

**Cambodia real estate market sees slight slowdown in Q1 2020, expected to worsen in Q2**



The real estate market in Cambodia was robust at the beginning of 2020. However, everything changed when the unexpected outbreak of the COVID-19 pandemic hit markets hard worldwide. The World Bank and Asian Development Bank (ADB) have downgraded Cambodia's economic growth to only approximately 2.5% for 2020. According to CBRE report, retail is the most affected sector with quoted rental rates falling by 9.2% for community malls and 10.5% for retail podium rents, as the people began to stay home in order to mitigate the threat posed by the virus. There were two new completions including TL Sky Mall and Samai Square, adding 6,903 sqm of new space to the community malls supply pipeline. This is equal to 2.1% of the total stock or 16% of community mall stock. The condominium supply in Q1 2020 saw 15.8 % growth q-o-q, contributed by the completion of five projects or equal to 2,843 new units. The sale price of mid-range and high-end condo saw a drop of 1.4% and 0.5% respectively. Surprisingly, the affordable segment instead rose by 0.3% or equal to US\$1,549 per square meter. Meanwhile, the rental price for condo sees only a very slight drop of 0.4% for high-end and 0.6% for the mid-end segment, or equal to US\$14.2/sqm and US\$11.8/sqm, respectively. For landed property (Borey), there were three projects completed in Meanchey and Chbar Ampove District, which brought the total project numbers in each district to 25 and 24, respectively in Q1. Compared to Q3 2019, the quoting price in Q1 across five subsectors of landed property including a villa, twin-villa,

shophouse, link house, and flat rose in between 2.1% to 4.8%. For office market, there were no new completions or launches of centrally-owned Phnom Penh offices during the first quarter of 2020. Despite the COVID-19 pandemic, rents are currently stable, but short-term discounts are expected in various places, as tenants gain more negotiation power. While the quoting rent is also expected to adjust downward from Q2 onward. In sum, the COVID-19 pandemic is impacting various sectors in the real estate market in Cambodia, but at different levels.

*Learnt from: Construction & Property (15<sup>th</sup> May, 2020)*

**Chip Mong Land celebrates ground-breaking on Grand Phnom Penh City project**

Leading real estate developer Chip Mong Land celebrated the ground-breaking ceremony for a new Grand Phnom Penh City Project on 18 May 2020. The Grand Phnom Penh City Project, covering a vast area of 260 hectares, will build unprecedented new housing units in Chip Mong Land's projects to meet clients' needs and enhance the project's luxuriousness. The Grand Phnom Penh City Project is located along the Phnom Penh-Hanoi (Hanoi) Boulevard and they will develop the first Central Park in Cambodia to ensure a fresh and vibrant way of life. Also, the huge Business Centre and Sports Centre along with the Grand Phnom Penh Golf Course will be present in the Grand Phnom Penh Project.

*Learnt from: Construction & Property (17<sup>th</sup> April, 2020)*

**The government issues tax exempt for tourism-related businesses for 2 more months**



The Royal Government announced a further tax exemption for 2 more months for tourism-related businesses including hotels, guesthouses, restaurants and travel agencies in Phnom Penh and six other provinces, in order to help tourism sector amidst the Covid-19 crisis. This measure is currently adopted in the Royal Government announcement on “additional measures aimed at helping the private sector and workers affected by Covid-19 Pandemic and measures to boost Cambodia’s Economy after the Pandemic on 26 May 2020. In the statement, the government also issued other key measures such as measures to help stabilize businesses and workers’ lives, financing for businesses, increased financing to restore and promote post-crisis growth, social assistance measures, and the implementation of the IT business registration platform. On 24 February 2020, Prime Minister Hun Sen announced monthly tax exemption for all hotel and guesthouses in Siem Reap for four months (from February to May 2020) as a response to the slowdown in tourism due to fear of the virus.

*Learnt from: Construction & Property (27<sup>th</sup> May, 2020)*

### **New realities of property investments during Covid-19**

“A new normal” is a phrase being thrown around in a lot of industry news nowadays. While that’s certainly an observable phenomenon, COVID-19 in the context of the financial and real estate markets is seen as part of a decades-long cycle – a source of much boon to savvy investors. Considering how global financial markets were connected, the impact of the 2008 crisis was more severe. This resulted in a relatively slow recovery and it took close to a decade for the wider consumer market to regain pre-crisis confidence. COVID-19 seems to be the viral outbreak version of the 2008 financial crisis. How the world has become interconnected has certainly contributed to how fast and how widespread the disease grew into a pandemic, and from the looks of things, the fears of COVID-19 will likely last until a vaccine finally rolls out. This presents a small window of opportunity to purchase a wide variety of

properties below pre-crisis market values. But, as the wider market is affected by job losses and overall economic slumps, some considerations will have to be made by property investors. First, as the rental market is huge in Cambodia, investors who own rental properties will likely have to rely on western and other foreign tenants to occupy their vacancies. However, this does not mean landlords can charge the same rentals as before, concessions in terms of rentals will likely have to be made to keep current tenants and even attract new ones. Second, for those yet to get their feet into the property market, they should only purchase developments that are finished, close to finishing, or are from a reputable developer to mitigate development risks. Fourth, investors may need to look at buying property below replacement cost. That way rentals cannot go down as much as new properties will cost a lot more to be developed. The biggest profit in real estate is not made in selling but through purchasing at record low prices. COVID-19 is one of those once-in-a-decade phenomena where savvy investors can turn the biggest profits through the least amount of capital risked. The only thing that’s certain right now is that the pandemic is temporary and that means markets will soar much like they did after the global financial and health crisis experienced in the past 3 decades.

*Learnt from: Construction & Property (13<sup>th</sup> May, 2020)*