

## What's Happening in Cambodia Market & Valuation

### Vol. 61 - April 2023 -

#### How Cambodian migrants' US\$2.7B contribute to real estate investment and economic growth

海外に居住して働く 130 万人以上のカンボジア人は、家族に年間約 27 億米ドル送金しており、母国の経済成長に貢献している。世界銀行によると、カンボジア移民からの送金は、2021 年 GDP の 10.7% を及んでいる。

*Learnt from: Construction and Property (29<sup>th</sup> March, 2023)*

#### Royal Hong Lai Huot One Company Limited launches the Royal Group Platinum Condo

Royal Hong Lai Huot One Company Limited は、総面積 100,000 m<sup>2</sup>の土地に空中庭園付戸建住宅ユニット 851 戸、商業ユニット 51 からなる Royal Group Platinum Condo プロジェクトを開始した。コンドミニアムは、手頃な価格で提供され、Kampong Speu province 中心部の成長を促進すると共に、さらなる投資を呼び込みそうだ。

*Learnt from: Construction and Property (30<sup>th</sup> March, 2023)*

#### Dara Sakor International airport nears completion, scheduled to open mid-2023

Dara Sakor International Airport, invested by China's Union Development Group, has reached over 90% completion as of 31 March 2023, with over US\$180 million spent on the project spanning across 218 hectares.

*Learnt from: Construction and Property (21<sup>th</sup> April, 2023)*

#### Prey Veng Province's Investment in real estate and services nears US\$ 200M over 5 Experts urge real estate players to update 'playbooks' to survive in the 2023 market

2023 年のカンボジア不動産市場は、世界的な経済危機、中国の不動産不況、ウクライナでの戦争など、多くの逆風に直面している。その結果、専門家は、この新しい状況で生き残るために市場のすべてのプレイヤーが新たに戦略更新することが必要だとしている。そうした中、プノンペン不動産市場は、これまでで体験したことのないほど激しい競争の下で難しい局面にある。

*Learnt from: Construction and Property (17<sup>th</sup> April, 2023)*

#### Cambodia emerges as 14<sup>th</sup> among the Fastest Growing Economies

Finance.yahoo ウェブサイトで公開された最近のレポートによると、カンボジアは成長率 5.8% で、世界で最も急速に成長している経済圏の中で 14 位にランクされた。成長率の変化率は 5.8% です。安定した政治環境と強力な改革イニシアチブにより、より多くの外国投資家にとって魅力的な態勢が整っており、それにより経済がさらに強化され、悔過として不動産セクターに利益がもたらされることになる。

*Learnt from: Construction and Property (20<sup>th</sup> April, 2023)*

### **How Cambodian migrants' US\$2.7B contribute to real estate investment and economic growth**

More than 1.3 million Cambodians living and working overseas contribute to their home country's economic growth by remitting approximately US\$2.7 billion annually to their families. The remittances, which are often invested in the real estate sector and saved for future business opportunities, support the well-being of working families. According to a report from the Ministry of Labour released on 24 February 2023, there are currently 1.3 million Cambodian workers working abroad. Thailand has 1 23 1508 Cambodian migrants, followed by South Korea with 49 738 migrants, Japan with 16 562 migrants, Malaysia with 22 621, Singapore with 851, Hong Kong with 215, and Saudi Arabia with 11. At least 80 percent of the 300 Khmer workers in South Korea sent home remittances which are allocated for real estate investment, saving, house building, and business opportunities. A team of real estate experts from Cambodia has provided training and knowledge sharing regarding safe investment in real estate to these workers in Korea. Cambodian workers allocate their salaries into various packages, including savings, remittances to their families, and real estate investment. These remittances have contributed significantly to Cambodia's economy and the well-being of working families. According to the World Bank, remittances from Cambodian migrants accounted for 10.7% of the country's GDP in 2021.

*Learnt from: Construction and Property (29<sup>th</sup> March, 2023)*

### **Royal Hong Lai Huot One Company Limited launches the Royal Group Platinum Condo**

On 26<sup>th</sup> March 2023, Royal Hong Lai Huot One Company Limited announced the groundbreaking ceremony for the Royal Group Platinum Condo, a detached aerial villa built to Singaporean standards and management. With 851 residential units and 51 commercial units spread across 100,000 square meters, the Royal Platinum Condominium offers affordable residential and commercial buildings to

enhance the city center's growth and attract additional investment. It is said that the Royal Group Platinum's final design ceremony marks a significant milestone towards completing the construction development project this year.

*Learnt from: Construction and Property (30<sup>th</sup> March, 2023)*

### **Dara Sakor International airport nears completion, scheduled to open mid-2023**

Dara Sakor International Airport, invested by China's Union Development Group, has reached over 90% completion as of 31 March 2023, with over US\$180 million spent on the project. Spanning across 218 hectares, the airport's construction began in 2017 and is projected to be completed within 48 months. The completion of the Dara Sakor International Airport is poised to provide a significant boost to Cambodia's aviation industry and to bolster economic growth in the region.

*Learnt from: Construction and Property (21<sup>th</sup> April, 2023)*

### **Experts urge real estate players to update 'playbooks' to survive in the 2023 market**

The Cambodian property market is facing numerous headwinds in 2023 due to global economic crises, the Chinese real estate downturn, and the war in Ukraine. As a result, experts are urging all players in the market to update their playbook to survive in this new context. The Phnom Penh real estate market is currently the most competitive and challenging it has ever been. It is encouraged all players to update their playbook to that of the 2023 context, as the coming years are not going to necessarily reflect those of the preceding decade.

#### **Landed property**

In the landed property segment, Q1 of 2023 saw the slowest launch of Borey in the past 5 years, with only four new launches and seven completions. The average quoting price of all types of houses remained stable or saw only slight changes. Rising interest rates and tighter financial options from banks caused this slowdown. Developers have to provide longer payment terms to make their

products more affordable, which results in extended handover times. The real estate market has become more challenging, and investors need both knowledge and skills to succeed in this new context. Land price speculation will slow down or no longer exist due to the lack of foreign investors and caution in the use of cash. To survive the low-sale period, developers seek joint ventures to stabilize cash flow.

### **Condo**

The condo market is still facing challenges, with an imbalance between supply and demand and prices under pressure. Two new condo launches added 1,300 units to the pipeline, while five completions added 3,900 units to the total supply. By the end of 2023, the accumulated supply will reach 58,000 units. The average asking price for condos is around US\$2,600, US\$2,000, and US\$1,400 per sqm for high-end, mid-range, and affordable types, respectively. Interesting points to observe include the increase in new launches despite slowing sales, a shift from foreign to local buyers due to discounts, and difficulty in gaining financial support from banks due to increased interest rates.

### **Retail**

The retail segment only saw one completion and one new launch in Q1 of 2023, indicating a healthy slowdown to allow the heated market to cool down. However, the supply for retail is expected to reach almost 750,000 sqm by the end of 2023, causing an oversupply issue that will continue to put pressure on occupancy and rental rates. The southern part of Phnom Penh is the hot spot for retail projects, with 5 newly completed projects and 8 upcoming projects, adding up to almost 30% of the net leasable area.

### **Office**

In the office segment, supply continues to increase, with an expected 1,150,000 sqm accumulated by the end of 2023. Unstable cash flow is causing developers to pause their projects and try to sell unfinished buildings for head leases. For old landlords, it is time to upgrade their buildings to catch up with the market and retain their existing

tenants. In short, the Cambodian property market is facing challenges in 2023 due to various global economic issues. All players in the market need to update their playbooks to survive in this new context. Despite the challenges, some opportunities exist, such as joint ventures for developers and a shift towards local buyers in the condo market.

*Learnt from: Construction and Property (17<sup>th</sup> April, 2023)*

### **Cambodia emerges as 14<sup>th</sup> among the Fastest Growing Economies**

Cambodia has been ranked 14th among the fastest-growing economies in the world with a growth percentage change of 5.8%, according to a recent report published on Finance.yahoo website. It is reported that the country's GDP has increased significantly from \$26.96 billion in 2021 to \$75 billion in purchasing power parity terms by the end of 2022. The report suggests that Cambodia has demonstrated promising signs of economic recovery post-pandemic, with the traditional growth drivers such as manufacturing and agricultural commodity exports rebounding strongly. This growth is attributed to Cambodia's sound macroeconomic management, stable political environment, and strong reform initiatives. With its stable political environment and strong reform initiatives, the country is poised to attract more foreign investment, which will further strengthen its economy and benefit its real estate sector.

*Learnt from: Construction and Property (20<sup>th</sup> April, 2023)*