

ASIA

Kim Jong Un Bets on Riverfront Property to Boost North Korea's Economy

With country bitten by sanctions and Covid-19, leader wants to project strength with a home-building spree in central Pyongyang



A construction site in Pyongyang in March, part of a five-year plan to increase housing by 50,000 units in the city.

PHOTO: CHA SONG HO/ASSOCIATED PRESS

By [Andrew Jeong](#)

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SEOUL—In North Korea's capital, the prime riverfront property went untouched for decades. It was once a site for an American missionary school. Then it briefly became a residence for the country's founder, Kim Il Sung.

Now, it is the site of Pyongyang's hottest housing development. The modern block of apartments represents a cog in [Kim Jong Un](#)'s national strategy to project strength amid economic strife, sanctions and pandemic lockdowns.

North Korea has few levers left to pull in pursuit of an economic revitalization without bargaining with the U.S. This is compelling Mr. Kim to give priority to domestic projects that display the regime's self-image as being the greatest country on Earth.

The housing development in central Pyongyang will feature dozens of low-rise buildings and total 800 apartments when completed. Mr. Kim has visited twice in recent weeks. The homes will be "gifts to working people," North Korea's state media says, reserved for professionals such as scientists, educators and writers.

The modern apartments are the most lavish elements of a broader five-year push to boost the number of homes in Pyongyang by 50,000 units, and even more across a country that has significant housing shortages. Mr. Kim could also use a splashy project to brag about, after admissions of economic shortcomings and calls for more self-sacrifice.



Checking out construction plans in Pyongyang in March.

PHOTO: CHA SONG HO/ASSOCIATED PRESS

Former homes of North Korean leaders are considered historical sites that must be preserved, said Lee Chul, a former senior Pyongyang official who now lives in South Korea.

So, Mr. Lee added, razing the site of Mr. Kim's grandfather's one-time home sends a powerful message to his citizens: "He's putting the people first." Mr. Lee said it also shows Mr. Kim's preference for pragmatism over ideology.

At a rare Workers' Party Congress meeting in January, Mr. Kim issued bold, though vague, corrections for an economy that had just experienced its worst year in a generation. The next five years would include radical development, Mr. Kim said in a recent letter to the

ruling party's youth members, pledging to create a "prosperous socialist country in which all the people enjoy happiness."

In many regards, the economic metrics can only go up. Cross-border trade with China, the Kim regime's biggest trading partner and benefactor, dropped severely last year as North Korea sealed off its borders. Bilateral trade in March surpassed \$10 million for the first time in six months, according to the Seoul-based Korea International Trade Association, though it is a tiny fraction of pre-sanctions levels. This year, Pyongyang's economy is projected to grow by 0.5%, according to Fitch Solutions, after tumbling by at least 8.5% in 2020.

It isn't unusual during times of national crisis for North Korea to turn to large-scale construction projects to stabilize morale and keep the economy busy. Even amid sanctions, Mr. Kim has overseen the construction of a ski resort, a pair of tourist zones, two major hospitals and upgrades to Pyongyang's streetlights.

But for Mr. Kim's new five-year turnaround plan, the latest housing-building spree is a rare concrete policy to have emerged.

"This is Kim Jong Un trying to prove to North Koreans that he can still deliver a feat of engineering despite sanctions and coronavirus," said Kim Byung-yeon of Seoul National University, an expert on the Kim regime's economy. "New modern apartments will be tangible proof to these people that the regime remains strong."



A new housing development is part of Kim Jong Un's strategy to project strength. The North Korean leader is shown at a Pyongyang housing construction site in a photo released in 2017.

PHOTO: AGENCE FRANCE-PRESSE/KCNA VIA KNS



Home-building has been a political and economic winner across three generations of Kim leaders. Kim Il Sung built more than four million homes during his four-decade reign, averaging roughly 100,000 a year, according to Choi Sang-hee, a research fellow at the Land and Housing Institute, a South Korean state-run company. She used state-media announcements for the tabulations.

Back then, the government distributed nearly all homes to people for little to no charge, say defectors and other North Korean economic experts. Under Kim Jong Il, the current dictator's father who ruled from 1994 to 2011, North Korea had aimed to build about 30,000 homes a year on average, according to Ms. Choi's research.

An informal real-estate market, with buyers and sellers, didn't emerge until the 1990s during the country's widespread famine. Desperate North Koreans began putting their homes up for sale to buy food, researchers say. The regime still doesn't recognize homeownership, those researchers say, though it doesn't go looking for such transactions to block either.

Kim Jong Un has built fewer homes, around 20,000 a year, Ms. Choi said. For moneyed people, whose numbers grew dramatically during the first half of the 2010s before sanctions kicked in, homeownership became an attractive investment, as prices steadily rose, according to defector testimony.

North Korea remains one of the world's poorest countries, with per-capita income of less than \$1,300 per household.

A midtier home in Pyongyang costs \$30,000 to \$50,000, according to a February report on North Korean home prices written by Lim Song, a defector who works as an economist at

Seoul's central bank. For the report, Mr. Lim cited defector testimony and more than 30 earlier studies on North Korean real estate, international finance and geopolitics.

Pyongyang's state media often boasts of having enough homes for the country's population of roughly 25 million. But according to Mr. Lim's research, the housing supply is 60% to 80% of what is needed, with extended families living together or renting out rooms to strangers.

Recent satellite imagery showed the luxury apartments along the Pothong River. The site is near the Workers' Party of Korea headquarters, Kim Il Sung Square and the national assembly building. The cluster of apartment buildings appears to be as tall as 15 floors, with some having terraces, according to state-media images and an analysis by 38 North, a website focusing on North Korea.



The riverfront construction site was once home to the Pyeng Yang Foreign School, where graduates including, in the back row, the mother of North Korea economy expert William Brown are shown in 1939.

PHOTO: WILLIAM BROWN

Before the recent construction, the site had represented one of the few relics of American life left in Pyongyang. It was home to the Pyeng Yang Foreign School, run by American missionaries until 1940. More than 500 Americans once studied there.

The group includes the parents and two uncles of William Brown, a North Korea economy expert and a board member of the Korea Economic Institute, a Washington-based think tank. Mr. Brown doesn't begrudge North Korea for bulldozing the former school grounds, though he is disappointed to see history destroyed.

"The sadness is that North Koreans don't know that the Americans were there," Mr. Brown said.

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