



# Introduction of Project REITs and its Implications

2025.05.26

On May 1, 2025, the National Assembly passed the proposed amendment to the Real Estate Investment Company Act (as so amended, the “**Amended REIT Act**”), introducing a new framework for Project Real Estate Investment Companies (the “**Project REITs**”). Under this regime, real estate investment companies (REITs) established pursuant to the Real Estate Investment Company Act (the “**REIT Act**”) may be used as vehicles for implementing real estate development projects. The Amended REIT Act also includes various provisions specific to this new regime.

Key amendments under the Amended REIT Act provide that (i) unlike a general real estate investment company that requires a business license or registration (the “**Business License**”) before commencing its operations, a Project REIT may carry out a real estate development project by submitting only an establishment report; (ii) the Business License must be obtained by the deadline prescribed by Presidential Decree following completion of the development project; and (iii) once the Business License is granted, the Project REIT will become subject to the same regulations that apply to general real estate investment companies, including rules on public offerings and shareholding limitations.

The Amended REIT Act, together with the real estate PF improvement plan announced last year by the Ministry of Land, Infrastructure, and Transport (the “**MOLIT**”), is expected to bring significant changes for investors and other stakeholders involved in real estate development projects.

In response to this regulatory development, Shin & Kim has launched a dedicated **Project REITs Task Force** to lead ongoing research, engage with relevant ministries and stakeholders, and monitor the implementation of the new regime. The **Project REITs Task Force** will also publish periodic newsletters and host seminars for real estate developers, asset management companies, and other interested parties.

In this inaugural newsletter, we will highlight the key features and implications of the new Project REITs framework introduced under the Amended REIT Act.

## 1. Highlights of Project REITs Regime

Area	Highlights	Provision
Engagement of real estate	A Project REIT may commence real estate development	New insertion of

<p><b>development business upon the establishment report</b></p>	<p>business upon filing an establishment report, provided the following conditions are met: (i) the Project REIT is properly established in accordance with the REIT Act, including meeting the qualifications of the promoter and the articles of incorporation; (ii) the Project REIT has a minimum capital of KRW 5 billion; (iii) delegation agreements have been entered into with an asset management company, custodian (trustee) and general administration service company; and (iv) any additional requirements prescribed by Presidential Decree to ensure the stable advancement of the business.</p>	<p>Article 26-4(1)</p>
	<p>The establishment report must be filed within 6 months of the date of establishment of the Project REIT.</p>	<p>New insertion of Article 26-4(2)</p>
	<p>Once the establishment report has been accepted, the Project REIT is authorized to invest in and manage assets in “real estate development projects”. (Investment in, and management of, assets or interests unrelated to “<i>real estate development projects</i>” is permitted only to the extent necessary to carry out real estate development project)</p>	<p>New insertion of Article 26-4(3)</p>
	<p>Once the establishment report is accepted, the Project REIT will be deemed as having obtained the Business License for the purpose of (i) receiving in-kind contributions pursuant to Article 19, (ii) outsourcing certain services pursuant to Article 22-2, (iii) restricting the acquisition of shares of asset management companies pursuant to Article 22-4, (iv) borrowings and issuing bonds pursuant to Article 29, and (v) entrusting asset custody pursuant to Article 35.</p>	<p>New insertion of Article 26-4(6)</p>
<p><b>Exemption from application of public offerings, stock distribution, reporting, disclosure obligations, etc. during the development and stabilization phase</b></p>	<p><b>(Exemption from the public offering obligation during the development and stabilization period)</b> The Project REIT is exempted from the public offering requirement (which mandates that 30% or more of the total shares issued and outstanding be publicly offered) during the development and stabilization period. Under the Amended REIT Act, a Project REIT is only required to conduct a public offering within five (5) years from the date the Business License has been issued (as noted below, the Project REIT needs to obtain the Business License within the date set by the Presidential Decree following the completion of the development project).</p>	<p>Amendment to Article 14-8(2)</p>
	<p><b>(Exemption from share ownership limitation)</b> Under the Amended REIT Act, the shareholding restriction (which limits individual share ownership to 50%) applies only after</p>	<p>Amendment to Article 15(1)</p>

	<p>the completion of the public offering of shares. Accordingly, a Project REIT, which is required to complete a public offering within 5 years from the date its Business License is issued, will not be subject to this restriction during the development and stabilization phase.</p>	
	<p><b>(Exemption from investment report disclosure and other reporting obligations)</b> A Project REIT is exempt from investment report disclosure and other reporting obligations until it obtains the Business License, as these requirements apply only after the Business License is issued. However, as noted below, a Project REIT is subject to business investment report filing obligations during this period.</p>	<p>Interpretation of Articles 37(1) and (3) and Article 41(1)</p>
	<p><b>(Obligation to obtain Business License after construction completion)</b> Following the date of an occupancy permit or the completion of the construction inspection for a real estate development project, the Project REIT must obtain the Business License by the deadline prescribed by the Presidential Decree. Once the Business License is obtained, the Project REIT becomes subject to the same regulations applicable to general REITs, including requirements for public offering, shareholding limitations, and reporting and disclosure obligations.</p>	<p>New insertion of Article 26-4(4)</p>
<p><b>Allowance for third-party allocation of paid-in capital increase during the development stage</b></p>	<p>A Project REIT may issue new shares to a person who is not a shareholder in the manner and to the extent prescribed by Presidential Decree even after the filing of the establishment report and prior to obtaining the Business License (i.e., during the development stage).</p>	<p>New insertion of Article 26-4(5)</p>
<p><b>Reporting and disclosure of the business investment reports</b></p>	<p>A Project REIT and its asset management company must submit a business investment report (distinct from the investment report under Article 37(1) of the REIT Act) to MOLIT as prescribed by the Presidential Decree. The Project REIT must also disclose any financial accidents or non-performing (distressed) assets, or any other matters deemed necessary for public interest or investor protection without any delay as prescribed by Presidential Decree. MOLIT may order the relevant Project REIT or its asset management company to correct or supplement their business investment report if any content of such business investment report is deemed to violate relevant laws or infringe on the rights and interests of shareholders of the Project REIT.</p>	<p>New insertion of Articles 26-4(7) and (8)</p>

<p><b>Conversion of licensed REITs to Project REITs</b></p>	<p>A REIT (excluding a REIT which has completed a public offering of shares) that obtained the Business License prior to the enforcement of the Amended REIT Act may be converted into a Project REIT by filing an establishment report within six months from the effective date of the Amended REIT Act. In this case, the existing Business License of such REIT will immediately cease to be effective upon the establishment report being accepted.</p>	<p>New insertion of Article 2 of the Supplementary Provisions</p>
---	--	---

## 2. Implications

### A. Benefits and Application

- **(Accelerated business launch and flexibility in initial capital raising)** Project REITs can initiate real estate development activities—such as land acquisition and construction—simply by filing an establishment report, thereby bypassing the longer process of obtaining a Business License required for conventional REITs. This allows for a faster start to business operations. Additionally, following the filing of the establishment report, Project REITs may raise initial capital through in-kind contributions, borrowing, issuance of debentures, and allocation of new shares to certain third parties, offering greater flexibility in capital formation during the early stages.
- **(Private operation during the development and stabilization stages)** Since Project REITs are exempt from public offering and shareholding distribution requirements during the development and stabilization stages, they may operate real estate development projects with a small number of professional investors. This is expected to significantly enhance project stability by minimizing the risk of premature public disclosure of sensitive development information and enabling quicker and efficient decision-making in the early stages of the project.
- **(Flexible post-completion business strategies)** Unlike project financing vehicles (PFVs), which typically realize gains by disposing of underlying assets upon completion of a real estate development project, Project REITs may obtain a Business License after construction completion and transition into an operating phase, during which they can generate rental income and increase asset value by operating the developed assets. In this case, the public offering obligation only needs to be fulfilled within five years from the date the Business License is obtained, and the shareholding distribution restriction applies only after the public offering is completed. In addition, investors in a Project REIT will have multiple exit options, including: (i) direct sale of the assets (asset deal) that were developed prior to the Project REIT obtaining the Business License, (ii) sale of shares in the Project REIT (share deal), or (iii) public offering and/or listing of REIT shares.
- **(Maximizing investment returns through tax benefits and excess dividends)** In contrast to PFVs, which are eligible for income tax deductions on certain dividend payments only for a limited period, Project REITs can benefit from broader income tax deductions under the Corporate Tax Act from the development stage through the operational stage (see Article 51-2(1)4) of the Corporate Tax Act). Additionally, if a Project REIT completes a public offering after obtaining the Business License, it may benefit from favorable local tax treatment, including separate taxation of land (i.e., allowing land to be taxed separately from other properties) and exemption from comprehensive real estate tax (see Article 106(1)3.h. of the Local Tax Act, Article 102(8)3) of the Enforcement Decree of the Local Tax Act, and Article 11 of the Comprehensive Real Estate Tax Act). Furthermore, Project REITs can offer their investors

higher dividend yields during the operation phase, as they are allowed to distribute excess dividends to the extent of depreciation expenses.

- **(Option to convert licensed REITs to Project REITs)** This option can be strategically used in relation to the project timeline: a REIT may be established and a Business License may be obtained by the REIT for a real estate development project before the Amended REIT Act takes effect, and subsequently be converted into a Project REIT by filing an establishment report once the Amended REIT Act becomes effective.

## B. Key Considerations for Review and Future Discussions

- **(Whether the process of filing an establishment report will be substantially simplified)** The latter part of Article 26-4(2) of Amended REIT Act provides that “the Minister of Land, Infrastructure, and Transport shall notify the applicant of the acceptance of the filing within twenty days from the date of report has been received.” This language indicates that the establishment report is not a mere submission but a filing that requires formal “acceptance” by MOLIT.

As the Amended REIT Act delegates the detailed procedures for filing the establishment report to the Enforcement Decree of the REIT Act, it will be important to closely monitor forthcoming amendments to the Enforcement Decree and related administrative guidelines. Particular attention should be paid to how the acceptance process will be administered in practice.

- **(Whether a mixed asset (real estate/development type) REITs will be recognized as Project REITs)** In the case of a mixed-asset REIT that invests in both income-generating physical real estate and real estate development projects, the Amended REIT Act does not specify a required threshold or ratio of development assets for such REIT to qualify as a Project REIT. Accordingly, further clarification will likely be required through future amendments to the Enforcement Decree of the Amended REIT Act and/or updates to the Guidelines for Authorization and Registration of Real Estate Investment Companies.
- **(Whether the Master REITs can be recognized as Project REITs under the Master-Feeder investment structure)** While the Amended REIT Act establishes the general principle that Project REITs must invest in “real estate development projects,” it does not provide a detailed definition of what constitutes such investment. In particular, in a master-feeder structure where a Master REIT invests in equity interests of a vehicle that engages in real estate development projects, such as other REIT, a PFV, or a SPC, it remains unclear whether such indirect investment may be recognized as “investments in real estate development projects.” This issue will likely require clarification (through authoritative interpretation) by MOLIT. In addition, the proviso to Article 26-4(3) of the Amended REIT Act limits investments in physical real estate, real property (use) rights and securities to the extent necessary for the real estate development project. The interpretation of what constitutes “to the extent necessary” will also require further clarification from MOLIT.
- **(Whether Project REITs can utilize a management or development-type land trust structure)** Project REITs benefit from various special exemptions, such as a simplified establishment reporting process, based on their engagement in real estate development projects. However, under the current regulatory framework, it remains unclear whether Project REITs are permitted to carry out real estate development projects in conjunction with the land trust regime (including management-type land trusts). Clarification from MOLIT will be necessary to determine the permissibility of such arrangements.
- **(Whether to allow tax deferral of capital gains tax on in-kind contributions)** On November 14, 2024, the government announced that it will adopt a tax deferral system for capital gains tax arising from in-kind contributions to REITs as part of its “Real Estate PF System Improvement Plan” (amendments to the Act on Restriction on Special Cases

Concerning Taxation (the “**Special Taxation Act**”). This measure will be implemented through amendments to the Special Taxation Act, and accordingly, it is critical to monitor the progress of these legislative changes, as the availability of capital gains tax deferral will play an important role in promoting real estate development using the Project REIT structure.

- **(Amendments to the Enforcement Decree of the REIT Act)** The Amended REIT Act delegates, among others, the following matters to the Enforcement Decree of the REIT Act: (i) detailed procedures for filing the establishment report, (ii) the deadline for obtaining Business License following completion of a real estate development project, (iii) the scope of eligible third parties for share allocation in the case of a third-party allotments during the development stage, and (iv) the required contents and reporting procedures for the business investment report. It is, therefore, essential to actively monitor the progress of the administrative rule-making process and provide timely feedback during the public consultation period on the proposed amendments to the Enforcement Decree of the REIT Act.

### 3. Conclusion

The Amended REIT Act is expected to come into effect six months after its promulgation, following the completion of administrative procedures such as submission to the government and official proclamations. To fully implement the Project REITs framework under the Amended REIT Act, corresponding amendments to the Enforcement Decree of the REIT Act and the Guidelines for the Establishment Report of Project REITs will also be necessary. Therefore, significant preparation and effort will be required to ensure the successful and efficient implementation of the Project REITs system.

Shin & Kim will continue to engage with key market participants, maintain close communication with relevant government ministries, and provide input on matters requiring further clarification or policy refinement to help ensure that the Project REITs system is effectively implemented and utilized by investors, asset management companies, and other stakeholders. In addition, we will provide ongoing updates through our newsletters on the progress of related legal and regulatory developments, as well as potential strategies for integration with the government’s Real Estate PF System Improvement Plan.

If you have any questions or need assistance with any of the above, please do not hesitate to contact us at the contact details below. and we will be happy to discuss the matter with you in more detail.

**Shin & Kim’s Real Estate & Alternative Investment Practice is ranked Band 1 in Real Estate by both Chambers and Legal 500. Our team includes professionals with extensive experience in commercial real estate investments and transactions, including office, retail, logistics, and data centers, through various structures such as collective investment vehicles (funds), real estate investment companies (REITs), and project finance vehicles (PFVs).**

[\[Korean version\]](#) 프로젝트리츠 제도의 도입 및 시사점

## Key Contacts

### Kyoung Soo Chang

Partner

+82-2-316-4066

kschang@shinkim.com

### Seung-Hyun Lee

Partner

+82-2-316-7979

shyunlee@shinkim.com

### Hyebin Choi

Associate

+82-2-316-7955

hbchoi@shinkim.com

### Jung Han Kim

Advisor

+82-2-316-4204

jhakim@shinkim.com

### Thak-Hwan Kim

Partner

+82-2-316-1627

thkim@shinkim.com

### In-Yong Hwang

Partner

+82-2-316-1662

iyhwang@shinkim.com

### MyungSoo Kim

Associate

+82-2-316-4392

mskim@shinkim.com