

What's Happening in Cambodia Market & Valuation

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Phnom Penh to see 20 percent rise in office space in 2024

プノンペンで新規に建設された商業オフィススペースは 2019 年から倍増しており、来年にはさらに 20 万平方メートル供給される見込みだ。これにより、オフィス部門全体の供給量は 2024 年末までに予測では 120 万平方メートル以上増加することになる。

Learnt from: Khmer Times (27th December, 2023)

2023 was a challenging year for real estate market in Cambodia

2023 年は、あらゆる不動産分野でも新規建設が減速し、地元不動産市場にとっては近年の歴史で最も困難な年の一つだった。一方、2019 年から今日の間におけるカンボジアでの新規プロジェクト供給量は 2 倍あるいは 3 倍にさえなっているのだ。

Learnt from: Khmer Times(29th December, 2023)

Economy in Cambodia: 2024 forecast

2024 年、カンボジアの不動産情勢は進化が続き、投資家、住宅所有者、業界関係者には課題と機会の両方がもたらされる。カンボジア経済は近年大幅な成長と安定が示され、そのことは不動産市場にプラスの影響を与えている。

Learnt from: Bambooroutes News (7th January, 2024)

Demand for the real estate market in Cambodia: 2024

カンボジアの住宅用不動産に対する今日の需要は、プノンペン、シェムリアップ、シアヌークビルなどの都市部で特に旺盛だ。都市化や人口年齢構成の変化などに伴う人口動態の変化が、カンボジア不動産市場に大きな影響を与えている。

Learnt from: Bambooroutes News (7th January, 2024)

Phnom Penh to see 20 percent rise in office space in 2024



Vattanac Capital Tower and Canadia Tower are the two large commercial office towers in Phnom Penh

New commercial office space developments constructed in Phnom Penh have doubled since 2019 and it is expected that another 200,000 square meter supply will be increased next year. The predicted increase will raise the office sector’s overall supply upwards of 1.2 million square meters by the end of 2024. Overall, the spike in newly available space has led to an oversupply when combined with the longer economic impacts of the pandemic. These factors have been subduing demand for office space throughout 2023. In 2019, the overall occupancy was around 90 percent, and as of December 2023, it is observed that overall occupancy is around 64 percent across all office grades. Rental rates for office space have seen a dramatic drop in the mid-term, now almost 30 percent less when compared to 2019 prices. It is noted that the office market of Yangon saw a similar re-correction between the years of 2016 and 2019. It was witnessed that office rates for grade A offices dropping from \$56 to \$26 per meter in just over two years, based on an influx of supply. The Yangon office supply also witnessed a huge investments into commercial development swithina short space of time when the economy opened to mass Foreign Direct Investment (FDI), which led to an oversupply as the market cooled off in the following years. However, when a market is faced with such a shift in supply and demand dynamics, it is natural to experience a growth in quality and utility. It is expected to rock the office market in Phnom Penh moving into 2024 based on

what has happened in the previous four years. Meanwhile, developers should reduce the scale of new construction for the sector, to better fit the realities of maret demand. Instead of maxing out the usable area, commercial developers, and property developers generally, now must undertake more and more innovation to survive in the new market conditions. This means more green space allocated in office plans, more space for businesses to connect and collaborate and more emphasis on providing value to business operators in the Kingdom, at more competitive rates. While the sector is changing rapidly, it is also evolving and moving forward the businesses of the country.

Learnt from: Khmer Times (27th December, 2023)

2023 was a challenging year for real estate market in Cambodia



2023 has been one of the most challenging years for the local property market in recent history, with a slowdown in the construction of new properties across all sectors along with a downturn in overall transactions. Between 2019 and today, the overall supply of new projects in Cambodia doubled or even tripled. This huge increase in stock in such a short timeframe, compounded with a swift slowdown caused by the pandemic, explains the current oversupply being seen across office, confo and borey segments throughout 2023. The oversupply has also led to a downward price trend, across segments, as much as 30% in some cases. The higher interest rates this year generally have also made it more expensive for homebuyers to borrow money which has further reduced demand. Moreover, Cambodia is much more globalised than generally understood, and the real estate

downturn is connected to a larger global downturn. However, the slowdown in the market this year is not necessarily a permanent one. Some ongoing economic mediators to restimulate the housing market moving into 2024, the landed real estate market can return to a growth cycle in a reasonable time frame, and local home investors can remain confident in their assets. Housing demand in Cambodia is expected to increase in the coming years as the population grows and more people move to urban areas. Meanwhile, some additional promotion of homeownership could be used to increase demand, by offering programs that help first-time homebuyers afford to buy a home. This could include down payment assistance programs or tax breaks for home owners. Ongoing improvements to infrastructure across the city into the future, such as new or improved roads, bridges, and other public transportation developments, are also increasing the capital city's connectivity and convenience to borey owners or potential buyers. Cambodia has over 30billion more earmarked for infrastructure investment by 2030, which means the property market will be supported by this development in the long term. Meanwhile, for buyers now and into 2024, it is a buyer's market. Developers facing oversupply and a lack of purchasing power will have to adapt and explore alternatives to maintain value propositions. Borey projects are also pushing toward the edges of city, allowing better pricing and more space for developing green and livable areas.

Learnt from: Khmer Times(29th December, 2023)

Economy in Cambodia: 2024 forecast

In 2024, the real estate landscape in Cambodia continues to evolve, presenting both challenges and opportunities for investors, homeowners, and industry stakeholders.

How's the Cambodian economy doing?

Cambodia's economy has shown significant growth and stability in recent years, largely driven by sectors like textiles, agriculture, construction and tourism. This growth has positively influenced the real estate market. In general, the Cambodian real

estate market has been dynamic, especially in urban areas like Phnom Penh, Siem Reap, and Sihanoukville. Rapid urbanization and economic development have fueled a construction boom, with a noticeable rise in condominiums, commercial buildings, and luxury residential properties. Specifically focusing on the housing market, there has been a surge in demand for both mid-range and high-end properties. The middle class's expansion has increased demand for modern, comfortable housing, leading to numerous new residential developments. Government policies have historically played a pivotal role in shaping Cambodia's housing market. Efforts to promote foreign investments, such as the law on foreign ownership enacted in 2010, allowed foreigners to own property on the first floor or higher of a building, which significantly boosted the market. Recently, the Cambodia government has continued to encourage real estate development and investment, albeit with some regulatory changes to ensure sustainable growth. For instance, there have been efforts to regulate the construction sector more tightly following building safety concerns. Notable events impacting the market include rapid urban development, the influx of foreign direct investment, particularly from China, and the effects of global economic fluctuations, such as the impact of the COVID-19 pandemic, which temporarily slowed the market. Regarding regulatory changes affecting property buying or selling, there haven't been drastic alterations recently, but it's always important for investors to stay informed as regulations can evolve. Cambodia has become increasingly attractive for real estate investment, especially among investors from other Southeast Asian countries, China and South Korea. The country's relatively low property prices, potential for high returns, and economic growth prospects make it an enticing option. The most sought-after areas for investment include Phnom Penh's central districts, Siem Reap due to its proximity to Angkor Wat, and coastal areas like Sihanoukville. Types of properties attracting interest range from luxury condominiums and serviced apartments in urban

centers to commercial real estate and beachfront properties. For foreign investors, specific incentives include the potential for high returns and the country's strategic location in Southeast Asia. However, drawbacks include a less mature legal framework compared to more developed nations, and the need for due diligence given the variable quality of construction and property management services. Comparing real estate prices in Cambodia to neighboring or similar countries, they are generally lower than in Thailand or Vietnam, offering more affordable investment opportunities. However, prices in prime locations can be comparable to those in other regional markets. The legal framework surrounding real estate investment in Cambodia is improving but still has rooms for development in terms of stability and transparency. Issues like land rights and title disputes can be challenging, making it crucial for investors to conduct thorough research and possibly seek local legal counsel.

Outlook and forecast

Unique factors that set Cambodia's real estate market apart include its relatively open approach to foreign investment and its rapid urbanization. Unlike some neighboring countries, Cambodia allows foreigners to own property in their name, albeit with certain restrictions, such as not owning land outright. This openness has attracted a significant amount of foreign investment, particularly in the condominium market. Forecasting Cambodia's economy and stability, and consequently its real estate market, involves considering several variables. Based on current trends, the forecast appears cautiously positive. The country has demonstrated resilience and adaptability, maintaining steady economic growth. However, it's essential to consider global economic conditions, regional geopolitics, and internal factors like governance and policy changes, which can influence the trajectory. Cities like Phnom Penh, Siem Reap, and Sihanoukville are experiencing fast growth. Phnom Penh, as the capital, continues to attract investment in commercial and high-end residential properties. Siem Reap, being a major

tourist destination, sees growth in hospitality and retail sectors. Sihanoukville has transformed significantly due to foreign investment, particularly in the casinos and hospitality industries. Comparing Cambodia's economic forecast to its regional neighbors, it's a mixed picture. Cambodia has a smaller economy than countries like Thailand and Vietnam, but it's also more agile and potentially able to adapt quicker to changes. This agility could be an advantage in responding to global economic shifts. Regarding anticipated changes in government policies in 2024, there were no specific policy changes that would directly affect the real estate market. However, investors should be mindful of the possibility of changes in regulations regarding foreign ownership, construction standards, and property taxes, as these areas are often under review. Specific factors suggesting improvements in Cambodia include ongoing infrastructure development, such as improved road networks and urban development projects, which can enhance property values. Additionally, initiatives to strengthen the legal framework around property ownership and investment could increase investor confidence. These improvements could positively impact the real estate market by increasing demand for both residential and commercial properties, attracting more foreign investment, and potentially leading to higher property values. Conversely, potential risks include political instability, changes in foreign investment policies, and economic dependency on external factors like tourism and foreign investment. A significant risk is the relatively underdeveloped legal framework surrounding property rights which can lead to disputes and uncertainty. If these risks materialize, the real estate market could see reduced foreign investment, slower growth in property values and potentially a shift in investor focus to more stable markets in the region. Investors need to perform due diligence, stay informed about local and regional developments, and possibly seek local expertise when considering investments in Cambodia's real estate market.

Learnt from: Bambooroutes News (7th January, 2024)

Demand for the real estate market in Cambodia: 2024

The current demand for residential real estate in Cambodia is robust, particularly in urban centers like Phnom Penh, Siem Reap, and Sihanoukville. This demand is driven by a combination of factors including urbanization, economic growth and an expanding middle class. In these urban areas, there tends to be more buyers than sellers, reflecting a market where demand often outpaces supply. The supply of new housing is trying to meet this demand, but there are nuances to consider. In major cities, there is a noticeable surge in the construction of condominiums and high-rise apartments, aimed at meeting the needs of the growing urban population and foreign investors. However, the supply in some segments, especially affordable housing, may not be fully meeting the demand. This mismatch is particularly evident in Phnom Penh, where there is a significant demand for mid-range housing, but a considerable portion of new developments is skewed towards the higher end of the market. Buyers in Cambodia are looking for a variety of properties, but their preferences tend to be influenced by location, budget, and purpose. In urban areas, there is a high demand for modern apartments and condominiums, especially those with amenities like security, parking, and proximity to business districts and entertainment options. For the more affluent buyers, luxury villas and gated communities are popular choices. In contrast, in more rural areas, demand is more oriented towards traditional houses and land for agricultural use. Interest rates for mortgages in Cambodia have an impact on buying power and demand. The rates can vary significantly depending on the financial institution and the specific terms of the loan. Generally, the interest rates have been relatively high compared to some developed countries, which can affect affordability for local buyers. Higher mortgage rates can limit buying power, making it more challenging for some segments of the population to purchase property, particularly first-time homebuyers or those looking for affordable housing options. Regarding government policies and regulations, there have

been efforts to shape the real estate market and address issues like housing affordability and investment regulation. While there have not been any drastic recent changes, the government occasionally adjusts policies related to foreign ownership, taxes, and subsidies for homebuyers. For instance, policies that allow foreigners to own property in Cambodia have boosted the market, particularly in the condominium sector. However, it's important to note that these policies and regulations can evolve, and potential buyers and investors should stay informed about the latest developments.

Outlook and forecast

Demographic shifts, such as urbanization and changes in population age structures, have a significant impact on Cambodia's real estate market. Urbanization, in particular, has been a key driver of demand. As more people move from rural areas to cities in search of employment and better living standards, the demand for urban housing increases. This shift favors the development of condominiums, apartments, and townhouses in urban centers like Phnom Penh, Siem Reap, and Sihanoukville. These types of properties are more suited to urban living and are attractive to both the local urban population and expatriates. Regarding household formation trends, there is a growing preference for smaller, more manageable living spaces among young professionals and newly formed families. This trend is influencing the demand for smaller apartments and condominiums, which are more affordable and practical for this demographic. Additionally, there's a noticeable trend toward gated communities and mixed-use developments that offer a combination of residential, commercial, and recreational spaces. Real estate as an investment has been gaining popularity in Cambodia. Investors are particularly interested in properties with potential for high rental yields or capital appreciation. Condominiums in central urban locations, commercial properties, and land in developing areas are highly sought after by investors. These properties are seen as offering good returns,

especially given the urban growth and development in the country. Cultural trends also play a role in shaping the housing market. The trend of buying properties as investments rather than for living purposes is notable, especially among the affluent and foreign investors. This trend is partly driven by the relatively high returns on investment in the Cambodian real estate market and the country's economic growth prospects. Foreign investment plays a crucial role in Cambodia's real estate market. It has led to increased demand for certain types of properties, particularly high-end condominiums and commercial real estate. Foreign investors, mainly from China, South Korea, and Japan, have been active in developing large-scale projects and luxury properties. The Cambodian government has implemented policies to encourage foreign investment, such as allowing foreigners to own property on the first floor or higher of buildings. These policies have helped boost demand for certain types of properties but have also led to concerns about rising property prices and the impact on local buyers. Finally, niche markets within Cambodia's real estate sector are also experiencing unique trends. The luxury property market, for instance, is seeing growth with demand for high-end villas and luxury condominiums. Additionally, there is a budding interest in eco-friendly homes and sustainable living developments, although this market is still relatively nascent compared to more conventional property types.

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