Chapter 4. The property formation of non-lease income type

4.1 Property gradual increase type

4.1.1 Residential movements by generations

The property gradual increase type includes 36 households. 37 movements were caused by the property gradual increase type households in 1980s (Figure 16). Movements within Seongnam city were eight cases, movements within Gangnam district were six cases, and movements from the metropolitan area to Seongnam city were four cases. Residential movements of the type spread wider than the other types. While main residential movements concentrated on Seongnam city and Gangnam district, quite a few migrations from the countryside also occurred. While movements in the countryside and the metropolitan area are remarkable, migrations within Seoul and Seongnam city also appeared.

It is the most significant that movements within Seongnam city dominate in all migrations of the type. Term of a contract of lease residences and regional characteristic of Seongnam city condition the significant movement pattern. Because
Figure 16. Residential movements of the property gradual increase type
Source: Interview survey in 2002
a lot of low and middle income earners who came from the countryside, live in
Seongnam city, socioeconomic level of Seongnam city is lower than other
metropolitan area. Because of extremely high housing cost in Seoul, newcomers
from the countryside concentrate into Seongnam city. Seongnam city involves low
price residences and good accessibility for Seoul. Term of a contract of lease
residences in Korea is limited by two years in principle. Because an owner tries to
raise rent or deposit substantially, he prefers a new contract with another household
to contract update. Accordingly lease residence resident is forced to move every two
years. The resident tries to keep new residence at neighboring the former one.
Because loss of the existing life environment contains risks. As the result of them,
resident who came from the countryside repeats movement to lease residence within
Seongnam city, until he purchases his own residence.

Because the housing cost in Seongnam city is cheap relatively, even the low
and middle-class persons can live there. For example, a deposit for cheonse
residence which was 56.1 square meters demanded eight million won in
Geumgwang dong, Seongnam city, in 1986. The other deposit for the 49.2 square
meters house of Jamsil in the Gangnam three wards was priced 12 million won in
the same year.

Samples who lived in the cheonse residence occupied 66.7% of the type
when they got married. 13.9% of the type lived together with their parents. While owners of residence was only 8.3%, the cheonwolse residence inhabitants occupied 8.3%, and the wolse residence inhabitants was 2.8% of the type, at the same time. In other words, dwellers of lease residence reached 77.8% of the type. And it is notable that residents of the cheonwolse and wolse residences occupied 11.1% of all. Both the parent dependence type and independence type did not contained to the residential form. A household which is not able to pay all deposit for the cheonse at one time selects cheonwolse residence. A household which accumulates no fund for residence choose the wolse residence. These facts mean that the property gradual increase type household faced extremely disadvantageous economy condition when they got married.

In 1980's, Movements to the cheonse residence occurred in 31, movements to the cheonwolse residence occurred in three, and movements to the wolse residence occurred in two cases. However, only one sample achieved getting its own residence. In the decade, because movements to the cheonse residence made majority, most of the samples did not be able to purchase self possession residence yet. At the end of the 1980's, all of the samples in the type inhabited in the cheonse or cheonwolse residences, except of one case which returned from Seongnam to home in Yeoju. The self possession rate of the property gradual increase type stayed
extremely low level through 1980's. Considering the low level of self possession and short contract term, it can understand that the property gradual increase type needed to move residence frequently.

Total movements in 1990's increased to 73 cases, which was two times more than 1980's. Short distance migrations made main stream of the residential movements in 1990's, while long distance migrations which came from the countryside or foreign areas stayed small numbers. 14 migrations within Bundang new town, 13 migrations from Seongnam city to Bundang new town, eleven migrations within Seongnam city, and six migrations within Gangnam district are mainly observed in the 73 movements. Household belonging to the type have moved into Bundang new town in 1990's, and started migration within Bundang new town. 41.7% of households of the type have completed migration into Bundang new town by 1995. However, movements from Seongnam city to Bundang new town were dominated in the migrations, differing from the lease income type. Additionally, it is remarkable that migrations within Seongnam city and within Gangnam district remained even in beginning of 1990's.

General movements pattern in the property gradual increase type is represented as migration within Seongnam city which coming from broad areas in 1980's, transference from Seongnam city to Bundang new town and migration
within Bundang new town or Seongnam city in 1990's.

48 movements to self owning residence and 25 movements to the cheonse residences are observed in 1990's. The migrations to self possession residence occupied 23 of 30 movements to Bundang new town. Most of the property gradual increase type household achieved purchasing self possession residence by migration into Bundang new town in 1990's. However, possession forms of residence differ by destinations. Most of movements outside of Bundang new town led households habitation in the cheonse residences. A lot of movements of the property gradual increase type within Bundang new town brought habitation in self possession residence. The self possession rate of the property gradual increase type reaches 88.9% which is the highest percentage among the four types currently. Households belonging to the lease income type give priority purchasing lease residences and property formation by sale of residence, and do not have concern to possession form of present residence. In contrast, the property gradual increase type regards purchasing self possession residence as the most priority problem.

Most of households of the type lived in lease residence such as the cheonse, cheonwolse, and wolse when they got married. And they repeated residential movements from lease to lease. This type does not regard residence as investment object.
4.1.2 The first acquisition of self possession residence

33 households of the property gradual increase type firstly purchased residence after 1990. However, three households live in lease residence yet. 26 of the 33 household purchased the first self possession residence, when they moved to Bundang new town (Figure 17). Ten households which moved within Bundang new town, five households which moved from Gangnam district to Bundang new town, seven households which moved from Seongnam city to Bundang new town, two households which moved within Seongnam city, and two households which moved from Gangbuk district to Bundang new town could purchase self possession residence accompanied with their migrations. Two households lived in self possession residence in Bundang new town from their marriage. Additionally, purchases of the self possession residence were carried out in Gangnam district by three households, and in the countryside by two households. Most of households in this type could purchase their own residence firstly by moving into Bundang new town. Households which bought residence spent 8.7 years from marriage. Purchases of residence was later than the lease income type. When they moved into Bundang new town, ten households lived in the cheonse residence yet. It means that their fund accumulation were not achieved easily. Despite of it, self possession
Figure 17. The firstly purchased residences of the property gradual increase type, 2002

Source: Interview in 2002
rate of the type reaches 88.9% which is the highest rate among the four types. The property gradual increase type regards purchasing their own residence as a kind of purpose. It is contrast behavior against the lease income type which aims more property formation. Bundang new town has a meaning of area where the property gradual increase type carried out purchasing residence firstly. It is contrast that the lease income type households only regard Bundang new town as place where earn more incomes.

4.1.3 Increase of property

4.1.3.1 Changes of residential scale and property

19 households lived in small and 17 households lived in middle size residences, when the property gradual increase type got married. Households of the type lived in extremely smaller residence than the lease income type (Figure 18). A layout of less than 33 square meters residence is similar to Japanese one-room system apartment. Besides, the residence is not separated from owner's residential space completely. The tenant borrows a part of owner's residence in many cases. By a case, tenant uses a bathroom and a kitchen in common. The households which were laid in low socioeconomic status lived in a residence of less than 33 square meters. The property gradual increase type stayed in extremely inferior economic
Figure 18. Changes of residential scale in the property gradual increase type
Source: Interview in 2002

Moving to Bundang new town
condition at the beginning of the household.

On the other hand, five households (13.9%) live in large, and 26 households (72.2%) live in middle, five households (13.9%) live in small size residence, in present. As a whole, housing area of this type are more expanded than marriage time. The residential environment was improved with expansion of size, too. But extreme enlargement of residential space is not recognized. Housing space of the property gradual increase type increased from small to middle size gradually, which differs from the lease income type. The housing space is the smallest among the four types, both at marriage time and the present.

The property gradual increase type households spends 14.8 years in average since marriage. They are the youngest couples among the four types. Therefore, households which stay in earlier life stage do not demand larger residence yet.

Increase of residential space are found in final movements which go into Bundang new town or in migrations within Bundang new town. Bundang new town gave influence to improvements of residential environment and to expansion of housing space for the property gradual increase type.

27 households (75.0%) had only less than 50 million won in marriage. Four households were distributed from 50 million to one hundred million won (12.3%). And a household (2.8%) was classified in a billion won or greater (Figure 19). The
Figure 19. Changes of amount of residential properties in the property gradual increase type

Source: Interview in 2002

© Moving to Bundang new town
average amount of property of residence which the samples lived was 25.94 million won when they got married. 36.1% of households in the type lived in cheap residence which was less than ten million won.

Now, three households live in residences which were less than 50 million won, 13 households live in residences which were from 50 million to one hundred million won, four households live in residences which were from two to three hundred million won, and one household lives in residence which was more than three hundred million won, when they purchased. A residential property of the property gradual increase type increased gradually. It is contrast against rapid increase of property of the lease income type. The average amount of their current residential property is 144.1 million won. This amount reaches less than half of the parent dependence type or independence type either. In spite of own residence possession, the property gradual increase type still stays in a low status in an aspect of property formation.

The average movement frequency of the property gradual increase type counts 3.3 times. It is more frequent than the independence type and the parent dependence type. Despite of young households which belong to the type, it reflects frequent migrations from lease to lease such as cheonse.

4.1.3.2 Supply of residential fund

-83-
Among 106 cases of residential purchase or rent, 47 cases used returned
deposit of the cheonse, 27 cases used bank account deposit, 15 cases used support
from parents (Table 11). The property gradual increase type households are
characterized by use of the cheonse deposit mainly, when they moved to lease
residence.

When they purchase their own residence, 31 cases mainly used the cheonse
deposit, and six cases used sale money of the former residence, in 48 cases. The
most cases depended on the cheonse deposit in aspect of fund.

Movements to lease residence and purchase of a residence are 154 cases17).
50.6% of the residential purchase or rent depended on the cheonse deposit, 19.5%
of them depended on bank account deposit, and 7.8% of them were supported by
parents. The dependence on the cheonse deposit shows that the property gradual
increase type regarded the cheonse deposit as a way to gather fund.

In fund supply means, the largely dependence on the cheonse deposit
characterize the property gradual increase type. All households of the property
gradual increase type have repeated movements from cheonse residence to another
one. They have accumulated fund for residential purchase and have expanded
residential space, by repetition of the movement to cheonse. The cheonse system
made large role to accumulate the residential fund for this type. Although they could
Table 11. Financial resources for purchase of residence or rent in the property gradual increase type, 2002

<table>
<thead>
<tr>
<th>Financial resources*</th>
<th>Lease</th>
<th>Purchase</th>
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</thead>
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<tr>
<td>Sale, bank, loan</td>
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</tr>
<tr>
<td>Sale, parents</td>
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</tr>
<tr>
<td>Sale</td>
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<td>2</td>
</tr>
<tr>
<td>Sale, chonse</td>
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<td>0</td>
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<td>Sale, chonse, loan</td>
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<td>Chonse, loan, bank</td>
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</tr>
<tr>
<td>Chonse, loan</td>
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</tr>
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<td>Chonse, parents, loan</td>
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</tr>
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<td>Chonse, parents, loan, bank</td>
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<tr>
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</tr>
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</tr>
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<td>Inhabiting in parents' residence</td>
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<tr>
<td>Others</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>106</td>
<td>48</td>
</tr>
</tbody>
</table>

* The orders allow to amount. Reference Table 7.

Source: interview
not make property that was based on the purchase of lease residences as like the lease income type household, they succeeded to enlarge their property gradually by use of the cheonse.

The property gradual increase type has not completed preparation to form their property yet. From the wolse to the cheonwole, and the cheonwole to the cheonse, while they moved within Seongnam city mainly in 1980's and moved within Bundang new town in 1990's, they repeated movement to lease residences. Because this type delayed purchasing the first self possession residence, the property formation has been slow by current. However, it became clear that the cheonse system lets households in low status achieve to accumulate property gradually.

4.2 High margin acquisition type

4.2.1 Residential movements by generations

Residential movements in 1980's of the high margin acquisition type consisted of 35 households. Movements within Seongnam city appeared 12 cases, movements within Gangnam district occurred five cases, movements within the metropolitan area were generated four cases, movements from the metropolitan area
to Gangnam district were found three cases, and movements from the metropolitan area to Seongnam city were observed in three cases (Figure 20). Short distance movements are in majority totally. And movements within Seongnam city stand out as well as the property gradual increase type. However, movements within the metropolitan area was also frequent.

Anyang, Owacheon, and Gwangmyeong city are located on southwestern part of the metropolitan area developed as residential area in 1980's. A lot of households belonging to the type moved to the cities. Furthermore movements toward Seongnam industrial estate developed in 1980's are also observed.

Possession forms of households belonging to the type in marriage are as follows; seven households possess residence by themselves, six households lived in the cheonse residence, four households lived together with their parents, and a household lived in the cheonwolse residence. Self possession rate was higher and rate of the cheonse was lower than the property gradual increase type. This type has been given more favorable conditions than the property gradual increase type since their marriage time, despite belonging to the same type.

Eleven movements to self possession residence in 1980's were movements within the same district. Six cases moved within Seongnam city, three cases moved within Gangnam district, and two cases moved within the metropolitan area.
Figure 20. Residential movements of the high margin acquisition type household

Source: Interview in 2002
Movements to the *cheonse* were observed six cases within Seongnam city, three cases from the metropolitan area to Seongnam city, and three cases from the metropolitan area to Gangnam district.

Residential movements are observed 41 cases in 1990's. The detail is as follows; ten cases moved within Bundang new town (24.4%), seven cases moved from Seongnam city to Bundang new town (17.1%), six cases moved within Seongnam city (14.6%), six cases moved from the metropolitan area to Bundang new town (14.6%), five cases moved from Gangnam district to Bundang new town (12.2%), and three cases moved within the metropolitan area (7.3%). Movements within Bundang new town occupied the migrations of the high margin acquisition type in 1990's, as same as the independence type and the property gradual increase type. However, movement from the metropolitan area to Bundang new town counted many, which were observed little in other types. The households which experienced these movement have gone from Seoul to Anyang, Gwacheon and Gwangmyeong city located on the metropolitan area where development progressed in 1980's. While urban infrastructure was developed, price of land remarkably rose in these cities, in the later half of 1980's. While they sold the residences, they bought self possession residence again in Bundang new town where land price was relatively cheap at the beginning of the 1990's. They acquired high margin profit in
these process.

Possession form of residence was divided in half by self possession and the *cheonse*, after the residential movements in 1980's. However, movements to self owning residence increased remarkably, and the rate of it reached to 70.0% in 1990's. Current self possession rate of the high margin acquisition type marks 77.8% which is same level as the parent dependence type. Although the lease income type accumulated property by the purchase of lease residences, the high margin acquisition type pursued the source of property in dealing of a residence which they lived in. Furthermore, they did not hesitate to move to the *cheonse* residence apart from the self possession residence for acquisition of high margin.

4.2.2 The purchase of the residences which lead to high margin

Figure 21 shows distribution of residences which brought two times or more margin profit to the high margin acquisition type household by residential dealing. The total number is 21 cases, Bundang new town and the metropolitan area contains six residences each other, and Seongnam city has three. The distribution of the residences concentrated to southwestern part of the Seoul metropolitan area where residential development has progressed in 1980's, and focused in Bundang new town in 1990's. Four households that have lived together with parents since
Figure 21. Distribution of the residences which got high margin profit
Source: Interview in 2002
marriage sold their residence of Gangnam district, Bundang new town, Anyang, and Gwacheon city of the metropolitan area by expensive price. Several regions represented by Bundang new town in the Seoul metropolitan area experienced extreme rise of land price by completion of urban infrastructure. Six cases in the metropolitan area were found in Anyang, Gwacheon, Goyang, and Guri city. Households could acquire high margin in these cities.

Seongnam city carried out urban restructuring and development of infrastructure to ease difference of land price between former built-up area and Bundang new town. It caused extreme rise of land price in Seongnam city. A lot of households acquired high margin profit, as the result\(^\text{18}\). After moving to Bundang new town, five households sold their own residence which located in Seongnam city. Only one household sold residence of Seongnam city in 1989 before moving to Bundang new town\(^\text{19}\).

4.2.3 Increase of property

4.2.3.1 Changes of residential scale and property

Distribution of residential size in marriage time is as follows; eight households lived in small size residence, nine households lived in middle size, and three households lived in large size residence (Figure 22). Percentage of small size was
Figure 22. Changes of residential scale in the high margin acquisition type
Source: Interview in 2002
almost same as middle size. Residential scale of households in this type was wider than the property gradual increase type which mainly lived in small size, and narrower than the parent dependence type. Though their self possession rate was high, residential scale was small.

Concerning to current, small size is one, middle size reaches eleven, and large size counts eight. The residential scale have expanded since marriage as well as the other types. The residential scale has increased slower than the lease income type, and faster than the property gradual increase type. This type positions at intermediate status of the two types. Present average floor width of the type occupies 122.8 square meters.

The households belonging to the type bought the first residence, at 4.1 years after marriage. Because they purchased the first residence earlier, their interest turned to the property formation since early life stage. So, they could acquire high margin profit by dealing of residences.

Average years of the high margin acquisition type from marriage reached 19.4 year. As the households demand wider residential space vigorously, they can get present wide residential space. However, households which spent 20 or more years from marriage tend to decrease residential scale rapidly in this type. Existing studies suggested that residential size increases with development of life stage. Residential
scale may reduce by decline of demand on wider residence after independence of children.

Figure 23 describes residential property amount of the high margin acquisition type households at marriage time. 13 households (72.2%) which were majority accumulated less than 50 million won, four households (22.2%) lived together with parents, and one households had been located at range from 50 million to one hundred million won. The 13 households which lived in residences of less than 50 million won included seven households which lived in a cheap residence of less than ten million won. Average price of residences which they lived in marriage time stayed only 17.786 million won. It was lower level than the property gradual increase type of same non-lease income type. This must relates to the earliest marriage of the type among the four types. When they formed household, it was led by cheap real estate price compared with the other types which include younger generation who were married after 1980's.

The amount of residential property rose with movement year by year. In present, class from 50 million won to one hundred million won includes five (27.8%), class from one to two hundred million won contains six (33.3%), class from two to three hundred million won involves three (16.7%), class from three to four hundred million won involves three (16.7%), class four hundred million won
Figure 23. Changes of amount of residential properties in the high margin acquisition type

Source: Interview in 2002
or more includes one household (5.6%). Average purchase price of present residences rises about ten times than when they were married, it reaches 173.366 million won. Although the price stays lower level than the average price of the lease income type, this is higher than the average price of the property gradual increase type that also belongs to non-lease income type.

According to the Figure 23, residential property grew slowly before they sold residence which led high margin profit. However, The property increased remarkably by sale of the residence as an opportunity. The purchase of the residence which led high margin links to the property formation for this type directly.

The high margin acquisition type had common characteristics with the property gradual increase type at the marriage time. However, they succeeded to form property by sale of residences which they had purchased in the metropolitan area represented southwest of Seoul or Seongnam city by high price. As a result, the current residential scale and price exceeded the property gradual increase type, instead of not to extend to the lease income type.

4.2.3.2 Supply of residential fund

Table 12 shows residential funds of the high margin acquisition type. The movements into lease residences are found in 40 cases on the table. The cheonse
Table 12. Financial resources for purchase of residence or rent in the high margin acquisition type, 2002

<table>
<thead>
<tr>
<th>Financial resources*</th>
<th>Lease</th>
<th>Purchase</th>
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<tbody>
<tr>
<td>Sale, bank</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Sale, loan</td>
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<td>3</td>
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<tr>
<td>Sale, chonse, bank</td>
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</tr>
<tr>
<td>Sale, loan, bank</td>
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<td>2</td>
</tr>
<tr>
<td>Sale, loan, parents</td>
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<tr>
<td>Sale, retirement pay</td>
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<td>Loan</td>
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<td><strong>Total</strong></td>
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</table>

* The orders allow to amount. Reference Table 7.

Source: interview
deposit was used in 14 cases, bank account deposit was used in eleven cases, and money of sale of residence living before was used in ten cases. The high margin acquisition type depended on the cheonse deposit, when they moved into the lease residence.

The movements into self possession residences are found in 54 cases on the table. About 40% of 25 cases used money earned by sale of the former residence. Differing from lease residence, it is particular that the most of purchases of residence depend on money earned by sale of the former residence.

Totally 94 cases which are summed movements into lease residence and purchases of residence up are identified. Main financial resources consists of money by sale of the former residence of 37.2%, the cheonse deposit of 30.9%, bank account deposit of 16.0% and support from parents 9.6%\(^{20}\). The dependence to the money by sale of the former residence of the type is the strongest among the four types. It was the most important financial resources for them to make money by sale of the former residence. On the other hand, the cheonse deposit which was the most important financial resources for the independent type and the property gradual increase type also supplied for them much fund, though it was less important than sale of the former residence.

The most of migrations of the type were observed within Seongnam city as
well as the property gradual increase type in 1990's. Additionally they are also
classic characteristic of the type that movements within the metropolitan area occurred in
1980's and that movements concentrated from the metropolitan area to Bundang
new town in 1990's. The property formation process of the type resembles with the
property gradual increase type, too. However, they experienced remarkable rise of
residential price in the southern part of the metropolitan area, in the process of
repeating migrations. The rise of real estate led them to the property formation. Most
of their financial resources depended on money by sale of the former residence. It
also reflects the extreme rise of real estate in the southern part. The migrations of
households belonging to the type show peripheral expansion of residential area in
the Seoul metropolitan area.