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Regulatory Framework for Foreign Acquisition of Real Estate in Korea Under President Lee Jae-Myung – Policy Briefing (July 2025)

1. Are There Any Regulations Currently in Force?

As of July 2025, the Lee Jae-myung administration has not yet introduced any nationwide regulations specifically targeting foreign acquisitions of Korean real estate. However, legislative momentum is growing within the ruling party to strengthen oversight and control of such transactions. This reflects increasing public concern over speculative foreign investment, perceived loopholes in the existing framework, and unequal regulatory burdens between Korean nationals and foreign buyers.

Several bills have been tabled in the National Assembly, though none have been enacted to date. Key legislative proposals include:

- Replacing the current post-reporting regime with a prior approval system for foreign buyers;
- Requiring a minimum one-year residency in Korea prior to acquisition, along with mandatory occupancy within six months of purchase;
- Mandating that at least 50% of the purchase price be funded through the buyer's own capital, thereby limiting full financing arrangements;
- Introducing a reciprocity principle allowing the Korean government to restrict acquisitions by nationals of countries that impose similar restrictions on Korean buyers;
- Requiring annual disclosure and regulatory review of foreign ownership trends in the real estate sector.

At the same time, a legislative gap remains with respect to Korean-incorporated entities that are effectively controlled by foreign individuals. Under the current framework, a foreign investor may establish or gain control of a domestic company and acquire Korean real estate in the name of that entity. This enables such investors to operate under the legal status of a "Korean company," thereby circumventing restrictions that would otherwise apply to foreign individuals or foreign corporations.

Policy experts have identified this as a significant regulatory blind spot and are calling for institutional reform. While no bill currently under consideration directly addresses foreign-controlled domestic entities, the issue may gain traction if public or political scrutiny over indirect acquisitions increases. Relevant provisions could be introduced at the committee stage or through separate legislation. Monitoring ongoing policy developments led by the Ministry of Land, Infrastructure and Transport and other authorities will be essential. To date, regulatory efforts have focused on foreign individuals, but this scope may expand to include foreign-controlled Korean entities as more data becomes available.

2. Are the Regulations Designed to Apply Selectively to Particular Countries or Regions?

While the proposed legislation does not explicitly target any nationality, its focus aligns with areas where foreign ownership is heavily concentrated.

A. Countries

China appears to be the primary focus. As of 2022, Chinese nationals accounted for over 56 percent of all foreign-owned housing in South Korea. The reciprocity principle, frequently referenced in recent legislative proposals, would allow Korea to adopt restrictions reflecting the policies of countries such as China, where foreign land ownership is generally prohibited and residential property purchases are subject to significant limitations.

B. Regions

- **Seoul (Particularly Gangnam District)**
- **Speculative Overheating Zones**
- **Price-Capped Districts**

The proposed regulations often focus on areas characterized by high demand and speculative activity, such as major metropolitan districts and designated high-risk zones.

A notable instance of active regulatory enforcement occurred in February 2025, when the Korean government designated 17 strategic islands, including Sasu-do in Jeju, as Foreign Land Transaction Permit Zones pursuant to Article 10 of the Foreigner's Land Acquisition Act. The designation was based on national security concerns. Although the legal authority for such measures has existed for years, this marked the first new designation in nearly a decade and was explicitly aimed at foreign purchasers. These islands are located along Korea's maritime baselines and are regarded as critical to the nation's territorial integrity. Foreign nationals are now required to obtain prior government approval before acquiring land in these areas. This development reflects a more robust enforcement posture within the existing legal framework, rather than a substantive change to the underlying legislation.

3. Types of Proposed Regulations

Type	Description	Status
Permit System	Requires prior approval for foreign real estate transactions, replacing post-acquisition reporting	Bills Proposed; Subject to Legislative Approval
Reciprocity Principle	Restricts acquisitions by nationals of countries that impose limitations on Korean investment in their own real estate markets	Bills Proposed; Subject to Legislative Approval
Residency Requirement	Requires at least 1 year of residence in Korea prior to purchase, and occupancy within 6 months following acquisition	Bills Proposed; Subject to Legislative Approval
Capital Source Requirement	Requires a minimum 50% equity contribution, with no external financing	Bills Proposed; Subject to Legislative Approval
Special Regional Zones	Requires prior approval for land purchases by foreigners in military protection and border island zones	Enforced
Tax Measures	Ongoing discussions on imposing higher acquisition or holding taxes on foreign buyers, with no concrete legislative action to date	Under Policy Review

4. Conclusion

The Lee Jae-Myung administration has not yet implemented any comprehensive legal restrictions on foreign real estate ownership. However, several legislative initiatives are currently under active consideration, reflecting heightened public sensitivity to concerns over fairness, housing affordability, and foreign speculative activity.

To date, these proposals have primarily focused on foreign individuals, seeking to align their regulatory obligations more closely with those imposed on

Korean nationals. Key measures include permit requirements, residency conditions, and disclosure of capital sources.

With respect to foreign-controlled domestic entities, the current framework permits foreign individuals to acquire Korean real estate through locally incorporated companies, effectively bypassing restrictions that apply to direct foreign ownership. This regulatory gap has been widely criticized by policy experts and may become the subject of future legislative amendments or new bills if public and political pressure continues to build.

The only measure currently being enforced is the February 2025 designation of 17 strategic islands as foreign land permit zones. This reflects enhanced regulatory scrutiny under existing law, rather than the introduction of new legislation.

Going forward, the scope of reform may expand to address the use of corporate vehicles to circumvent nationality-based restrictions, particularly as the government collects more granular data on foreign-related transactions.

Talk to Us

Speak with one of our legal professionals to learn how we can assist with navigating Korea's evolving real estate regulations or with implementing systems involving personal data collection and regulatory compliance.

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