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AP, PHNOM PENH
Wednesday, Mar 12, 2008, Page 9

An old hospital was razed to make way for Phnom Penh's tallest building -- a 42 story twin condominium tower. A garbage-strewn slum became prime real estate after police evicted its dwellers to a parched rice field outside the capital.

Cambodia is experiencing a construction boom fueled by foreign investment, particularly by South Koreans, and buying and selling among the country's few nouveaux riche -- while leaving the poor majority behind.

Shopping malls and tall apartment buildings are sprouting up, transforming the capital's landscape that once bore the charm of colonial French-styled villas, but resembled a ghost town at the fall of the genocidal Khmer Rouge regime nearly 30 years ago.

Political stability and robust economic growth of nearly 10 percent have lured investors to the real estate market that has seen prices surge over the last few years -- though they are still lower than in neighboring Vietnam or Thailand.

"Cambodia was sleeping for many years and now it's waking up," said Claire Brown, managing director of Britain-based Claire Brown Realty, who began buying and selling property in Phnom Penh two years ago.

"The government swept us away because they regarded us as very unpleasant for their eyes." "Everybody wants to get a piece of the action," she said by phone. "The time to get in is now because soon it's going to be too late." Prime city land prices have tripled over the last two years to US\$3,000 per square meter. Those kinds of returns have drawn rich and middle-class Cambodians, as well as those living abroad.

Chhom Et, former Phnom Penh slum dweller "In buying and selling land, they could get profit 100 or 200 percent a year, if they make the right bet on the right location," said Dith Channa, the sale manager of CPL Cambodia Properties Ltd, a Phnom Penh-based real estate agency.

But the soaring real estate market is also widening the gap between the rich and the poor.

"Phnom Penh city is getting modern every day -- of course for the wealthy," said Chhorn Et, a former slum dweller now living with hundreds of others in a village in the middle of rice field about 20km from the capital.

"The government swept us away because they regarded us as very unpleasant for their eyes," said the 34-year-old woman who scavenges for discarded cans and bottles to sell for a living.

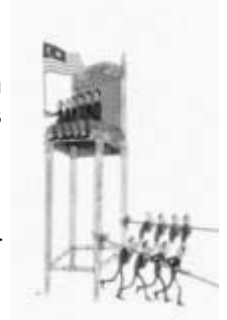
The flourishing property market is also happening in the shadow of problems of land rights disputes that, in recent years, have often pitted the poor against wealthy developers with links to the Cambodian political establishment.

"We're moving toward possibly about 10 percent of the population owning 90 percent of the land in Cambodia," said Naly Pilorge, director of the nonprofit human rights group Licadho.

That could fan social and political unrest, she and others have warned.

The biggest projects are being funded by South Korean investors and companies, which have been the leading investors in Cambodia following the resumption of diplomatic ties between the two countries in 1997. Investment and tourists from South Korea have surged following a 2006 visit to Cambodia by former president Roh Moo-hyun.

World City Co Ltd, a South Korean company, is investing US\$2 billion to build a "satellite" urban complex called Camko City on a 120 hectare area on the northwest side of Phnom Penh. The project, the single biggest foreign direct investment in Cambodia to date, will include residential, commercial and public facilities -- villas, condos, trade and financial centers, office buildings, shopping centers, hotels, schools and hospitals.



Meanwhile, at a busy corner leading up to the city's landmark Independence Monument, an old government hospital has been torn down to make way for a 42 story condominium and shopping complex worth about US\$250 million. That's going to dramatically change Phnom Penh's skyline, where the tallest building now is a 15 story hotel.

It is going to be the first luxury residential building and tallest structure in Cambodia, said Kim Tae-yeon, chairman of Yon Woo Inc, a South Korean developer.

Kim said the towers will have about 500 units of apartments, office space and retail shops with price tags ranging from US\$112,000 to US\$1.8 million a unit.

Construction will start next month and take three-and-a-half years to complete, but Kim said nearly half of the units have already been bought.

In recent years, Siem Reap, a northwestern town near the famed Angkor Wat ruins, has also seen a frenzy of hotel and guesthouse construction for the growing numbers of tourists.

Thrilled with the boom, Prime Minister Hun Sen has said it has been made possible by the political stability he has brought. In a recent speech he warned that if he is not re-elected in July elections, property prices could nosedive.

"It was a threat, a dirty trick to gain votes," said Son Chhay, an opposition party lawmaker.

Son Chhay and some human rights workers, including Pilorge of the human rights group Licadho, believe that the boom is partly fueled by people laundering money from illegal logging, drug trafficking and tax evasion by plowing the cash into the real estate market.

"This is not going to be healthy for the Cambodian economy," Son Chhay said.

There are also concerns that the rapid price gains are creating a property bubble that will eventually pop.

Eric Sidgwick, senior economist at the Asian Development Bank office in Phnom Penh, said the real estate market has been "driven by a combination of genuine demand for business-related and residential construction," as well as a growing population, increased urbanization and speculation.

Still, there were "reasons to be concerned about the recent increase in real estate prices and the dangers of further inflating a speculation-led bubble," he said in an e-mail.

He declined to comment about any possible link between money laundering and the property market boom.

Meanwhile, poor residents like Chhorn Et, the former slum dweller who was moved outside the capital, are left to cope with a stark reality in their new village, which has no running water or sewage system.

Although each family has been given a small piece of land, they complain of the lack of means to support their livelihoods. They have to travel daily to the capital to do odd jobs as motorbike taxi drivers, construction workers or scavenge for bottles and cans to sell to buy food.

Many of them are too poor to afford a latrine and have to use a nearby rice field as a toilet, said 37-year-old Mom Somaly, a mother of five children.

Pointing to a distant land-for-sale sign, she said: "Soon they may not even have a field to use as toilet any longer."