

PROPERTY WATCH

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The recent launch of Cambodia's first private island resort, the luxurious Song Saa, turned heads in the local property industry when more than half of its villas were sold in the first two weeks of the property's international marketing campaign. The resort, developed by Rory Hunter and marketed by CBRE, comprises 14 villas; five two-bedroom and nine one-bedroom units, which are being marketed as 'lifestyle' investment and resort yields, rather than straight residential real estate.

Villa owners who put their units in the rental program are allowed 30 days free usage of their

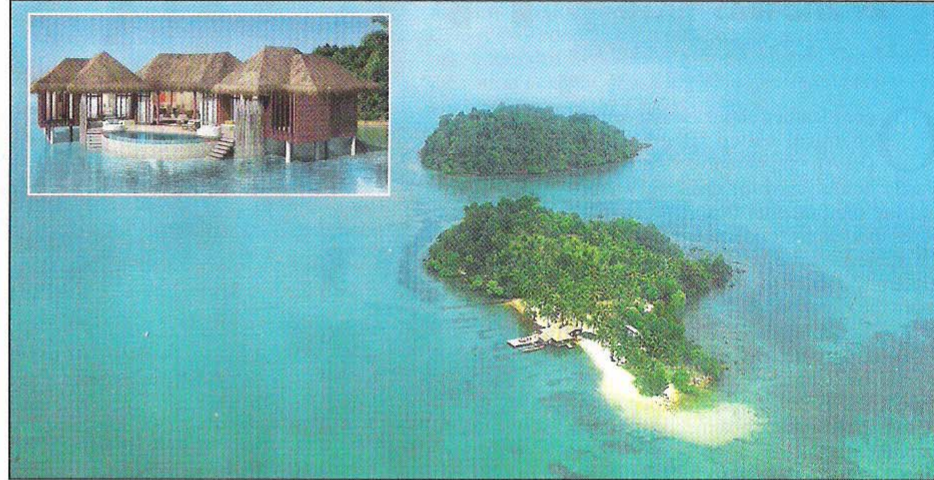
Flashpacking in Cambodia

villas per year and pay electricity charges only. For the initial three years, a 10 percent guaranteed return is in place. Once that term ends, the revenue is split, with 50 percent going to unit owners and 10 percent for capital refurbishment. The remaining 40 percent is retained by management for operating expenses and fees.

Mr Hunter said the management arm Song Saa Resorts is looking for other idyllic and remote locations in Laos and Myanmar for further expansion.

Song Saa is set to open in the second quarter of 2011 with rack rates (daily room rates) forecast at US\$400 for one-bedroom villas and US\$650 for the two-bedroom villas. However, getting there is no easy feat. Barring swimming, most travelers arrive via Sihanoukville and then take a 30-minute boat trip to the island. A small pontoon Cessna transfer service is also in the works for those who prefer to fly in. Mr Hunter expects many adventure and cultural tourists who are already visiting Siem Reap and Phnom Penh to add the destination to their itinerary.

Foreign ownership of property is not allowed in Cambodia but there have been revisions which allow for 99-year lease terms (versus a 30 year lease in



This Cambodian island is home to one of the country's first luxury villa resorts. INSET: One of Song Saa Resort's 14 villas, half of which were sold within the first two weeks of the property's launch on the market.

Thailand, plus options). However, the word is that the Thai government is expected to liberalize freehold ownership of apartments in the next year or so.

According to Mr Hunter, land development costs in Cambodia, including in Phnom Penh, range from 15,000 baht to 35,000 baht per square meter. However, beach land in Sihanoukville, near the new airport, ranges from Bt5 million to Bt13 million per rai.

CBRE's David Simister is currently working on master

planning in Koh Rong. He envisions smaller development plots being sold by larger land owners in order to get the development market moving and critical mass infrastructure in place.

Most of Asia's tropical island destinations were first discovered by backpackers. Much is being written about the evolution of the budget backpacker to today's urban 'flashpacker' (affluent backpacker).

'Flashpacking' is a term that also reflects a growing demo-

graphic of travelers who are forsaking traditional organized travel and venturing to destinations once the reserved of more adventurous backpackers, but they still want their home comforts and access to their modern gadgets.

In summary, it looks as though Cambodia's healthy supply of beach-front property, low development costs and growing access though regional low-cost carriers will put the country on a fast track into the island-resort market.