

## Real estate boost predicted

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**Analysts say property law sub-decree would boost foreign investment potential**



Photo by: Sovan Philong

Construction work on apartments on Sisowath Quay, Phnom Penh, continues Wednesday.

**D**evelopers have welcomed a government move towards allowing foreign property ownership in private units to be up to 80 percent of a building, with stakeholders applauding it as a sign that Cambodia is opening up to more investment.

The government is considering a sub-decree on the foreign property ownership law to clarify the percentage of a building that can be privately owned by a foreigner, the Land Ministry said Wednesday. Previously the law had no limit, and it was not clear what the allowances were.

Reactions among key players in the property market and investment experts, interviewed by the Post on Thursday, were largely positive. Many predicted that the sub-decree would boost Cambodia's market potential; however, some are uncertain of

the time frame for change.

Douglas Clayton, chief executive officer of fund manager Leopard Capital, which has a US\$1.5 million investment in residential housing in Siem

Reap, said the sub-decree would be a positive indication the government was opening to foreign direct investment.

“This will obviously be very favourable news if they pass this sub-decree,” he said.

Although he did not expect immediate results, at least not in cities such as Phnom Penh and Siem Reap, he pointed to Cambodia’s coastline as an area of potential growth.

“I’m not sure it would immediately stimulate the foreign property market – at the moment there’s not as much interest because of the global financial crisis,” he said.

“I think what we’ll see is the demand for property along the coast will increase. Foreigners tend to want to have a place more for the holidays, so I think that’s where you’ll see more developers targeting.”

Matthew Rendall, partner at law firm Sciaroni & Associates, said there is definitely a market for foreign ownership – “we get enquiries about that all the time” – but that just how big the market is, or could become, isn’t clear.

He said that demand from developers would probably increase as their sales scope went from being concentrated in Cambodia to global in nature.

“The higher the government makes the level of foreign ownership, the better it is for the property market generally because it increases the customer base,” he said.

Daniel Parkes, country manager for Cambodia at global property firm CB Richard Ellis, agreed. He said an 80 percent limit would help expand the market, opening it up to new foreign investment, which he deemed “very important” to the sector.

However, he said that only “time would tell” how it would affect the property market in terms of levels of both construction and development.

“This doesn’t give all the answers, but it is a good step along the way,” he added.

Commentators, however, said that some points remained to be clarified in the sub-decree to prevent a “dual economy” within a single apartment block.

“The idea 100 percent cannot be sold to foreigners will be a factor developers take into consideration when they design these apartments. If x amount can be sold to Cambodian’s only and the rest to foreigners, it would potentially create two different pricing structures,” Rendall said.

He said details of whether the 80 percent refers to the number of units or floor space

could also have similar design ramifications.

But he played down fears that a broader customer base could inflate housing prices to the detriment of local Cambodians, saying there will always be a market for different levels of income.

Among property developers, the reaction was overwhelmingly positive.

Un Mouy, sales and marketing manager for Tow Town Co, a Taiwanese developer behind Bali Resort housing development project, said it has already seen a jump in demand from foreigners following the foreign property law's introduction earlier this year and expects the sub-decree to drive demand.

"It is good news for us to build more apartments and condominiums to sell," she said.

She said the company is preparing documents to ask permission for the Ministry of Land Management to build another apartment to meet client demand.

Kheng Ser, assistant to South Korean developer World City's vice president, said the move would attract more investors as property opportunities opened up.

"I think it's a good idea to allow up to 80 percent of units to be owned by foreigners," he said. He added that his company had also sold the vast majority of condos at its \$2 billion development in Camko City.

Foreigners "will come more and more to invest and live in our country because they can own property here," he added.

According to the Ministry of Land Management, the sub-decree is awaiting approval from the Council of Ministers and is set to be passed within the next month. **ADDITIONAL REPORTING BY ELLIE DYER**