately redistributed in favor of more affluent house buyers and builders. Land-based revenues through rent gap closure and any profits resulting from commercial development of land and housing largely went into the pockets of developers and homebuyers, including speculative investors, while the improved public facilities provided in redevelopment neighborhoods and new towns were consumed by the new users rather than previous users. In other words, urbanization through gentrification has become a de facto state project in Korea (Shin and Kim, 2016; Lees, Shin and López-Morales, 2016).

The role of the developmental state has been influential. In addition to nurturing the growth of industrial capital, it has used its planning power—such as land expropriation—to develop land in a speedy way; moreover, densification through granting a high FAR has created opportunities for the state to attract private builders and prospective real estate buyers, which has helped sustain property-based urban development projects. In the case of projects governed by the Housing Site Development Promotion Act, the involvement of a state agency, the Korea Land Corporation, was key to fast-tracking planning processes for land assembly as well as clearing barriers to private builders by taking care of possible disputes with landlords in the process of land expropriation, which was presented as development for public purpose under the law despite its unequal nature in practice. The authoritarian developmental state initially resorted to the use of state power and oppression to realize the urban development that accompanied widespread displacement and dispossession of extant land users. Eventually, however, the state resorted to the emerging hegemony of property to sustain property-based urban development.
What can be learned from urban transformation “Korean style” for cities in the Global South? First, from the public finance perspective, the use of land-based revenues through rent gap closure can be a remedy for financially weak governments in the Global South—although appropriate measures are needed for the prevention of displacement of people and the dispossession of the rights of the property-less. Institutional infrastructure, such as the National Housing Fund, can be helpful in enabling the pooling of resources, thereby easing the fiscal burden on the national state and local states. The use of state corporations, such as the Korea Land Corporation, can also be effective. However, whether or not such utilization of institutional infrastructure serves the purpose of constructing “the just city” (cf. Fainstein, 2011) would depend on how much progressive movements exert pressure on the state and capital (Harvey, 2008; Marcuse, 2009).

Second, the expanding private sector throughout the 1970s and 1980s helped the consolidation of the property-based urban development model by participating in speculative real estate markets as builders and financiers, embodying the property hegemonic ideology. Such private sector players included the subsidiaries of large conglomerates that had been nurtured by the Korean developmental state; it also included middle-class families, whose increasing affluence helped finance the growth of the real estate market by consuming housing units en masse. The involvement of private builders as de facto developers in redevelopment projects was, to some extent, beneficial for the completion of projects by utilizing their expertise on project management and construction; however, it also raises questions about the equitable outcome of such development due to its profit-oriented nature. Capping the maximum share of profits to be enjoyed by private builders may be necessary in order for development gains to be retained for public use (Helbrecht and Weber-Newth, 2018).

Third, urban development “Korean style” has been possible under spatially and temporally bound conditions of social and economic development, which are situated in “distinctive historical conjunctures” (Roy, 2016: 317). These conditions are hard to replicate elsewhere, including the Global South, rendering the success of transferring a development model questionable. This is a sentiment shared by Beng Huat Chua (2011) in his discussion of the worlding of the Singapore model. While the role of the Korean developmental state has been influential, there is a need to understand the state from a relational perspective, acknowledging the growth coalition between the state and large conglomerates (Park, 1998) and between the state and the emergent middle class. It was not the autonomous and efficient state that made urban transformation possible; rather, it was the state working through relational politics as it aimed at sustaining its power in the face of challenges from the democratization movement and labor movements. The state also worked with industrial capital during the Cold War era to benefit from geopolitical tensions: One recent finding has been the ways in which the Vietnam War provided opportunities for conglomerates to expand (see Glassman and Choi, 2014). Without these national and geopolitical conditions, the state would not have been able to pursue the development of new housing markets through mass housing construction that depended heavily on inputs
from conglomerates and middle-class buyers. The rise of property hegemony also lured the working class and the poor with aspirations to join the so-called “propertied class” (Son, 2008), thereby endorsing the urban policies of the developmental state, which were unjust and unequal, even though absolute housing poverty itself had eased.

Fourth, property-based urban development in Korea has resulted in, and benefited from, uneven development that intensified regional disparity and socio-economic inequality. Unequal distributions of property wealth have been a major problem marring the flourishing of society. They have been a constant source of dispute, despair, and frustration among families, especially those on the lower end of the income distribution. In this way, they also constitute a political agenda. Geographically, major metropolitan areas saw a concentration of investment in real estate, while small cities and counties saw weak demand for such investment. The experience of speculative urbanization that was manifested in Seoul has spread to other regional cities, replicating vertical accumulation even in more rural areas that would not usually expect a high demand for housing.

Therefore, a final lesson from Korean urban development is that, while acknowledging the need to strengthen public sector finance and to make use of land as an asset to finance urbanization, it is also necessary to ensure that appropriated rents are used for investment in “social infrastructure” to build an inclusive society and reduce inequality. Here, social infrastructure may refer to the provision of social facilities and communal spaces, such as health and educational facilities (e.g., medical centers, libraries), cultural amenities, social housing, green spaces, community facilities and networks, and so on, which would help the social reproduction of labor and family life. For Latham and Layton (2019: 9), social infrastructure enables people to “socialise and connect with others”, promoting “shared use and collective experience”. In Korea, it was the Asian financial crisis of the late 1990s that drove the Korean developmental state to pay more attention to the provision of a social safety net so that there is a minimum provision of social infrastructure to sustain livelihoods. Nevertheless, there is still a preponderance of speculative fervor and the widening asset inequality that undermines the construction of an inclusive and just society. Therefore, more attention ought to be paid to the accumulation of social infrastructure as well as ensuring that the market is regulated to prevent the negative consequences of property-based urban development and its propensity to speculation through exploitation of the “property-less”. In the long term, there has been a call to acknowledge the city as an “urban commonwealth” (Kohn, 2016), where the wealth created in the course of development is controlled by the public as a collective asset to be spent according to need rather than for the sake of accumulation.

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Notes

1 Methodological nationalism treats the scale of the nation-state as the exclusive unit of analysis for explaining social phenomena, thereby neglecting the importance of multi-scalar politics that are inclusive of local scales as well as transnational scales. Daniel Chernilo (2006: 129) further states that “[m]ethodological nationalism presupposes that the nation-state is the natural and necessary form of society in modernity and that the nation-state becomes the organising principle around which the whole project of modernity cohered”.

2 The “clearance and redevelopment” scheme under the 1973 Temporary Act consisted of two different approaches. The first approach was often referred to as “self-help clearance and redevelopment” and was applied between 1973 and 1975 (Kim et al. 1996: 87). Land was to be redefined into larger housing lots (usually at least 165 square meters) so that shared ownership among several households would make it easier to build “corporative housing” of higher density. The dwelling owners were required to finance all the costs incurred for the purchase of public lands they illegally occupied, for temporary accommodation until re-housing, and for the reconstruction of houses after clearance. The second approach that presented important implications for practices in the 1980s was known as “consigned redevelopment”. Owner-occupiers were to establish a steering committee and bring in a private builder in charge of removing dwellings and producing new apartment flats or multi-household units. The municipal government was to supervise the process as well as nominate builders of good reputation. Twenty to 30 households were to come together so as to define approximately 1,000 square meters of housing lot, thereby constructing dwellings with higher density (Kim et al. 1996: 96).

3 According to the Master Plan for Housing Redevelopment in Seoul, finalized in 1998, the examination of more than 100 redevelopment project sites showed that about two-fifths of land turned out to be in public ownership and that the majority of houses in redevelopment sites were, in fact, illegal (Seoul Municipal Government 1998: 20–21).

4 The Urban Planning Act has been absorbed into the Act on Planning and Use of National Territory since January 1, 2003.

5 Redevelopment projects are led by redevelopment associations made up of property owners as members. New flats produced as part of redevelopment consist of (a) flats allocated to members of the redevelopment association, who purchase these flats at construction cost; (b) flats for sale in the new housing market for profits; and (c) public housing units as required by local governments.


7 Apartments were perceived as a symbol of the modern lifestyle and received the attention of the state from the 1960s (see Sonn and Shin 2020: 872–873).

8 For the historic data on housing stocks, see the Seoul Research Data Service website on housing. Available at: http://data.si.re.kr/node/343 (last accessed April 30, 2020).

9 In Seoul, in accordance with the Urban Redevelopment Act and the Municipal Ordinance on Urban Redevelopment, a certain proportion of urban planning tax income (5 percent until 1982 and 10 percent thereafter) was earmarked for a special municipal account for urban redevelopment. The fund accumulated in this way was called the “redevelopment project fund”, which was used by the government to purchase public rental units provided in the redevelopment neighborhoods (Kim et al. 1995). The sales revenue of public land in redevelopment districts was also earmarked for the purchase of these rental units.
One of the policy examples is the latest London Plan in the UK, which has a dedicated chapter on social infrastructure. Here, social infrastructure is understood as covering “a range of services and facilities that meet local and strategic needs and contribute towards a good quality of life. It includes health provision, education, community, play, youth, early years, recreation, sports, faith, criminal justice and emergency facilities”, and plays “an important role in developing strong and inclusive communities” (Mayor of London, 2019: 240).

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