

The “Next Costa Rica”...in Asia



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By Ronan McMahon

Little islands fringed with white sand dot the horizon. In the distance, the beach gives way to a rocky outcrop topped with thick green jungle. Glass-flat turquoise water washes powder-white sand. This might just be the nicest beach I have seen.

And, I'm only sharing it with four others today. Well, I think I am. They're so far down the beach they look like black dots on the sand.

In the beach town close by, \$60,000 buys you a comfortable 1,500-square-foot apartment. That's set to change.

Cambodia's stretch of coast from the border with Vietnam to north of Sihanoukville is set to explode. This is where the wealthy French colonial types came to vacation and escape the city. They danced in giant ballrooms under elaborate chandeliers. They enjoyed a life of privilege and luxury.

That's set for a comeback. Cambodia is on the up. Tourist numbers are growing at a strong double-digit rate. Road improvements have made this coast more accessible. And this is one of southeast Asia's last big secrets.

In these jungles overlooking the gulf of Thailand you will still find French colonial mansions. They're abandoned...waiting for someone to bring them back to life as a home, boutique hotel or stylish apartments.

Here, on this beach, I'm just over a three-hour drive on an excellent road from Cambodia's capital, Phnom Penh. For two hours the drive is through paddy fields and cattle country. Only the brightly colored Buddhist monasteries tell me I'm in south-east Asia.

The last hour of the drive is different. It's stunning. I'm here in rainy season. Immediately after a ferocious downpour clouds roll back, revealing a bright blue sky and brilliant

sunshine. Giant chunks of sheer jungle-clad rock rise almost vertically from beautifully symmetrical green paddy fields.

It's uncannily like Costa Rica's Southern Zone. It feels surreal to see temples rising from a jungle canopy that looks so familiar to me.

The city of Kep (Kep is also the province; the name Kep translates to "saddle of the horse") was founded as a beach resort in 1908. You'll see French influences everywhere in the architecture and cuisine.

Perched above the ocean at Kep and choking in the jungle are some of the old French mansions I mentioned. Some have squatters. Others are left to the jungle, the monkeys and the bats. They add to the enchantment of this place.

The border with Vietnam is just a few kilometers away. This border is disputed, along with islands off Kep which are Vietnamese territory. Travel by boat from this stretch of Cambodia's coast to these islands isn't permitted. Just off this coast is Vietnam's popular and flourishing resort island of Phu Quoc.

Kep's golden era was the first five decades of the last century. War and hunger put an end to that. The elite scattered. Locals stripped most of the villas of their fancy finishes.

Some pieces stayed in town. You can drink 50-cent beers in a ramshackle bar that's home to a grand French chandelier.

The ocean boulevard is lined with cobble stone sidewalks and large statues. King Sihanouk, the Cambodian monarch, built himself a villa here. It's unoccupied. The coastal road sits just above the rocky shorelines and snakes its way along the coast. I can picture French playboys driving full-speed along this road in their fancy sports cars, turning heads.

On this rocky section of coast the beaches are stony. The white sand beaches are ten minutes away by boat on one of those islands, or a short drive north.

Driving north you'll see an almost vertical escarpment that rises from the paddy fields and coastal plain. The views to the ocean are jaw-dropping.

On the rim of this ridge there's an abandoned casino and town where 10,000 people once lived. A major new casino resort is under construction here. The developer has rebuilt the nearby airport. He'll fly guests directly in and out from China. Talk is that regular flights will also connect this airport with Siem Reap (where you'll find Angkor Wat, Cambodia's biggest tourist attraction).

The owner of this resort is also rumored to be getting permission to run a ferry service to the Vietnamese island of Phu Quoc. If (and we need to assume that this still is a big if) he succeeds in doing this it will put this stretch of coast on the route western holiday makers take through this region. Phu Quoc is established on the tourist trail. If the ferry service gets the green light, this coast will quickly catch-up with the more developed Vietnam.

The beach I'm writing from is one of Sihanoukville's five beaches.

Beach bars and restaurants line the beaches in town. Australian expats sip ice cold beer. Offshore are little islands, perfect to hop around and picnic on.

Here's some video I took from the beach town of Sihanoukville.

In Sihanoukville, \$60,000 buys you a comfortable 1,500-square-foot apartment. It's quieter than in Thailand's beach resorts. But tourism is growing fast here.

Down the coast in Kep there are no real estate agents, let alone listings. As you drive around you'll see for sale signs, hand-written with a phone number. This is the type of anomaly that creates opportunity. But, also the type of situation where a trusting foreigner and their money can be parted. Tread carefully.

Regards,

Ronan McMahon
for The Daily Reckoning

P.S.: My experience in Asia has been fascinating, rich and wonderful. There are some amazing real estate values. The hurdle: foreign ownership is restricted or flat out forbidden.

In Cambodia, land ownership is restricted to locals. Foreigners can lease land and homes (remember, when you buy a home you also need to control the land it sits on) for up to 99 years. In recent years the laws have changed to allow foreigners to own condos, but not on the ground-floor of a building.