

ECONOMIC VALUE OF HANOK REGENERATION PROJECT IN SEOUL

Changes in 10 years and lessons learned

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Abstract. The hanok (traditional Korean house) regeneration project seemed impossible in Seoul ten years ago because conserving dismal hanoks had been considered unnecessary as a burden on the economy. The hanok regeneration project, however, is now regarded as a successful attempt to protect the time-honoured dwellings and has far-reaching benefits on the economy as well. This paper will highlight the economic effects of the hanok regeneration project in Seoul such as the increase of number of visitors and land prices and the survival of an almost-disappeared traditional industry and that it can be an invaluable reference for other cultural heritage preservation projects.

1. Introduction

Ten years have passed since the Hanok (traditional Korean house with wood-frame construction) Regeneration Project began in Seoul. Until the late 1990s, conserving deteriorated hanoks seemed impossible because of economic infeasibility. Hanoks had negative images of unsanitary and inconvenient buildings, and the hanok district has been out of people's concern for a long time. In consequence, the hanok district in Seoul disappeared due to various redevelopment projects and replaced by high-rise apartments, which result the brand of "Republic of Apartment" It reflects not only disappearance of traditional Korean house, hanok, but also losing old city morphology and landscape, and local community at once.

Late 1990s, the Seoul Metropolitan government's policy went through drastic changes. The government decided to conserve Seoul's representative hanok district, the Bukchon area that had been planned for redevelopment. The project initiated by community members in late 1990s, and it became a starting point of Seoul Metropolitan Government's Hanok Conservation and Regeneration Project. Although the regeneration project faced few opposing residents and went through various hardships at the beginning stage, it is now regarded as a successful attempt to conserve the time-honoured dwellings and urban morphology but also to earn far-reaching economic benefits.

This paper examines economic values of the hanok conservation and regeneration project. It is crucial to evaluate the value and direction of the hanok regeneration policy

and to project its future potential and momentum. In this paper, the economic values of the Hanok Regeneration Project in Seoul will be quantified in terms of the economic benefits generated by conserving the historic heritage, hanoks, so that the measurement could help the citizens and policy makers to make decisions to keep the momentum of the started regeneration project and to expend further regeneration projects. The Hanok Regeneration Project brought vitality back to the city instead of redevelopment project, and this successful attempt implies potential to expend regeneration projects of city's other historic heritages.

2. Process of the Project

According to statistics, the number of hanoks in Seoul that was 128,766 in the early 1960s declined sharply to 22,672 in 2006. In these years, more than 100,000 numbers of hanoks were demolished. From 2006 to 2008, approximately 9,000 hanoks were torn down that leads 13,703 hanoks were left in 2008. During a half of the century, 90 percent of hanoks were demolished, and the left over hanoks were threatened by redevelopment projects. The momentum of the hanok demolition created a sense of critical emotion that Seoul would lack city's historic identity. In 2001, Seoul Metropolitan Government announced the hanok restoration policy and Hanok Regeneration Project.

TABLE 1. Hanoks in Seoul

	1961	2006	2008
Seoul	128,766	22,672	13,703
Within the Seoul Fortress	-	4,857	3,654
Outside of the Seoul Fortress	-	17,815	10,049

Survey in 2006: Seoul Development Institute

Survey in 2008: Seoul National University and University of Seoul

The first project started at Bukchon, where is situated at the heart of old city centre, and 900 hanoks were aggregated in the area. The history of Bukchon has been along with the city's history because the area is located between two main palaces of Joseon Dynasty and served as a residential area for the privileged class. The physical environment of the area had been exacerbated because the past military regime strictly regulated any physical changes near the presidential residence. In 1990s, when the height regulation was eased, hanoks in Bukchon were demolished and replaced with multi-level buildings, and the identity of Bukchon was threatened.

Persuading the residents to conserve hanoks was difficult because they suffered with strict regulation for a long time. In addition, many hanoks were in dismal condition because they have been built approximately 50 years to 100 years ago. Major repair was necessary in most of hanoks to make them in function. However, it seemed impossible because of the cost of hanok repair was three times higher than general building repair, few numbers of skilled hanok carpenters after 1960s when the hanok construction declined; and the instable of timber supply in market. For the residents' understanding and support, the Seoul Metropolitan Government started "Hanok Registration" policy. Through the registration, the resident promise to the city not to demolish property of hanok, while the government subsidizes a certain portion of repair cost to reduce burden on high repair cost. The Seoul Metropolitan Government established the Hanok Aid Ordinance, and 27,000 USD (30 million KRW) of subsidy and 18,000 USD (20 million KRW) of loan were executed. The amount of government spending covered 25 percent of average cost of hanok repair, and the property owners cover 75 percent of the repair cost. The hanoks in Bukchon started to repair gradually with the government's subsidy; as the result, the neighbourhood recovered distinctive landscape as a hanok district.



Figure 5. Hanok Alley before and after the Hanok Regeneration Project

Figure 6. Hanok before and after the Hanok Regeneration Project



The achievement of 8 years long Hanok Regeneration Project in Bukchon led the Seoul Hanok Declaration announced by the Seoul Metropolitan Government. The declaration is to plan expanding hanok conservation areas and conserving 4,500 hanoks in 10 next years beginning in 2009. The details include expanding the areas of hanok districts, raising the subsidy and loan on hanok repair, and building new hanok towns. According to such plan, the total area of hanok districts and the total number of conserving buildings doubled from 1,076,302 m² to 2,144,363 m² and 1,233 buildings to 2,358 buildings in 2011. The amount of subsidy increased double to 54,000 USD (60 million KRW) grant and 36,000 USD (40 million KRW) loan. As the result of various supports, 501 hanoks registered, and 342 hanoks completed repair. The Seoul Metropolitan Government purchased a hanok property and attempted to adopt various uses including artisan workshop, exhibiting halls, and hanok guesthouses. The government delivered the project of putting the electric poles and cables into underground as well.

TABLE 2. Changes in grants after the Seoul Hanok Declaration(SHD)

	subsidy		loan	
	before the SHD (2001 ~ 2008)	after the SHD (2009 ~)	before the SHD (2001 ~ 2008)	after the SHD (2009 ~)
Renovated Hanok	27,000USD (30 mill. KRW)	54,000USD (60 mill. KRW)	18,000USD (20 mill. KRW)	36,000USD (40 mill. KRW)
Newly-Built Hanok	27,000USD (30 mill. KRW)	72,000USD (80 mill. KRW)	18,000USD (20 mill. KRW)	18,000USD (20 mill. KRW)
Pratial Repair including Roof	-	9,000USD (10 mill. KRW)	-	-

Overcoming development pressure to conserve hanok was not easy in Seoul where city's population changed drastic from 20,000 to 10,000,000 in 100 years. Many people questioned whether the project would success or not, and in fact, the results of the Hanok Regeneration project appeared relatively slower than other development projects. Soon, there was social consensus and support on conserving hanoks, and now it is hard to find any opposing opinions on the projects. Hanok districts became a hot tourist spot to experience distinctive Korean culture and architecture, and the first project, the Bukchon Hanok Regeneration Project, awarded UNESCO Asia-Pacific Heritage Awards. The Hanok Regeneration Projects are now recognized as Korea's representative historic preservation and regeneration projects.

TABLE 3. Hanok Registration and Grant from 2001 ~ September 2011

(31 September 2011)

	Total	2001~2005	2006	2007	2008	2009	2010	2011.9
Number of Registration	501	358	32	15	7	17	43	29
Subsidy Grant (mill. USD)	342	224	33	22	12	9	17	25
	9.52	6.05	0.78	0.46	0.26	0.23	0.68	1.05
Loan Grant (mill. USD)	193	116	21	20	7	4	15	10
	3.66	1.95	0.38	0.36	0.13	0.07	0.45	0.31

3. The Restoration and Increase in Value of the Hanok District in Downtown Seoul

The most significant achievement of Seoul City’s Hanok restoration and preservation project is the economic effect it has brought to the Hanok districts. The visible increase in the land prices of the Hanok districts and the growing number of visitors to the area are indicators of the projects success.

In 2001, when Seoul City launched the project, the official land price of a Hanok in the Bukchon area was 862 USD (952,000 KRW) per m², a price that had remained stagnant since the early 1990s and relatively cheap compared other areas in Seoul. Since 2001, however, housing transactions in the Hanok districts have increased remarkably and the land prices of Hanok have risen consistently every year, reaching 2,544 USD (2.809 million KRW) in 2010. The actual sales prices show the increasing popularity of Hanok and it was new found profitability. According to a recent newspaper article, Hanok is now sold in the price range of 5,471 USD (6.04 million KRW) to 13,696 USD (15.12 million KRW) per m², which is about the same or sometimes more than houses in other areas, which average in the price range of 5,471 USD (6.04 million KRW) to 9,583 USD (10.58 million KRW) per m².

Figure 1. Number of Visitors in Bukchon

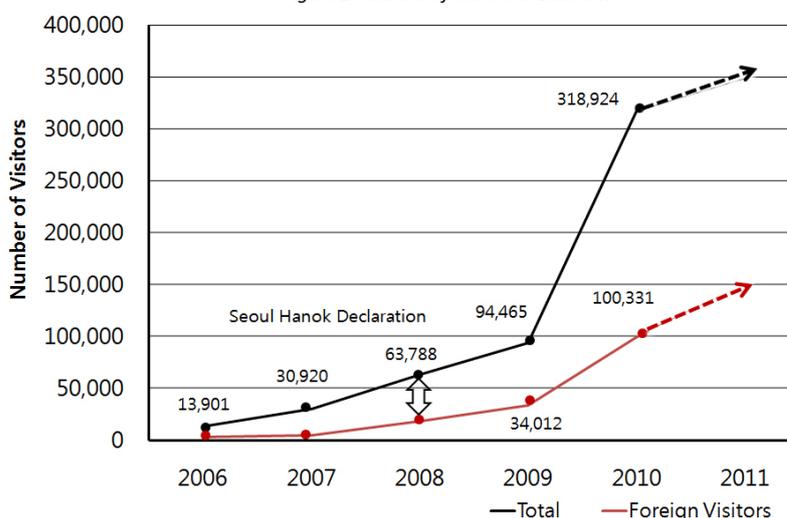
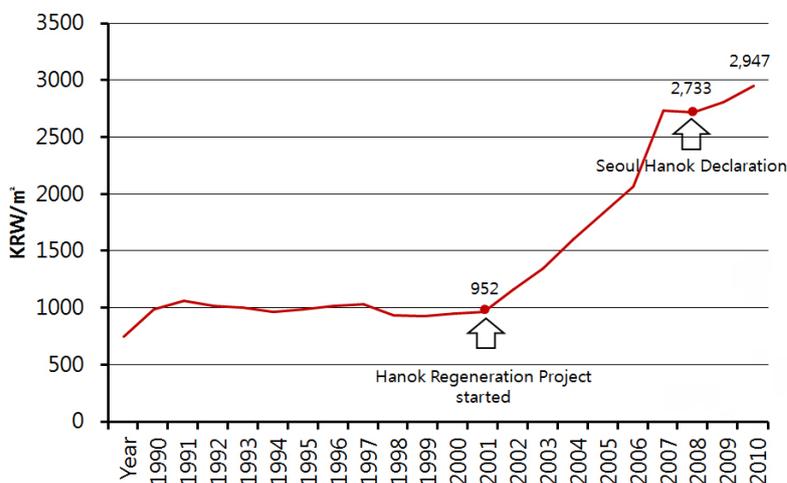


Figure 2. Land Price



With the Hanok restoration and preservation project, the number of visitors to the Hanok districts also rose sharply. According to the official statistical data presented by Seoul City, the number of visitors to the area jumped from 13,901 in 2006 to 318,924 in 2010. Foreign visitors account for 30 to 40 percent and surveys show that foreigners tend to single out the Hanok districts as the place where they can most feel the rich and distinct history of Korea. The area west of Gyeongbok-place was reserved for re-development, but it has now joined the list of major historical and cultural attractions within the Seoul Fortress. The area is now crowded with cafes and art galleries, contributing ultimately to the vitality of the local economy.

4. The Renaissance of the Traditional Hanok Construction Industry

Another achievement of the Hanok restoration project is the revitalization of the Hanok construction industry, which was on the verge of collapse. Since the 1960s, traditional Korean-style houses have rarely been built in Seoul, which dealt a major setback to the Hanok construction industry. Many carpenters lost their jobs save for a select few tasked with maintaining cultural assets. Hanok education centers no longer produced successors to skilled Hanok artisans, rendering the evolution of Hanok architectural technology stagnant. As a result, Seoul City struggled with a somewhat limited talent pool when it came time for the 2001 restoration of the Hanok in the Bukchon area.

The Hanok restoration and preservation project fundamentally changed the public awareness of Hanok and revitalized the Hanok construction industry. According to the “2010 Survey of Consumer Preference for Housing” conducted by Korea Gallup in 2010 under the sponsorship of Daewoo E&C, Haeahn Architecture and Fides Development, 48.1% among the 1,030 homeowners, aged 36~69 and living in Seoul, Incheon and Gyeonggi, showed preference for Hanok, which is higher than the 32.0% of the respondents who did not. Also, 31.8% of the respondents said that they would buy Hanok in the future, which indicates that there has been considerable change in the public opinion of Hanok. Hanok has now become an eco-friendly type of housing favored by Koreans, especially among the younger generation. Koreans are now seemingly attracted to the unique beauty of Hanok and its benefits as a green and uniquely traditional form of Korean housing.

The rediscovery of Hanok led to increasing demand for Hanok for diverse purposes, such as business, exhibitions, medical services and education, as well as housing. The Hanok Guesthouse is a good example of the traditional culture project utilizing Hanok in downtown Seoul. Driven by such popularity of Hanok, Seoul City announced to create new Hanok villages in Seoul by building 100 Hanok in Eunpyeong-gu and 50 in Seongbuk-gu by 2014. The project is viewed as an example of an innovative paradigm shift in the Korean housing market that had been formerly dominated by high-rise apartments.

Figure 3. Number of Hanok Schools

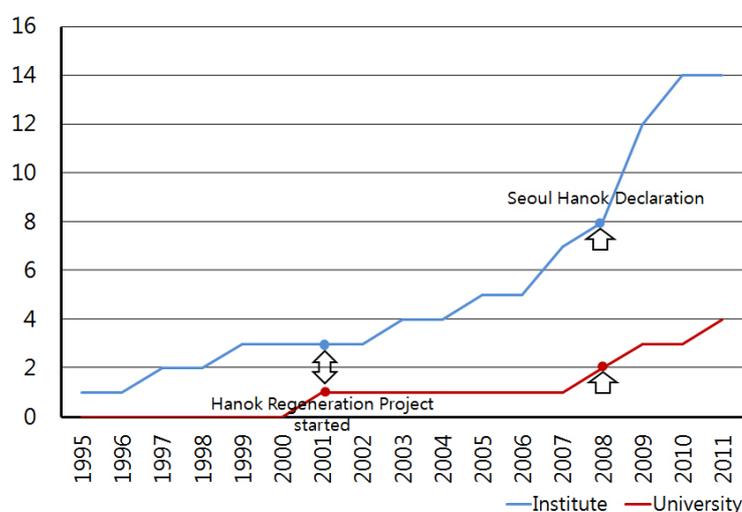
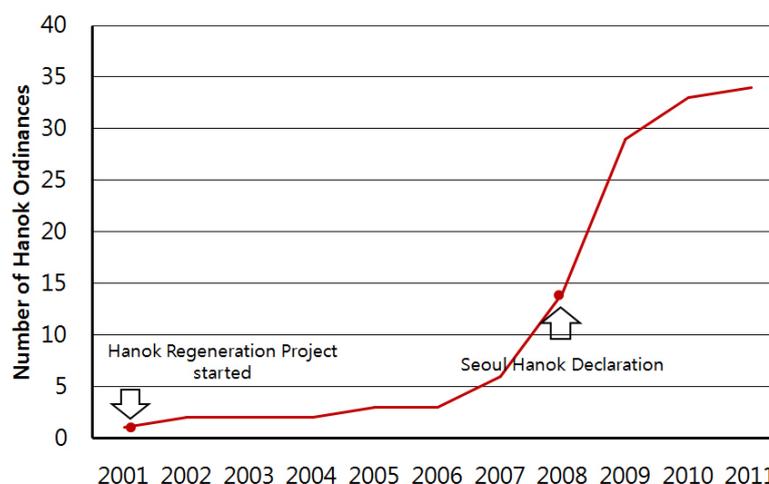


Figure 4. Number of Hanok Ordinances



With changes in the public perception of Hanok and the expansion of Hanok development projects, the Hanok industry is now bouncing back, which is evident in the ever-expanding number of Hanok education centers. In 2001, there were only three institutions, including one college. But as of 2010, 14 Hanok education facilities including 3 colleges are producing carpenters and artisans specializing in Hanok. The graduates of those schools are expected to contribute to this modern renaissance of the Hanok industry and play a pivotal role in ushering in the continuing evolution of Hanok construction technology.

5. The Impact of the Project and Institutional Improvement

The success of Seoul City's Hanok restoration and preservation project had far-reaching effects across the nation. In 2001, Seoul City was the only local government that supported Hanok by ordinance. In 2011, however, 34 local governments have so far enacted an ordinance for the support of Hanok restoration and preservation. Jeollanam-do, in particular, has actively pushed the Hanok project as part of its effort to stimulate population growth. Jeollanam-do had many difficulties revitalizing the local economy due mainly to a sharp drop in its population from 3.5 million in the 1970s to just over 1.92 million in the 2000s. With its new commitment to the the large-scale Hanok restoration project, however, the southern province has lured 3,469 in 2011. This is an influx of over one hundred urbanites a month to Jeollanam-do, with many of them choosing to live in Hanok. According to Jeollanam-do, a total of 972 new Hanok have now been built and home-stay programs utilizing Hanok are rising, representing a new profit-producing business that would benefit farming villages.

The popularity of Hanok fueled by Seoul City's Hanok restoration and preservation project has prompted institutional improvements and support at the government level. In 2010, for instance, ten years after the launch of the Hanok restoration and preservation project, the Korean government revised the construction law to include the re-definition of Hanok and alter the clauses not favorable to Hanok construction. Moreover, the National Hanok Center was established this year and Hanok-related laws for governmental support are waiting to be enacted. Seoul City's Hanok restoration and preservation project continues to offer Koreans an opportunity to see Hanok in a fresh light and has boosted a sense of responsibility to preserve the value of Korean cultural heritages and develop Hanok restoration and preservation into a new national project.

6. Conclusion

It is safe to say that Seoul City's 10-year experiment with the Hanok district for the restoration and preservation was successful in that the project helped Seoul City temper its race to total modernity, preserving and enhancing the rich cultural traditions of traditional Korean architecture. The financial support for Hanok construction, the beautification of alleys and the adoption of new cultural programs catalyzed the preservation of the Hanok districts in Seoul and created powerful economic effects.

It goes without saying that the economic effects of the cultural heritage preservation project are no more important than the historical, social and educational effects the project generates. However, it is inevitable for the government office to set priorities when launching

a project in order to remain within budget constraints and call for public understanding and cooperation. The most effective way to draw public consensus is to give examples of the economic effects generated by the project for the preservation of old Hanok. Likewise, one of the most effective ways to convince skeptical residents in the area that faces complete dismantlement for redevelopment is to give them concrete statistical data about the economic effect of the redevelopment project. In this respect, it is important to highlight the positive economic effects of the project for the preservation of cultural heritage.

Studies about the successful projects for the preservation of cultural heritages in terms of the improvement of their economic value should be done consistently. Seoul City's Hanok restoration and preservation project serves as a solid successful of this fact and is an invaluable reference for Seoul City when decisions are made for the extension of the project for the preservation of cultural heritages.

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