

Slowdown in construction

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THE value of construction projects granted the go ahead by the Cambodian government has fallen 66 percent in value in the first 11 months of last year, compared with the same period in 2009.

A report from the Ministry of Land Management, Urban Planning and Construction shows 2,000 projects worth US\$655 million were approved in the first 11 months, down 66.34 percent from the 2,116 projects worth \$1.948 billion for the same period last year.

“It’s true. We can see that it’s really fallen for the first 11 months of 2010 because we got only small construction projects here,” the ministry’s construction department director Lao Tip Seiha said.

But he hopes that the year-end figures would improve, due to a few large project investments being approved in December, but he did not confirm which company’s were involved.

According to ministry spokeswoman Nun Pheany, the construction sector in Cambodia is still suffering the effects of the world economic crisis with local and foreign investors waiting for an improved situation before they invest.

“It’s [value] decreased because we haven’t had any new large investments such as skyscrapers and satellites cities ... we only have small project such a hotels, restaurants, warehouses and housing,” he said.

The number of residential projects was increasing in the Kingdom, but investment projects had



not shown signs of resurgence, she added.

“We hope that capital investment for construction projects in will get better because of new government policies to strengthen the construction sector,” he said. “The new policies are increasing the confidence of investors.”

She said that a new sub-decree allowing foreign citizens to own up to 70 percent of units in a development could provide a boost to the industry.

It is not only the value of construction approved that has fallen, but the real estate market in general also dropped by up to 15 percent last year, said Sung Bonna, the President of the National Valuers Association of Cambodia.

According to figures released by the National Valuers Association of Cambodia last Wednesday, land prices dropped between 10 percent and 15 percent in 2010 compared with 2009.

Douglas Clayton, the Chief Executive Officer of Leopard Capital, said the number of big projects underway in Phnom Penh already threatened to swamp the small market.

“I expect this industry to continue to lag in the broader economy in 2011,” he said.

Investors and developers were waiting for a firmer economic situation before investing in construction – particularly when it comes to the larger projects.

Work on the prominent Gold Tower 42 building on the corner of Sihanouk and Monivong Boulevards was temporarily halted in September and the US\$300 million Posco development, located in Chamkarmon district’s Tonle Bassac commune, set to consist of 1,000 apartments in three apartment blocks – one 45-storeys tall and the others two 42-storeys high – was also postponed in September.

David Simister, the Chairman of CB Richard Ellis Co, said yesterday that 2010 was a year of market consolidation, with the exception of hotels in Siem Reap and villas in the suburbs of the capital. Modern Cambodia has not seen anything that could be described as a building boom, he said. But he added that as the economy grows, there are clear areas of future demand.

“The areas of importance I can see which are currently not being adequately supplied are coastal tourist properties to exploit and make use of the Ream [Sihanoukville] Airport. We believe Cambodia can attract the same market that Thailand has enjoyed for the last 25 years uncontested,” he said.