

NORTH KOREAN REAL ESTATE INTERESTS

On April 11, 2006, at the fourth plenum of the eleventh DPRK Supreme People's Assembly, the results of the latest nationwide real estate census were reported, including the land-use fees levied around the country. These results played a central role in the policy of expanding tax collections this year. Follow-up measures enacted after the assembly meeting include an all-inclusive real estate census that is currently underway.

Specialized facilities are administering this current survey. Military and Party institutions are working together with the central government to carry out this research. Land use by businesses and individuals is under scrutiny in the largest-scale census to be undertaken in the North. This raises the question of whether preparations are underway to permit the sale and/or transfer of property rights.

In the budget proposed at the assembly meeting in April, land-use fees accounted for 12 percent of the total. Current land-use fees go beyond the rents charged on agricultural land under past schemes, and extends to factories and private individuals. The North Korean cabinet issued a directorate authorizing the collection of land-use rents following a January 4 policy announcement by Kim Jong Il. According to the directorate, harbors, buildings and other structures were to have value estimates include construction costs. Rivers, mountains, and other natural resources were to be evaluated based on the value of their use.

North Korean Real Estate Code 9, Article 2 stipulates, "all of the country's land is for shared use by the people, and no land shall be purchased, sold, or privatized by anyone," banning transactions between individuals. People's Code 55 states that there can be no legal transactions regarding sales or passing down of real estate between social collectives, but Land Rent Code 2 allows for real estate transactions with foreign corporations and individuals, although natural and mineral resources are excluded.

People's Code 58 states that individual residences are eligible for personal ownership, therefore recognizing real estate transactions. Previously, there was a system only for the licensing of property use, and sales were legally banned. In reality, however, as North Korea's food shortages worsened, sales activity became more frequent. People facing difficulties sold their houses as a last resort, and those who were better off than others sought out more lucrative locations for themselves.

The atmosphere now in the North, including permission for housing sales, has led to construction and sales of apartment buildings by enterprises with accessible funds. After finding building sites in favored areas, these enterprises construct buildings and divvy them out to individual owners.

Recent real estate dealings in North Korea have taken on a capitalistic, for-profit character, and appear to be in line with legal codes. Individual hardships and the country's financial woes are not distinct from these new real estate transactions, and the State's need for capital has emerged as a central driving motivator behind new land-use dealings.