

What's Happening in Cambodia Market & Valuation

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World Bank warns Cambodia of “overheating” real estate credit market

世界銀行は、2024年カンボジア経済が6.1%成長すると予測する一方、不動産市場について過熱の兆候を見せていると注意深く監視するよう呼びかけた。世界銀行によると、カンボジアでは、不動産デベロッパーの借入の伸びが、シャドバンキングの一種による部分があるからだ。

Learnt from: Construction and Property (4th October, 2023)

Positive signs emerge: Service apartment and landed property sectors rebound slightly in Q3 2023

低迷が続く不動産市場の中で、サービス・アパートメントや土地付建物のセクターに関しては回復の兆しが見えている。CBREの調査によると、市場での需要動向に微妙な変化があり、前向きな傾向が現れてきているとのことだ。

Learnt from: Construction and Property (18th October, 2023)

A city transformed: Over 1,000 high-rise buildings built or in progress in Sihanoukville

シアヌークビルでは、1,069棟の高層ビルが竣工済ないし建設中であると報告されている。2016年から2019年にかけて、カジノや不動産市場への投資増加に伴って高層ビルが急増した。

Learnt from: Khmer Times (19th October, 2023)

How has Phnom Penh's real estate sector performed in the first half of 2023

2023年上半期のプノンペンの不動産セクターに関するナイト・フランクの最近の調査レポートでは、プノンペンのオフィス・セクター、小売セクター、ホテル・セクター、サービスアパートメント・セクター、土地付住宅セクターについて詳しく報告されている。全体として、過剰な飽和状態の中で市場は苦戦を強いられているというキーワードが繰り返し現れ、開発プロジェクトについても調整局面に入るとされている。

Learnt from: Construction and Property (28th September, 2023)

World Bank warns Cambodia of “overheating” real estate credit market

World Bank called for close monitoring for signs of overheating in the real estate market in Cambodia even as it forecast that the country’s economy will grow 6.1% in 2024, the fastest growth for any country in the Asean region despite a looming China slowdown. According to the world bank, in Cambodia, the emergence of real estate developer credit represents a form of shadow banking. Concerted efforts are needed to enhance data collection and monitoring for signs of overheating in credit markets and mitigate the build-up of concentration risks as well as restart the stalled capital markets development plans. The report, however, upwardly revised its forecast for Cambodia this year from the earlier estimate of 5.2 percent to 5.5 percent and for next year from 5.7 percent to 6.1 percent, considering the buoyancy in the manufacturing and tourism sectors. According to the report, the growth of domestic credit to the private sector was also the highest in Cambodia in 2022 in the region as it accounted for 182 percent of the GDP in the country.

Learnt from: Construction and Property (4th October, 2023)

Positive Signs Emerge: Service Apartment and Landed Property Sectors Rebound Slightly in Q3 2023

In a real estate market that has largely remained stagnant, there are promising signs of recovery in the service apartment and landed property sectors. According to the CBRE research, it is observed that there is a subtle shift in market demand. It is claimed that the average quoted rent for Grade A serviced apartments has increased by 1%, while Grade B apartments have seen a more substantial 3% rise from the previous quarter. In Q3, the average price for Grade A serviced apartments held steady at approximately around US\$ 19.6 per square meter per month. This upturn in prices is accompanied by a slowly supply, with only 300 new units added. For the landed property sector, there is a noteworthy positive trend emerging. Link houses have seen an increase of 1.8% in prices,

shophouses 0.5% twin villas around 15%, and single villas with a slight 0.1% uptick compared to the previous quarter. Although these increases are modest, they signify a growing momentum in market demand. However, it’s important to highlight that the completion of ongoing landed property project seems to be lagging behind expectations, with only 47% completed by Q3 and just three new projects launched. While other property sectors like retail land condominiums remain stable, there has been a slight drop in office rental prices, following a period of price correction. This subtle shift in the real estate landscape signifies potential opportunities for investors and homebuyers alike, as the market shows early signs of revival.

Learnt from: Construction and Property (18th October, 2023)

A city transformed: Over 1,000 high-rise buildings built or in progress in Sihanoukville

It is reported that there are 1,069 high-rise buildings built or in progress in Sihanoukville. These 1,069 buildings equal to 965 projects, of which 475 buildings completed and are in business, equivalent to 434 projects. 177 buildings were completed and not yet operational, equivalent to 161 projects, 53 buildings were under construction, equivalent to 29 projects and construction was suspended. There are 364 temporary buildings (stuck), equivalent to 341 projects, most of which are Chinese investment projects. Between in 2016 and 2019, there was an inflow of investment in the casino and real estate market, which led to a sharp increase in high-rise buildings in Sihanoukville. But at the end of 2019 to 2020-2022, due to the exit of the market, the COVID-19 crisis and the global crisis caused the loss of investment and the market, including many investment projects and stagnant buildings. The Royal Government has set out a package of measures to resolve stagnant investment projects in Sihanoukville. The package measures to build investment confidence and short-term market demand for resolving stagnant investment projects in Sihanoukville. This package of measures includes 1) definitions and scop, 2)

general measures, and 3) incentives for resolving constraints in general and on a case-by-case basis, in accordance with applicable laws and regulations. This package of measures must be implemented in order of priority in accordance with the specific action plan and the definition and scope of the stalemated investment projects from 2016 in Sihanoukville. It is hoped that the introduction of the package to help solve the crisis of the building in Sihanoukville to contribute to the national economic growth. It should be noted that Sihanoukville is a province with important economic sectors, including: industry, trade, tourism, and agriculture, which are priority sectors for the national economic development.

Learnt from: Khmer Times (19th October, 2023)

How has Phnom Penh's Real Estate sector performed in the first half of 2023

The recent report from Knight Frank delves into Phnom Penh's real estate sector in the first half of 2023. It has been seeing repeated key terms like oversaturation and a market that is struggling which addressed over recent months, and there has been a stabilisation in terms of developments now offering a more realistic adjustment of prices and that quality developers and better quality development are still doing well.

Phnom Penh Office Sector H1 2023

The total existing supply of office space in the first half of 2023 reached 917,378 sqm NLA (Net Leasable Area). For foreign buyers, it should be noted that stratified office space now makes up 29% of the total supply (263,568 sqm). In terms of the quality of the office sector:

Grade B offices - 46%

Grade C offices - 31%

Grade A offices - 23%

The average office rents have declined- rents for Grade A start from as low as USD \$10 per sqm/month compared with pre-Covid grade A rents starting from USD \$23 per sqm/month. Meanwhile, Grade B office rents range in price

from USD \$8 to USD \$17 per sqm/month, whilst grade C rents start from USD \$6 per sqm/month.

For future developments, it is noteworthy that 588,888 sqm are Grade A (90% of the future supply), while Grade B accounts for 10% of the future supply with no Grade C office space identified. There will be a major shift in the quality and pricing of office spaces as Grade A offices will account for a majority of Phnom Penh office supply by 2028. Sangkats such as Daun Penh (25%) and Chamkarmon (23%) have the most office space. For the planned future office supply, a majority will enter 7 Makara (24%), followed by Chamkarmon (28%) and Dun Penh (21%).

It is expected to see a number of significant office relocations as tenants take advantage of competitive rental rates and attractive incentives.

2023 Phnom Penh Retail Sector

The southern districts of Phnom Penh continue to display promising potential and this is the case in retail sector too. H1 2023 saw the total existing retail supply reach 826,725 sqm NLA with three newly completed retail developments; The Peak Makk, The Ground Market, The K Ground Market adding a combined total of over 30,000 sqm.

Cumulative retail space is projected to reach 1,121,564 sqm by 2025; growth of 35+ percent over the existing supply.

The average occupancy rate for the retail sector in H1 2023 is 69%.

The capital's city centre has 39% of the retail supply and 61% are in the suburban areas (due to more affordable land and large spaces to develop the new megamalls). Sen Sok ranked as the leading area for retail (30% of market share), followed by Mean Chey (23%), Chamkarmon (15%), 7 Makara (11%), and Daun Penh (8%). In terms of the quality of the real space, 67% of the current supply is categorised as Prime real, while 33% is Secondary. For future projects, the cumulative supply is forecasted to reach 1,121,564 sqm NLA across 73

developments- this is an increase of 294,889 sqm(35%).

It should be noted that there are 51 completed retail spaces with 650,000 sqm NLA, with 72 projects adding 890,000 sqm under construction. It is said that Phnom Penh remains an attractive target for foreign and local developers and investors to keep an eye on.

2023 Phnom Penh Hotel Sector

There were five new hotels completed adding 671 rooms in the capital – the total supply in Phnom Penh is 14,624 keys by the mid-2023. As expected, Daun Penh (40%) and Chamkarmon (23%) are where most hotels are based.

- Midscale & Economy hotels account for 45% of the total supply.
- Upscale & Upper Midscale – 32%.
- Luxury & Upper Upscale – 23%

In terms of the projected future supply of hotels, 7,684 rooms are to be added by 2028. There is a shift as Luxury hotels account for more than two-thirds of the total future supply with Upscale & Upper Midscale (20%) and Midscale & Economy (14%) – Phnom Penh will be able to cater for more high-end consumers. Chamkarmon will also take over as the leading Sangkat with the most hotels (48 per cent) of total supply, followed by Daun Penh, BKK, and 7 Makara.

Phnom Penh Serviced Apartment Sector

Five completed projects added 305 units to the existing supply in Phnom Penh in H1 2023, bringing the total number of units to 8,258. In 2023, Boeung Keng Kang District remained the popular area and accounts for just under a third of the total supply. For Phnom Penh's future supply of serviced apartments, 746 units are planned and a majority of these will still be located in Boeung Keng Kang (29%), with Chamkarmon (23%) and Sen Sok (21%) the next two most popular areas. The total cumulative supply of serviced apartments in Phnom Penh is expected to reach around 9,000

units by 2026 – suggesting growth of 9 per cent over the existing supply. For pricing, the average rental price for a one-bedroom unit was approximately US\$964 per month and up to USD \$1,871 per month for a three-bedroom.

Phnom Penh Condominium Sector 2023

Eight new condominium projects were completed in the first half of 2023 – increasing the supply stock in Phnom Penh to 41,297 units (spread across 116 condominium buildings). Mid-tier condos account for 58% of the supply, followed by Core (20%), High-end (17%), and Prime (5%). Chamkarmon has the highest number of condos in Phnom Penh (22 per cent), followed by Sen Sok (18%), Mean Chey (18%), Toul Kork (11%), and Boueng Keng Kang (9%) as the top five Sangkats. By 2028, the total supply is projected to reach 83,023 units across 185 developments – this is a staggering growth of over 2 times the current supply in Phnom Penh in less than five years. The future supply still sees a majority of Mid-tier properties (55%) and Chamkarmon will still see the largest increase of 22% of future stock.

In terms of pricing:

- Average selling price of new off-plan launches in Phnom Penh was USD \$1,800 per sqm.
- Rents now start from USD \$300 per month for a 1-bedroom unit in a modern condominium with good facilities.

The report is confident there remains a growing trend of young Cambodians renting condos in central locations of the capital and domestic demand for condominiums is increasing.

Phnom Penh Landed Housing Sector (Boreys)

Fifteen new developments in H1 2023 increased the supply to 82,129 units, with Sen Sok seeing the market share of 21% of the total supply of landed housing in the market in the capital. As much as 80% of the completions were Mid-tier, followed by Core (13%) and High-end (7%), as a result Mid-tier accounts for more than half of the supply in the capital (55%). A bulk of landed properties are

located in the suburbs due to lower land costs as well as improving infrastructure. By 2026, the total supply is estimated to 98,392 units (across 47 housing developments), which is a 20% increase over the current supply. For rental pricing of landed properties in Phnom Penh in 2023, rental rates averaged at USD \$220 for flat-houses (100-134 sqm) and up to USD \$2,800 for single villas (650 sqm).

Learnt from: Construction and Property (28th September, 2023)