

## What's Happening in Cambodia Market & Valuation

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#### **Siem Reap's "shifting downtown" land price remains resilient**

シェムリアップ・ダウンタウンの土地売買価格は、経済活動が大幅に低下したにもかかわらず、パンデミック前後を通して比較的安定した状態となっている。シェムリアップのダウンタウンでは、選別された物件だけが値下げされて市場に出ている。

*Learnt from: Khmer Times (4<sup>th</sup> July, 2023)*

#### **Are The Kingdom's infrastructure projects on track to boost economic growth- Mid-year Review 2023**

カンボジアの国内総生産（GDP）の 2023 年成長率は 5.5%と予測されており、これにより同国は東南アジアの GDP 成長率でトップ 3 に入る可能性がある。困難な年が続いてきたが、不動産・建設セクターには成長の兆しが見えてきた。

*Learnt from: Construction and Property (12<sup>th</sup> July, 2023)*

#### **CBRE issued mid-year real estate review: highlighting globalization as the key factor for the slow recovery**

CBRE のカンボジア不動産市場レポートによると、西側諸国におけるインフレの急上昇と消費の減少による資本コスト上昇の影響で、2023 年第 1 四半期は 30%減少という著しい結果となった。一部の業界関係者は、不動産の供給過剰についての懸念を表明しており、これによりデベロッパーは一定のプロジェクトで完了を遅らせることを検討することになるかもしれない。

*Learnt from: Construction and Property (12<sup>th</sup> July, 2023)*

#### **Office Sector Update: Increasing supply puts pressure on rents and occupancy in mid-2023**

2023 年の当初 6 ヶ月間で、カンボジアの不動産市場におえるオフィスビル新規供給が、既存オフィス面積の約 39% 増加すると予想されている。供給増とそれに伴う稼働率低下がもたらす課題には、家主やテナント双方による積極的なアプローチが求められるだろう。

*Learnt from: Construction and Property (18<sup>th</sup> July, 2023)*

#### **Mid-2023 Update: Cambodia's retail sector saw a slight decline, but new strategy emerged**

今年半ばの時点で、39,000 平方メートル超の新規小売スペースが加わり、悔過として 6 ヶ月間で総供給量は 6% 増加した。稼働率の低下は 2022 年の 70% から 2023 年半ばの 68% と、わずかだったが、ショッピング・モール、ビルの低層階商業スペース、コミュニティ・モールなどの賃料相場は低下傾向にあり、過去 6 か月間で賃料は 4% -ら 5%に低下した。

*Learnt from: Construction and Property (19<sup>th</sup> July, 2023)*

**Siem Reap’s “shifting downtown” land price remains resilient**



*Land prices on main roads close to the new riverside garden areas in downtown Siem Reap range around \$3,000 per meter, much the same as pre-covid rates.*

Land sale prices in downtown Siem Reap have remained relatively stable throughout the pre- and post-pandemic climate, even as the city’s economic activity drastically reduced. In downtown Siem Reap, only selective opportunities have been on the market with reduced prices since the travel restrictions of the pandemic kicked in, and all of these found buyers quickly. Land prices on main roads close to the new riverside garden areas in downtown Siem Reap range around \$3,000 per meter, much the same as pre-covid rates. In secondary roads, prices are still between \$1,200 to \$2,000 per meter. Wat Bo area is between \$700 to \$950 per meter and Salakomreuk areas towards the new enlarged ring road are selling at between USD150 and USD400 per meter. A growth area is the residential area we are seeing in Svay Dongkum, where buyers can transact at USD120 to USD250 per meter. It is suggested that this area will be increasingly interesting for single-family home builders and for permanent expats, as the airport shifts to the left side of the river and the land price are set to grow. In 2023, high-end property also hasn’t dropped significantly in Siem Reap, according to Reiterer. Condo developments and western style single-family homes with minimum three bedrooms, pool and parking spaces, prices have been stable or increased by 15 to 20 percent, as demand increased from wealthy local buyers looking for a second home investment in Siem Reap.

Local Siem Reap real estate market activity however is at an all-time low in 2023. Nonetheless, it is believed that the market is on its way back to its former glory: Land prices will be attractive in the short term in Siem Reap, waiting for the tourism market to resume; and connectivity will fully restart with the new airport and the new highway to Phnom Penh planned over the next years.

*Learnt from: Khmer Times (4<sup>th</sup> July, 2023)*

**Are The Kingdom’s infrastructure projects on track to boost economic growth- Mid-year Review 2023**



*View of a railway and train.*

**Cambodian Trade and Economic Growth**

The Asian Development Bank and National Bank of Cambodia (NBC) both now forecasts that Cambodia’s gross domestic product (GDP) will grow by 5.5 per cent in 2023, which could place the country among the top three performers in terms of GDP growth in Southeast Asia. Even the cynics are optimistic about stronger performances from 2023-2024 with 6.6 per cent GDP growth predicted by the Ministry of Economy and Finance. Coming into 2023 the hopes for economic trade growth were probably largely pinned on Regional Comprehensive Economic Partnership (RCEP), and in the first four months of 2023, Cambodian exports to RCEP countries did rise by 16 per cent. The Cambodia-Korea Free Trade Agreement (CKFTA) also came into effect in December 2022 and the addition of new FTAs (Free Trade Agreements) and with the important signing of the comprehensive economic partnership agreement (CEPA) with UAE, Cambodia is planting the right seeds for the future. This has been buoyed by

clearer government-led strategic plans on logistics and modernising all logistics routes (land, sea, and air) with investments both local and foreign to try and transform the Kingdom to be a competitive trade and logistics hub.

Cambodia's economy is still reliant on the export of garments, tourism, agriculture and real estate and construction. The Cambodia Securities Exchange (CSX) is growing albeit slowly but H.E. Hong Sok Hour (CEO of the Cambodia Securities Exchange) is confident and with their aims this year to list more firms, double daily trading volumes to \$1 million and triple the number of registered trading accounts to 15,000, Hour said that the average trading account is expected to increase by the end of 2023. The global fears of recession and inflation (throw in the ongoing Ukraine conflict, the energy crisis in Europe, and what has to date been an underwhelming Chinese economic recovery) have all dampened growth but Cambodia remains well-placed to see one of the fastest GDP recoveries.

#### Real Estate in Cambodia

The year has been challenging but there are green shoots for the property and construction sector. There is a sentiment that buyers and interested investors are being spread across more countries, and diversification is great. In June 2023, the Ministry of Land Management, Urban Planning and Construction reported that Cambodia's construction sector attracted investment worth USD \$2.27 billion in the first five months of 2023, a year-on-year increase of 138 per cent. The retail and commercial property sectors are under some pressure, as are condos due to the impressions of oversupply. However, the key investment traits of anticipated growth due to the country's young population and increasing urbanisation, and the positive view of Cambodia as an investment destination continue to provide optimism for the long-term.

*Learnt from: Khmer Times (12 July, 2023)*

#### **CBRE issued mid-year real estate review: highlighting globalization as the key factor for the slow recovery**

CBRE, Cambodia's Leading Real Estate Appraisal Company, has just released its Phnom Penh Real Estate Market Rating Report for the second half of 2023, highlighting the impact of global macroeconomic conditions, particularly the slowdown in the Chinese economy combined with the oversupply of markets domestically, pushing Cambodia to prolong the recovery of the real estate market. Amidst a slowdown in the global macro environment, the kingdom experienced the repercussions of rising capital costs caused by soaring inflation and reduced consumption in Western markets, resulting in a notable 30% decline in Q1 2023 exports. Additionally, Foreign Direct Investment (FDI) flows were impacted by China's ongoing struggles in its export and real estate industries. However, as China and the world gradually reopen following the COVID-19 freeze, tourism, and business travel show promising signs of progress. Recognizing the need for adaptability and innovative approaches, some industry actors have raised concerns about an oversupply of properties in the market, suggesting that developers consider delaying the completion of certain projects. CBRE suggested that proposed an alternative solution by exploring repurposing options, such as transforming properties into student or backpacker accommodations to tap into alternative markets. CBRE's research revealed a significant decrease in approved construction projects, with over 1,400 projects approved during the market's peak in 2019, compared to fewer than 600 in 2022. This decline can be attributed to the excess supply, particularly in the higher-end property segment. As Cambodia's real estate market evolves, strategic adaptations and an understanding of market dynamics will be crucial for developers and industry stakeholders to navigate the challenges and seize the opportunities that lie ahead.

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



**Office Sector Update: Increasing supply puts pressure on rents and occupancy in mid-2023**

In the first six months of 2023, the supply of new office buildings in the Cambodian real estate market will increase by about 39% over existing offices. From the middle of the year to the end of this year, with an anticipated addition of 215,000 square meters of office space this year, the total office supply is set to surpass 1 million square meters, marking a significant 24% growth. The increase in oversupply and the decline in occupancy rates have had a significant impact on office rent prices, according to CBRE Cambodia's mid-year appraisal report released on July 13, 2023. While the office market witnessed a 2% to 4% rise in quoted rents across all grades and districts, achieved rents remained stable. Since the peak in 2019, office asking rents have undergone a notable decline of up to 20%. However, in the past 18 months, quoting rents have leveled off, and landlords have adopted alternative strategies to attract tenants. Instead of reducing rent, landlords are providing incentives such as free parking spaces, extended rent-free periods, and tenant improvements. Consequently, effective rents have remained under pressure, keeping rental rates compressed. As the office sector continues to evolve, it is suggested that industry stakeholders flexible to adapt to the changing dynamics, recognizing the need for strategic pricing and innovative leasing solutions. The challenges posed by the increasing supply and declining occupancy rates call for a proactive approach from landlords and tenants alike, fostering a competitive and dynamic office market in Cambodia.

*Learnt from: Construction and Property (18<sup>th</sup> July, 2023)*

**Mid-2023 Update: Cambodia's retail sector saw a slight decline, but new strategy emerged**

Amidst a changing retail landscape, the first half of 2023 showcased a slowdown in new retail completions, following a wave of launches and developments in 2022. As of mid-year, over 39,000 sqm of new retail space was added, representing a

6% increase in total supply over the span of 6 months. However, the retail sector is poised for further expansion, with approximately 83,000 sqm of upcoming projects scheduled for completion by year-end. These projects primarily encompass community malls and retail podiums, reflecting consumers' evolving preferences. While the occupancy rate experienced a slight dip from 70% in 2022 to 68% by mid-2023, the retail sector witnessed a downward trend in quoting rents for shopping malls, retail podiums, and community malls, with rates decreasing by 4% to 5% in the past 6 months. Notably, prime high street rents have shown signs of recovery, reaching 95% of the levels seen in 2019, indicating the attractiveness of such locations for retailers seeking higher footfall and seamless B2C delivery access. To captivate consumer interest and drive footfall, new retail projects are embracing innovative concepts and adopting entertainment-oriented tenant mixes. The industry is witnessing a noticeable trend towards activity-focused spaces that cater to evolving consumer preferences. As Cambodia's retail sector adapts to changing consumer behaviors and market dynamics, the mid-2023 update highlights the shifting strategies employed by retailers to thrive in a competitive environment.

*Learnt from: Construction and Property (19<sup>th</sup> July, 2023)*