OPINION

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Korea's Listed REIT Market: Current State and Structural Challenges

Korea's listed REIT market has continued to grow, supported by government initiatives aimed at revitalizing the sector. However, most listed REITs currently trade below their initial offering prices, reflecting a real estate market downturn driven by rising interest rates and declining investor confidence. Notably, a recurring pattern has emerged in which new listings or follow-on offerings often trigger supply-demand imbalances, leading to sharp declines in share prices. This persistent undervaluation limits the ability of existing REITs to pursue additional asset acquisitions for growth and reduces incentives for new listings, thereby hindering the long-term development of the REIT market.

To address these headwinds, a multifaceted strategy is required to strengthen the listed REIT market. Restoring investor trust and normalizing REIT share prices are key to this approach. The REIT disclosure system, including investment reports, should be enhanced to ensure timely updates for investors. REIT managers should also proactively disclose REIT portfolio composition, asset acquisition strategies, and plans for sustaining dividend payouts. Once investor trust is reestablished, efforts should focus on broadening the investor base, scaling up REITs through the inclusion of high-quality assets, and diversifying asset portfolios. In parallel, policy support for facilitating mergers among REITs could help expand the overall market. Equally important is reshaping investor perception by positioning REITs as stable, long-term dividend-paying instruments.

Korea's REIT market was established with the enactment of the Real Estate Investment Company Act in 2001, with the aim of facilitating indirect real estate investment by the general

⁎ 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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public. In its early stages, the market was dominated by unlisted REITs and functioned primarily as a policy tool—supporting corporate restructuring, promoting real estate investments by institutional investors, and expanding the supply of public housing—rather than serving as an indirect real estate investment vehicle for individual investors.

The listed REIT market began to expand significantly following the Korean government's 2018 policy initiative to promote publicly offered REITs. Since then, the number of listed REITs and the size of their assets under management have grown steadily. However, the growth momentum of listed REITs has weakened since 2022, amid rising interest rates and a downturn in the real estate market. Although recent rate cuts have raised expectations for improved profitability, most listed REITs continue to trade below their initial offering prices. Additionally, trading suspensions involving some listed REITs have further undermined investor confidence in the market.

Against this backdrop, this article examines the evolving dynamics of Korea's listed REIT market and identifies key structural challenges. It also proposes policy measures to revitalize the market, with the goal of fulfilling its original purpose—enhancing access to indirect real estate investment for individual investors and delivering stable dividend income.

Overview of Korea's REIT market

Since its inception, Korea's REIT market has demonstrated steady external growth. The total number of active REITs increased from 71 in 2012 to 286 in 2020, reaching 415 as of the end of May 2025. Gross assets also expanded significantly, rising from KRW 9.5 trillion in 2012 to KRW 62.0 trillion in 2020 and KRW 107.4 trillion as of May 2025.

REITs are classified into three categories: self-managed REITs,[1)] externally managed REITs,[2)] and corporate restructuring (CR) REITs.[3)] In the early stages, CR REITs were mainly used as a tool for corporate restructuring. Subsequently, the introduction of public rental housing REITs through public-private joint investment contributed to the growth of externally managed REITs geared toward policy objectives. As institutional investors increasingly adopted externally

1) A self-managed REIT refers to a firm that directly undertakes real estate investment and management, employing regular staff including asset management professionals.

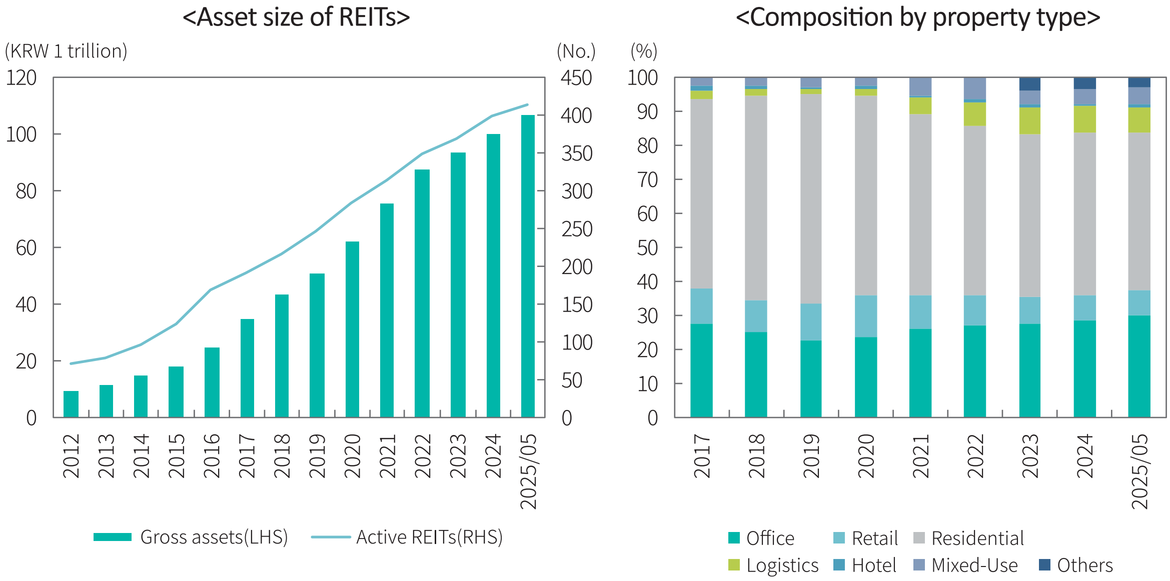
2) An externally managed REIT delegates real estate investment and management to an external asset management company.

3) A corporate restructuring (CR) REIT invests primarily in real estate assets that are sold for the purpose of corporate restructuring.

managed REITs as a real estate investment vehicle, the overall REIT market continued to expand further. Today, most newly established REITs adopt the externally managed model, which now accounts for 96.7% of active REITs.

In terms of asset composition, residential properties represent the largest share of the REIT market, followed by office, retail, and logistics assets. The high proportion of residential assets is largely attributable to the New Stay policy, under which REITs began to be actively employed as a funding mechanism in 2014. A significant portion of the REIT market is led by Korea Land and Housing Corporation (LH), which utilizes a range of REITs to support policy goals and public rental housing projects. More recently, however, the share of residential properties has declined, while that of office and logistics space has risen. This trend reflects the faster growth of REITs focused on real estate investment rather than policy-oriented REITs.

Figure 1. Overview of Korea's REIT market



Source: Korea Association of Real Estate Investment Trust (KAREIT)

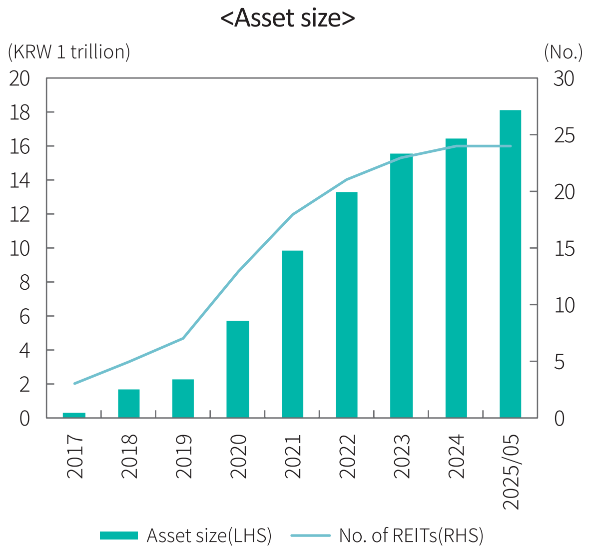
Key characteristics of Korea's listed REIT market

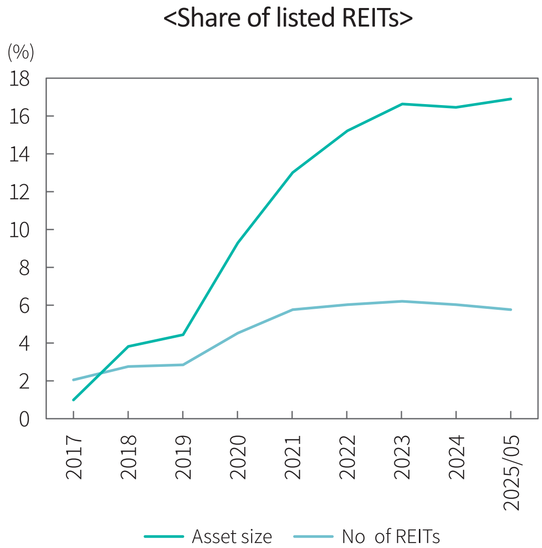
Listed REITs, traded on the Korea Exchange, serve as a vehicle for facilitating indirect real estate investment by retail investors. Korea's listed REIT market has grown steadily over time. The number of listed REITs rose from just three in 2017 to 13 in 2020 and 24 in 2024, driven by a surge in new listings. Their total assets grew from KRW 0.4 trillion in 2017 to KRW 5.8

trillion in 2020 and KRW 18.1 trillion as of May 2025. This growth reflects both increased retail demand for indirect real estate investment and the success of government initiatives aimed at promoting listed REITs. As a result, the share of listed REITs in the overall REIT market has increased to 16.9% of total assets by the end of May 2025.

While asset growth in the listed REIT segment remained strong through 2022, the pace slowed in 2023 and 2024 as rising interest rates and a downturn in the real estate market curtailed new listings. However, declining interest rates and renewed investor interest in indirect real estate investment have begun to reverse this trend. Some listed REITs are pursuing capital increases to finance asset acquisition, and a REIT IPO[4] has resumed.

Figure 2. Size of listed REITs



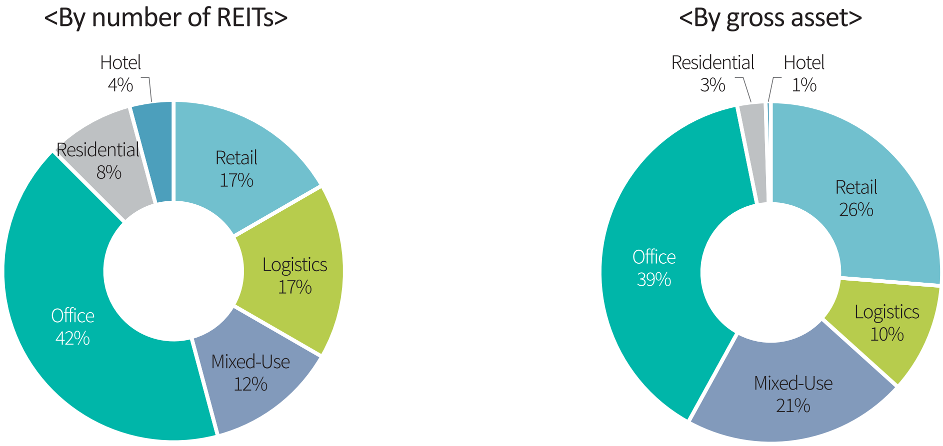


Source: KAREIT

In terms of underlying asset types, listed REITs are primarily concentrated in office properties. By the number of REITs, office assets are the most common, followed by retail and logistics properties. When measured by gross assets, the largest allocations are also made to office assets, followed by retail and mixed-use properties. This reflects a preference among listed REITs for completed properties with stable and predictable cash flows. Recently, there has been an active push to scale up listed REITs, either through new listings of large REITs with diversified asset portfolios or by expanding existing REITs via capital increases.

4) Daishin Value REIT was newly listed on July 10, 2025.

Figure 3. Listed REITs by asset type

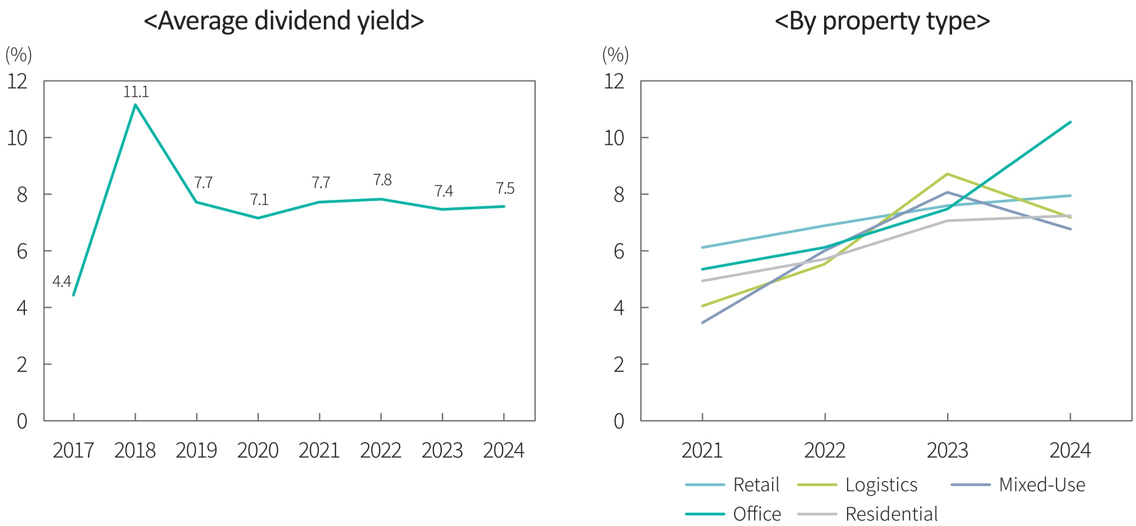


Note: 1) As of end-2024
2) Classification is based on the primary underlying assets of listed REITs
Source: KAREIT

A central appeal of listed REITs lies in their ability to deliver stable dividend yields. Korean listed REITs have consistently offered yields exceeding 7%. Notably, even during the real estate market downturn triggered by the global interest rate hikes, listed REITs maintained relatively high yields, largely due to their focus on completed properties with stable rental income.

Dividend yields by asset type among listed REITs have fluctuated across periods. While retail and office REITs have exhibited rising yields, those focused on logistics and mixed-use properties have recently experienced declines.

Figure 4. Dividend yields of listed REITs



Note: 1) The average dividend yield of individual REITs
2) Dividend yields by property type exclude self-managed REITs from the calculation.
Source: KAREIT, Author's calculation

Despite offering high dividend yields, listed REITs have underperformed in terms of share prices. Since 2022, their average share prices[5)] have continued to decline, with a sharp decline in May of that year following interest rate hikes and the resulting slowdown in the real estate market. Prices have yet to return to pre-2022 levels.

Rising interest rates exert downward pressure on the valuation of REITs. In a low-rate environment, high dividend yields enhance the appeal of REITs, boosting investor demand. In contrast, interest rate hikes reduce the relative attractiveness of dividend yields while increasing borrowing costs, thereby eroding profitability. As of the end of 2024, the average debt ratio of listed REITs in Korea stood at 89.6%, with all but three listed REITs utilizing borrowed capital for investment purposes. The steep decline in REIT share prices during the recent rate hike cycle likely reflects investor concerns over weakening profitability driven by higher borrowing costs and the sluggish real estate market. Yet even amid a recent shift toward lower interest rates, share prices of listed REITs have shown little sign of recovery. This can be attributed to a supply-demand imbalance arising from follow-on offerings and new listings, which occurred in the absence of a sufficient investor base to absorb the increased supply.

5) The average share price is calculated as the average of individual listed REIT share prices, standardized as of July 1, 2024.

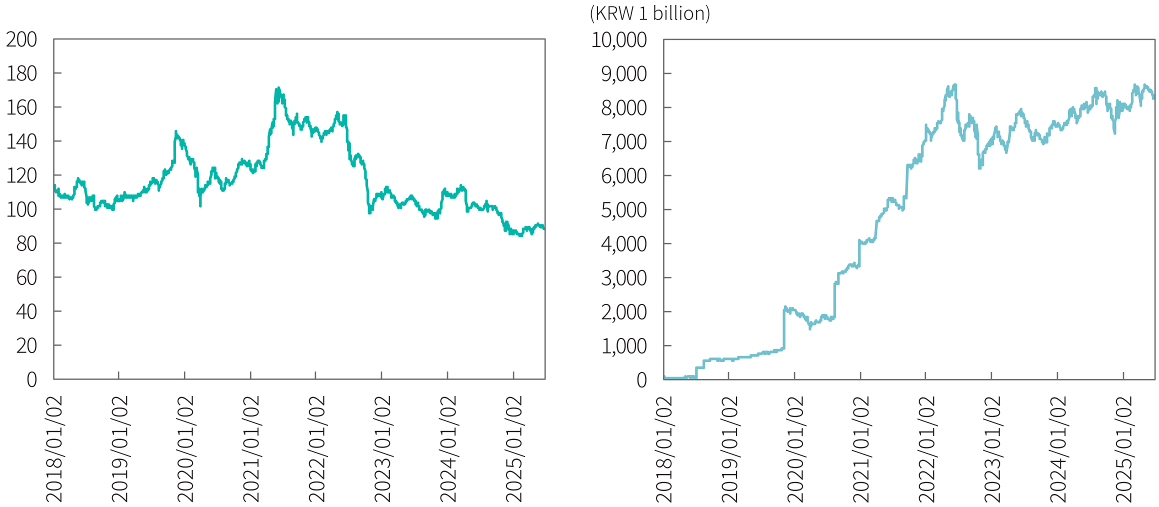
Recent trading suspensions involving self-managed REITs listed on the KOSPI market have dealt a blow to investor confidence in the listed REIT market. For example, AREITs, one of Korea's earliest listed REITs, was suspended from trading in February 2024 due to deteriorating profitability and has since been placed under a regulatory improvement period. Similarly, Star SM REIT, a self-managed REIT, faced trading suspension in February 2025 amid allegations of embezzlement and breach of trust. These events have likely further undermined investor confidence in the broader listed REIT market.

Although listed REITs continue to deliver high dividend yields, most investors have incurred losses due to persistent share price declines. This negative price performance has also weighed on REIT ETFs, which were introduced to broaden the investor base in the listed REIT market.

The downturn in share prices has also had an impact on the market capitalization of listed REITs. After reaching approximately KRW 860 billion in June 2022, their total market capitalization has since been on a downward trend, driven by the real estate market slowdown and rising interest rates. Notably, a recurring pattern has emerged in which market capitalization temporarily rises with new listings, only to decline again as supply-demand imbalances depress share prices.

Figure 5. Average share price and market capitalization of listed REITs

<Average share price> <Market capitalization>



Note: 1) The average share price is calculated as the average of standardized individual REIT share prices.
2) Market capitalization represents the aggregate value of all listed REITs

Source: KAREIT, Korea Exchange (KRX), Author's calculation

Policy recommendations for revitalizing the listed REIT market

Korea's listed REIT market has grown steadily, supported by a range of policy measures aimed at market revitalization. However, despite recent initiatives to boost demand for listed REITs, such as the introduction of REIT ETFs and regulatory changes allowing the retention of internal reserves, investor confidence in listed REITs remains weak, resulting in a limited investor base. In particular, the low returns on listed REITs have emerged as the most significant obstacle to further market development.

Reviving the listed REIT market will require efforts to broaden the investor base by rebuilding investor trust and to normalize REIT share valuation. Achieving these goals will depend on sustained policy support to enhance the investment appeal of listed REITs, including the provision of tax benefits. To further strengthen market credibility, the existing investment report format should be revised to better reflect the unique characteristics of listed REITs, and an ex-post disclosure framework should also be established to improve transparency around asset profiles and investment performance. Building on this foundation, more flexible capital-raising mechanisms should be explored to accommodate evolving market conditions. Over the long term, scaling up individual REITs and diversifying their asset portfolios will play a key role in enhancing product value and attracting a broader investor base. Policy measures should therefore encourage the inclusion of high-quality assets and facilitate REIT mergers, both of which are critical to achieving greater scale and improving asset diversification.

REIT managers must take a more proactive role in improving the accessibility of investment information and enhancing communication with listed REIT investors. The lack of transparency and accessibility in the listed REIT market can exacerbate information asymmetries between investors and REIT managers, potentially fueling investor distrust. To address this risk, REIT managers should step up their disclosure efforts by providing timely updates on REIT performance, asset portfolio composition, and strategies for maintaining stable dividend payouts. These efforts will help restore investor confidence and broaden the investor base, thereby contributing to share price normalization and market revitalization.

Equally important is the improvement in investor perception of REITs. Rather than being viewed as vehicles for achieving short-term returns, REITs should be recognized as instruments that offer stable, long-term dividend income. However, changing investor perception is a gradual process. A track record of successful REIT investment cases, coupled with the realization of tangible investor benefits in a transparent market environment, is necessary to rebuild investor trust and enhance the perception of REITs. The recent shift toward lower interest rates can create a more supportive environment for improving REIT performance and restoring investor confidence.