

Land Prices Surge to All-Time High Across Phnom Penh

BY STEPHEN KURCZY
 THE CAMBODIA DAILY

In 2007, the price of real estate in Phnom Penh increased more than any year in the past decade. Investment from South Korean developers prompted prices in the capital to double and in some cases triple, though some experts question whether such prices can be maintained.

Residential land prices in the city rose last year on average from \$700 to \$1,600 per square meter, and commercial land increased from

\$1,200 to \$2,500 per square meter, according to data compiled by Bonna Realty Group. In 2000, commercial land averaged \$400 per square meter.

From late September 2007 to late December 2007, according to Sung Bonna, the value of land in the city center along both Norodom Boulevard and Monivong Boulevard rose from between \$1,500 and \$2,300 to between \$2,000 and \$3,000 per square meter. At the beginning of the year the same land cost \$1,000 to \$2,000.

"What 2007 did is it proved that people have enough faith and trust now to invest in Cambodia," said Matthew Rendall, an attorney with Sciaroni & Associates specializing in real estate transactions. "It showed the world that Cambodia is a safe place to invest. It opened the door."

Large local realtors, such as Sung Bonna, and small realtors, such as Oeung Phalar of UPL Group Co. Ltd, are both benefiting from high prices. Oeung Phalar sold two residential properties in

the past two months in the Boeung Keng Kang I district for \$3,000 per square meter.

Mark Hanna, chief financial officer of Kith Meng's Royal Group, which has stakes in MobiTel, CTN and ANZ Royal Bank and owns both the Cambodiana Hotel and Infinity Insurance, said prices in Phnom Penh at the moment are "a little bit rich."

"It probably doesn't make a lot of sense to buy into the market at the moment," Hanna said.

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Worries That Good Times Were Mirage

BY DAVID LEONHARDT
 THE NEW YORK TIMES

NEW YORK - So, how bad could this get?

Until a few months ago, it was accepted wisdom that the US economy functioned far more smoothly than in the past. Economic expansions lasted longer, and recessions were both shorter and milder. Inflation had been tamed. The spreading of financial risk, across institutions and around the world, had reduced the odds of a crisis.

Back in 2004, Ben Bernanke, then a Federal Reserve governor, borrowed a phrase from an academic research paper to give these happy developments a name: "the great moderation."

These days, though, the great moderation isn't looking quite so great—or so moderate.

The recent financial turmoil has many causes, but they are tied to a basic fear that some of the economic successes of the last generation may yet turn out to be a mirage. That helps explain why problems in the US subprime mortgage market could have spread so quickly through the world's financial system. On Tuesday, Bernanke, who is now the Fed chairman, presided over the steepest one-day interest rate cut in the central bank's history.

The great moderation now seems to have depended—in part—on a huge speculative bubble, first in stocks and then real estate, that hid the economy's rough edges. Everyone from first-

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Heng Chivonn

An aging train engine maneuvers at the Phnom Penh Railway station on Wednesday.

Train System To Be Renovated and Expanded

BY KAY KIMSONG
 AND TIM STURROCK
 THE CAMBODIA DAILY

A large-scale and long-overdue renovation of the country's archaic railway system, which was built between 1929 and 1942, is scheduled to begin next month, government officials said this week.

"Finally our country is able to fix our railroad after such a long period of war," said Sokhom Pheakavanmony, director of the Transport Ministry's railway department.

French firm TSO and Thailand-based Nawarat have signed an agreement to rebuild all existing lines in Cambodia after winning rights to the project in a joint-venture bid, Sokhom Pheakavanmony said.

There are more than 600 km of rail track connecting Phnom Penh with both Banteay Meanchey

province's Svay Sisophon in the northeast and Sihanoukville in the south, but the rails are desperately in need of a total makeover.

Construction is set to be completed in 2010 and will extend the rail link to Poipet, which will then connect to Thailand.

The project will cost approximately \$55 million, said Paul Power, a consultant with the Asian Development Bank, which is financing some of the rail rehabilitation.

An additional \$18 million will be spent by the government on the project for clearing-mines, moving displaced residents and other preparations for the project, Power said.

Power said that bidding had not yet begun for the proposed 250-km line running from Phnom Penh through Kompong Cham and Kratie provinces to Loc Ninh in

Vietnam. But he said that construction on the proposed line, part of Asean's 5,513-km Singapore-Kunming project, could be finished by 2012 or 2014.

Because of existing lines from Singapore to Thailand and from Vietnam to Kunming, China, Cambodia's rails are a necessary component to connecting the Asean region, he said.

"It can't be done without Cambodia. It's the essential middle," he said.

Sokhom Pheakavanmony said the new rail lines would attract tourists seeking ease of travel and scenic views.

But Huy Rith, engine unit manager of the railway, said not only the tracks, but also the existing trains need to be replaced.

Currently trains travel at speeds *Continued on page 21*