Tokenizing Gangnam Apartments

A New Path to Real Estate Ownership

About

Metanomia is a think tank focused on analyzing transformations in the cryptocurrency market and related technologies.

Researcher

Suhoon Park

Corresponding Author

Taemin Oh

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Introduction

The countless apartment complexes that fill Seoul's skyline are more than just clusters of homes. They are a vast barometer of where capital flows and where it pools in Korean society. Among them, the apartments of Gangnam — built south of the Han River — have long functioned as more than a physical administrative district. They represent the apex of Korean capitalism: the last line of defense against the erosion of monetary value. The problem is that this fortress is being sealed ever more tightly. Even households earning 200 million won (approximately $145,000 USD) a year — the top one percent of earners in South Korea — must save every penny for thirty years before they can seriously consider buying a newly built apartment unit in Gangnam.[i]

This report examines tokenization as a technological solution capable of cracking open this increasingly closed asset structure. It takes a comprehensive look at how breaking a 10 billion won (roughly $7.2 million USD) apartment unit into digital shares worth one million won (about $720) each actually works in practice; what legal and tax structures are required across three realistic scenarios; and how the skeptics who say the law will never allow it can be answered. To state the conclusion upfront: the technology is already ready. The market, too, is moving toward acceptance. Given that combination, the case for tokenization is increasingly a matter of when rather than if.

01

From Fortress of Desire to Digital Asset

Why Gangnam Apartments Are So Expensive

The reasons why an apartment that looks identical to one elsewhere in Seoul can command a price premium of billions of won in Gangnam are not simple. Nearly every factor that drives apartment prices — proximity to employment, school district quality, transportation, everyday amenities, green space, complex scale, and community facilities — converges in Gangnam at the highest level found anywhere in Korea. The districts of Gangnam and Seocho in particular host the country's largest concentration of businesses and workers, placing home and workplace within easy reach of each other. The cram school clusters centered around Daechi-dong, Gangnam's unofficial tutoring hub, and the storied reputation of Gangnam's "8th School District"1) have made living in the area feel like a near-prerequisite for education-conscious Korean parents. On top of all this, Gangnam apartments have evolved into a proven inflation hedge — no longer simply a place to live, but a financial asset to hold.

The cold statistics confirm it. Between 1995 and 2025, average apartment prices in Gangnam rose fifteenfold, while the first-generation planned suburbs of the greater Seoul metro area — Pyeongchon, Jungdong, and Ilsan — managed only a sixfold gain over the same period.[ii] The choice of which apartment to buy three decades ago has since produced staggeringly different outcomes in total household wealth. According to Statistics Korea's 2025 Household Finance and Welfare Survey,[iii] the top ten percent of net-worth holders now account for approximately 46 percent of all household net assets. The income Gini coefficient stands at around 0.325, while the net-asset Gini coefficient reaches 0.625[iv] — a figure that reveals a society where the wealth gap dwarfs the income gap by a wide margin. In this environment, with mortgage regulations tightened further, the Gangnam apartment market has hardened into an exclusive arena accessible only to the rare few who can mobilize large sums of cash. The regulations designed to curb speculation have, ironically, become a protective fence around those who already own assets.

1)

Gangnam's "8th School District" refers to the school catchment zone covering Gangnam and Seocho districts, historically associated with the highest-performing public middle and high schools in South Korea. Access to this district became a powerful driver of residential demand, as Korean university admissions are determined almost entirely by a single standardized exam, making school environment and proximity to private tutoring academies (hagwon) a high-stakes consideration for families.

The Question Tokenization Poses to This Structure

The defining feature of tokenization is divisibility — the ability to break a massive, indivisible asset into smaller pieces. Divide a 10 billion won apartment unit into digital shares worth one million won each, and what was once the private preserve of a single wealthy owner transforms into an open asset shared among ten thousand investors. If a single million won could buy you a stake in an Apgujeong Hyundai apartment unit — one of Gangnam's most prestigious complexes — and expose you to its appreciation, then Gangnam real estate would no longer be a source of envy and exclusion but a portfolio holding accessible to anyone. This is a revolution that shifts the structure of asset ownership from a binary question of own or don't own to a continuous spectrum of how much do you own.

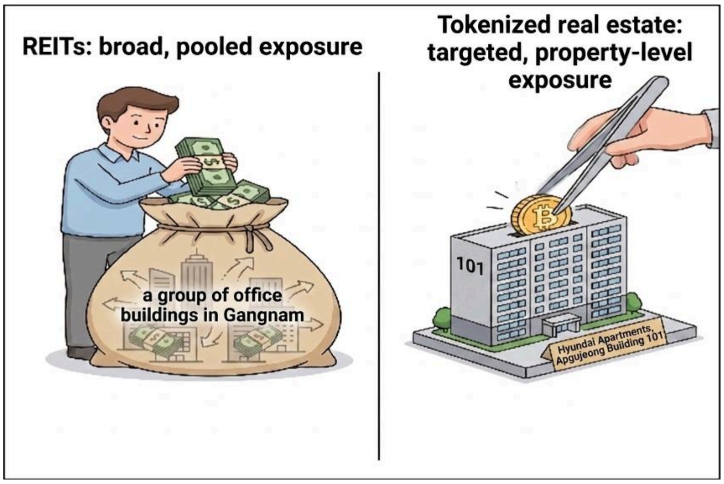
02

Real Estate STOs vs. REITs – And Why Gangnam Apartments Are the Ideal Candidate

A Clash of Investment Philosophies

The difference between REITs (Real Estate Investment Trusts) — the long-dominant vehicle for indirect real estate investment — and the tokenization model is not simply a generational gap in technology. It is a clash of investment philosophies. A REIT pools capital from many investors, deploys it across a portfolio of properties, and distributes the returns as dividends.[v] By bundling multiple buildings into a single basket, it spreads the risk of any individual asset across the entire investor base. REITs offer steady, predictable dividends — but investors have little visibility into which specific asset their capital is actually working in.

Tokenization opens the door to something different: targeted investing in a single, named asset — a specific unit in a specific building, say, in Apgujeong. Security Tokens (STs), which have been moving toward regulatory formalization through Korea's financial regulatory sandbox and the Financial Services Commission's 2023 framework for token security issuance and distribution,[vi] allow investors to hold rights directly tied to the income stream of a particular asset. If REITs are like boarding an aircraft carrier — stable, collective, going wherever the fleet goes — tokenization is like each investor piloting their own boat to the exact spot they want to claim. One philosophy pursues safety through the dilution of risk; the other pursues returns through the deliberate selection of it. One treats the investor as a passenger; the other treats them as the navigator.



[Figure 1]
Comparison of REITs and Tokenization
Source: Nano Banana, AI-generated image

On the cost side, tokenization also removes the friction embedded in legacy systems. Blockchain-based smart contracts automate income distribution and asset management, replacing the high fixed fees paid to fund managers and custodians with code. This dissolves a structural inefficiency that has long made it impractical to wrap a single apartment — too small, too specific — inside a REIT structure. That said, expecting tokenization to fully displace REITs anytime soon would be premature. Until the exchange infrastructure and settlement systems for security token markets are sufficiently mature, token markets will struggle to match the proven liquidity that REITs provide. Real estate STOs[2] are better understood as a complementary instrument — one that absorbs the micro-scale investment appetite REITs cannot serve — and will earn their place as a mainstream asset management tool only after establishing a stable regulatory footing.

Why Gangnam Apartments Are the Ideal Asset for Tokenization

Gangnam apartments have emerged as the natural frontier for tokenization not simply because they are expensive. It is their remarkable degree of standardization that makes them function as a genuine financial instrument.
The 84-square-meter floor plan has become so deeply embedded in Korean property culture that it has acquired its own nickname: "gugmin pyeonghyeong" (the national unit). Koreans shorten this to "gugpyeong" in everyday conversation, and a listing described simply as "3 beds, 2 baths" is understood by most Koreans to mean exactly 84 square meters — no further explanation needed. Prices are further stratified with precision according to developer brand, building age, and complex size, and this hierarchy is tracked in real time through the KB Price Index — Korea's authoritative benchmark for residential property valuation. Where American or European real estate generates enormous friction in valuation because every home has a different design and condition, Gangnam apartments have already been translated into clean, tradeable data.

The second advantage is unrivaled liquidity. For asset tokenization to work in practice, investors need the confidence that they can exit at fair value whenever they choose. Gangnam apartments maintain the deepest pool of ready buyers even in times of crisis — a characteristic that closely resembles government bonds. Tokenizing an asset with thin demand is little more than manufacturing paper that nobody trades. Gangnam apartments, by contrast, represent a point of aspiration for the entire country: an asset whose value is universally understood and universally coveted. Tokenizing a Gangnam apartment, then, is not merely a real estate transaction. It is the act of placing an already-financialized Korean safe haven asset onto a digital rail.

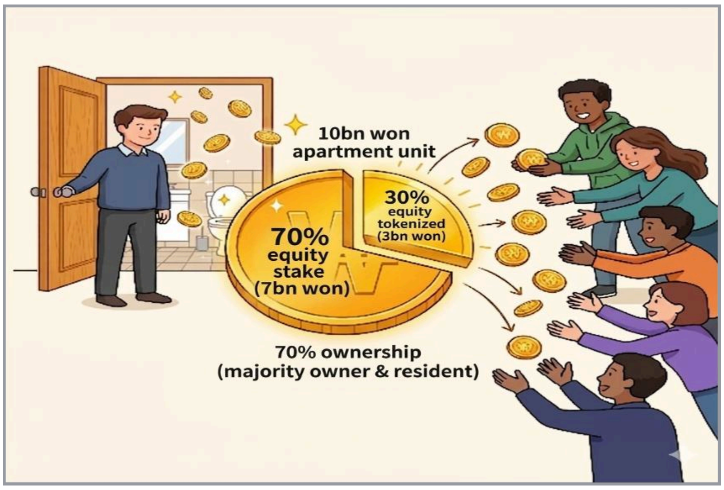
2) Strictly speaking, STO (Security Token Offering) refers to the act of issuing security tokens — analogous to an IPO — while the tokens themselves are more precisely termed STs (Security Tokens). In practice, however, "STO" has become the shorthand used across Korea's industry and financial press to refer to the broader market, products, and ecosystem. This report follows that convention.

03

Three Scenarios and Their Legal and Tax Structures

Gangnam apartment tokenization is not an abstract concept. This chapter works through three concrete scenarios — each reflecting a different owner profile and purpose — to show how tokenization might actually be structured in practice. The first is a residential-financial hybrid, where an existing owner monetizes a portion of their equity while retaining the right to live in the apartment. The second is a partnership model, where a buyer short on funds raises the shortfall through equity investment rather than debt. The third is a co-investment model, where a group of investors collectively purchases an apartment unit together.

Scenario I: The Residential-Financial Hybrid



[Figure 2]

Residential-Financial Hybrid Tokenization Model

Source: Nano Banana, AI-generated image

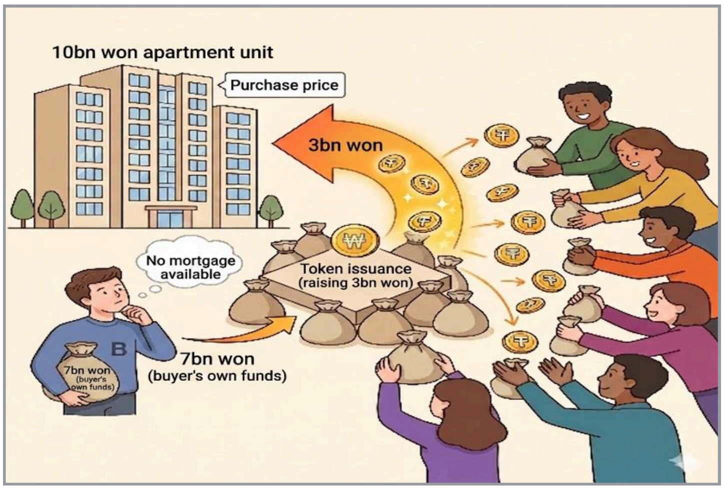
Consider a retired homeowner — call him Mr. A — who owns an apartment unit in Gangnam worth 10 billion won (approximately $7.2 million USD). He is asset-rich but cash-poor: substantial wealth on paper, but insufficient disposable income for comfortable daily life. Rather than taking out a loan, Mr. A tokenizes 30 percent of his apartment's equity and sells those tokens on the market. He keeps his home and his right to live in it, while immediately unlocking 3 billion won (roughly $2.2 million USD) in cash. Instead of borrowing money and paying interest to a bank, he gains a silent partner and distributes his risk. The structure preserves household balance sheet health while generating liquidity — a meaningful alternative to the debt-heavy models that dominate today.

That said, the structure is not without friction. When ownership, occupancy, and investment stake sit in different hands, decision-making misalignments are bound to emerge — and must be carefully designed around. If the apartment appreciates from 10 billion to 20 billion won, token holders eager to realize their gains may find themselves at odds with an owner who simply wants to stay in his home. Two mechanisms address this. The first is a secondary market: if token holders can freely trade their stakes among other investors on an exchange, they can cash out without forcing a sale of the underlying property. The second is a drag-along right[3)] embedded in the smart contract — a clause stipulating that if the majority owner decides to sell, minority token holders must sell on the same terms. This eliminates the risk of minority holders obstructing a transaction.

3) A drag-along right is a contractual clause that allows a majority owner to compel minority stakeholders to join in the sale of an asset on the same terms. It protects the majority owner's ability to complete a clean exit without minority holders blocking or delaying the transaction.

There is also an equity question. From the token holders' perspective, the owner is effectively living rent-free on their share of the asset. This can be resolved by treating the arrangement as an imputed rent structure: the owner pays token holders a monthly amount equivalent to their proportional share of market rent — either as an ongoing dividend or as a priority claim on proceeds at the time of sale. For instance, if 30 percent of the apartment has been tokenized, token holders would receive the equivalent of 30 percent of the prevailing monthly rent. The moment tokens generate a regular cash flow, they cease to be abstract digital entries and become a tangible financial instrument backed by a real asset.

Scenario II: The Partnership Model



[Figure 3]

Partnership Model Tokenization

Source: Nano Banana, AI-generated image

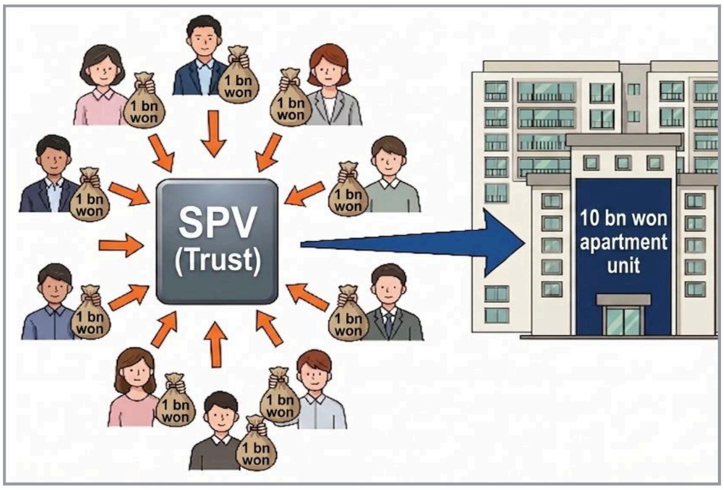
The second scenario approaches the problem from the buyer's side. Ms. B wants to purchase an apartment unit worth 10 billion won (approximately $7.2 million USD), but her total available funds — personal savings plus maximum borrowing — come to only 7 billion won. Rather than walking away from the purchase, she issues tokens representing a 30 percent stake in the apartment and raises the remaining 3 billion won (roughly $2.2 million USD) from investors. The fundraising window opens after she pays a 10 percent deposit and runs through to the closing date.

What makes this model genuinely radical is that it redefines the nature of the financing itself — from debt to partnership. A conventional mortgage carries fixed monthly payments and the risk of forced auction if repayments fail. In the tokenized structure, investors are not Ms. B's creditors; they are co-owners who share her belief in the apartment's appreciation. They receive the right to 30 percent of any future capital gain at the time of sale, but make no claim on principal or interest in the interim. The buyer is freed from repayment pressure; the investors gain access to a prime asset. It is a structure designed for mutual benefit — though regulators may scrutinize it as a workaround for mortgage lending rules. To preempt this, the tokens must be clearly defined as performance-based investment products with no guaranteed return and full exposure to capital loss — not fixed-income instruments in disguise.

One structural risk in this partnership model is bankruptcy remoteness. If Ms. B's other business ventures fail and she files for personal bankruptcy, what happens to the token holders? In a standard insolvency, the apartment would go to auction and the bank, as a senior secured creditor, would be first in line. Token holders could find themselves with nothing. This risk can be substantially mitigated through a trust structure: if Ms. B places the apartment in trust with a licensed trustee, and the trustee issues the tokens and manages investor relations, the asset becomes legally ring-fenced — inaccessible to other creditors before the trust's obligations are settled.

The risk of moral hazard — specifically, the concern that Ms. B might pocket sale proceeds without distributing the investors' share — is solved more elegantly still. A smart contract can be designed so that the moment sale proceeds are received, 30 percent is automatically and instantly distributed to token holders, with no possibility of delay or diversion by the owner. Trust is no longer a matter of character; it is enforced by code.

Scenario III: The Co-Investment Model and the Tax Wall



[Figure 4]

Co-Investment Model

Source: Nano Banana, AI-generated image

The third model is collective ownership: ten investors each contribute 1 billion won (approximately $720,000 USD) to jointly acquire a 10 billion won apartment unit through an SPV (special purpose vehicle) or trust. They receive rental income as dividends and share in the capital gain at the time of sale. The infrastructure for democratic decision-making — tenant selection, sale timing — via smart contract already exists technically.

In practice, however, this model runs headlong into Korea's punitive corporate property tax regime. Under the Local Tax Act,[vii] a corporation acquiring a residential property is subject to a 12 percent acquisition tax — compared to roughly 3 percent for an individual buyer. Under the Comprehensive Real

Estate Tax Act,[viii] properties held by corporations receive no basic deduction and are taxed at a flat maximum rate of 2.7 percent (for two units or fewer) or 5.0 percent (for three or more). To put it plainly: buying a 10 billion won apartment unit as an individual costs approximately 300 million won in acquisition tax; buying it through a corporation costs 1.2 billion won. For this reason, tokenization structures are better served by Scenarios I and II — both of which involve individual ownership — rather than corporate acquisition.

Trust-Based Legal Stability

A structural principle runs through all three scenarios: while anyone can technically issue tokens, deploying them as a financial instrument requires proper legal authorization. Article 11 of the Financial Investment Services and Capital Markets Act[ix] prohibits unlicensed financial investment activities, and if token arrangements are treated as private money lending, the income tax rate on such earnings can reach 27.5 percent[x] — a punishing outcome compared to the alternatives.

The most efficient legal pathway is for the property owner to place the asset in trust with a licensed trustee, who then issues beneficial interest certificates backed by that asset. The Capital Markets Act explicitly permits licensed trustees to issue such certificates under monetary trust agreements,[xi] and the scope of this framework has expanded through the Financial Innovation Support Act[xii] to cover non-monetary trust assets including intellectual property, artwork, and real estate. Income earned by token holders under this structure is likely to be classified as dividend income, subject to a withholding tax rate of 14 percent — or 15.4 percent including local income tax.[xiii] Property tax and comprehensive real estate tax obligations for trust assets remain with the original owner, not the trustee,[xiv] preserving the integrity of Korea's existing real estate tax system while opening the door to new investment structures.

The tax advantage for investors is meaningful. A direct purchaser of real estate faces capital gains tax of up to 45 percent on disposal. A token investor, by contrast, holds a beneficial interest certificate — a financial instrument — issued by the trustee, and the returns on that instrument are likely to be taxed as dividend income at 15.4 percent withholding. The legal foundation for this was significantly strengthened when amendments to the Electronic Securities Act and the Capital Markets Act passed the National Assembly in January 2026,[xv] formally bringing token securities within the regulated capital markets framework. Tokens are no longer an experiment operating in a legal grey zone — they are a designable, institutional-grade asset class.

	Acquisition tax	Comprehensive real estate tax	Taxation on returns
Direct individual ownership	1–12% (varies by unit count and value)	Basic deduction of 900 million won (1.2 billion for single-homeowner households)	Capital gains tax regime (max rate 45%)
Corporate acquisition	12% (surcharge rate)	No basic deduction; flat rate of 2.7–5.0%	Corporate tax (10–25%) + additional 20% surcharge on residential disposal
Trust-based STO	Exempt at trust establishment (acquisition tax on original purchase applies separately)	Paid by the original owner (settlor)	15.4% withholding on dividend income; comprehensive taxation applies if classified as a fractional investment product

[Table 1] **Tax Comparison by Acquisition Structure**

04

Risks and Mitigation Mechanisms

Price Divergence and the Illiquidity Discount

In theory, the price of a real estate token should move in lockstep with the market value of the underlying apartment unit. In practice, a gap between the two can open up. Even if an apartment unit appreciates from 10 billion to 20 billion won, there is no guarantee that tokens representing a 30 percent stake — originally worth 3 billion won — will trade at exactly 6 billion won on the secondary market. The culprit is the illiquidity discount.

Even where a secondary market exists and tokens can be traded freely, ultimate cash realization depends on the apartment unit itself being sold. When a token holder's desired exit timeline diverges from the owner's willingness to sell, the token can become a stranded asset — its underlying value risen, but the path to realizing that value blocked. A market confronted with this mismatch will naturally price the token at a discount to its unrealized value.

Three Lines of Defense

The first defense against price divergence is the imputed rent dividend — the mechanism discussed in Chapter 3, whereby the owner pays token holders a monthly cash amount equivalent to their proportional share of market rent. Regular cash distributions transform the token from a purely speculative instrument into one with an ongoing yield, narrowing the gap between its theoretical and market value.

The second defense is a forced liquidation clause embedded in the smart contract. A provision stipulating that the apartment unit must be sold after, say, ten years — with capital gains distributed to token holders proportionally — or that the owner must buy out token holders at market value if no sale occurs, gives investors a defined exit horizon. Uncertainty about when, or whether, they will ever be made whole is one of the primary drivers of the illiquidity discount. A contractual endpoint removes it.

The third defense is a periodic redemption right: a rule allowing investors to demand redemption at market value on a set date each year, with the owner obligated to purchase their tokens at that price. This effectively positions the owner as the buyer of last resort, providing an institutional guarantee of liquidity. The risk, however, is that this guarantee could collapse under pressure — a point that leads directly to the next section.

House-Run Risk

The periodic redemption right carries an inherent danger: the house-run. If every token holder simultaneously demands redemption — a scenario analogous to a bank run, but specific to this asset structure — the system breaks down the moment aggregate redemption requests exceed the owner's capacity to raise cash. An owner who has already deployed the capital raised through tokenization into living expenses or business ventures may find themselves facing personal bankruptcy and a wave of investor losses if large-scale redemptions converge at once. Preventing this requires carefully engineered controls: annual redemption caps, market-priority sale mechanisms that require investors to seek a buyer on the open market before triggering the owner's buyout obligation, and liquidity buffers. In short, tokenization is only sustainable if the system is designed to protect not just investors, but also the apartment owners who supply the market.

The Financial Institution Integration Model

The most robust mitigation against house-run risk is to bring a bank or major financial institution into the structure from the outset as a committed liquidity provider. Under this model, if a token holder cannot find a buyer on the secondary market, the financial institution steps in and purchases the token at a pre-agreed floor price — typically a modest discount to market value. This transforms liquidity from a structural aspiration into an institutional guarantee.

In this model, the financial institution's role extends well beyond capital provision. It acts as a trustee — monitoring asset value, overseeing dividend disbursements, and intervening if the owner falls behind on committed rent payments or distributions. If the owner defaults, the institution has the contractual authority to compel a sale and make token holders whole from the proceeds. This is, in essence, the model that transforms tokenization from a clever structure into a durable financial product: the presence of a credible institutional counterparty that can absorb liquidity shocks and enforce the rules when individual actors cannot or will not.

05

Can Gangnam Apartment Tokenization Actually Work?

When most people first hear the idea of tokenizing a Gangnam apartment unit, their reaction is predictable: "Is that even possible? There's no way the law allows it." It's a reasonable instinct. The token security structures examined in earlier chapters were themselves designed to navigate around potential conflicts with the existing legal framework — finding workable paths rather than confronting the system head-on. The fundamental property of tokenization, after all, is fractional ownership: the effective transfer of real ownership rights to token holders in divided portions. That is precisely why any serious discussion of Gangnam apartment tokenization must confront a foundational question — whether fractional ownership of both the ownership title and the right of occupancy of an apartment unit is legally achievable. At that question, skepticism is not unreasonable.

The skepticism has two roots. The first is the belief that the state cannot afford to leave the real estate market to operate as a purely free market. Property is a tax base, a political flashpoint, and a domain the state has always kept within its regulatory reach — not least because the free movement of capital through tokenization could, in the wrong hands, produce victims. The second is the conviction that the existing legal framework governing real estate property rights is simply too rigid to absorb something as novel as tokenization. Korean property law already recognizes a dizzying array of overlapping rights — ownership, possession, tenancy, jeonse,[4] liens — and adding fractional digital ownership on top of that structure is no small thing.

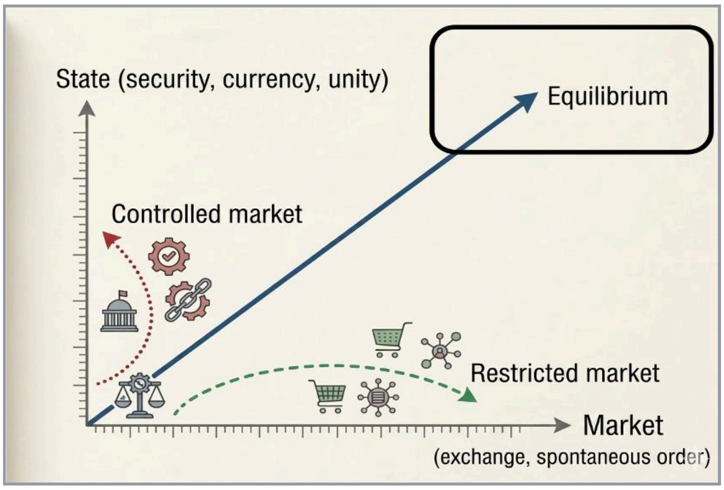
Both concerns are legitimate. But examined against the longer arc of Korean real estate history, they begin to look less like permanent barriers and more like the familiar resistance that has preceded every major shift in how this market operates. The skepticism, in other words, may be reading the relationship between law and market as static — when the historical record suggests it is anything but.

4) Jeonse is a uniquely Korean rental arrangement in which a tenant pays a large lump-sum deposit — typically 50–80% of the property's market value — directly to the landlord at the start of the lease. No monthly rent is paid. The landlord invests or uses the deposit during the tenancy and returns it in full when the lease ends. The system functioned as an informal credit market for decades before receiving formal legal recognition.

The Nature of Law – The Limits of Korea's Property Registration System

What is law? The most concise and persuasive answer is also one of the oldest: law is the minimum threshold of morality. Society generates law to establish order, and the belief that law — backed by the coercive power of the state — is the most efficient instrument for maintaining that order has long been treated as self-evident. Legislators work to make the system as airtight as possible, investing law with an authority that borders on the sacred. Yet this familiar faith in legal completeness does not survive contact with reality. Korea's own property registration system — the bedrock of all real estate transactions in the country — is proof enough.

Article 186 of the Civil Act[xvi] stipulates that any change in real property rights arising from a legal act must be registered to take effect. Registration is what triggers legal validity and brings ownership under the protection of the state. But "takes effect" should not be read as "is guaranteed by the state." Korea's property registration system does not carry absolute public trust — meaning that even a buyer who relies in good faith on the registered title bears the risk that the registration itself may be invalidated.[xvii] If the underlying cause of a registration is found to be void, the parties must resolve the resulting ownership dispute through litigation, at their own cost. The state administers the register; it does not warrant its contents. The fact that even this state-sanctioned institution contains such a significant gap — that the registered record may not reflect the truth — is itself an invitation to reconsider whether the current legal framework is truly the only reliable guarantor of real estate property rights.



[Figure 5]

Law as the counterweight maintaining equilibrium between state and market

Source: Nano Banana, AI-generated image

The deeper question is the relationship between law, market, and state. Which came first — the state or the market — is an argument as old as the chicken and the egg, and just as unresolvable. What matters is not the sequence but the dynamic: state and market have grown together through cycles of thesis, antithesis, and synthesis, with law serving as the counterweight that maintains the balance between them. When law tilts too far toward the state, dense regulation strangles the market. When it tilts too far toward the market, those outside the law's protection become collateral damage. Law's proper role is to act as the calibrating force between these two poles — though finding that balance is never easy, given that those who write the law are rarely neutral between state power and market freedom. The regulatory debate around tokenization is playing out on exactly this tilted terrain. The question it poses is whether blocking tokenization represents balance, or whether bringing a new market inside the regulatory tent is the more balanced choice.

Market Before Law – The Recurring Pattern of Korean Real Estate History

Korean real estate history repeatedly demonstrates that markets arrive before the laws that govern them. The rules come later, drafted to manage and legitimize what the market has already built. Jeonse is the clearest example. It emerged not from legislation but from an organic private arrangement between landlords who needed a lump sum and tenants who preferred to avoid monthly rent — a credit-based custom resting on personal trust rather than legal rights. Its precise origins are difficult to pin down, but what is certain is that it spread rapidly as a practical solution for absorbing the wave of migrants flooding into Seoul after the Korean War. The state eventually caught up: in 1958, Article 303 of the Civil Act[xviii] formally codified jeonse as a recognized legal right.

The explosive growth of Seoul's population fed the formation of sprawling shanty towns, saddling the government with the problem of what to do with them. The Park Chung-hee administration, preoccupied above all with post-war security and the strategic risks of a massively overcrowded capital, responded with the "South Seoul Plan" — the project that transformed what is now Gangnam from farmland into one of the world's most expensive urban districts. That transformation drew speculative capital like a magnet.

The original residents of the Gangnam area slated for redevelopment were issued paper relocation certificates — official documents confirming their eligibility for resettlement housing. People folded these certificates and carried them in their pockets, and traded them between one another, and so the papers acquired their nickname: ddakji — a Korean word for a small folded paper card.[5)] It was not long before buyers began paying a premium above the face value of these certificates. Some were genuine believers in Gangnam's future; others were simply inflating prices to sell on. The typical scheme worked like this: a speculator would buy a certificate from an original resident at a modest premium, then sell it to a third party at a larger one. When the time came for residents to take possession, title would first be registered in the original resident's name before being immediately transferred to the final buyer — a practice known as bokdeunggi, or double registration. These informal trading practices — ddakji voucher flipping and double registration — took root in the market well before the law had a chance to respond, and they generated the price bubbles that invariably followed. When the speculative frenzy became a social crisis, the government introduced the housing subscription system[xix] through the National Housing Priority Supply Rules of 1977, extended the following year to private housing — an attempt to prioritize genuine end-users over speculators from the point of initial sale.

5) Ddakji originally referred to a small folded paper card used in a traditional Korean children's game. The relocation certificates issued during Gangnam's development were nicknamed ddakji because residents folded and carried them in the same way.

Legislation, however, has never been able to permanently outwit the market. The subscription system created new rules; the market immediately found new gaps. The bokdeokbang — the traditional neighborhood property brokerages, whose name literally meant "a room of fortune and virtue," run by respected local figures who accepted whatever commission a client could afford — were gradually corrupted by the speculative fever of Gangnam's development boom in the late 1970s, transforming into hubs for subscription-right trading and premium dealing. Out of this milieu emerged the bokbuin — the so-called "fortune wives," a cohort of predominantly female property speculators who cornered listings and orchestrated price movements. The state, running as ever to catch up, passed the Real Estate Brokerage Act[xx] in 1983, replacing the informal notification-based brokerage system with a licensing regime and introducing the certified real estate agent qualification.

The pattern repeated itself without variation. The land speculation fever of the late 1980s produced the three Land Public Concept Acts of 1989. Nominee transaction practices produced the Real Estate Real-Name Act of 1995. The multi-property ownership boom produced the Comprehensive Real Estate Tax[xxi] in 2005. The gap investment craze produced the Three Tenancy Acts of 2020. In each case, market energy moved first; the law arrived to clean up afterward.

Rule of Codes – A New Order Beyond the Rule of Law

The arc of human governance can be traced through three successive frameworks: theocracy — Rule of Gods — where authority flowed from divine mandate; monarchy — Rule of Kings — where it flowed from royal power; and constitutional democracy — Rule of Laws — where it flows from written statutes applied equally to all. "All citizens are equal before the law" is the distilled essence of that third framework.

The Rule of Law as a governing system was largely shaped by the Anglo-American tradition, and the United States Constitution of the eighteenth century gave it its most durable institutional form — establishing the supremacy of written law and the principle of limited power. That constitutional framework became the operating system that made America a superpower and exported itself as the standard model for modern nation-states worldwide.

Yet the Rule of Law has always attracted critics as well as adherents. The most persistent objection is structural: access to legal remedies is not equal in practice, because access to legal services is tied to economic resources. The same law produces different outcomes depending on how much a party can spend on lawyers. The growing discussion of AI-assisted adjudication — using algorithms to increase the consistency and predictability of rulings — is a response to precisely this recognized inadequacy.

A deeper structural critique concerns the tendency of Rule of Law systems to slide, in practice, into Rule by Law — where those who write and enforce the rules gradually weaken the legal constraints that apply to themselves, with limited internal mechanisms for correction. This is not a pathology specific to any one country or regime; it is an inherent vulnerability in the architecture of legal governance itself.

Into this long-running debate, a genuinely new force has entered. Blockchain and artificial intelligence are creating pressure for a structural transformation that has been building for decades — a possible fourth stage of governance: the Rule of Codes. In this emerging order, contracts are not enforced by human judgment but by code. Smart contracts, decentralized finance, and AI agent-based management are all early symptoms of this transition. For real estate tokenization, the implications are significant. The transparency of real-time ownership records that the current registration system cannot provide, the automatic execution of title transfers, the automated distribution of returns from fractional ownership — all of these are within the technical reach of smart contracts today. The gap between what the technology can do and what the legal system currently permits is not a technological deficit. It is a lag — the familiar interval between what the market can build and what the law is prepared to recognize.

Deceleration vs. Acceleration – When the Tech Elite Find Their Voice

[Figure 6] **The collision between old-elite decelerationism and new-elite accelerationism**

Source: Nano Banana, AI-generated image

As the pace of technological innovation accelerates, a new generation of scholars and entrepreneurs has stepped forward to make sense of what is happening. Professor Carlota Perez, who has spent her career studying the socioeconomic impact of technological change, argues that for the gains of a technological revolution to be fully realized, a corresponding reorganization of social and institutional structures is required — and that this process follows a recurring historical cycle.[xxii] British journalist William Rees-Mogg and American investor James Dale Davidson, in their co-authored The Sovereign Individual, contend that the information revolution will erode state control and transfer greater autonomy and power to individuals.[xxiii] Alex Karp, co-founder and CEO of Palantir, argues in The Technological Republic — also co-authored — that the technology industry should stop keeping the state at arm's length and instead rebuild its relationship with government, positioning itself at the center of national challenges rather than outside them.[xxiv] And Balaji Srinivasan, former CTO of Coinbase and formerly a general partner at Andreessen Horowitz (a16z), proposes in The Network State a new model of community built on blockchain and the internet — a successor form to the nation-state, in which code and network infrastructure reorganize the existing order of sovereign nations.[xxv] Taken together, what these arguments share is a single premise: technology has already emerged as a new form of power, and it is already driving the change.

Two opposing forces are colliding over the speed and direction of this transition. On one side stands the camp of regulatory caution — the decelerationists. Centered on public authority and the established legal elite, this camp prioritizes order, stability, and due process, and instinctively applies existing legal standards to new technologies before entertaining the possibility of new frameworks. In the blockchain space, decelerationists want regulators to approach tokenization with caution, punitive tax treatment to remain in place, and any new financial product to pass through repeated rounds of legal opinion before it can proceed. In the AI space, they point to rising technological unemployment and the hacking risks of AI agents as grounds for slowing the pace of innovation.

On the other side stands accelerationism. Centered on the technology elite, this camp leads with innovation and disruption, arguing that technology is already rewriting the terms on which law and state authority operate — and that existing legal frameworks and bureaucratic inertia are actively impeding progress. At the center of this camp stand figures like Alex Karp, Elon Musk, and Peter Thiel — co-founder of PayPal and Palantir, founding partner of Founders Fund, and early investor in Facebook, LinkedIn, and a roster of transformative companies. These are individuals who combine world-class capital with the conviction that technology should be pointed at changing the world, not accommodating it.

The tech elite are already moving into spaces where state capacity has faltered or bureaucracy has calcified, quietly absorbing decision-making authority that once belonged exclusively to governments. Elon Musk's SpaceX has provided Ukraine with Starlink satellite internet since the outbreak of the Russia-Ukraine war in 2022, effectively controlling the communications infrastructure of an active conflict.[xxvi] And in early 2026, Anthropic CEO Dario Amodei made headlines when he refused a request from the U.S. Department of Defense — which sought access to Claude for what it described as "lawful purposes" including autonomous weapons and mass surveillance — on the grounds that doing so would require compromising the AI's safety guardrails. The confrontation ended with Anthropic holding its position against the Pentagon.[xxvii] Both episodes would have been almost unimaginable a decade ago. They are evidence that the influence of technology-holding entities has grown to a point where it can stand level with state power.

Pulling these threads together: history shows that markets precede law, and that the dialectic between them is how progress unfolds. New legislation arrives, but the energy of the market finds the gaps and builds new structures in the space between the rules. The structural limitations of Rule of Law systems are coming into sharper focus at the same moment that code-based enforcement is emerging as a credible alternative. And the collision between the decelerationists and the accelerationists is not a temporary argument — it is a structural feature of the transition we are living through.

How does any of this connect to Gangnam apartment tokenization? The connection compresses into a single question: when someone says "the law won't allow it," are they describing a current institutional constraint — or declaring a permanent limit? Korean real estate history answers that question repeatedly and consistently. Jeonse rights, the subscription system, the real estate agent licensing regime, the real-name ownership law — all were institutionalized as responses to markets that had already moved. There is no historical reason to expect real estate tokenization to be an exception. Moreover, the transparent ownership records and automatic enforcement mechanisms that smart contracts provide are a direct technological remedy for the very gap in the registration system's public trustworthiness identified in Section 5.1. Technology moves first; institutions follow. That is the logic of the history we have been tracing — and there is no reason to expect real estate tokenization to be the exception.

At the intersection of state, market, and technology, a new equilibrium is being assembled. And technology is not merely improving the existing road — it is laying an entirely different kind of infrastructure. At that junction, Gangnam apartment tokenization points beyond the workaround of token securities toward a horizon where property rights in their entirety — ownership title, right of occupancy, the full bundle — become tokenizable. The skeptics who say the law won't allow it are not wrong. At least not yet. But if history holds to its pattern — if the market moves first and the law follows — then not yet may become now sooner than anyone expects.

Conclusion

This report began with a single question: can Gangnam apartment tokenization actually work? To answer it, we walked the terrain of technology, cut through the thicket of law and taxation, and traced the historical currents running beneath both. The conclusion is simpler than the journey: yes — with constraints.

On the technology side, the infrastructure is already largely in place. Trust-based beneficial interest certificate structures, smart contract-automated income distribution, bankruptcy remoteness mechanisms, and secondary market trading systems are all designable and executable today. The January 2026 amendments to the Electronic Securities Act and the Capital Markets Act have sharpened the legal foundation further, bringing the issuance and distribution of security tokens clearly within the regulated financial system.

What remains is the harder work of tax and policy refinement. The punitive acquisition tax surcharge on corporate purchasers, the unresolved ambiguities in how token securities are taxed, and the potential conflicts with the existing real estate tax regime are all problems the market cannot solve on its own — they require legislation and deliberate policy design. How quickly and precisely that work gets done will determine where Korea stands in the global race to establish tokenization as a mainstream financial infrastructure.

Viewed from a wider angle, this is not simply a question of whether to permit one new financial product. Tokenization is part of a larger transformation — one that is redistributing the standards of rights, redesigning the enforcement pathways of trust, and ultimately rewiring the connective tissue of the global economic order. Korea has been here before. In the early 2000s, Cyworld's dotori — its virtual currency — was a prototype of digital money. The domestic court cases that wrestled with the trading and ownership of Lineage game items were among the earliest attempts anywhere to give digital assets legal standing. But those pioneering experiments never scaled into global standards; they remained enclosed within individual services and eventually disappeared when those services closed. The strategic will to push a technological prototype into an institutional standard was not there.

Gangnam apartment tokenization is a second chance at that ambition. Korea holds a rare combination of advanced IT infrastructure, a highly engaged retail investor base, and a portfolio of internationally recognized, standardized residential assets. In an era where code designs the rules and networks organize the order, standards are no longer adopted after the fact — they are engineered in advance. Whoever lays the new rails of global finance by connecting the small pieces of tokenization will occupy the center of the next era. Gangnam apartment tokenization could be the first section of track.

Notes

i National Tax Service. "Labor Income Percentile (Per-Mille) Data." Public Data Portal. Based on data as of December 31, 2024. https://www.data.go.kr/data/15082063/fileData.do. Accessed April 17, 2026.

ii KB Kookmin Bank. "KB Housing Price Trend Survey – Monthly Time Series Data." KB Real Estate Data Hub. Based on December 2025 data. https://data.kbland.kr. Figures for Gangnam and the first-generation planned suburbs (Pyeongchon, Jungdong, Ilsan) represent the author's own calculations comparing the apartment sales price index for January 1995 against December 2025.

iii Statistics Korea, Bank of Korea, and Financial Supervisory Service. "2025 Household Finance and Welfare Survey Results." Statistics Korea, 2025, 6. https://mods.go.kr/board.es?mid=a10301010000&bid=215&list_no=439535&act=view&mainXml=Y.

iv Ibid., 6 (net asset Gini coefficient), 37 (income Gini coefficient).

v Act on Real Estate Investment Trusts, arts. 2(1), 14(8), 21(1), 28. National Law Information Center. https://www.law.go.kr/법령/부동산투자회사법.

vi Financial Services Commission. "Framework for the Regulation of Security Token (ST) Issuance and Distribution." February 6, 2023. https://www.fsc.go.kr/no010101/79386.

vii Local Tax Act, art. 13-2(1)(i). National Law Information Center. https://www.law.go.kr/법령/지방세법. This provision stipulates that where a corporation acquires a residential property for consideration, the applicable tax rate shall be the standard rate under art. 11(1)(vii)(b) plus 400% of the standard surcharge rate, resulting in an effective acquisition tax rate of approximately 12%.

viii Comprehensive Real Estate Tax Act, arts. 8, 9(2). National Law Information Center. https://www.law.go.kr/법령/종합부동산세법. Art. 8 allows individual taxpayers a basic deduction of 900 million won (1.2 billion won for single-homeowner households) but excludes corporations. Art. 9(2) applies a flat rate to corporate-held residential properties: 2.7% for two units or fewer, 5.0% for three or more.

ix Financial Investment Services and Capital Markets Act, art. 11(1). National Law Information Center. https://www.law.go.kr/법령/자본시장과금융투자업에관한법률. This provision prohibits the conduct of financial investment business without authorization from the Financial Services Commission.

x Income Tax Act, arts. 16(1)(xi), 129(1)(i)(b); Local Tax Act, art. 103-13(1). National Law Information Center. https://www.law.go.kr/법령/소득세법; https://www.law.go.kr/법령/지방세법. The combined effective withholding rate on non-business lending income is 27.5%.

xi Financial Investment Services and Capital Markets Act, art. 110(1). National Law Information Center. https://www.law.go.kr/법령/자본시장과금융투자업에관한법률.

xii Financial Innovation Support Act. National Law Information Center. https://www.law.go.kr/법령/금융혁신지원특별법. Under the innovative financial services designation scheme established by this Act, services such as Kasa Korea's fractional investment in commercial real estate and Music Cow's fractional investment in music royalties have operated under temporary regulatory exemptions, utilizing a non-monetary trust beneficial interest certificate structure.

xiii Income Tax Act, arts. 17(1), 129(1)(ii)(b); Local Tax Act, art. 103-13(1). National Law Information Center. https://www.law.go.kr/법령/소득세법; https://www.law.go.kr/법령/지방세법. The combined effective withholding rate on dividend income from beneficial interest certificates is 15.4%.

xiv Local Tax Act, art. 107(2)(v); Comprehensive Real Estate Tax Act, art. 7(2). National Law Information Center. https://www.law.go.kr/법령/지방세법; https://www.law.go.kr/법령/종합부동산세법. Where trust property is registered in the name of a trustee, the settlor bears the property tax and comprehensive real estate tax obligations.

xv Financial Services Commission. "Amendments to the Electronic Securities Act and the Capital Markets Act Pass the National Assembly Plenary Session." January 15, 2026. https://www.fsc.go.kr/no010101/86064.

xvi Civil Act, art. 186. National Law Information Center. https://www.law.go.kr/법령/민법. Any change in real property rights arising from a legal act shall take effect only upon registration.

xvii MBC News. "The Property Register Has No Public Trust? The Court's Ruling Leaves Owners Stunned." YouTube video, 2:36. March 8, 2025. https://www.youtube.com/watch?v=SGbRbOb6tdc.

xviii Civil Act, art. 303. National Law Information Center. https://www.law.go.kr/법령/민법. A jeonse right holder, having paid the deposit, may occupy and use another person's real property in accordance with its purpose, and has the right to receive preferential repayment of the deposit ahead of junior rights holders and other creditors.

xix National Archives of Korea. "Housing Subscription System." https://www.archives.go.kr/next/newsearch/listSubjectDescription.do?id=005605&sitePage=.

xx Real Estate Brokerage Act [Enforced April 1, 1984] [Act No. 3676, enacted December 30, 1983]. National Law Information Center. https://www.law.go.kr/LSW/lsInfoP.do?lsiSeq=56876&viewCls=lsRvsDocInfoR.

xxi The Comprehensive Real Estate Tax came into effect in 2005. Its official legislative purpose was to improve tax equity for holders of high-value real estate; however, in the political context of its introduction, its character as a regulatory measure targeting multi-property owners was prominently emphasized.

xxii Carlota Perez. "Introduction: An Interpretation." In Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages. Cheltenham, UK: Edward Elgar, 2002.

xxiii James Dale Davidson and William Rees-Mogg. The Sovereign Individual: Mastering the Transition to the Information Age. New York: Touchstone, 1999, 15.

xxiv Alexander C. Karp and Nicholas W. Zamiska. The Technological Republic: Hard Power, Soft Belief, and the Future of the West. New York: Crown Currency, 2025. Preface; chap. 1, "Lost Valley."

xxv Balaji Srinivasan. The Network State: How to Start a New Country. 2022. Accessed April 24, 2026. https://thenetworkstate.com/book/tns.pdf.

xxvi Adam Satariano et al. "Elon Musk's Unmatched Power in the Stars." New York Times, July 28, 2023. https://www.nytimes.com/interactive/2023/07/28/business/starlink.html.

xxvii Kali Hays. "Anthropic Boss Rejects Pentagon Demand to Drop AI Safeguards." BBC, February 27, 2026. https://www.bbc.com/news/articles/cvg3vlzzkqeo.

Tokenizing Gangnam Apartments

A New Path to Real Estate Ownership

Researcher

Suhoon Park

Corresponding Author

Taemin Oh

Editorial Design

Seongah Youn

Translation

Samuel J. Hahn

Contact

Suhoon Park tngns0011@gmail.com