OPINION

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Stabilizing the Non-Apartment Rental Market and the Role of Institutional Investors

As the structural vulnerabilities of the non-apartment monthly rental market have come to light following a surge in Jeonse fraud cases, the government established an institutional framework in 2024 to enable institutional investors to enter the rental housing market. Global institutional investors have since moved proactively into Korea's officetel and co-living market. Their business model adopts a structure of small security deposits equivalent to 2-6 months of monthly rent rather than the traditional Jeonse deposit, structurally eliminating Jeonse fraud-type risks. If institutional entry expands rental supply and raises management quality, it could lead to stabilization of the youth monthly rental market. Since non-apartment units are structurally separate from the apartment-centered housing price dynamics, concerns about overall housing price increases are limited. However, following the October 15, 2025 real estate measures, holding costs surged sharply and institutional investors have been pausing new investments. To achieve the policy goals of rent stabilization and quality rental housing supply, it is necessary to open a more active institutional space for these investors.

Introduction

Since 2022, the rapid surge in Jeonse fraud cases nationwide has exposed the structural vulnerabilities of the non-apartment rental market. Damage was concentrated in non-apartment types such as officetels and villas, with the majority of victims being young people in their 20s–30s—mostly early-career workers living in non-apartment units with deposits below 200 million won.[1] As shown in Figure 1, Jeonse demand in the non-apartment sector has

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∗ All opinions expressed in this paper represent the author's personal views and thus should not be interpreted as Korea Capital Market Institute's official position.

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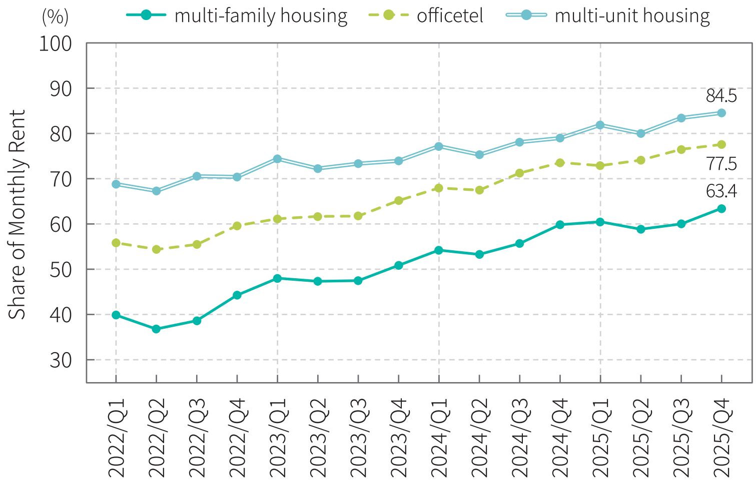
1) Ministry of Land, Infrastructure and Transport, "Report on the Results of the Jeonse Fraud Damage Survey," June 27, 2025.

been rapidly shifting to monthly rent, yet the supply side remains largely trapped in a structure dominated by mom-and-pop landlords (multi-homeowners) characterized by pervasive information asymmetry and poor management.

In response, the government announced the "New Rental Housing Supply Plan for Residential Stability of Low- and Middle-Income Households and Future Generations" at the Economic Affairs Ministers' Meeting on August 28, 2024.[2)] The core intent was to restructure the non-industrialized, multi-homeowner-dominated private rental market—which accounts for approximately 80% of the private rental market—and to establish an institutional framework for institutional investors to enter the rental housing market. In October 2025, subsequent measures were formalized through an amendment to the Enforcement Decree of the Insurance Business Act, officially permitting insurance company subsidiaries to operate rental housing.[3)]

Figure 1. Share of Monthly Rent in Non-Apartment Rental Contracts by Type



Note: Monthly rent share = number of monthly rent contracts / total rental contracts

Source: Ministry of Land, Infrastructure and Transport Real Transaction Price Disclosure System (based on contract date, aggregated quarterly).

Among total victims (27,372 cases): those in their 20s–30s accounted for 74.7%, cases with damage deposits below 200 million won accounted for 83.8%, and non-apartment units (multi-family housing, officetels, multi-unit housing, etc.) accounted for 70%.

2) Ministry of Economy and Finance et al. (joint ministries), "New Rental Housing Supply Plan for Residential Stability of Low- and Middle-Income Households and Future Generations," Press Release from the Economic Affairs Ministers' Meeting, August 28, 2024.

3) Financial Services Commission, "Cabinet Approval of Proposed Amendments to the Enforcement Decree of the Insurance Business Act for People-Centered Institutional Reform," Press Release, October 21, 2025. The amendment took effect on October 28, 2025. Rental operations under the Special Act on Rental Housing were added to the permissible scope of insurance company subsidiaries.

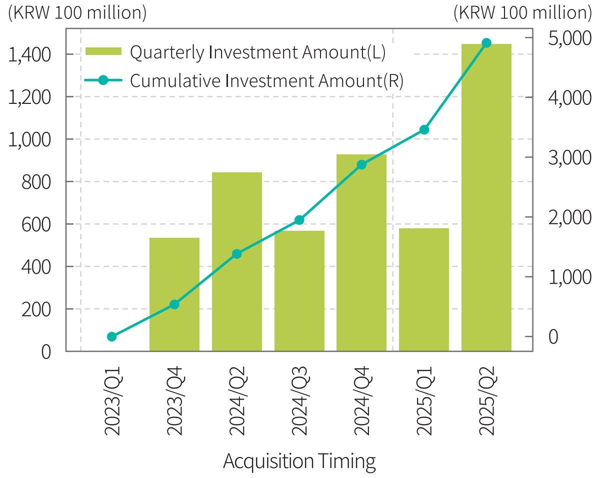
As the non-apartment rental housing market has been gradually opened to institutional investors, global institutional investors including CPPIB (Canada Pension Plan Investment Board), Morgan Stanley, and KKR have begun entering Korea's non-apartment rental market.[4)]

Current Status of Foreign Institutional Investment in Korea's Non-Apartment Rental Housing Market

Foreign institutional investors are entering the market through joint ventures (JV) with domestic partners or by forming funds with domestic asset managers. After acquiring assets, actual rental operations are entrusted to specialized domestic operators.

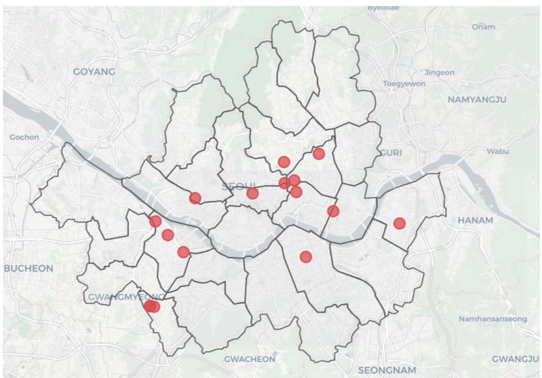
As shown in Figure 2, foreign institutional investors' entry into Korea's non-apartment rental housing market began in earnest from late 2023, with a visible trend of new investors entering between 2024 and 2025. Figure 3 shows the locations of the officetel and co-living[5)] buildings they have acquired. Most of the properties, based on acquisition timing, are distributed outside the regulated zones that were designated before the October 15, 2025 real estate measures. This indicates that foreign institutional investors strategically selected locations near business districts and transit hubs with stable rental demand, while carefully examining regulatory risks.

Figure 2. Quarterly Investment Volume



Source: Hand-collected

Figure 3. Investment Location in Seoul



4) Invest Chosun, "KKR and Morgan Stanley Bet on Rising Monthly Rents… Rapidly Changing Real Estate Policies Under Each Administration Remain a Variable," January 3, 2025.

5) Co-living refers to managed rental housing that separates private bedrooms from shared spaces (living rooms, kitchens, etc.), combining living services with community programs.

Their business model is fundamentally different from the conventional mom-and-pop landlord approach. In the multi-homeowner-dominated rental market, it is common to receive Jeonse deposits ranging from tens of millions to hundreds of millions of won, creating a persistent risk of deposit non-return when the landlord's financial condition deteriorates. In contrast, co-living facilities operated by foreign institutional investors typically contract with a small deposit (equivalent to 1–2 months' rent) or require prepayment of up to 6 months' rent. For example, in the case of a domestic co-living operator invested in by CPPIB, accommodations-use branches charge no deposit at all, while residential-use branches collect only a small deposit equivalent to 3–4 months' rent. Across the co-living industry, a contractual structure with a deposit standard of 1–2 months' rent has become established.[6)] Under this structure, tenants do not need to place large lump-sum deposits, and the Jeonse-type risk of the landlord's financial deterioration leading directly to deposit non-return simply does not arise. Given that the structural cause of Jeonse fraud damage was excessive reliance on deposits with mom-and-pop landlords, the spread of the institutional rental model is also a meaningful change from a tenant protection standpoint.

Reference Case: Institutional Investors' Entry into the U.S. Rental Market

In the United States, the entry of corporate SFR (Single-Family Rental) institutional investors into the suburban single-family housing market began in earnest around 2012, driven by two structural catalysts. Following the 2008 financial crisis, the Federal Housing Finance Agency (FHFA) began bulk sales of foreclosed homes from 2012, making it possible for institutional investors to build large portfolios in specific regions within a short timeframe. Then in 2013, the first Commercial Mortgage-Backed Securities (CMBS) issuance backed by properties held by institutional investor Invitation Homes was completed, opening the door for institutional investors to raise capital at lower costs than small individual landlords. The properties institutional investors focused on acquiring were suburban single-family homes, concentrated mainly in suburban areas of southern metropolitan areas such as Atlanta, Georgia and Charlotte, North Carolina. These regions had high homeownership rates with an absolute shortage of rental supply, and high rent-to-price ratios that made rental returns reliable.

Accordingly, empirical studies examining the impact of institutional investors' entry into

6) Korea Ratings, "Co-Living Market Overview and Investment Cases," July 30, 2025.

the rental housing market on rent levels have been actively accumulating in academia. On the question of rent effects, results broadly confirming downward pressure predominate. Barbieri and Dobbels (2025) and Coven (2025) reported that rents declined in areas after institutional investor entry, and Gorback, Qian and Zhu (2025) also confirmed a similar rent-decreasing effect for the pre-COVID period.[7)] Chang (2025)[8)] showed that after institutional investors entered the rental housing market, rents in those areas declined by an average of 2%. Notably, the same study found that home sale prices in the area rose simultaneously. Since institutional investors must first purchase homes in the sales market to operate rental businesses, this process increases purchase demand, with a knock-on effect of driving up home prices. In other words, institutional investors' market entry acts to increase supply in the rental market and lower rents, while simultaneously increasing demand in the sales market and pushing up home prices—a dual effect. The U.S. experience thus suggests that institutional investors' entry into the rental market involves structural changes across the entire housing market, not just a question of rents alone. How, then, does the Korean situation differ?

Implications

There are important structural differences between the U.S. case and the Korean situation. U.S. institutional investors operated rental businesses within the single-family housing market where ordinary households actually live and acquire owner-occupied housing, and this was accompanied by the side effects of reduced owner-occupied housing supply and rising home prices. In contrast, the space opened to institutional investors in Korea is not the apartment-centered housing market but the non-apartment-centered rental housing market. This market is the primary rental housing arena for young people in their 20s–30s at the early-career stage, and is precisely the space where Jeonse fraud damage was concentrated. Unlike U.S. institutional investors, who operated by individually acquiring existing single-family homes and renting them out, domestic institutional investors often take the approach of acquiring entire buildings or directly expanding rental supply through new construction or renovation. Since this approach does not involve converting owner-occupied homes to rental, it can expand rental

7) Barbieri, F., Dobbels, G., 2025, "Market Power and the Welfare Effects of Institutional Landlords," Working Paper; Coven, J., 2025, "The Impact of Institutional Investors on Homeownership and Neighborhood Access," Working Paper; Gorback, C., Qian, F., Zhu, Z., 2025, "The Impact of Institutional Owners on Housing Markets," Working Paper.

8) Chang, K., 2025, "Diversifying the Suburbs: Rental Supply and Spatial Inequality," Working Paper.

supply itself without the side effect of reducing owner-occupied housing supply—making more positive outcomes expected compared to the U.S. case. If institutional investors' entry expands rental supply in this market and raises management quality, the rent stabilization effect confirmed in the U.S. case could also work effectively in the youth monthly rental market. Furthermore, since non-apartment units are structurally separate from apartment-centered housing price dynamics, the likelihood that institutional investors' entry will lead to overall housing price increases is considered limited.

In the U.S., when institutional investors supplied rental properties in high-quality residential areas where, due to insufficient rental supply, one essentially had to purchase to move in, low-income households that had difficulty purchasing due to financial constraints were able to enjoy the area's infrastructure and amenities as tenants. A similar structure exists in Korea. Officetels and co-living facilities near transit hubs and business districts are residential alternatives available to young people in their 20s–30s who want to live in Seoul's core areas but cannot acquire owner-occupied housing. If institutional investors' entry expands supply in this market and stabilizes rents, opportunities for young people to live in well-located areas and enjoy proximity-to-work advantages without homeownership will expand. Furthermore, a lower monthly rent burden could naturally reduce dependence on Jeonse, which requires large lump-sum deposits. Considering that Jeonse loan accessibility is also declining due to the current household debt containment policy, stabilization of the monthly rent-centered rental market could actually broaden the housing options available to young people.

With all of Seoul designated as a regulated zone under the October 15, 2025 real estate measures, acquisition tax surcharges apply to new purchases, and the comprehensive real estate tax exemption benefit has also been withdrawn.[9] As a result, acquisition and holding costs for rental housing have surged sharply, significantly reducing investment returns, and foreign institutional investors who had been competitively entering the market just 1–2 years ago are now pausing new investments.[10] To achieve the policy goals of rent stabilization

9) Ministry of Land, Infrastructure and Transport, "Housing Market Stabilization Measures," October 15, 2025. The measures designated all of Seoul and 12 areas in Gyeonggi Province as regulated zones, imposing acquisition tax surcharges on multi-homeowners (8% for 2nd home, 12% for 3rd home or more) and excluding privately purchased rental housing from the comprehensive real estate tax exemption.

10) Seoul Economic Daily, "Global Big Money Halts Investment in Korea's Private Rental Market," April 27, 2026. A representative from a global asset manager stated: "Not only taxes, but market policies are changing rapidly, and we are closely monitoring the government's policy direction."

and quality rental housing supply, it is necessary to establish an institutional environment in which institutional investors can continue to participate in this market. As a specific direction for institutional improvement, selective restoration of tax support for institutional investors subject to long-term rental commitments could be considered. Given that financially sound and creditworthy institutional investors can improve the quality and operational level of rental housing based on their professional asset management capabilities, policy consideration distinct from individual rental operators is warranted. For institutional investors who accept the obligation of renting for 10 or more years and limiting rent increases to within 5% annually,[11)] institutional design that simultaneously achieves the policy goal of expanding rental supply and the policy goal of curbing speculation—by maintaining tax support for such investors—is called for.

11) Special Act on Private Rental Housing, Article 2, Item 5 (mandatory rental period of 10 years) and Article 44, Paragraph 2 (5% cap on rent increases).