A Comparison of Characteristics of the Residential Real Estate Market Using Capitalization Ratio: Focusing on Seoul City and Hanoi City

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SUMMARY

Capitalization ratio is an important variable when calculating real estate value with yield capitalization method. In other words, the market extraction method is similar to a market valuation, according to the method of estimating, whereas the debt coverage method is close to a mortgage valuation and regarded as the most stable value in the real estate market. Therefore, a comparison of both methods can serve as indirect data to understand the stability and characteristics of the real estate market.

This study aims to examine characteristics and stability of the residential real estate market in Hanoi city and Seoul city, by selecting capitalization ratios using the two methods above. The analysis results are as follows. First, when fellow the market extraction method, the apartment market in Seoul city had the lowest capitalization ratio, compared to the residential real estate market in Hanoi city. This means in the apartment market of Seoul city, capital gains for appreciation in the end of the period are relatively more important than operational profits. Third, it was found that in Hanoi city, the single-family housing market had less unstable factors than the apartment market. It is supposed that this result mirrors part of the characteristics regarding preferences in the Vietnamese housing culture. Third, it was found that in Hanoi city, the single-family housing market had less unstable factors than the apartment market. It is supposed that this result mirrors part of the characteristics regarding preferences in the Vietnamese housing culture.