



Summary and Implications of the Senior Residence Promotion Plan

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The government announced the Senior Residence Promotion Plan (the “**Promotion Plan**”) on July 24, 2024, followed by the announcement of the New Rental Housing Supply Plan for Low-Income, Middle-Income, Future Generations Housing Stability (the “**Supply Plan**”) on August 28, 2024 and the announcement of the 3rd Long-Term Housing Master Plan on August 29, 2024 (the “**Master Plan**”) by the Ministry of Land, Infrastructure and Transport (MOLIT), signaling the upcoming enactment and amendments to laws related to senior residence from the latter half of this year.

The Promotion Plan defines a “senior residence” as an elderly-friendly residential space which provides various services for the elderly (such as housekeeping, healthcare and leisure), including “silver towns” (senior welfare housing), “silver stays” (private rental housing), and “senior welfare housing” (public rental housing). The Promotion Plan includes measures to ease regulations across all stages of supply – such as establishment, operation, land, and funding – to expand the supply of senior residences by private businesses.

Meanwhile, the Master Plan outlines measures to promote investment, such as regulatory exemptions and financial support for the supply of senior welfare facilities through "senior REITs," which generate profits by constructing or acquiring silver towns and operating them as rental properties. The supply plan further details strategies to expand the supply of silver stays by utilizing "healthcare REITs."

The summary and key implications of the Promotion Plan announced by the government, focusing on the silver towns, a key type of senior residence, are as follows:

1. Easing of Regulations on Silver Towns

(a) Establishment and Operation

- Easing regulations to allow establishment and operation of silver towns by utilizing land and building usage rights, as an alternative to ownership.
- Establishing the basis for support and requirements (such as capital requirements) for fostering specialized service

providers.

(b) Easing Entry Regulations for REITs, etc.

- Promoting the development of senior residences through the introduction of project REITs and healthcare REITs
- Improving regulations to allow REITs to outsource operations to an external management company from the time of silver town establishment.
- Removing the requirement for the management company to have prior experience in operating silver towns when REITs outsource operations.
- Planning to apply local tax reductions when REITs establish and operate silver towns through trusts.

(c) Introducing New Sale-Type Silver Towns

- Introducing new sale-type silver towns, which include a certain percentage of rental units in population-declining areas (89 locations).
- Allowing investment by regional promotional investment funds to invest in sales-type silver towns.

(d) Reducing Residency Burdens

- Review of expansion of guarantee by the Korea Housing Finance Corporation on loans made to finance residential security deposits.
- Allowing continued receipt of housing pensions for existing homeowners and permitting rentals of existing private housing.

(e) Better Links to Nursing Services

- Establishing residency standards to allow seniors who require nursing care services to continue their residency.
- Easing licensing requirements for workforce deployment and facility standards when silver towns and nursing facilities are built together
- Allowing the development of assisted living-type silver towns, which provide specialized services for seniors in need of nursing care (removing the requirement that residents must be able to live independently to enter silver towns).

2. Easing Regulations on Private and Public Rental-Type Housing

(a) Silver Stays (Private Rental Housing)

- Allocating and supplying some of private rental land within public housing sites adjacent to medical and welfare facilities.
- Reviewing support for public-private rental loans from the National Housing and Urban Fund for funds needed for construction.
- Reviewing the easing of requirements for community facilities that are less in demand by elderly residents
- Expanding the eligibility for residence to include elderly homeowners.

(b) Senior Welfare Housing (Public Rental Housing)

- Increasing supply through construction (non-metropolitan area), remodeling of aging properties (metropolitan city center), and acquisition of rental properties.
- Developing measures such as a lottery system to increase housing opportunities for middle-class elderly households.

3. Common Support Measures for Senior Residences

(a) Support for Securing Sites

- Introducing multi-functional complex zone in urban and county planning facilities¹ to utilize idle infrastructure sites (easing restrictions on floor area ratio, building-to-land ratio, and land use restrictions).
- Inducement of conversion and utilization of idle facilities (such as university facilities, closed schools, lodging facilities, officetels) in urban areas.
- Promoting sourcing and provision of idle state/public land (such as land from relocated military bases or aging public buildings).

(b) Mitigation of Investment Risks and Occupational Burdens

- Reviewing loan guarantee support by the Korea Housing Finance Corporation for funds to be used for senior residence construction.
- Establishing rental contract guidelines (standard contract forms) that include long-term lease periods and automatic contract renewals.
- Expanding pension-type private rental housing through local housing corporations.

4. Key Implications

The "Promotion Plan" and the related supply and comprehensive plans include diverse support measures for developers, operating corporations, and residents at all stages of the supply, establishment, and operation of various types of senior residences, especially silver towns (senior welfare housing) and silver stays (private rental housing). The plans detail strategies to promote investment through "senior REITs," which generate profits from constructing or acquiring senior towns and operating them as rental properties, as well as "healthcare REITs," which focus on integrated development of silver stays with medical and commercial complex facilities. This suggests that the supply of senior residences through REITs is likely to increase in the future.

If the Elderly Welfare Act is revised following the Promotion Plan so that the establishment and operation of silver towns (senior welfare housing) become possible by procuring land or building usage rights only, and regulations are eased to permit outsourced management staff to be deployed from the start of the operations, it is anticipated that investment entities (REITs, funds, etc.), which have struggled to meet staffing requirements due to the inability to employ full-time personnel, may find it easier to enter the silver town (senior welfare housing) market.

However, in case of the newly proposed sales-type silver towns, the 89 population declining areas where these types of housing are permitted are limited to outskirts of the Seoul metropolitan area and provincial regions, so the impact on supply within the Seoul metropolitan area is likely to be limited.

Furthermore, if the criteria for entering silver towns (senior welfare housing) are revised to expand the eligibility from those "able to live independently" and aged 60 or older to include elderly individuals who require nursing services, it will become possible to develop assisted living-type silver towns that can provide intermediate nursing care services between regular senior housing and nursing facilities.

The government has announced that it will work on the enactment of the Special Act on the Promotion of Senior Residences and the amendment of related laws and regulations in the second half of 2024 and the first half of 2025. Therefore, it will be important to closely monitor the progress of these legislative changes.

If you have any questions or need help regarding the above matters, please feel free to contact us. Our dedicated Real Estate and Alternative Investment Group is recognized as a top ranking team (Band 1) in various international publications such as Chambers & Partners and Legal 500, and has extensive experience in real estate investment and transactions that involve a full range of commercial real estate such as offices, retail, logistics and data centers and investment entities such as collective investment schemes (funds), real estate investment companies (REITs), and project finance investment companies (PFVs).

¹ The amendment of the National Land Planning and Utilization Act and the Enforcement Decree which came into force on August 7, 2024 introduces a multi-functional complex zone for urban planning facilities (relaxation of floor area ratio and building-to-land ratio up to 200%).

[\[Korean version\]](#) 시니어 레지던스 활성화 방안의 주요 내용 및 시사점

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