

What's Happening in Cambodia Market & Valuation

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Bioclimatic buildings in harmony with nature

生気候(bioclimatic)建築とは、自然要素の利点を最大化しつつ、エネルギー消費を最小限に抑える建築設計に基づいた現代的な建築物のことを指す。様々な課題はあるものの、カンボジアでも多くの取り組みが始まっており、カンボジアにおける生物気候配慮型建築物の将来は明るいという見方がある。

Learnt from: Khmer Times (1st April, 2024)

MEF spells out rental and other tax rates

経済財務省 (MEF) は、カンボジアの賃貸用不動産に対して、固定資産税徴収のための管理方法による固定資産税率を公布した。一定の例外を除き、不動産賃貸収入総額の 10%が毎月課税されることになった。

Learnt from: Khmer Times (2nd April, 2024)

Construction investments rise to \$5.4 billion

建設セクターは昨年、建設総面積と投資金額について前進し、目覚ましい成長を遂げた。建設投資は前年比 84%増の 54 億ドル、建設総面積は前年比 80%増の 1,331 万平方メートルだった。

Learnt from: Khmer Times (9th April, 2024)

Phnom Penh real estate market shows signs of stabilization in Q1 2024, after Large Market correction in 2023: CBRE Cambodia

2024 年第 1 四半期、プノンペンの不動産市場は回復力と慎重ながら楽観的兆候を示し始めた。オフィス、リテール、住宅、ホスピタリティなど含むさまざまなセクターが、さまざまな課題やトレンドを乗り越えつつあり、成長と発展への方向性が見えてきている。

Learnt from: Cambodia Investment News (18th April, 2024)

Bioclimatic buildings in harmony with nature



OCIC's Connexion, which won awards overseas, represent one of the first of many soon-to-come bioclimatic buildings in Phnom Penh, setting a trend for future inspirations.

Bioclimatic architecture refers to modern buildings that minimize energy consumption while maximizing the benefits of natural elements in building designs. In Cambodia too, architects and property dealers are increasingly embracing the concept of bioclimatic buildings as environmental awareness takes precedence in every aspect of life today. It involves creating structures that adapt to their surroundings to save energy and make people's lives healthier and more comfortable. In Cambodia, there is a growing recognition of the importance of bioclimatic design in shaping the built environment. Despite challenges, there is optimism about the future of bioclimatic buildings in Cambodia. With frequent public workshops to raise public awareness and its overall benefits for the end users and its environment, the adoption of the principles will be greatly enhanced. The construction industry will be the biggest beneficiaries of this technology as roughly about one million are constructed annually.

Learnt from: Khmer Times(1st April, 2024)

MEF spells out rental and other tax rates



Phnom Penh's evening hotspot Bassac Lane.

The Ministry of Economy and Finance (MEF) proclaimed the rental property tax rates thus establishing the rules and procedures for managing property tax collection in the Cambodian real estate sector henceforth. The MFE confirmed last month that the tax on real estate rental income in Cambodia is levied at a rate of ten percent of total real estate rent, per month. It is clarified that property rent refers to the gross wage contracted or agreed upon with the lessee which is subject to the market value of the property being leased. The tax base for real estate fees therefore considers both monthly rental income and total rental revenue paid by the tenant and received by the property owner or entity. The new rules and procedures for property tax collection will apply to stipulated real estate types, including buildings and structures, houses, factories, hotels, offices, and their adjoining fixtures. The recent regulations also stipulate tax rates for various other real estate components able to be leased, such as buildings, structures, industrial mobiles, and land without compensation. Specifically, the new regulation covers tax on equipment attached to industrial buildings, and commercial and industrial goods located on the premises within warehouses or large buildings, mobile homes used for living or business purposes, and finally, taxes due on vacant land. However, some types of rentals are exempt from the rental tax levy. Exemptions from property tax include state property leases of embassies, international organizations, non-profit entities, and rentals costing below 500,000 KHR per month. The new regulations set by the MEF to

govern the management of property tax collection aim to streamline property tax procedures and ensure fair and equal taxation across the real estate sector.

Learnt from: Khmer Times (2nd April 2024)

Construction investments rise to \$5.4 billion



Building construction is underway at a site in Phnom Penh.

The construction sector achieved remarkable growth last year with constructed area and investment showing a positive development. In 2023, construction permits for 3,207 projects were issued, a year-on-year decrease of 25 percent or 1,068 projects down from 4,275 projects approved in 2022. Investment capital and construction space, however, surged by 80% and 84 %, respectively. Construction investment rose by 84% year-on-year to \$5.4 billion, while construction space increased to 13.31 million square meters, a year-on-year increase of 80%. Among the projects, 2,700 are housing projects, including 2,606 borey projects and 94 condominium projects. Besides, there are 190 industrial construction projects, 198 commercial projects, 55 tourism projects, three investment projects, and 61 public construction projects. It is observed that the positive impact of the increase in private investment has made the construction sector achieve better growth, especially in construction projects compared to 2022. Some areas of the real estate market will make progress this year too with an increase in domestic demand for affordable housing while luxury construction for non-residents, including condominiums, is expected to remain weak. In 2024, the construction and real estate sector in Cambodia is projected to grow, albeit slowly. The

sector will be supported by integrated public infrastructure development projects as was the case in 2023.

Learnt from: Khmer Times (9th April 2024)

Phnom Penh real estate market shows signs of stabilization in Q1 2024, after Large Market correction in 2023: CBRE Cambodia

Phnom Penh's real estate market is beginning to demonstrate resilience and cautious optimism according to the Q1 2024 report from CBRE Cambodia. Various sectors including office, retail, residential, and hospitality, are navigating through different challenges and trends, suggesting a nuanced approach to growth and development.

Office Real Estate: A Balance Between Supply and Stagnant Demand

The office real estate market in Phnom Penh has witnessed a notable evolution, marked by a cautious increase in supply and changes in occupancy rates. According to CBRE Cambodia's Q1 2024 report, there have been no new project launches, suggesting a pause in market expansion. However, ongoing projects have continued to completion, enhancing the total supply. The current occupancy rate is moderate at 62.2%, across various grades of office spaces, indicating that demand has not kept pace with the increased supply, possibly due to economic uncertainties or changes in business models. Projections for 2024 and 2025 show an expected addition of over 171,000 square meters and 268,000 square meters of office space, respectively. This anticipated growth reflects developer confidence in the market's potential despite the lukewarm current demand. Such expansion is seen as being driven by potential economic growth, foreign investments, and local business expansions post-pandemic. Regarding rental prices, the rates for centrally owned office spaces have been relatively stable from Q1 2020 to Q1 2024, with only minor fluctuations observed across different grades and regions. For instance, Grade A spaces in the CBD have seen a slight decrease of 2.8%, indicating a market that may become more tenant-favorable.

Conversely, Grade-B spaces in non-CBD areas have witnessed slight increases, suggesting a shift in tenant preference toward more affordable options. The business landscape in Phnom Penh is diverse, with a significant portion of establishments, particularly SMEs, operating in spaces smaller than 200 square meters. A notable 54% of these businesses rent their spaces, reflecting a flexible commercial property market. This current market stability offers businesses predictability in operational costs, crucial for strategic planning and fostering competitiveness and resilience as workplace dynamics continue to evolve.

Retail Sector: Expanding in the face of lower occupancy



Phnom Penh’s retail sector is experiencing a period of contrast and transition, as highlighted in CBRE Cambodia’s Q1 2024 report. Despite a decline in retail occupancy rates, which have fallen to 63.4%, there is a robust expansion plan. Over the next two years, the city anticipates adding significant retail spaces, with more than 101,000 square meters in 2024 and an additional 116,000 square meters in 2025. This expansion, encompassing shopping malls, community malls, and retail podiums, suggests an optimistic outlook for a revitalized retail environment, potentially fueled by increased consumer spending and economic recovery. Comparatively, Phnom Penh’s retail space per capita remains low against more developed ASEAN counterparts such as Bangkok and Ho Chi Min City. This disparity underscores Phnom Penh’s potential for growth and the underdeveloped nature of its retail market. Additionally, Phnom Penh’s retail rents are

competitively priced, lower than both central and non-central districts of Ho Chi Min City, making it an appealing market for new retailers and international brands considering expansion into Cambodia. However, a detailed analysis of retail rent trends from Q1 2020 to Q1 2024 indicates that the sector is in recovery. Although recent figures show a slight quarter-on-quarter decrease in rents across various retail formats, there has been a more substantial year-on-year drop. Interestingly, prime high street locations have seen an 8% increase in rents, bucking the overall downward trend, possibly reflecting a consumer shift towards premium shopping experiences and the strategic positioning of retailers in high-traffic areas. The dynamics of Phnom Penh’s retail market, characterized by declining occupancy rates juxtaposed with increasing supply, present a complex narrative of challenges and opportunities. As the market prepares for a potential upswing, retailers and developers need to engage in strategic planning and develop a deep understanding of evolving consumer behaviors. This strategic approach will be crucial in capitalizing on the latent potential of Phnom Penh’s retail environment and navigating its transitional phase effectively.

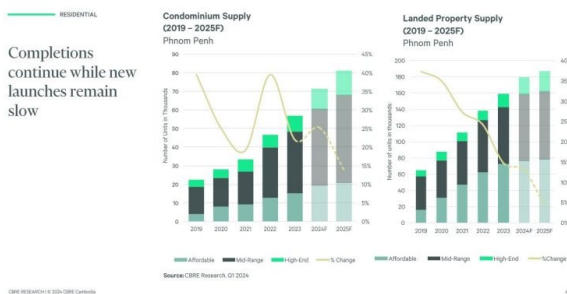
Hospitality Sector: Signs of recovery amidst a slow increase in tourist arrivals



Phnom Penh is witnessing a gradual resurgence in its hospitality sector, as indicated by the recent uptick in international tourist arrivals and a renewed commitment from global airlines. In Q1 2024, it showcases the city’s bounce-back from the travel downturn experienced over the past years. International tourist arrivals at both Phnom

Penh and Siem Reap international airports have increased, and major airlines like AirAsia and Emirates are reinstating services, signaling confidence in the region's tourism potential. However, this recovery is juxtaposed with a slowdown in the growth of the city's hospitality offerings. The supply of 3 to 5-star hotel accommodations has seen a modest annual increase, indicating a cautious approach amidst a slow occupancy recovery. The market seems to be correcting itself after the initial rush to accommodate a previously booming tourist sector. The diverse range of daily rates indicates a strategic segmentation in Phnom Penh's hospitality market, catering to different traveler budgets and preferences.

Residential Property Market: Steady Growth with diverse offerings



more spacious and private living accommodations reflects shifts in consumer behavior, likely influenced by lifestyle changes following the pandemic. The pricing landscape within the condominium market exhibits overall stability, with only minor adjustments upward. The high-end segment has seen slight year-over-year price increases, while the mid-range and affordable segments remain relatively stable with marginal fluctuations. This steadiness, even as the supply increases, suggests a market aiming for equilibrium, with developers adjusting prices to meet consumer purchasing power and investment levels. Overall, Phnom Penh's residential real estate market is displaying signs of maturity, characterized by a cautious yet forward-moving approach. Developers are completing existing projects and carefully planning new launches, while pricing adjustments are made with a keen eye on maintaining market balance. This alignment of supply with genuine demand underscores broader economic stability in the regions, offering potential buyers a variety of housing options and price points, fostering a healthy market poised for sustained growth.

Learnt from: Cambodia Investment News (18th April 2024)

The residential property market in Phnom Penh is progressing steadily, reflecting a careful balance of continuity and cautious innovation. The data shows that in the condominium sector, existing projects are being completed at a consistent pace, while new launches are more measured. The diverse range of projects, from affordable to high-end units, indicates a noticeable increase in supply, with projections for continued growth into 2025. This trend suggests that developers are diligently managing their development pipelines in response to market demand and absorption rates. Simultaneously, the supply of landed properties, which includes single-family homes and townhouses, is experiencing a significant upstroke. This sector shows a robust growth trajectory, with a substantial increase in the number of units entering the market. The growing preference for