

RENTS ON THE RISE IN NORTH KOREA

Recently there has been an increasingly detailed land census underway in North Korea, counting not just every building and field, but down to the number of trees on a particular lot. This is most likely in order to further enforce rents on properties and increase land-use fees, but on the bright side, shows an increasing ‘real estate market mentality.’

On August 10, Yonhap News reported that a source familiar with the DPRK domestic situation stated, “On last April 11, it was reported at the Supreme People’s Committee, ‘Since the last national land census, there has been no end to the collection of land use fees.’ Following that committee meeting, the current nation-wide land census has been underway.”

Accordingly, North Korean authorities are establishing real estate departments within the cabinet as well as in city, county, and regional offices. The priority for party and military organs and enterprises has, of course, been on Rasun, Kaesong, Mount Kumgang, and other regions where foreign investment can be found, while the government administration has focused on individual North Korean business investments and construction, building use and equipment installation, and lumber counts.

According to the Yonhap source, “After the census bureaus assess the value of land or buildings, those with excess are more heavily taxed, while those who are found lacking cannot expect additional rations.” Because of this, businesses are taking great pains to avoid land use fees by finding smaller plots, or returning to ‘public domain’ unused areas. At the moment, there are rumors spreading that, following the completion of the land census, the government will be granting permission for the sale or transfer of land

by those currently holding the rights to its use. These rumors are driving real estate speculation.

This recent activity is in line with the July 2002 passing of a measure on implementation of land rents, a measure designed to assign land-use fees to lots not used primarily for farming, but rather, property being used practically for free by businesses and factories. Implementation of these rents was said to be designed to improve efficient use of space as the number of businesses grew. At the same time, it was meant to effectively reel in the previously unspoken permission for enterprises and organizations to construct new housing units or divisions, and strengthen the mechanism for collecting the State's share of profits.

Some experts believe that, in the long run, North Korea's real estate policies have the potential to develop into a system similar to the Chinese model of private and commercial leaseholders.