

# Lawmakers consider letting foreigners buy real estate

By CAT BARTON

Foreign investors may not need to wait for the stock market in 2009 if they want a piece of Cambodia's economy.

The government is on the verge of changing the property ownership laws so that foreigners will be able to buy real estate in the country and own it outright.

Although current law prohibits foreigners from actually holding title to land in Cambodia, the National Assembly is considering an amendment to the law that could be approved soon, said Nuth Narang, Secretary of State at the Ministry of Land Management, Urban Planning and Construction.

"Local developers have a massive interest in seeing the law change. Cambodia is open for business now.

There is huge demand, foreigners would buy property," said Matthew Rendall, a lawyer with the investment advisors Sciaroni and Associates.

Although it was not clear what restrictions Cambodia might put on foreign property investment, Rendall said there is no downside to changing the law. Cambodia has "nothing to lose," he said.

Developers contacted by the

Post said a change in the law would change the marketing environment for developers in Cambodia.

Marketing director Nhem Sothea at Grand Phnom Penh International City said changing the law would make it "much easier to sell property here."

"There is a large Korean market—they want to come here and retire

LAWMAKERS continues page 3

January 11 - 24, 2008

Phnom Penh Post 3

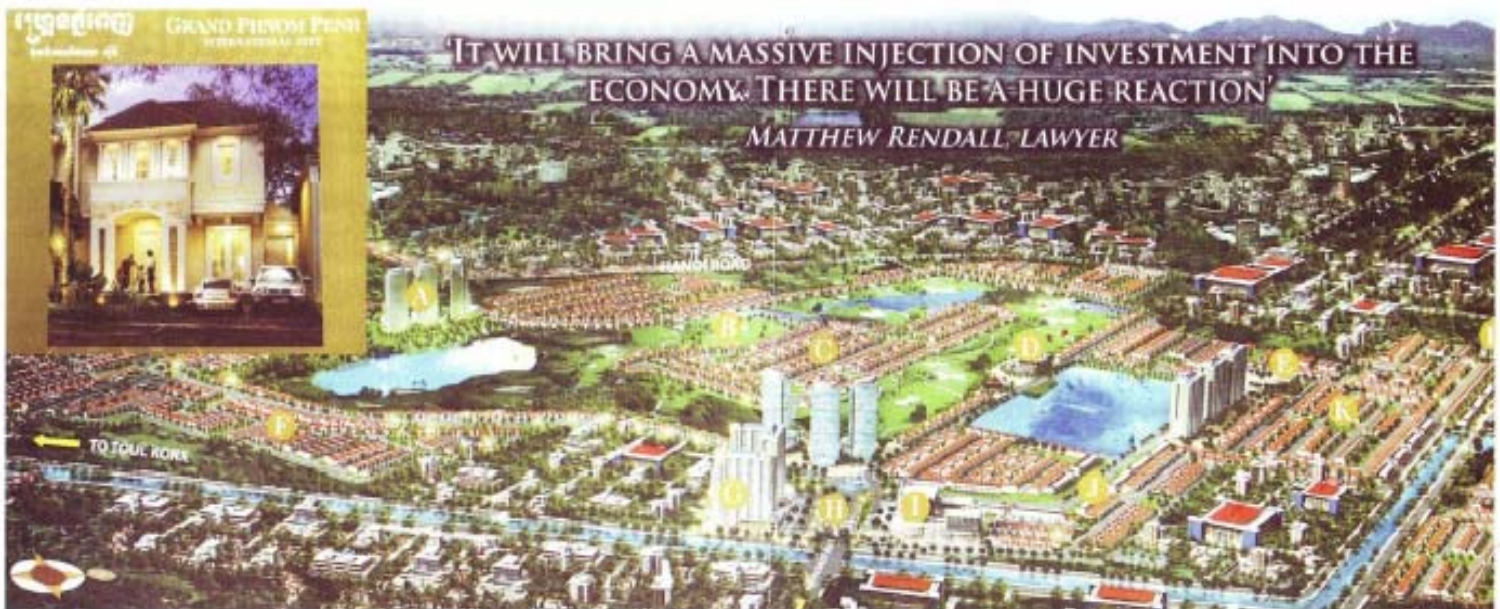


Photo supplied

A bird's-eye view of the yet-to-be built Grand Phnom Penh International City, a gated community for the well-off some seven kms from the city center.

## LAWMAKERS

Continued from page 1

and we could access that market better with a change to the law." Backed by Indonesia's Ciptutra, through a local partner RCAF Gen. Ke Kim Yan, the International City is developing 260 hectares 20 minutes northwest of the city center into a gated community.

Nick Chandler, sales and marketing director for Brocon, which buys colonial buildings in Cambodia and rehabilitates the apartments for sale to foreign investors, said a change in the law would create huge demand.

"There is a real buzz regarding Cambodia," he said. "They have had three years of double digit growth—9 percent this year. A

lot of people see that and those people see property as the best and most stable way to get into this market."

Narang said the ministry is discussing whether changing the law "will be beneficial to the economy." "We need to assess how best to go about this," said Narang. He added that the ministry is seen as favoring the amendment because in August it passed a sub-decree allowing foreigners to use property they own via a leasehold as collateral with the banks.

Some of Cambodia's neighbors already permit some type of foreign property ownership. Thailand, Singapore and Malaysia all allow foreign investment in "immovable property" with various restrictions. Immovable

property includes not only land but buildings and leases.

In Thailand, the rules are that at least 51 percent of high end apartment block developments must be Thai-owned. In Singapore, foreign nationals can own property above the seventh floor.

"It would be a natural progression for Cambodia to introduce something similar," said Rendall. "It will bring a massive injection of investment into the economy. There will be a huge reaction."

Other options could be prohibiting foreign ownership of ground floor units, but allowing sale of above ground apartments. Or the government might change the title deeds so that anything defined as a "building" but not as "land" could be bought. A change in the law

would clearly benefit developers such as the South Korean developers of the Camko City project, which includes many high end apartments.

Camko City officials could not be reached for comment. According to the company's marketing information, the first planned development includes 18 houses and 100 townhouses, but many more large blocks of apartments. At the moment, property developers get around the land buying restriction by selling leaseholds to foreign investors, said Chandler at Brocon.

He said foreign buyers obtain a 99-year lease with an option to renew. The leases all include a clause saying if the land law changes, the leaseholds will be converted to

"free hold." Owners would have to pay certain taxes and transfer fees to convert. He said Brocon has sold more than 20 properties under the lease agreement.

"A change of law allowing foreigners to buy would mean all leases revert to freehold and that would give us an even easier product to sell," said Chandler.

Brocon's target market is sophisticated foreign investors who already have property portfolios in the region. "The current legal framework is not an impediment to us. We are not selling to mum and dad investors."

"Capital growth on land over the last two years has been ridiculous—something that sold for \$500 two years ago is now \$2,000 plus," said Chandler.