

Hope alive despite poor construction data

Wednesday, 26 January 2011 15:00 Soeun Say

Analysts yesterday remained hopeful of a construction revival in 2011, despite new government data which revealed the value of approved building projects plummeted nearly 58 percent last year.

Ministry of Land Management, Urban Planning and Construction data showed that 2,149 construction projects worth a combined US\$840 million were approved last year. That compared to 2,230 projects worth \$1.988 billion approved in 2009.

Ministry spokeswoman Nun Pheany said yesterday that the fall was due to the lack of large investment projects, such as skyscrapers, which reached their peak in 2007 to 2008.

“If we get small projects, we also get a small value. That is why construction value was down in 2010,” she said.

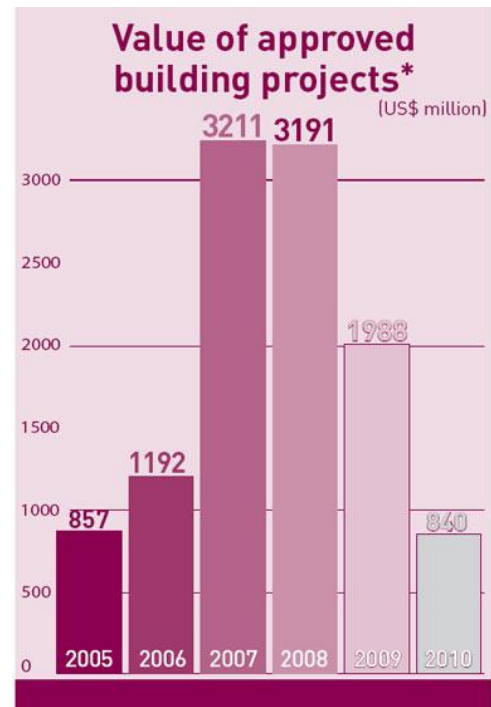
The number of residential projects was increasing, she added, stating that government policies to strengthen the sector – such as foreign co-ownership law – could make for a better 2011.

Sung Bonna, president of the National Valuers' Association of Cambodia and president of Bonna Realty Group, said yesterday that "approved" values may not illustrate a project's funding in the real economy.

“I think that it's much more of a downturn than the figures stated. It [the data] only has statistics on paper,” he said.

He claimed some foreign developers inflated potential capital investments, but were actually waiting for domestic investors before moving forward.

“In fact in 2010, we had only Khmer investors investing in our country - such as in the Borey Peng Hout



and New World City developments,” he said.

He said that since the last quarter of 2010 there had been some signs of recovery in the sector, which he hoped would improve and attract additional foreign investment in 2011.

Daniel Parkes, country manager of CB Richard Ellis (Cambodia), added that the high levels of investment in Cambodia during 2008 had reflected a real estate boom in the period before the financial crisis.

“This is a natural reaction which has been repeated around the world due to a global crisis,” he said.

He remained “encouraged” about future growth, adding that this year will see the completion of the Phnom Penh Tower in May.

But Douglas Clayton, managing partner of Leopard Capital, warned that Phnom Penh still has to absorb a wave of high-end residential and office projects that are partially completed but remain unsold.

“Of course there are still a few niche opportunities for developers, but these require creative thinking,” he said.