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POLITICAL ECONOMY ANALYSIS OF THE RISING OF SOUTH KOREAN PROPERTY INDUSTRY: PUSH & PULL FACTORS OF PROPERTY INDUSTRY CAPITAL MOVEMENT OF KOREA TO US

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Abstract

Korea is a country that once full of doubts. As time goes by, every sector from Korea are turns out to be huge achievements of the Korean people. Korean pop culture for instance, becomes a crucial driver for Korean economy. Not only Korean pop culture, recently property investor from Korea also becomes a big player in the US, and moreover in the global stage. New study also tells that Korea as global property industry player could exceed China as China's economy slowing down. Therefore, question how can South Korea's property industry sectors thrive overseas, such as in the U.S.? Arises. This paper would explain the factors behind South Korean property industry performance in US, including push and pull factors through a scope of global capital movement paradigm. Meaningful government supports, big possibilities, and a good investment climate for South Korean property industry plus the right global demands could be some factors behind the rising of South Korean property industry, especially in the US.

Keywords: Korea, Property, Industry, Push and Pull Factors, Global Capital Movement

Abstrak

Korea adalah negara yang pernah penuh dengan tanda tanya. Seiring berjalannya waktu, setiap sektor dari Korea ternyata menjadi pencapaian besar masyarakat Korea. Budaya pop Korea misalnya, menjadi pendorong penting bagi perekonomian Korea. Tidak hanya budaya pop Korea, baru-baru ini investor properti dari Korea juga menjadi pemain besar di AS dan panggung global. Studi baru juga mengatakan bahwa Korea sebagai pemain industri properti global bisa melebihi Cina yang mana ekonomi Cina sedang melambat. Oleh karena itu, pertanyaan seperti bagaimana sektor industri properti Korea Selatan dapat berkembang di luar negeri, seperti di AS? Pun muncul. Penelitian ini akan menganalisis performa sektor industri properti Korea Selatan di industri properti AS. Penelitian ini juga akan menjelaskan faktor di balik kinerja industri properti Korea Selatan di AS, termasuk faktor pendorong dan penarik melalui ruang lingkup gerakan modal global. Dukungan pemerintah yang bermakna, kesempatan yang besar, dan iklim investasi yang baik untuk industri properti Korea Selatan ditambah tuntutan global yang tepat bisa menjadi beberapa faktor dibalik meningkatnya industri properti Korea Selatan di AS.

Kata Kunci: Korea, Properti, Industri, Faktor Pendorong dan Penarik, Perpindahan Modal Global

1. Introduction

Since the Korean War armistice agreement signed in 1953, South Korea is steady moving forward. South Korea, through the Miracle of Han River, become one of Asian Tigers despite the 1998-1999 economic crisis happened. Thanks to the well-planned economy and good management of Korean economic potency. South Korea has a blended economic system that involves a range of private freedoms, accompanied with centralized economic policy and state intervention, notably during Park Cheong-Hee regime that lied down South Korean modern economy corner stone.

Additionally, with the enhancement of technology and the ease on the transfer of information, give advantages for South Korea to expand its business further into the global market. Based on the World Bank data (2019), South Korea has been classified as a high-income country. It also becomes the most industrialized country among other OECD members (Michigan State University, 2020). Such achievements secured South Korea's position as a developed country. Thus South Korea enjoys economic statecraft that has been classified as good as Western European and North American countries. With the economic advantage, South Korea economy entities got a pretty good rating from credit and investment rating company, such as AA from S&P (2016).

South Korea's main sectors in the global trade are, electronic equipment, telecommunication, car manufacturing, and chemicals production (UNCOMTRADE, 2019). Aside from South Korea's main commodities, property industry remains a huge and crucial sector. Won So (2020) said, "*In 2017, it was projected that the GDP of the real estate sector will reach over 100 trillion South Korean won*". It means the property industry contributed quiet a huge number to the Korean economy, and its growth.

Korean property market was sensational back in 2018, when they were able to incorporate IT (information technology) in the property sector, which further known as *proptech*. Eunhyee Lee (2018) said, "*Proptech, a compound of "property" and "technology", referring to the integration of IT technologies into real estate has been creating a buzz to be the next big wave in shaping the future real estate*". Then, two companies, Zingbang and Dabang, are leading this *proptech* industry. Moreover, with government support in the form of Korea Appraisal Board, gives incentives for better performance for artificial intelligence, big data, and financial technology based *proptech*; property industry in South Korea remains stimulated with the innovations and supports. Thus, thanks to best ICT environment in the world, Korea enjoys benefit from science the best.

Then, from that momentum, Korea property industries are now tries to leap outside Korea into further level despite sluggish world economy. Spiro (2020) said "*Korean commercial property investors are now looking further afield in Europe, although their enthusiasm might wane as yields contract across the continent*". It means, Korean property industry players still eager to find the best spot around the globe to generate growth even though global economy shows slowdown despite Korean local property market remains burdened by mortgage bubble. Pesek (2020) said "*Household debt has ballooned and prices from Seoul to Busan have rocketed*". Yet it remains hopeful as Chinese slowdown become more real from time to time with President Moon keep trying to figure the problems out with taxes and surplus packages in the cloud with a chance of recession. Hence, the performance of Korean property industry will be highly anticipated, such as their performance in doing property investment overseas, such as Europe or US, could be interesting object to look more.

Additionally, Arcibal (2019) said that due to the China's investments in overseas properties plunged, it created a gap that has provided opportunities for other Asian countries,

especially South Korea, to increase their portfolios of global real estate. Then, Korea Pension Fund, the third largest pension fund in the world, own several properties in US cities like New York and Los Angeles. Furthermore, Sidders et al (2019) said “*South Korea property acquisitions top \$12 billion in 2019, Korean investors splurged almost \$6.8 billion on international commercial real estate in the year through August, according to CBRE Group Inc., more than four times the amount spent by Chinese firms*”. It means South Korean property industry keep trying to fly high despite domestic troubles ahead. Therefore, this paper will focus its analysis on *how can South Korea's property industry sectors thrive overseas, such as in the U.S.?* This kind of question is really intriguing to be analyzed more after the previous explanation above. Moreover, in order to give better explanation, the study case that will become the scope on this paper is Korean property and or real estate investment in USA. A lot of explanations and opinions regarding this statement yet this paper would like to give better overview from global capital movements’ perspectives with push and pull factors counted in the arguments deeper later in the analysis chapter of this paper.

2. Literature Review

In order to give a better understanding on the main discussion of this paper, a literature review of relevant ideas is needed. Several academic writings were collected to determine what gap that is not being fulfilled yet in this theme. Theme like Korean business, investment, property industry, global capital movement, international business law, international political economy, and economy were covered.

Through a perspective of global capital movement or transnational capital for instance, Dent (2003) said Singapore, South Korea, and Taiwan have dealing in various forms of transnational capital in sustained yet evolving ‘*adaptive partnerships*’ toward economic security in the international system. The so-called partnership by Dent is not merely casual partnership, but more like similarities in East Asian economic tradition of *developmentalism* and the relationship of state with business sectors. Thus, Kang (2010) said that South Korea, as a state-led capitalist country, had undergone changing because of globalization toward fundamental corporate governance through an institutional complementarity. It means transnational capital and globalization made some countries adjusted their policies without forgetting their economic roots, yet for this paper we could see that from this perspective the main argument we seek is not provided yet.

Then, from state economy and business perspective, Gang (2013) for instance said China is using dual market equilibrium in order to maintain house price in Chinese first cities through a quota policy. Next, Sung-Young Kim (2012) said “*Korea’s ability to renew its legitimacy to play a developmental role through rearticulating policy goals from catching-up to nurturing innovation*”. Subsequently, Kim (2019) Said “*Policymakers in Korea and Taiwan view smart microgrids strategically as a new developmental infrastructure, which will help position domestic firms onto a new competitive footing. I show that in Korea, this is taking place through the state’s leveraging of the nation’s innovation champions – globally leading chaebol or conglomerates and their networks of small and medium enterprise (SME) suppliers in the domestic market*”. It means Korea as a state have ability to adapt and align policies with market needs and its government is open to new opportunities instead of decline it and plays an active role in order to make sure the policies are met with demands.

Further, in relation with the main topic of this paper, the discussion on the relationship between state and business theme, Roemer-Mahler (2012) said, “The business community can be an important factor to explain policy outcomes”. Then, Watson (2013) said that in order to

achieve certain target of globalized economy in neo-liberalist world, state could emphasize on soft power in formulating policy to attract global capital like what Korean Government done in Seoul city planning of *urbicide* as implications of urban restructuring plan. While Tongzon and Cheong (2016) said that business could grow modestly by strengthen between countries or region in a frame of economic agreement, like AKTIS (ASEAN – Korea Trade in Service). Hence, business sector could be main drive of policies of a nation or could be more nurtured by the right formula between government policy and business incentives.

From the perspective of international law, Nicholson (1965) said “*Over the years, as modern trade and investment began to develop, international law evolved certain principles which bound nations to safeguard the acquired property rights of foreigners, under the rubric of "The Responsibility of States for Injuries to Aliens"*. Further, there are countless international legal instruments, which can be connected to this particular topic. As stated by Alvarez (2005), the regime of foreign direct investment is being recognized in more than two thousand Bilateral Investment Treaties (BITs), Regional Free Trade Agreements (FTAs), specialized Multilateral Agreements such as the World Trade Organization (WTO) and lastly, but not limited to, soft laws such as the World Bank’s FDI Guidelines. Additionally, Sprankling (2014) said “*Almost all nations recognize the right to property under domestic law and have expressed their belief that the right also exists under international law, it should be viewed as customary law which all nations must follow*”. In brief, every country has the responsibility to recognize and protect foreign direct investment, i.e. real property investments.

In relation to the foreign direct investment in real property sector, Elaine Worzala and C. F. Sirmans (2003) found that the foreign ownership of real estate is not a new concept, instead, it had been practiced since the colonial expansions in the 16th and 17th centuries. Additionally, Diego Salzman and Remco C.J. Zwinkels (2017) said “*real estate plays a significant role in optimal portfolio choices for institutional investors.*” In South Korea, Yun W. Park and Doo Won Bang (2012) stated that “*There are two sets of collective real estate investment vehicles in Korea, one called REITs (real estate investment companies) regulated by the Ministry of Land, Transport and Maritime Affairs, and the other called real estate funds regulated by Financial Services Commission.*” From the above mentioned literatures, an analysis on *how can South Korea's property industry sectors thrive overseas, such as in the U.S.?* Has not being discussed thoroughly yet. Therefore in order to answer question like *how can South Korea's property industry sectors thrive overseas, such as in the U.S.?* Need better analysis since global property market is steadily at change dynamically.

3. Theoretical Framework

Based on the abovementioned explanation, this paper would like to answer *how can South Korea's property industry sectors thrive overseas, such as in the U.S.?* Therefore, through a deep analysis from push and pull factors perspective with alignment toward global capital movement paradigm; we are hoping to get a better eye view for this issue.

State and business relation is always an interesting issue to discuss. If we are talking about business, certain factors are counted. Push and pull factors of a foreign investment calculation are always crucial for multinational corporations before taking any business actions. Analysis regarding push and pull factors are needed not only for business world but also state or government with regard to the policy making decision.

Based on Chan and Mason (1992) foreign investors usually more attracted to invest on developing countries that are advanced and more industrialized. Therefore, it means there are

factors in regard of investment, i.e. foreign investment. In general, there will be factors that push and factors that pull something to do, move, or others. Hence, factors could be interesting part to see in more broader image of an issue. Factors could be main driver for something. The integral parts of factors are included in situation, fact, or effect that contributes to a consequence or outcome.

In Chan and Mason (1992), factors in investment explained as push and pull factors that invite and drive investment to host countries or investor origin countries. Further, the factors that presented in Chan and Mason can be arranged as parts of pull factors are geographical distance of host country and strategic location of host country. Then, for push factors are technological advancement, market expansion, inter-company competition, labor force and law condition. These factors are explained as continuity for both ends of investment to attract investors to move their capitals into one country.

Firstly, the pull factors that discussed in Chan & Mason (1992), are geographical distance of host country and strategic location of host country. Geographical distance is no longer a big thing in business world. It is always included in business for any level of transaction. The location of host country, distance from home country, including values that possessed by host country population and lifestyle or localization / cultural appropriation are some highlight points that need to be look up before dealing in investments abroad. If we discuss about distance, more far the distance is investors easily avoid more. This is related to the second variable in pull factors, which is the strategic location of the host country.

A strategic location is important in order to pursue bigger gains. It is also very relatable with the factor of geographical location of the host country. A perfect location also needs a perfect geographical location. Distance also counted as crucial point to establish a perfect location. As mentioned before, a great distance is should well counted so can align with the business plan as investment calculation. Strategic location with perfect location attracted not only one investment but also multiple investments. Chain reaction or multiple effect of investment could arise in location that strategically located with great distance to other economic powerhouse. Logically speaking, a nice location will not far from other significant facilities. Therefore, if the locating is done properly and investment is also perfectly counted, the implications of capital and revenue cycle will give spillover to nearby location and will bring benefit to all because of primary location of host country.

Next are the pushing factors. As mentioned before, push factors are technological advancement, market expansion, inter-company competition, labor force and law or legal condition. First, we will discuss about technological advancement. The technological advancement means technology as push factor means the technology become some kind of driver to encourage businesses of some countries with high technology literacy as basis for their calculation to expand their businesses to other countries. This fact means high technology countries tend to expand their business more rather than low technology countries. From this premise, we could extract what we could call transfer of technology that usually happen in an investment from one country to another. This technological transfer means there is learning process in a business or investment relation from higher literacy country to their workers in host countries, therefore not only the workers could learn the new technology from home countries, but also nation wide of host countries as the term of spill-over effect can explain more elaborately. Thus, there is chain reaction of the spill-over of investment in transfer of technology, and it could also led to technological dependency as level of transfer of technology in a investment may vary from one to another, moreover from one country to another. This could be a drive for a business in order to expand their network, to where their expansion, and about what is their expansion is.

Next is market expansion. Market expansion, same with the other basic paradigm for capitalism, in order to pursue bigger benefit, the market also need to be expanded. Thus, market expansion is truly crucial for business. Moreover, despite market expansion is needed in order to gain more profits, the location where the capital should be sent to also crucial. That is why; market expansion should be done properly, either domestically or done abroad.

Then, about the inter-company competition, inter-company competition means in investment, not only profit calculation is used in order to market expansion, but also other similar companies already did what the company want to do or not. Therefore, the company which done it first can be better than other companies because it has competitive advantage. This competition in business is necessary in order to achieve growth.

After the inter-company competition, there is labor force and law or legal condition as push factor in Chan & Mason. The labor force and law or legal condition as push factor means there is calculation regarding labor force and legal condition behind an investment. This calculation is needed in order to get best point in an investment, including profit and other spillover effect. Labor force usually calculated by how skilled they are and or how valuable they are.

In terms of legal condition, primarily, it would be appropriate to determine whether there are international legal instruments concerning the subject matter. Essentially, the activity done by the Korean nationals to invest on the property market in other countries can be classified as a foreign direct investment, as written by Sornarajah (2010), *“There can be no doubt that the transfer of physical property such as equipment, or physical property that is bought or constructed such as plantation or manufacturing plants, constitute as foreign direct investment.”* Further, since it can be classified as a foreign direct investment, later in his book, Sornarajah also stated that only foreign direct investment which can be protected by the customary international law. He wrote *“Portfolio Investment was not protected by customary international law. ... Customary international law protected the physical property of the foreign investor and other assets directly invested through principles of diplomatic protection and state responsibility.”*

While then, the global capital movement is about how and why capital is move and how it moves globally. In the Universal Declaration of Human Rights for example, article 17 stated *“(1) Everyone has the right to own property alone as well as in association with others. (2) No one shall be arbitrarily deprived of his property”*. This means, the global order right now support how property industry being done internationally. Moreover, this property sector investment also encouraging economic integration between nations since through a liberal and open economy system like this, comparative and competitive advantage of global economy could open up chance for advancing economy of many countries.

In order to deepening the analysis, this paper will also use the understanding of cross-border investor preferences in commercial real estates by Devaney et al (2019). Devaney et al explained in their paper that expected returns and diversification benefits from the host market are counted as pull factors, then economic policies and limited opportunities in the home market are counted as push factors. Furthermore, US property and real estate market as the scope of this paper, has allowed foreign player such as Korean property or real estate industry sector to invest in this particular industry as Thier (2017) said *“Foreign Nationals are allowed to purchase and own real estate in the United States as can LLCs, corporations, and partnerships”*. We believe every country is different in how they maintaining property ownership yet the property market in developing world is not in our scope as in this paper we mainly discuss interaction and motives of Korean property or real estate sector in US property market. Though, this particular idea could be develop as further research in this area.

Afterward, in their paper, Devaney et al also discussed more about these preferences. Expected return and diversification benefit such as risk calculation, cost, asset, location, timing, forms of investment, and spillovers effect from the investment are highly noticeable as pull factor for certain investors to invest in certain countries. Hence the investment is a business deal as usual after through a deep calculation as investment strategy. Thus, this diversification benefit is important factor to determine one's investment motivation in wherever they want to invest their capital included in property or real estate investment. High gain and avoid risk might be the go-to-motto of investors all around the world. Therefore, not single investors ever want to have a big loss after they invest their capital. Diversification also important for investor' portfolio as track record is needed to assure quality of deals they made.

Then, Devaney et al are saying the economic policy in the home nation as push factor for investors. Policies like incentives and other economical instruments regarding investment in foreign countries are crucial for home nation investor's decision. Furthermore, opportunities that by chance available for investors also an important factor that should be counted for investors to invest in other countries. These opportunities could be extracted as occurred by limited opportunities in the home market. The limited opportunities in the home market absolutely affected the property or real estate industry players to expand their market. The limitation at home, maybe an open field in other countries. Though, the rules of law and bureaucracy about foreign direct investment might be applied. Like the previous argument stated, not every country allowed the ownership of property by foreign entities. Therefore this kind of limitation may channel investor fund to each respective country that allowed foreign ownership regarding economic policies in home and host nation not concerning the status of the country, developed or developing.

4. Analysis

In this part of paper, the discuss will focus on the pull and push of factor of Korean property industry expansion overseas, especially into the U.S market. Property as stated by Hultzman (2020) is *"a concept that not only includes real estate but also a bundle of rights related to the real estate. In other words, real estate is a term that defines a set of physical things, while real property is a concept that includes those things plus the legal rights attached to it"*. Therefore the term property, real property, and real estate could use interchangeably. Afterward, in this part of paper, we will divide the factors based on explanations that mentioned in paper by Chan and Mason and Devaney et al. In order to maintain it as objective as it should be, the factors will be adjusted into this case. Therefore the variables of pull will be named as Geographical Distance Between Korea, Strategic Location of US, Expected Returns of Korean Property Players, and Diversification Benefits of Korean Property Players In US. Then, for push factors, will be named as Technological Advancement of Korean Property Industry, Market Expansion of Korean Property Industry, Inter-company Competition of Korean Property Industry, US Labor Force and Law or Legal Condition, Economic policies of Korea regarding Property Industry, and Limited Opportunities of Property Industry in Korea.

4.1. Pull Factor

4.1.1. Geographical Distance Between Korea and US

The geographical distance between Korea and US is varying depending which part of the US. Guam, Hawaii, and Alaska maybe have the closest distance from a US territory to the Korean peninsula. Honolulu, San Francisco, Los Angeles, Seattle, and San Diego are among US major cities that relatively closer to Korean Peninsula than any other major cities in the US.

Los Angeles (and maybe New York) could be the hotspot for Korean enterprises to invest their money. This particular argument arises since a lot of Korean communities concentrated in this area. In Los Angeles for instance, based on 2010 US Census Bureau, accounted for 108,282 Korean live there. In general, almost 0,6% US population in 2010 are Korean. Then, according to KANET (2018), 2.9% of the Los Angeles population is Korean, then 1.2% of the entire population of New York City is Korean.

Not only demographic reason, but also Los Angeles to Seoul is only 13-hour flight with lots of direct travel options are available. Hence, in term of travel and familiarity, US is not strange and uncharted area among Korean because US is relatively close to Korea and for Korean. Furthermore, Koreatown in Los Angeles is, as Lee said in Meares (2019), the best Koreatown outside Korea, why? Since Koreatown in Los Angeles is the first and most famous Koreatown in the US. Other than Korean immigrants in Los Angeles, in New York as stated by Chung (2020) many Korean political refugees and intellectuals studied at universities in several cities along the US East Coast since 1910. Subsequently as the investment term of the herd instinct, therefore it is not a surprise if Korean property and real estate entities would dominating US market as stated by Pacurar (2016) *“South Korea has become the fourth-biggest foreign investor in the U.S. real estate market. And it shows no sign of slowing down”*. Los Angeles and New York as the place large Korean immigrant communities still become the hotbed for the deals, such as, The Wilshire Grand Center development in Downtown LA that owned by Hanjin Group with \$1-billion cost and will become the highest skyscraper on the US West Coast or as stated by Khullar (2020) Hana Financial Group gave \$180 million for a hotel development in Manhattan, New York and Hangang Asset Management provided \$133 million budget for The Metropolitan Avenue development in Brooklyn, NY.

Moreover, Korea and US not only close as in geographical relatively, but also culturally. This supported by historical evidence such as US interruption in the Korean War. According to Nye (2019) *“The Korean War, from 1950 to 1953, saw some of the most intense battles in American military history”*. This means US initiatives to support capitalist South then further to divide the Korean Peninsula in the 1953 armistice at Parallel 38 North are very vital in the height of Cold War and legacy of World War II between Soviet Union and United States. Furthermore, Nye stated, *“American foreign policy continues to grapple with the consequences of the war in Korea”*. This means American sphere is perceived very highly in Korean society, such as defense act and military allies. Then, as per today, still a lot of US army stationed in Korea as well Korean army trained by US army in a scheme like KATUSA (Korean Augmentation To the United States Army), such as in Yongsan Garrison, near Itaewon, Seoul or in Pyeongtaek, Korea (ROKA, 2020). This political and defense coalition brought Korea and US into next level alliance than other countries.

4.1.2. Strategic Location of US

Afterward, in this chapter we will discuss elaborately about strategic location of US. US strategic location, as Miller (2013) said is having non-predatory neighbors to the north and south, and to fish to the east and west. This particular location is so unique because as Miller said, *“a notable variance of protection provided by two vast oceans, enabling Americans time and space to function on their union, largely free from constant external threats and crises”*. Thus, security is not a problem for US as its geography upper-handed them with stability and peace.

As time goes by, businesses needs stability as its foundation for growth and prosper. Hence, a stable country should be hot destination for investors as target of their capital movement. Then, without stability of state, business sector cannot drive economy well, so economy would not grow and prosperity of the state also impossible. In addition, government of a country needs to secure their country not only for economy but also for the well being of their people. Business or investment transactions often count security and stability as one of many reasons of it operation. More secured and stable a country means attract business and investment more. Furthermore, US strategic location that makes US secured from external threats, and current political situation in US that relatively stable makes US is one of the best destinations for business and investment.

Korean businessman and investor see this opportunity very keen. Property sector also counted into portfolios that they seek as secured and stable US market offering big opportunities for them. One example of phenomenal transaction by Korean property industry investor in US is Korean Investment & Securities Co. Ltd. & Samsung SRA Asset Management Co. Ltd. has partnered up and bought the Manhattan office tower from JPMorgan's asset management for some 600 billion KRW (\$502 million), one of the largest property deals they are seeking to finance with the money of individual investors (The Korea Economic Daily, 2019). This means, US location is so strategic that can attract big buyers like we mentioned before.

4.1.3. Expected Returns Of Korean Property Industry Players

Every investor while invests their capital absolutely expecting high hopes. This scene also applied to investors from Korea, whether in property sector or others. Despite the uncertainties like COVID-19 and US-China trade war, US property market outlook remains a great deal, similar with what Rossi in Lucking (2020) have said, *“I feel there is a great deal of pent-up demand for buyers and sellers, and expect the next few months to be active ones”*. Then, Lucking (2020) said, *“New York City sellers are now eager to move on and buyers are “ready to go”, ”*. This means US property market such as in New York remains generally avid despite economic slowdown.

Furthermore, Korean property and real estate investors are actively eager to find next project to sign in. Lee (2020) said that *“following a record spending spree in 2019, South Korean investors’ demand for overseas real estate assets, including debt, is set to persist this year as they set their eyes on Europe and the United States”*. This means, Korean property investor expected high returns generally as their preferences whether while invest in USA or other country that foreign ownership is widely available. This statement also somehow echoing other else that not only a return, but also other benefits now are being targeted by Korean property investors that will be discussed in later part.

4.1.4. Diversification Benefits of Korean Property Players In US

As stated before, Korean property and real estate players in US market are in active mode. They are not only expecting returns but also diversify their benefits. Further, Fung and Jun (2018) said, “*U.S. commercial real estate owners are raking in debt capital from South Korean investors hunting for higher returns and better asset diversification*”. This means other than returns, Korean property and real estate investors are also looking for asset diversification in US commercial property or real estate market. As we can see in previous part, the property that being invested by Korean property investors are varies. From skyscraper in Downtown LA to hotel in Manhattan, New York, all are investment portfolios of Korean property investors in the US.

Furthermore, in Jung (2019) explained that commercial real estate, nonresidential properties, stores, or office buildings as preferred options for Korean property players abroad. Jung also reported that Korean property investors are looking to expand the horizon and quantity of their asset portfolio for profit reason. Moreover, Woo (2011) said, “*rich South Koreans care about two things above all, a new study says: their kids and real estate*”. Moreover, in 2019, Lee (2020) said, “*South Korean institutions spent more on commercial real estate outside Asia than investors from Singapore, China, and Hong Kong combined*”. This means, property and its derivative still a visible investment for Korean investors. Further elaborations on this statement will be given in later part since it is connected to part of Inter-company Competition of Korean Property Industry.

4.2. Push Factor

4.2.1. Technological Advancement of Korean Property Industry

In 2015, *BrandingAsia* (2015) published an article that explained about Korean construction firm ranks in top 5 worldwide for the first time. This means, South Korean engineering provide best output and entering world-class player with quality and assurance. Then, as competitiveness and skill-set, South Korean engineers become one of the best as we can see the fact above. Therefore, no wonder if Korean property industry sector are seeking opportunities anywhere on the globe as they have knowledge and technology for them.

Furthermore, as one of the most dynamic and technologically advanced countries in Asia, South Korea as Joo Kyung-don (2019) said, digitalization that could boost efficiency and productivity are the new breath of construction. Smart construction as proposed by Hyundai Construction Equipment Co. becomes one example how Korea gives effort to remain on the high table of construction and civil engineering. Korean government also shows support for the development of new technology in construction by incubating 22 construction startups, which planned, will become a cradle for showcasing South Korea's construction technologies. Construction drone data platform and algorithms and 3-D maps of underground pipelines are two examples of South Korean technology in term of civil engineering that could help a construction company perform better. If a construction company perform better, property industry sector like retail space and office could perform better as well because building management and building construction are related closely in the property industry.

Moreover, building management also becomes other technology that Korean player could showcase. Samsung for example, Pell (2017) said that Samsung will bring an Internet of Things (IoT) system that will be able to incorporate artificial intelligence (AI) into building management. This fact is not new if we follow how Korean technology become a mark from a

long time as other technology sector like smartphone and home appliance used by a lot of people. Based on this fact, with all technologic advancement of civil engineering and building management are great combination example on how Korean property industry could perform in the future and take a lot of opportunities not only domestic but also abroad.

4.2.2. Market Expansion of Korean Property Industry

In this chapter, we will try to explain on market expansion of Korean property industry performance so we can extract on how on track Korean property industry could topple other countries in US market. Korean property industry as Sidders, Cho, and Wong (2019) have said, South Korea's capital acquisitions top \$12 billion on 2019. After that, on August 2019, Korean investors have poured almost \$6.8 billion on international commercial real estate. Those numbers are more than four times the money spent by Chinese businesses (Sidders, Cho, and Wong, 2019). As China's economy slowdown and involved in trade war with the US, Korea takes the cake, especially in the property market of US, as Sidders, Cho, and Wong (2019) said, *"as China retreats from global property deals, Korea fills void"*. Even despite the COVID-19 pandemic, Korea are not in lockdowns therefore their economy is still open and not halted like many other countries, hence Korean economy has proven to be one of the most resilient in the world in the midst of a pandemic, but the challenge of overcoming global slowdown is ghosting with recession danger as stated by Jeong (2020).

Moreover, Kwon Lee in Pacurar (2017) said that, *"The reason why they invest abroad is, obviously, because they want to get a better yield. There's a better opportunity for portfolio investments. They want to diversify their portfolio from commercial buildings to data centers to logistics, retail and so forth. Korea is not a small market, but they want to reach out globally,"* This means, South Korean players are remain eager with all domestic good result, more gains and profits are become new target for them undoubtedly. Furthermore, based on Lee (2020), in 2019, South Korean investors invested so much on commercial real estate beside Asia. As the demand and grow keep incline, there is no barrier yet to halt Korean property industry player to not reach US, as well other countries with big market and good economy, for expanding their investment.

4.2.3. Inter-company Competition of Korean Property Industry

Korean domestic market in term of property industry is overshadowed by what Coldwell Banker Richard Ellis (CBRE) (2019), a commercial real estate services and investment firm, said as enters the late stage of the upward cycle. Moreover, CBRE (2019) explained that *"the growth will be constrained in 2019 by the large volume of new stock scheduled for completion in 2020, despite the lack of new supply in 2019 is expected to ease pressure on vacancy. For the retail sector, although leasing demand along major high streets is set to weaken, retailers retain a healthy appetite for space in office properties, meaning that rents in this segment are likely to increase"*. This means, even by dull domestic market, Korean property industry remains strong and tight as the demands grow. Even in 2020, when the COVID-19 pandemic hits Korea, well managed pandemic policy by Korean government keep the country safe and remains normal as the world goes lockdown.

Spiro (2019) said that Mainland China buyers facing tight competition from South Korean and Singaporean investors for property abroad. This means inter-company competition reflected outward and inward as South Korean property business players are compete not only with their own domestic-bound rival, but also foreign player like Chinese and Singaporean. Moreover, based on Real Capital Analytics (RCA) data from Spiro explained that South

Korean and Singaporean investors outperformed local and foreign investors in the purchase of office buildings across Europe last year. This means the performance of South Korean property industry players are remain strong. However, Korean player apparently more moving forward after neck-to-neck with other countries investors, including Singaporean, as quoted from Lee (2020) that said, “*South Korean institutions spent more on commercial real estate outside Asia than investors from Singapore, China, and Hong Kong combined*”. Moreover, according to Jones Lang LaSalle (JLL) and Real Capital Analytics in Lee (2020) stated that Korean property players “*invested US\$12.4 billion worth of assets overseas in 2019, surpassing the 2018 annual record of US\$9.4 billion. A total of US\$11.3 billion was spent in Europe and the U.S. This compares with a combined US\$9.9 billion invested by Singaporean, Mainland Chinese and Hong Kong companies*”. Therefore, we could draw message that Korean property investors remain eager to look more opportunities outside Asia, including in U.S market, in order to generate more returns, diversify benefits, and stay competitive compare to other countries investors.

4.2.4. US Labor Force and Law or Legal Condition

In relation to the legal condition in the U.S., as one of the major sources of foreign investments since the beginning of the twentieth century, the U.S. had always advocated the strong protection for foreign investments. As Fred L. Morrison (2010) stated in his journal, the fifth amendment of the U.S. Constitution makes sure that there is a protection for foreign investments. He explained that The U.S. Constitution guarantees property rights to all persons within the United States, and assures that there will be just compensation for taking of such investment. Additionally, Morrison (2010) also emphasized that, although the US has a light regulation on free market, in a few economic areas, particularly those with national security implications, the law may limit foreign ownership or control.

Furthermore, Morrison added, the U.S. is a Federal State; hence there might be Federal and State laws, which may be applied towards the same matter. Such legal system may create an inconsistency between the regulations created by the Federal Gov. and the regulation created by the individual state’s government. As an illustration, Morrison added that there are a few States having laws restricting the ownership of real property by foreign persons or corporations. In that matter, investors need to be cautious in deciding their business decision.

Regardless, the U.S. has showed its commitment in protecting foreign investment or property by agreeing in some international legal instruments. In this case, under the Korea – U.S. Free Trade Agreement, there is a specific chapter within the FTA concerning investments among those countries. In the FTA, both countries agreed to provide mutual protection towards foreign investments among them. The protections are namely: (i) non-discriminatory treatments, (ii) full protection and security based on customary international law, (iii) no expropriation or nationalization with certain exceptions, (iv) fair compensation, and (v) inter-state dispute settlement.

4.2.5. Economic policies of Korea Regarding Property Industry

Korea with restrictive to gradual and finally rapid liberalization of economy pushing large firms enjoyed government support and sometimes protection and helped to drive rapid economic growth through their monopolistic access to resources (Nicolas et al, 2020). Furthermore, Lee (2007) said, “*South Korean investors are rushing to buy real estate overseas, as the government openly urges the purchase of foreign property assets*”.

Then, Lee (2007) also added that “*Korean investment in property abroad in 2007 only have skyrocketed to a more than 34 fold increase than 2006*”. Move to more recent year, Darcmatter (2019) reported that, “*the amount of South Korean investment in overseas real estate in the first half of 2019 has reached about US\$ 6.6 Bn.*”. As stated also, the amount is the highest of a half-year period of Korean property investment history. This means economy climate in Korea is creating better chance for Korea property players to invest abroad.

Subsequently, government endorsements are also still visible for Korean business entities to conduct investment or business abroad. For example, Kim (2018) said that many Korean businesses look to new areas in the U.S. market and start growing business by buying properties in big cities with imminent Korean immigrants such as in New York. Kim also explained that Korean investors also have the Korean Government's aid in spreading beyond Korea such as in term of the government legal assistance and public advertising advancement in hopes to acquire a global level profit. Those Korean companies also pay big bucks for high-profile properties even though the restaurant, café, or other type business that being run is at a loss. They keep the business because they see the properties as one of the way to show to global audiences in a global scale of stage like visitors visiting worldly touristic cities in US like New York for instance, for the sake marketing promotion strategy benefit in hoping turning Korean business into McDonald-scale business.

4.2.6. Limited Opportunities of Property Industry in Korea

Other than economic policies, limited opportunities in property sector back in Korea also give factor to the expansion of Korean property players. Like previous statement mentioned before by Pesek (2020), as Seoul and Busan properties price skyrocketed, **have** made Korean property players looking for better opportunities in other places. Moreover, aligned with what Son (2019) have said, Korean property players invest in property abroad because Korean property players are looking diversification for their asset, different rate climate, different yield climate, and new markets that are popular.

Moreover, Choi in Son (2019) said that “*since many Chinese investors have fade away in key overseas market such as London, New York, and Vancouver, different Asian investors will continue to seek portfolio diversification and new markets, as well as new routes into the real estate sector will, to an extent, fill this gap*”. Further, Lee (2020) said, “*These demand (abroad investment) trends will likely continue into 2020 as limited investment-grade assets in the domestic market, and keen local competition prompt South Korean investors to look further afield*”. This statement brings meaning that investing in property abroad is still become one of the best option for Korean investors to rejuvenate their assets.

Therefore, in addition, with all the reasons above, Korean property industry are eyeing US market really close with all the push and pull factors are very relevant. The combination of all factors mentioned above makes their investments are on track to topple other countries for US property market. Despite there is COVID-19 pandemic around the globe, South Korea proves the world that they are resilient since no lockdowns are taken there. Thus their economy targets may be achieved as scheduled.

5. Conclusion

The variables of pull factors that consist Geographical Distance Between Korea, Strategic Location of US, Expected Returns of Korean Property Players, and Diversification Benefits of Korean Property Players In US, and push factors that consist Technological Advancement of Korean Property Industry, Market Expansion of Korean Property Industry, Inter-company Competition of Korean Property Industry, US Labor Force and Law or Legal Condition, Economic policies of Korea regarding Property Industry, and Limited Opportunities of Property Industry in Korea, truly affecting on *how can South Korea's property industry sectors thrive overseas, such as in the U.S.* With government support, limited opportunities back home that drive other chance to lead investors finding way outside Korea, legal situation that provided by US for foreign ownership of property made Korean property investors ready to take leap for global stage.

The relations between Korea and US is could be emphasizing for Korean ventures to put away their cash. Additionally, Korea and the US close as an ally generally. At that point, according to recent time, US armed force positioned in Korea is still a great deal to US or even Korean interest. As time passes by, business needs strengthen its establishment for development and success. Consequently, a safe and stable nation ought to be a goal for investors as the focus of their capital development. Property segment likewise tallied into portfolios that Korean investors look for, and US market offering enormous open doors for them. For example, The Wilshire Grand Center development in Downtown LA that owned by Hanjin Group with \$1-billion cost and will become the highest skyscraper on the US West Coast or as stated by Khullar (2020) Hana Financial Group gave \$180 million for a hotel development in Manhattan, New York and Hangang Asset Management provided \$133 million budget for The Metropolitan Avenue development in Brooklyn, NY. These examples imply the US area is key to the point that can draw in huge purchasers as we referenced previously. Then, South Korean investment gives the best yield and try to entering world-class player with quality and confirmation. At that point, as seriousness and range of abilities, South Korean property investors become truly challenging China dominance that have been experiencing huge step-back in US property market. Therefore, other great Asian players, such as Korean property investors, ready to fill the void.

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