

# Korea Land and Housing Corp.

September 2, 2025

This report does not constitute a rating action.

## Credit Highlights

### Overview

Key strengths	Key risks
Almost-certain likelihood of receiving government support in the event of financial distress.	High leverage, with debt likely to grow over the next two years.
Sole government-owned entity responsible for the supply of land and low-cost public housing in Korea.	Elevated capital expenditure (capex) for policy-driven development projects and supply of public housing.
Only non-financial government-controlled enterprise in Korea that is statutorily entitled to receive loss compensation from the government.	Weak operating profitability and exposure to the cyclical domestic property market.

**Korea Land and Housing Corp. (KLHC) will almost certainly receive extraordinary government support in the event of financial distress.** The company plays a critical role as the sole government-owned entity responsible for ensuring a stable supply of development land and public housing. The government's full ownership, strong financial support, and tight supervision underscore KLHC's integral link with the government. As a result, we equalize the rating on the company (AA/Stable/-) with the sovereign credit rating on Korea (AA/Stable/A-1+).

We view KLHC as a non-severable arm of the government, based on its critical policy function. The company also supports urban decentralization through planning and development. We believe that government support for KLHC is not subject to transition risk.

We do not assign a stand-alone credit profile to KLHC because it is not a major rating driver, considering the almost-certain likelihood of government support.

The government's capital injections into KLHC underscores its commitment to the company. Given KLHC's policy role, it receives various financial and other nonfinancial subsidies from the government, including capital contributions, low-cost and long-term public funding through the National Housing and Urban Fund (NHUF), and loss compensation for certain eligible projects. These measures enable KLHC to carry out its role of developing and supplying land and public housing nationwide.

The government provided Korean won (KRW) 3.0 trillion of capital support to KLHC in 2024 and KRW2.8 trillion in 2023, compared with about KRW1 trillion per year in 2014-2018. The increased amounts were necessary to fund public housing and new city projects mandated by the

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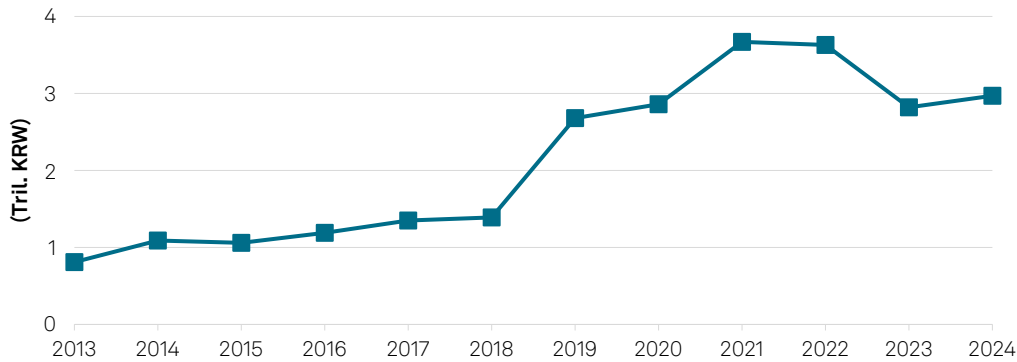
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## Korea Land and Housing Corp.

government. The capital contributions typically cover 30%-40% of KLHC's costs for public housing for young people, newlyweds, the elderly, and low-income households. They also enhance the company's debt capacity, given it is permitted to issue bonds up to five times its equity.

### Capital injection from the government remains high for KLHC



Tril.--Trillion. KRW--Korean won. Sources: Company disclosures, S&P Global Ratings.

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KLHC will continue to play a critical role in providing public housing and government development projects. The company is the largest property developer in Korea, with a dominant national market share in developing land and providing rental housing. It has also undertaken many government-mandated development projects, such as Administrative city and Innovative cities. These projects are executed by the Korean government to relocate administrative bodies and public entities outside the Seoul metropolitan area.

We believe the Korean government will maintain its focus on expanding housing supply to stabilize the property market. The structural reform announced in August 2025 signals a potential shift away from private-sector reliance, with KLHC set to assume a greater end-to-end role in public housing--from land acquisition to construction and sales. While KLHC's policy significance will increase, its financial flexibility could reduce due to reducing commercial land sales, a key funding source. Implementation of the reform is still pending, but the new model could weaken the company's leverage metrics. KLHC's operating performances are closely tied conditions in the Korean property market.

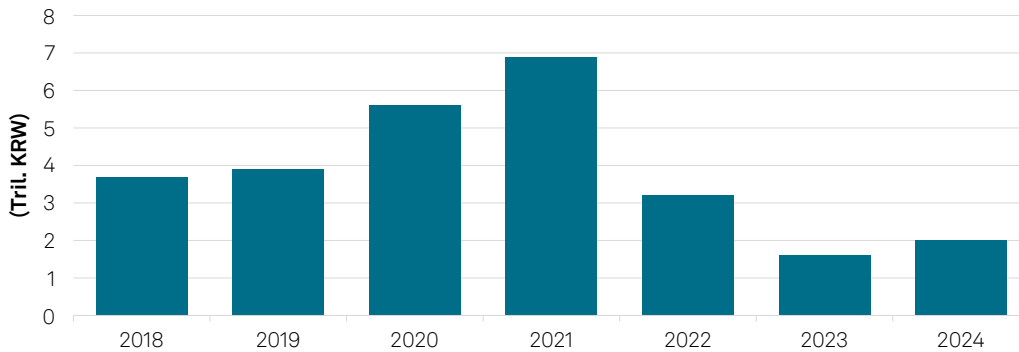
**Sluggishness in the Korean property market will weigh on profitability.** High-margin land and housing sales typically help offset KLHC's losses from the public housing-related businesses. However, the Korean property market has been sluggish since late 2022, resulting in lower sales and margins. The company's EBITDA fell to KRW2.0 trillion in 2024 and KRW1.6 trillion in 2023 from KRW3.2 trillion in 2022 and KRW6.9 trillion in 2021, when sales of expired public housing in the first and second new town areas were mostly completed.

**We forecast KLHC's operating performance will gradually bottom out in 2025.** Our opinion is based on a modest recovery in Korea's housing prices since 2024. Delayed land sales settlements amid real estate headwinds are likely to be resolved gradually, and high-margin housing sales should rise modestly, in our view.

## Korea Land and Housing Corp.

However, we don't expect a significant earnings recovery in 2025 because land bank sales related to the third new town will only contribute to KLHC's earnings over 2027-2028. We also expect operating losses in public rental housing to persist due to increased maintenance and repair costs for the aged rental housing units and the government's plans to continue to expand public rental units for low-income households.

### KLHC's EBITDA remains weak amid a property market downturn



Tril.--Trillion. KRW--Korean won. Sources: Company disclosures, S&P Global Ratings.

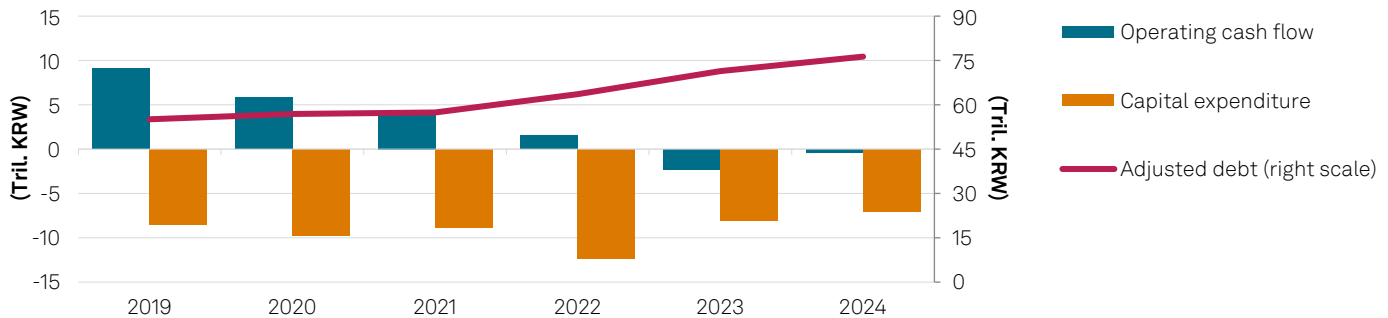
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**Heavy debt and capex will constrain KLHC's financial position.** We believe the company will face difficulties in funding investments internally owing to its weaker operating cash generation compared with the past. While operating cash flow improved slightly in 2024, it remains below historical levels.

Capex should stay elevated over the next two years for the third new town project, resulting in negative discretionary cash flow. This is despite sizable capital injections from the government in recent years. We expect KLHC to rely on external debt to cover the shortfall, which could further pressure its leverage metrics.

**KLHC is likely to substantially benefit from the third new town projects.** The good location of the projects (adjacent to Seoul) supports our view. Also, we believe the company will continue to capitalize on its status as a major government entity. It continues to receive ongoing government subsidies and financial assistance, including low-cost subordinated loans from the NHUF. The fund offers such loans with long maturities, low interest rates, and favorable repayment terms (amortization from Year 30). Of note, NHUF loans accounted around 50% of KLHC's total debt as of end-June 2025.

**KLHC's debt is set to rise given increasing investments in public housing projects**



Tril.--Trillion. KRW--Korean won. Sources: Company disclosures, S&P Global Ratings.

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## Outlook

The stable rating outlook on KLHC reflects our outlook on the sovereign credit rating on Korea. We equalize our rating on KLHC with that on the sovereign. This reflects our expectation of an almost-certain likelihood of extraordinary support from the government to the company during any financial distress.

### Downside scenario

We could lower our rating on KLHC if we downgrade Korea. A weakening of KLHC's role as the policy arm of, or its link with, the government could also put pressure on the rating.

### Upside scenario

We could raise the ratings on KLHC if we upgrade Korea.

## Company Description

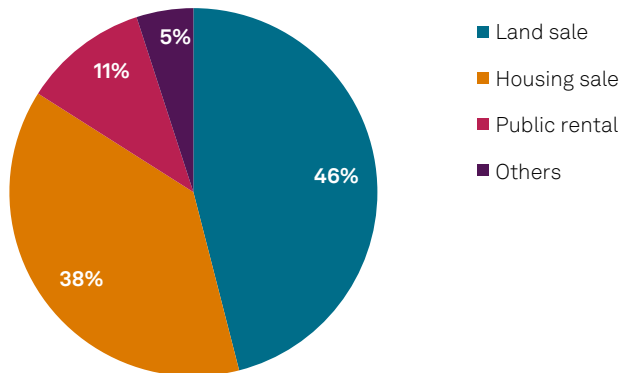
KLHC was established in 2009 through the consolidation of two government entities: Korea National Housing Corp. and Korea Land Corp. The company plays the policy role of providing development land and affordable public housing. It is the largest property developer in Korea.

KLHC operates in three main business segments: land, public housing, and public rental housing. The land segment mainly covers the sale of land for industrial and residential complexes. It accounted for about 46% of revenue in 2024. The public housing segment (38% of revenue) develops, constructs, and sells housing units, including expired public rental houses. The public rental housing segment (11% of revenue) constructs, purchases, rents, sells, and operates rental housing units for low-income households and individuals.

KLHC is fully owned by the Korean government (85%) and government-related entities (Korea Development Bank, 10% and The Export-Import Bank of Korea, 5%). The company is governed under the Korea Land and Housing Corporation Act.

## Land sale is the KLHC's largest revenue contributor

Breakup of 2024 revenue



Sources: Company disclosures, S&P Global Ratings.

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## Environmental, Social, And Governance

KLHC is exposed to social risks. This is given the company's role in land development, urban regeneration, as well as housing market stabilization as a government-owned entity.

KLHC is responsible for and promotes social cohesion due to its role as a provider of affordable public housing for low and medium-income families, the young generation, and other disadvantaged communities. For example, the company provides rental apartments to these communities at 30%-90% of market rent, depending on the needs and income bracket of the target communities.

In April 2023, the slab roof of the underground parking lot of one of the KLHC's public housing apartment being constructed in Incheon collapsed, but there were no casualties. A subsequent investigation revealed that the parking lot structure had missing steel reinforcement bars (rebars), and the concrete of the structure lacked the requisite strength to support itself. Further investigation revealed that, of the 102 public housing apartment complexes that utilized the flat-plate slab system, 20 apartment complexes had missing rebars.

KLHC has announced plans to complete remedial work on such affected public housing apartments (which would be done by GS Engineering & Construction Corp.). The company reviewed its contractor selection and evaluation process, as companies that had hired former senior employees of KLHC were allegedly favored.

A few employees caused land speculation cases in 2021. We attribute these incidents to weak internal controls. While the financial impact for KLHC would be limited to several billion Korean won, misconduct by the company's employees or third parties engaged by the company could adversely affect its reputation, business, operations, and financial conditions.

# Issue Ratings--Subordination Risk Analysis

## Capital structure

As of Dec. 31, 2024, KLHC's capital structure consisted of KRW87.4 trillion of unsecured debt at the parent level, and minimal debt (KRW1.6 billion) at the subsidiary level.

## Analytical conclusions

We rate KLHC's debt 'AA,' the same as the long-term issuer credit rating. This is because no significant elements of subordination risk are present in the company's capital structure, given a priority debt ratio of close to 0%.

## Related Criteria

- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10 2021
- [General Criteria: Group Rating Methodology](#), July 1 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28 2018
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 24 2015
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16 2011

## Related Research

- [Korea Land and Housing Corp.](#), Sept. 1, 2024
- [Research update: Korea Land & Housing Corp. 'AA' Ratings Affirmed; SACP Revised Up On Lower Public Housing Rental Risks; Outlook Stable, Aug. 25, 2022](#)

### Ratings Detail (as of September 02, 2025)\*

#### **Korea Land and Housing Corp.**

Issuer Credit Rating	AA/Stable/--
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#### **Issuer Credit Ratings History**

08-Aug-2016	<i>Foreign Currency</i>	AA/Stable/--
16-Sep-2015		AA-/Stable/--

**Korea Land and Housing Corp.**

**Ratings Detail (as of September 02, 2025)\***

21-Sep-2014		A+/Positive/--
08-Aug-2016	Local Currency	AA/Stable/--
17-Sep-2012		AA-/Stable/--
01-Oct-2009		A+/Stable/--

**Related Entities**

**Export-Import Bank of Korea**

Issuer Credit Rating		
Foreign Currency		AA/Stable/A-1+
Local Currency		--/--/A-1+

Commercial Paper		
Foreign Currency		A-1+

Short-Term Debt		A-1+
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**Korea Credit Guarantee Fund**

Issuer Credit Rating		AA/Stable/A-1+
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**Korea Development Bank**

Issuer Credit Rating		
Foreign Currency		AA/Stable/A-1+
Local Currency		--/--/A-1+

Certificate Of Deposit		
Foreign Currency		A-1+

Commercial Paper		
Foreign Currency		A-1+

**Korea Development Bank (Singapore Branch)**

Senior Unsecured		AA
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**Korea Housing Finance Corp.**

Issuer Credit Rating		AA/Stable/A-1+
Senior Unsecured		AA

**Korea Mine Rehabilitation and Mineral Resources Corp.**

Issuer Credit Rating		A+/Stable/--
Senior Unsecured		A+

**Korea National Oil Corp.**

Issuer Credit Rating		AA/Stable/--
Senior Unsecured		AA

**Korea (the Republic of)**

Issuer Credit Rating		AA/Stable/A-1+
Transfer & Convertibility Assessment		AAA
Senior Unsecured		AA

**NH Investment & Securities Co. Ltd.**

Issuer Credit Rating		A-/Stable/A-2
Senior Unsecured		A-

**NongHyup Bank**

Issuer Credit Rating		A+/Stable/A-1
Commercial Paper		

**Korea Land and Housing Corp.**

**Ratings Detail (as of September 02, 2025)\***

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<i>Foreign Currency</i>	A-1
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**NongHyup Bank (Sydney Branch)**

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Senior Unsecured	A+
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\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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