



Brocon specialises in high-end properties, like this rooftop apartment in Phnom Penh city-centre

PROPERTY MARKET

The sky's the limit

Although the days when you could buy a house for a crate of beer are gone, there are still golden opportunities in Cambodian real estate

To say that Cambodia's real estate market is booming might be an understatement. The market value of many properties is skyrocketing while new developments are springing up in many parts of the country to cater for spiralling demand. The current boom began about five years ago after decades of stagnation in the property market fuelled by political instability and war. "As the country began to rapidly develop, money that used to be held overseas came back into Cambodia, and as it flowed into the property market, people began to trade those assets resulting in phenomenal capital growth," says Rory Hunter, CEO of the Brocon Group, a Phnom Penh based property developer. "You used to be able to buy land in Siem Reap for \$5 per m² and in some cases it's now selling for \$1000 per m² - that's a 200 fold increase in returns in 6 years. It's phenomenal, almost unprecedented."

The scale of the property boom has been magnified because it began from such a low base. Private property was outlawed under the Khmer Rouge regime

and the communist-orientated governments that followed, which meant that it was basically worthless. As a result, for thirty years, almost no new housing units were built. "In 1993, when I opened my business, property had no value," says Hans Reber, head of Reber Real Estate in Phnom Penh. "During the 30 years of war there was no market. There was no value in land and no knowledge about the property market. I have a friend who

bought a property in Phnom Penh for a few cases of beer."

That all changed about five years ago when the value of property began rising on the back of rapid economic development and many Cambodians found themselves sitting on land that was worth a lot of money. "You'd be amazed how many Cambodians can buy \$100,000 properties with no financing, and the reason for that is that they own land. You might have

Rory and Melita Hunter of the Brocon group (right), which is investing in many of the city's prime locations such as Street 19 (far right)





New developments are raising prices throughout the city

had a block of land that was worthless for years and all of a sudden it's worth \$100,000, so you sell it and buy property. For the first time in your life you're cashed up and you can jump into the middle-class over-night," explains Hunter. In addition, with Thailand beginning to lose its shine as an investment destination due to political instability, growing numbers of ex-pat investors and property fund managers are beginning to take a look at Cambodia. Unlike in Thailand - where foreign nationals can only own up to 49% of a property - Cambodia's 1994 Property Law allows them full control of any properties they purchase, including the right to buy and sell. "There is incredible hype now in Cambodia, everyone wants to own property, to get a piece of the action," says Hunter.

But buyers be warned: the Cambodian property market can be a minefield. Experts say that as well as complying with the law, it is important to learn about how property deals are conducted in Cambodia. "You have to combine those two things. If you just have the paper work you are not absolutely safe. You have to

make sure there are no problems with the property because, as a foreigner, in the long term you will lose," says Reber. Cambodia's haphazard rules regarding land titles is a common cause of property disputes. "Sometimes the ownership papers are fake and others will emerge to stake a claim. It's very common for relatives to come back from abroad and claim the land as their own," says Reber.

Problems can also arise for those buying a property in one of the country's many new housing developments. In most cases, the building companies are heavily indebted to the banks so if the company collapses you might lose your property. "Buying a property from a developer is like buying a share from the company, the risk is there. If you buy it from them you have to make sure you have legal papers. If you just buy it from the company it's very risky," says Reber.

The best way to ensure a smooth transaction is to employ the services of a licenced agent or some other trusted Cambodian intermediary. "You need to screen it [the property deal] properly and if there is any problem, even the tiniest problem, just forget it, don't get into it. Otherwise it will come back to haunt you," says Reber. "Remember that it's their system and that they control it, and if you want to access that system you have to have the right person. If you have the wrong person you gamble."

But for those who do it right, the potential returns from investing in property in Cambodia are huge. Analysts expect the boom in the property sector to continue for at least the next 5 years and probably for many years after that.

