

Cambodia Real Estate

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Highlights-2nd half 2021



ECONOMIC SNAPSHOT

Cambodia’s economic growth downgraded from 4% to 2.2% for 2021 amid continued coronavirus infections and global uncertainty, but is expected to accelerate to 5.5% growth in 2022.

The ongoing uncertainty surrounding the global pandemic and the February 20th Incident Community Outbreak in Cambodia led to a downgrading of Cambodia’s GDP growth forecast, from 4% to 2.2% for 2021.

However, due to the effective implementation of its Covid-19 Vaccination Programme by the Royal Government of Cambodia, the Kingdom had vaccinated nearly 90% of its total population, one of the highest vaccination rates, globally.

In view of the above, and with quarantine restrictions lifted at the beginning of November, there was a notable uptick in activity in the Cambodian real estate and construction sectors during H2 2021 as business sentiment turned cautiously optimistic.

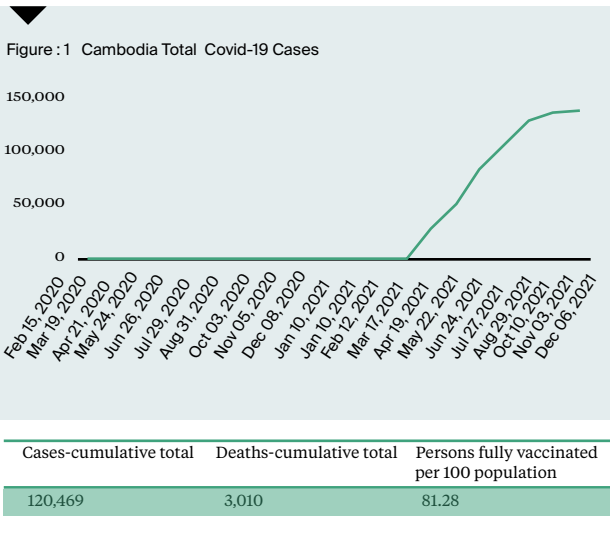
As regional and global borders slowly begin to reopen, tourism is expected to drive growth over the medium term underpinned by the Government’s approved 2021-2025 three-phased national tourism roadmap, complemented by the 2021-2035 Siem Reap Provincial Tourism Development Master Plan.

The new Law on Investment, which was adopted by the government on October 15, 2021, will also help stimulate economic growth by creating a more transparent legal framework for investment with additional incentives to support the socio-economic development of the Kingdom.

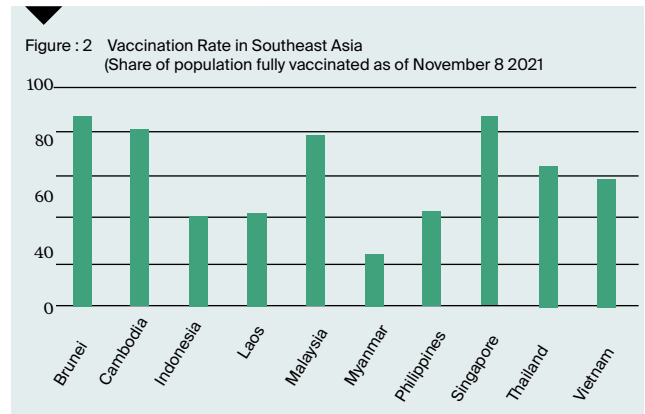


ROSS WHEBLE
Country Head

“With quarantine restrictions lifted at the beginning of November, there was a notable uptick in activity in the real estate and construction sector during H2 2021 as business sentiment turned cautiously optimistic”



Source: Worldometers.info, WHO



Source: ReportingASEAN.

PHNOM PENH OFFICE SECTOR

Key findings

The completion of three new stratified office buildings during the second half of 2021 including Flatiron, GIA Tower and The Gateway contributed approximately 85,790 sq m NLA to the Phnom Penh Grade A office stock, taking the total Grade A supply to 165,702 sq m NLA.

The incoming supply will remain dominated by stratified office space, with the majority of future buildings classified as Grade A.

Consequently, the average occupancy rates dropped by 2.2 percentage points Y-o-Y from 69.7% at H2 2020 to 67.5% at H2 2021.

Whilst Cambodia's GDP growth forecast was downgraded for 2021, business sentiment is expected to rebound in 2022 with Cambodia one of the first countries in ASEAN to fully reopen during H2 2021. However, the office sector will continue to face downward pressure in view of the anticipated supply scheduled to complete in 2022.

Despite pressure on construction schedules due to the impact of the ongoing pandemic, an additional 106,777 sq m of NLA across eight developments completed during H2 2021, equating to a 28% Y-o-Y increase compared with H2 2021.

Supply and Demand

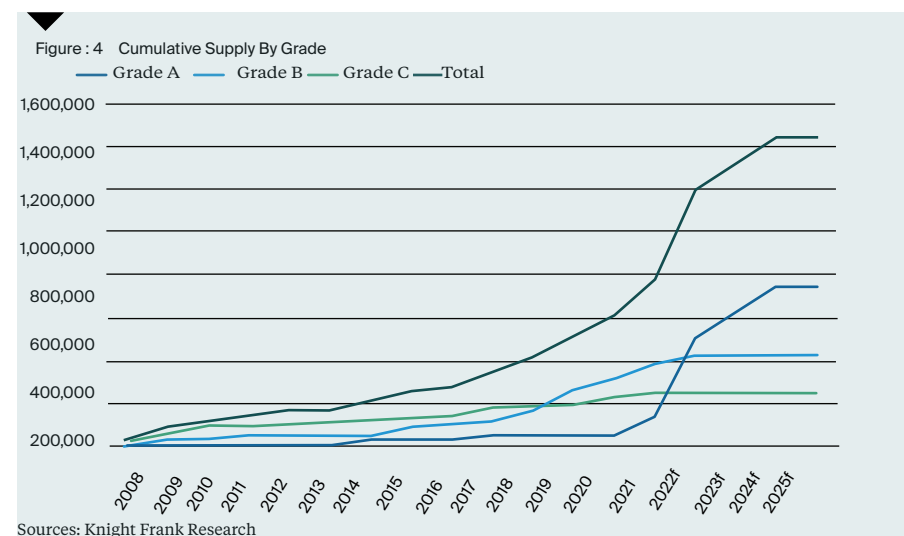
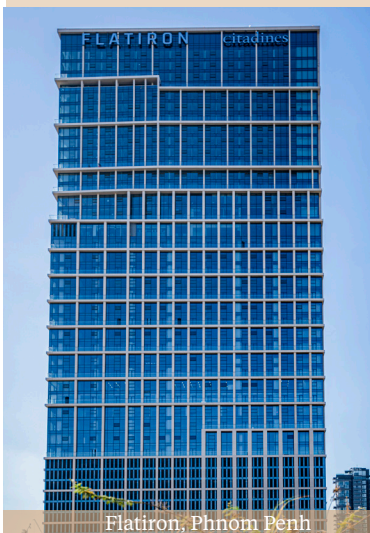
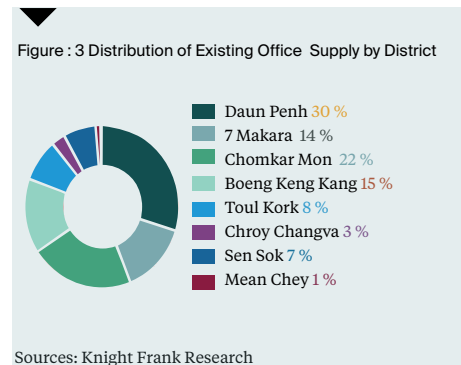
In the second half of 2021, Phnom Penh's office supply reached 781,017 sq m NLA, representing a 28% Y-o-Y growth from the same period of 2020.

Eight new buildings came on stream during H2 2021, adding 106,777 sq m NLA to the existing stock. Of the newly added supply, 96,190 sq m NLA was stratified office across four developments, namely The Gateway (23,090 sq m NLA), KY iCenter (10,400 sq m NLA), GIA Tower (43,500 sq m NLA) and Flatiron (19,200 sq m NLA). The other four newly completed developments were centrally-owned buildings, adding 10,587 sq m NLA to the existing supply including TK Olive (2,000 sq m NLA), CFI Tower (3,786 sq m NLA), BRCM building (3,051 sq m NLA) and Vann Office Premises (1,750 sq m NLA).

With four new stratified offices coming on stream, the total supply of existing office space ratio between centrally-owned and stratified office was recorded at 76:24.

Phnom Penh Grade A office stock increased to 165,702 sq m NLA during H2 2021, up 161% Y-o-Y from 53,404 sq m NLA as at H2 2020, largely attributed to the majority of new supply being classified as Grade A stratified office buildings.

Flatiron, GIA Tower and The Gateway were newly completed Grade A stratified office buildings, contributing an aggregate of 85,790 sq m NLA to the Grade A total stock. Of the overall supply (both centrally-owned and stratified office), 43% of existing space was recorded as Grade B space, followed by Grade C (36%), whilst Grade A space stood at 21% of overall supply.



The majority of office buildings are still concentrated within the Central Business District (CBD).

As at H2 2021, the CBD continued to dominate market share of the existing stock with 30% of overall supply.

Location-wise, as at H2 2021, the existing office space was mostly concentrated in Daun Penh District (30%). This was followed by Chamkarmon District (22%), Boueng Keng Kang District (15%), 7 Makara District (14%), Toul Kork District (8%), Sen Sok District (7%) and Chroy Chongvar District (3%), with the remaining 1% distributed in Meanchey District.

Over the next three years, the stock is forecasted to increase by an additional 659,564 sq m NLA.

Between 2022f and 2024f, 659,564 sq m NLA has been identified within the development pipeline if all the monitored developments complete as scheduled, of which 410,985 sq m NLA comprises strata-title offices.

Taking the above into account, the total cumulative office supply is forecasted to increase to approximately 1,440,581 sq m NLA by 2024, a rise of approximately 84% over the existing supply.

Business sentiment improved during H2 2021 in tandem with an announcement to ease travel restrictions and to reopen all services during Q4 2021. However, the average office vacancy rate continued to face

downward pressure due to new office buildings coming on stream during H2 2021.

As a result of the first lockdown in Cambodia, many corporates placed expansion and relocation plans on hold, leading to an increase in office vacancy rates compared with H1 2021.

With the addition of 106,777 sq m of NLA during the second half of 2021, vacancy rates ranged between 30% to 40% across all grades.

Grade A office space registered the highest average vacancy rate at 39.9%, a significant increase of 18 percentage points over H1 2021. This increase is largely attributable to the recent completion of three new grade A stratified office buildings. The average Grade B office vacancy rate was recorded at 29.7% vacancy rate, whilst Grade C vacancy remained flat at 31.5%.

Between centrally-owned and strata-title buildings, the vacancy rate was recorded at 23.4% and 60.7%, respectively highlighting the market demand for centrally-owned space.

This led to an average office occupancy rate of 67.5% during H2 2021 across all grades, representing a decline of 2.2 percentage points compared with H2 2020.

Prices and Rental

On a positive note, leasing activity slightly accelerated during H2 2021 as Cambodia reopened its borders, although market rents continued to face downward pressure.

Landlords continued to offer competitive rents to attract new tenants and retain their existing tenants.

Average quoted rents for Grade A ranged between US\$20 to US\$30 per sq m per month.

Grade B quoted rents ranged between US\$13 to US\$23 per sq m per month, whilst Grade C ranged between US\$6 to US\$13 per sq m per month.

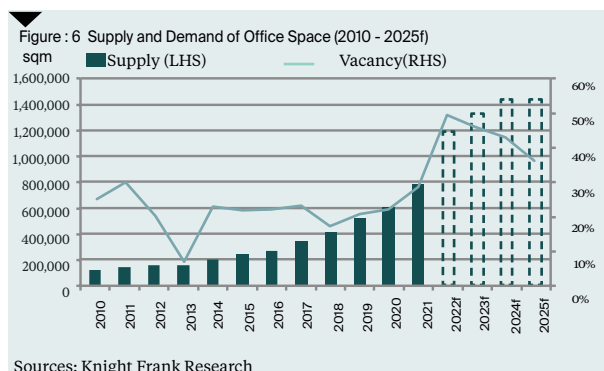
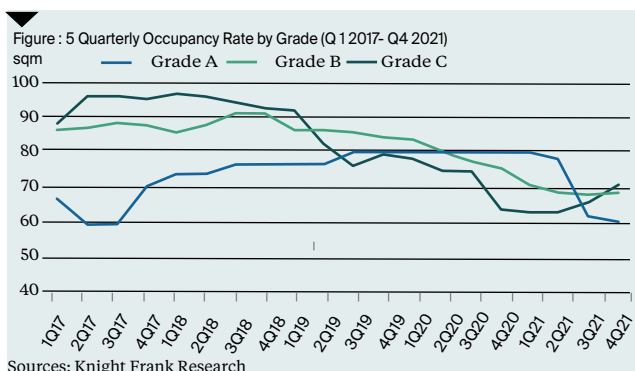
There was no new strata-title office launched during H2 2021; the strata-title office available for sale ranged between US\$2,500 to US\$4,800 per sq m of NSA. However, we did observe a considerable shift in strategy for discounted asking prices and greater room for negotiation.

Office Sector Outlook

Despite signs of recovery witnessed in Q4 2021 along with the government's decision to reopen all services in the Kingdom, the office sector will continue to face downward pressure in tandem with anticipated supply coming on stream over the medium-term.

Amid the growing mismatch between supply and demand, landlord's will face increasing pressure for flexibility regarding rentals and better lease terms, especially within strata-title buildings.

The general outlook for the office sector is largely dependent on the local and regional speed of economic recovery from Covid-19. Over the short to medium term, the office market will be attractive to small office occupiers and users. Furthermore, for future strata office projects, developers are well advised to appoint reputable property management companies which will enhance marketability and aid owners in securing tenants.



PHNOM PENH RETAIL SECTOR

Key findings

K-Mall, TK Central and Vattanac Lifestyle Park completed during H2 2021, adding 18,940 sq m of net lettable area (NLA) to the current retail supply.

The three completions achieved occupancy rates of approximately 80%, 60% and 50%, respectively.

307,547 sq m of retail NLA across 12 projects is scheduled to complete in 2022.

By 2025, the total cumulative supply of Phnom Penh retail space is forecast to reach 1,049,316 sq m, an increase of 129%.

95% of future supply will be prime retail (562,210 sq m of NLA), with the remaining 5% categorised as secondary retail (29,100 sq m of NLA).



K Mall, Phnom Penh

The full reopening of the country in November 2021 led to a notable uptick in retail activity towards the end of the year. However, retail mall foot fall remains well below pre-Covid levels. This, coupled with the significant amount of retail space due to complete in 2022, will see sustained pressure on market rents and occupancy rates.

Supply and Demand

H2 2021 recorded a Y-o-Y increase in supply of 11%, from 413,088 sq m to 458,006 sq m of retail NLA in the Kingdom's capital.

Three new completions were recorded during H2 2021, contributing 18,940 sq m of net lettable area (NLA) to the existing stock. Urbanland announced the opening of its first community mall, K-Mall, as part of its Veng Sreng development whilst simultaneously, TK Central and Vattanac Lifestyle Park, developed by Parbury Investment and Vattanac Properties, respectively, were also added to the existing stock.

Adopting a concept of luxuriant greenery, the 12,000 sq m K-Mall achieved a pre-commitment of retail space of approximately 80%. The mall offers a wide selection of stores and eateries, from fashion to F&B and entertainment to the 500,000+ people of Veng Sreng and Chom Chao. Similarly, TK Central's 3,540 sq m retail podium recorded an occupancy rate of approximately 60% whilst the 3,400 sq m Vattanac Lifestyle Park achieved an occupancy rate of roughly 50% upon opening.

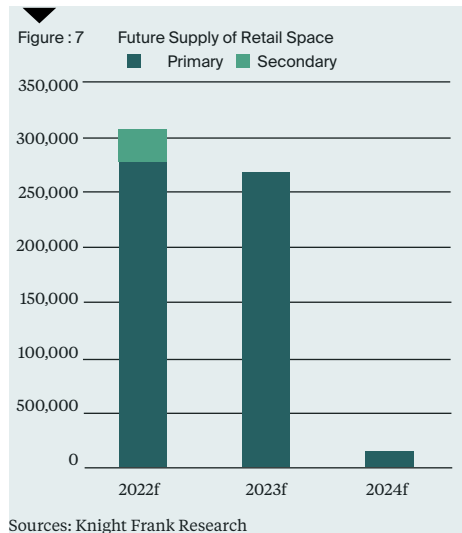
Buoyed by the Royal Government of Cambodia's (RGC) efforts and active response in fighting against Covid-19, retail developers are eagerly anticipating a brighter post-pandemic retail sector.

Despite this optimism, there is a significant amount of retail space in the future supply pipeline, with approximately 307,547 sq m of NLA scheduled to complete in 2022.

Between 2022 and 2025, an estimated 591,310 sq m of retail NLA is expected to complete and be added to the existing supply. This would take the total Phnom Penh cumulative supply to 1,049,316 sq m across 63 projects.

Geographically, the majority (75%) of the future retail space is located in Phnom Penh's suburban areas, whilst the remaining 25% is located in the city centre.

Notable projects included Aeon3, PH Eco Mall, Chip Mong 271 Mega Mall, Global Tech Exchange and Phnom Penh Mega Mall to name a few.



In terms of retail formats in Phnom Penh, the majority of retail space is within purpose-built retail malls, accounting for 56% of the overall supply. This was followed by community malls accounting for 29% of total supply. The remaining retail stock is within retail podiums and stratified retail projects where retail units within a project have been sold to individual owners.

As for occupancy rates, city centre retail malls recorded an average occupancy rate of 68% while suburban retail malls recorded a higher average rate at 77%. Both locations (city centre and suburban) continue to attract many international retailers, with new entrants in 2021 including Pizza Hut, PaPa Johns, Pizza 4 P's and 7eleven to name a few.

The newly completed K-Mall achieved an occupancy rate upon opening of 80% which was a great achievement in this outside city location. K-mall was able to leverage off the developer's strong reputation in the domestic market as well as achieving a good tenant mix, focusing a lot on food and beverage, as well as fashion and entertainment.

Prices and Rental

Due to a new covid-19 variant known as Omicron – a faster-spreading variant compared with others – it is apparent that the pandemic is far from being over. This implies that coronavirus will continue to have a significant influence

on people's lives, both socially and economically, across the country. As a result, its effects and prolonged uncertainty have impacts on the rental price stability in the retail sector.

In terms of prime retail supply, market rents as at the end of H2 2021 ranged between US\$26 per square meter and US\$30 per square meter per month. Market rents within the city's secondary grade retail malls ranged between US\$15 and US\$28 per square meter per month.

Retail Sector Outlook

Globally, two of the hardest hit real estate sectors during the Covid-19 pandemic have been hospitality and retail, and this is also evident in Cambodia. 2021 more so than 2020, with Phnom Penh experiencing its first lockdown in April 2021, significantly impacting on retail mall footfall.

However, Cambodia has rolled out one of the most aggressive vaccination programmes, globally, and is second only to Singapore in Asia. This has enabled Cambodia to be one of the first countries in ASEAN to fully reopen, with the government lifting the quarantine period for international tourists at the beginning of November.

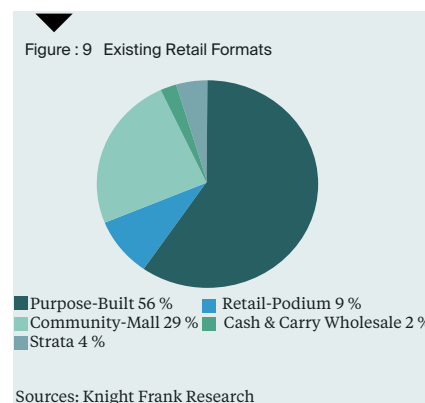
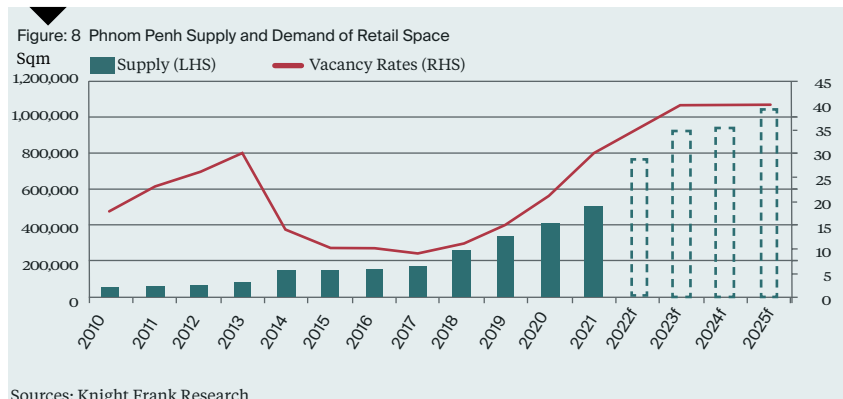
This full reopening led to a notable uptick in retail activity. Shopping malls began to see an increase in footfall, further boosted by the Christmas and New Year holiday period in December.

The most exciting news during H2 2021 was the announcement that Swedish fast-fashion retailer, H&M, will be entering the market in 2022 with its first store within Aeon Mall Phnom Penh.

This is a great milestone for the Cambodian retail sector. H&M is the perfect fit for the local market in terms of price point and branding, and also signals to other global fast-fashion retailers that the Cambodian market is ready for its next stage of evolution.

The above notwithstanding, whilst there is optimism from retailers over the outlook for Cambodia's retail sector, there is a clear supply-demand imbalance, with retail supply set to more than double by 2025 if all future projects complete as scheduled.

This is already placing pressure on rental rates and occupancy rates, which looks set to continue over the short and medium-term.



PHNOM PENH HOTEL SECTOR

Key findings

The opening of Ban Ban Hotel added 140 rooms to the existing supply during H2 2021, bringing the total supply to 12,489 rooms

If all future hotels complete as scheduled, 8,448 rooms will be added to the existing supply over the next four years, increasing the total supply to 20,937 rooms

Cambodia became one of the first countries in ASEAN to remove all travel restrictions for vaccinated travellers during November 2021

Cambodia's tourism sector is expected to gradually recover toward the end of 2022, with a notable increase in arrivals in 2023 underpinned by the 2023 SEA Games



Ban Ban Hotel, Phnom Penh

Cambodia became one of first countries in ASEAN to fully reopen and remove all travel restrictions for vaccinated travellers in November 2021. This led to a 65% increase in tourist arrivals during December 2021 compared with the previous year, however, this was still significantly below the number of pre-covid arrivals.

Supply

During H2 2021, only Ban Ban Hotel within the Midscale & Economy classification was added to the existing supply, bringing the total number of rooms to 12,489 keys, a 5% increase over the previous year.

Ban Ban Hotel, a newly opened Midscale & Economy hotel, added 140 rooms to the existing supply. The figure brought the total hotel supply to 12,489 keys, equivalent to a 5% y-o-y growth.

Currently, 50% of the overall supply is classified as Midscale & Economy hotels. The remaining is split equally between Luxury & Upper Upscale (25%) and Upscale & Upper Midscale (25%).

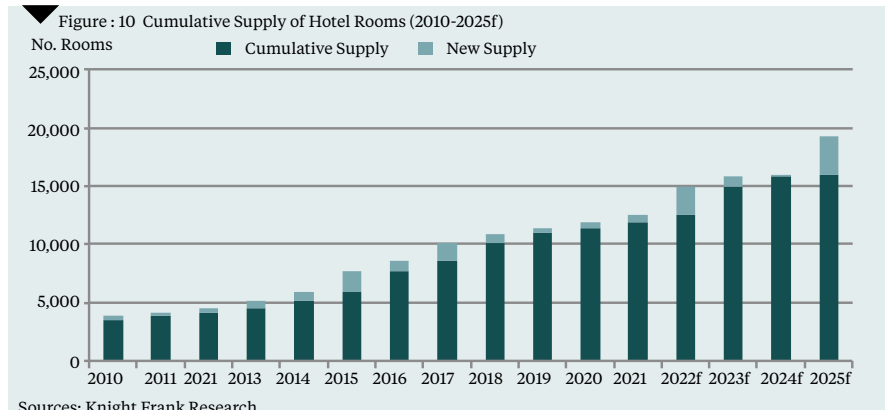
Location-wise, Duan Penh makes up 38% of the market, followed by Chamkarmon (22%), Boeung Keng Kang (11%), Chroy Changvar (9%), and 7 Makara (7%). The remaining keys are distributed between Sen Sok, Toul Kork, Mean Chey, and Por Senchey at 6%, 4%, 2%, and 1%, respectively.

The majority of the future supply is located in Chamkarmon District, accounting for 67% of future hotel rooms. This is attributable to Naga 3, which will deliver around 3,000 hotel rooms. It's followed by Daun Penh (15%), Boeung Keng Kang (5%), Toul Kork and Por Senchey (4%), 7 Makara (3%) and Sen Sok (2%).

If completed as scheduled, the future supply is expected to add 8,448 rooms by 2025, bringing the total cumulative supply to 20,937 rooms; an increase of 75 percent.

In term of classification, the future supply is dominated by Luxury & Upper Upscale hotels accounting for 54%. This is followed by Upscale & Upper Midscale (29%) and Midscale & Economy (17%).

This shift away from Midscale & Economy to Luxury & upper Upscale hotels highlights the changing trend in tourist arrivals to Cambodia, as the Kingdom moves up the value chain with higher spending tourists.



Occupancy Rate and Average Room Rates

There was a notable uptick in tourist arrivals in December as the Government fully reopened the Cambodian borders to vaccinated travellers in November.

Herd immunity has been generated as a result of a countrywide vaccination campaign's effectiveness, allowing Cambodia to completely resume its socioeconomic operations, including the tourism industry. Beginning in November, international tourists and travellers who have been completely vaccinated against COVID-19 were enthusiastically welcomed to Cambodia at all international gateways by air, land, and water, as well as to all destinations in Cambodia.

However, Omicron's influence is progressively undercutting hopes for a significant rebound in Cambodia's tourism sector in 2022.

Due to the SARS-CoV-2 Omicron variant, there are still concerns about the difficulties of tourism recovery, hurting hopes for a significant increase in foreign travellers. When compared to the same period last year, the number of international tourists decreased by 85%, from 1,306,143 to 196,495.

Nevertheless, there is still a positive indication in terms of local tourism, despite the global expansion of Omicron variant infections. Statistically, thousands of domestic visitors visited Cambodian provinces over the Public holidays and weekends. According to the Ministry of Tourism, there were over 1.14 million tourists over the New Year period between December 31, 2021 to January 1, 2022, with 5,754 of them being foreigners; additionally, Phnom Penh and Siem Reap were the most visited locations across the country.

According to the government, more than 360,000 people attended key attractions in Phnom Penh, which included Koh Pich, the riverside in front of the Royal Palace, the Victory Monument, and the Techo Heritage National Stadium.

This figure was supported by the majority of hotels across all classifications lowering their prices to appeal to the local market as well as foreign visitors.

According to the December Tourism Statistics Report, the overall average hotel occupancy rate for Cambodia was 15.5%, a significant increase since 2020 (8.3%).

Hotel Sector Outlook

The Royal Government's impressive vaccination programme helped to stimulate the tourism sector and positioned Cambodia as a leading destination in ASEAN.

Cambodia was one of the first countries in ASEAN to fully reopen its borders, underpinned by its commendable vaccination programme with Phnom Penh achieving the enviable position of being the most vaccinated capital cities in the world during H2 2022

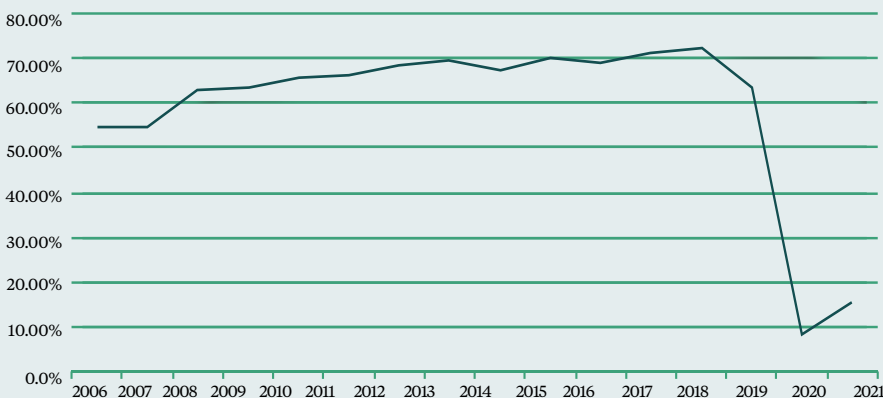
This led to a 65 percent increase in tourist arrivals during December once the quarantine period for vaccinated travellers was lifted in November.

However, whilst this was a significant Y-o-Y increase, the number of arrivals fell well short of pre-pandemic levels.

In the short and medium-term outlook, due to the uncertainty of the pandemic and the impact of new variants, Cambodia's tourism sector is expected to recover slowly during 2022.

The medium to long term prospects remain very positive as international tourist arrivals return, and the domestic market continues to grow in line with increasing disposable income in Cambodia.

Figure : 11 Cambodia Hotel Occupancy Rate Trend (2006 - 2021)



Source: Ministry of Tourism

Key findings

The cumulative supply of serviced apartments in Phnom Penh was recorded at 7,288 units as at H2 2021.

Four new serviced apartments were added to the existing supply contributing a total of 124 units, namely Phnom Penh Chaya Apartment 2, Greystones Building, Barami Apartment and Amata Residence.

Mid-tier serviced apartments continued to dominate the existing supply with a slight uptick of the overall share to 59%, followed by High-end (23%) and Core units (18%).

Despite the easing of travel restrictions and fully reopening, with no quarantine required for vaccinated tourists, the serviced apartment sector remained subdued as the pandemic continued to evolve, placing pressure on both unit rates and occupancy.



PHNOM PENH SERVICED APARTMENT SECTOR

Over the last five years, Phnom Penh’s serviced apartment sector has faced increasing competition from the incoming supply of condominiums, placing downward pressure on both occupancy rates and rental rates. This has been further compounded by the Covid-19 pandemic which continues to affect tourist arrivals and the hospitality industry as a whole.

Supply

H2 2021 saw the completion of four new serviced apartments including Phnom Penh Chaya Apartment 2, Greystones Building, Barami Apartment and Amata Residence.

124 units across four developments were added to Phnom Penh’s existing stock, bringing the total cumulative supply to 7,288 units, recording an increase of 5% as compared to the same period in 2020.

The new supply mainly comprised small to mid-scale projects, with an average of 31 units per building.

All the newly added developments were categorised as Mid-tier projects, with the Mid-tier segment continuing to dominate the existing stock accounting for more than half of the total supply.

As at the end of H2 2021, 59% of the existing supply was classified as Mid-tier, followed by High-end units (23%). The remaining 18% were within the Core category.

Being considered the most popular residential location and one of the main expatriate enclaves, the majority (34%) of existing supply is located within Boeung Keng Kang District followed by Chamkarmon (21%), Daun Penh (16%), Toul Kork (10%), 7 Makara (10%), Chroy Chongvar (5%), Sen Sok (3%) and Meanchey District (1%).

Two major international hospitality brands are anticipated to start operating in H1 2022. Flatiron by Meridian is set to be a prime mixed-use development comprising Grade A office and an apart ‘hotel’ operating as Citadines, a global hospitality brand under The Ascott Limited. Oakwood Premier, the US- apartment chain, will manage their first property in Phnom Penh within One Park project, in the CBD.



Between 2022 and 2023, an additional 1,204 units are scheduled for completion and will be added to the existing supply, reflecting an increase of 17%. The most notable larger scale projects within the future pipeline included TK Central (92 units) and Leedon Heights, managed by Citadines (154 units).

Rental

With the worsening of the Covid-19 pandemic, as well as the new entry of serviced apartments and condominiums, the average rental of High-end units continued to fall Y-o-Y.

The main source of demand for serviced apartments in Phnom Penh is dominated by expatriates and long-stay business tourists. Amid the ongoing Covid-19 pandemic, serviced apartments have seen weak demand in recent years. This, coupled with new supply coming on stream has led to supply outpacing demand.

In view of the above, advertised rental prices across all segments continued on a downward trend. Whilst advertised rents recorded a nominal decline, transacted rents were significantly lower Y-o-Y with landlords offering additional incentives including utilities packages and more flexible lease terms.

Under depressed conditions, landlords and operators have continued opting for flexible negotiation with tenants, offering discounts of up to 50% depending on the rental period.

Occupancy

Occupancy bounced back slowly upon the government easing travel restrictions, as well as the increased flexibility in lease negotiations. The overall occupancy rate increased to 58% at the end of H2 2021, reflecting an increase of 4 percentage points compared with H1 2021.

The demand for serviced apartment accommodation is predominantly driven by business travel and expatriates relocating to Phnom Penh. With the Feb 20th Community outbreak event leading to Cambodia’s historic lockdown, the serviced apartment sector, alongside hotels and retail, bore the brunt of the impact of Covid-19 on the real estate sector.

Phnom Penh experienced a significant decrease in serviced apartment overall occupancy over the first half of 2021, particularly within the High-End segment.

In line with an announcement to ease travel restrictions and fully reopen, with no quarantine required for vaccinated tourists, as well as the increase in flexible terms from landlords, the overall occupancy rate increased by 4 percentage points during H2 2021 compared with the preceding period.

Serviced Apartment Sector Outlook

The Phnom Penh serviced apartment sector has faced increasing competition during the past five years, with 2021 being another difficult year for landlords. Operators remain cautious as the pandemic continues to evolve.

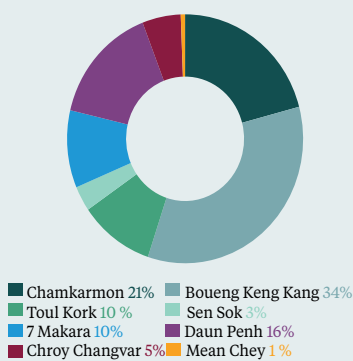
Demand for serviced apartments relies heavily on expatriates, many of which returned to their home countries during the past two years. Meanwhile, tourist arrivals continued to record negative growth despite the government easing travel restrictions in November, indicating a slower than expected recovery for Cambodia’s hospitality sector.

Whilst the pace of recovery from Covid-19 remains uncertain, the serviced apartment market is likely to continue stagnation in the short-term, placing pressure on rental rates and occupancy.

The above notwithstanding, international serviced apartment operators remain optimistic on the growth prospects for Phnom Penh and Cambodia as a whole.

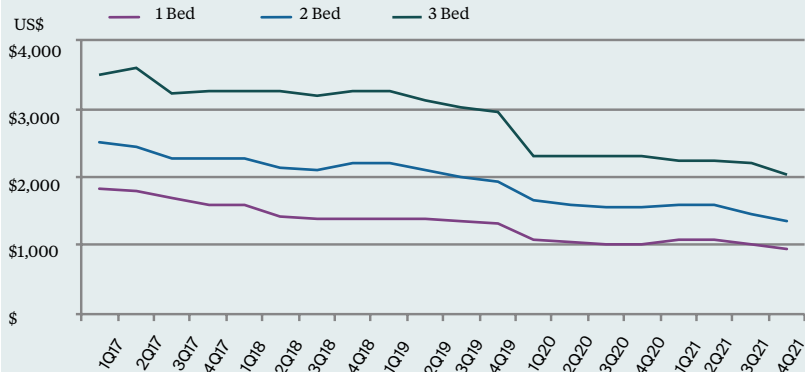
This is apparent with several international operators looking to enter the market, as well as the continued expansion by one of the biggest well-known operators, The Ascott Limited, expanding the operation of its Citadines brand within Leedon Heights in Sen Sok District.

Figure : 13 Existing Supply By District



Source: Knight Frank Research

Figure : 14 Quaterly Monthly asking rents for high-end units



Source: Knight Frank Research

Key findings

Knight Frank reconfigured and reclassified its condominium basket into four categories; namely Core, Mid-tier, High-end and Prime (the top 5% of the market).

2 new off-plan launches and nine completions were recorded during the second half of 2021.

The existing supply reached 27,975 units across 95 buildings and is projected to increase to 78,648 units by 2025.

A Prime residential basket has been added to our tracking database as we see more depth in the market, and in line with our global reporting to add Phnom Penh to Knight Frank's Prime Global Cities Index publication.



Picasso, Phnom Penh

PHNOM PENH CONDOMINIUM SECTOR

Knight Frank Cambodia reconfigured and reclassified its condominium basket, resulting in more than 25% of the existing supply being reclassified as Core developments

Supply and Demand

The second half of 2021 struck a better balance in comparison to H1 2021, recording two new launches and nine project completions.

The highly contagious and transmissible Covid-19 Delta variant was detected and spread among the community during H2 2021, posing further economic threats and implications. Similar to the past year, many businesses in all sectors have been struggling to survive the prolonged uncertainty, including the real estate sector.

Despite the pandemic, the delayed condominium constructions started to resume and a few developers gained enough confidence to launch their projects. In H2 2021, the market saw the completion of 9 condominiums, increasing the existing supply to 27,975 units across 95 buildings.

Picasso City Garden, Boeung Keng Kang's most anticipated Prime condominium completed in Q4 2021. Developed by Titan Stone & Picasso, the building comprises 143 units featuring 1 to 5 bedroom units with sizes starting from 55 sq m of net saleable area. Other Prime developments included The Peak (1,014 units), 352 Platinum (130 units), The Gateway (572 units) and One Park (166 units).

Project completions with Mid-Tier and Core categorise included; Time Square II (216 units), -M Residence (378 units), The Vincent (formally known as SH Condo) (283 units) and Star Polaris 23 (300 units).

As a side note, Knight Frank Cambodia reconfigured and reclassified its monitored basket in line with the increase in depth in the sector. All projects were reclassified and monitored under Core,

Mid-tier, High-end and Prime. As a result, the existing stock is now split between Core (25%), Mid-tier (50%), High-End (20%) and Prime (5%).

Knight Frank Cambodia's Prime residential category represents the top 5% of the market in line with Knight Frank's global publication, the Prime Global Cities Index. Currently, 8 projects from both the existing and future supply, totalling 4,171 units, are considered as the most expensive and lavish residential homes in Phnom Penh. These included (The Peak, Sky Villa, L'Attrait, Picasso City Garden, Imperial Crown, Mesong, Le Conde Bkk1, and Odom Residences).

Geographically, Chamkarmon continues to dominate the market as the most high-rise concentrated district at 29% of total supply. This is followed by Sen Sok (12%), Toul Kork (11%), Boeung Keng Kang (10%), 7 Makara (10%), Chroy Changvar (9%), Mean Chey (7%) and Russey Keo (4%). Surprisingly, Duan Penh only accounts for 3% of the market. The remaining buildings are shared among Porsenchey and Chbar Ampov whilst Dangkao is now the last district yet to receive any condominium launches.

Two new-launches were recorded during H2 2021; Residence H Sen Sok and Gold Class Sen Sok Serviced Residence. The projects will provide a combined total of 300 units by the time they are completed. Though it has just been launched, Gold Class Sen Sok Serviced Residence has completed more than 60% of its construction progress and is scheduled to handover by the end of 2022. This Mid-tier project has a total of 96 units of 2 to 4 bedroom condominiums.

With all the condominium investments from both local developers and foreign developers, the cumulative supply is expected to increase by 50,673 units, bringing the total supply to 78,648 units by the end of 2025. The units will be spread across 175 buildings. This reflects an increase in the existing supply of 194%. Among the future

supply mentioned above, 56% will be Mid-tier condominiums, followed by High-end (22%), Core (17%) and Prime (5%). Mid-tier developments will continue to dominate the future supply as property developers are targeting to meet the demand of Cambodia’s emerging middle class as well as expatriates residing in the Kingdom.

In the upcoming years, 23% of the future developments will be situated in northwest of Phnom Penh, Sen Sok District. Sen Sok District is now a hotbed for development as infrastructure improvements enhance accessibility and projects such as Aeon 2, Makro and the Australian International School of Phnom provide more diversified amenities.

This is followed closely by Chroy Changvar (17%), Chamkarmon (15%), Mean Chey (14%), Boeung Keng Kang (8%), Toul Kork (8%), 7 Makara (5%), Duan Penh (5%) Russey Keo (3%), Mean Chey (1%) and Porsenchey (1%).

Unlike the landed housing sector that is underpinned by predominantly domestic buyers, the condominium market is mainly driven by foreign demand. The potential to be supported by Cambodian buyers is growing but still limited with the current market.

Compounded by the global pandemic, consequently, the condominium sector sales rate declined to 3% of monitored

units available for sale during H2 2021, the lowest since we began reporting in 2015.

Prices and Rental

The average selling price during H2 2021 stood at \$1,300 per sq m of net saleable area, a slight decline over H1 2021

Despite the challenging environment as a result of the ongoing pandemic, a number of new projects were launched onto the market. However, in view of the continued uncertainty, H2 2021 saw a slight decline in the average developer’s selling price from approximately US\$1,500 per square meter in H1 2021 to US\$1,300 per square meter of net area during H2 2021.

Developed by Yoon SK Construction, Gold Class Sen Sok Serviced Residence is a Mid-tier building situated in the north-west District of Phnom Penh, Sen Sok. With just 96 units available to purchase, the project managed to achieve a sales rate of 20% during H2 2021. The selling price starts from US\$1,600 per square metre of net saleable area.

With Knight Frank’s new grading system as mentioned above, Residence H Sen Sok falls into the Core category with the starting selling price of around \$1,000 per square meter.

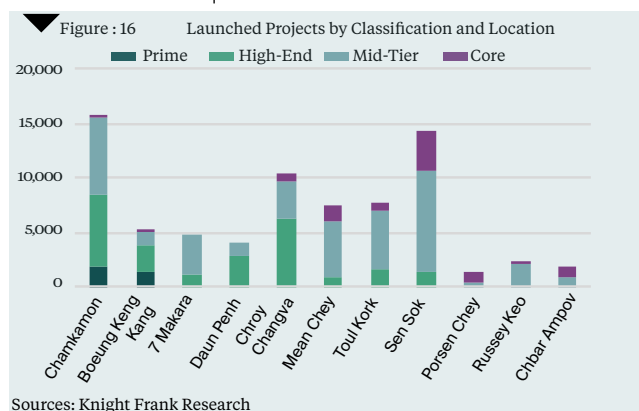
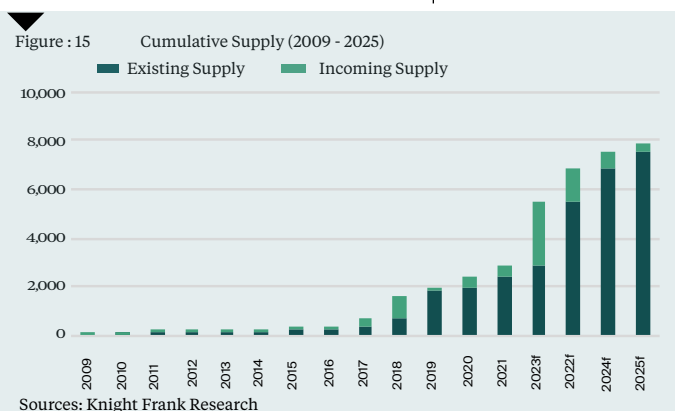
The project is located in Phnom Penh Tmey, Sen Sok. It has a total of 272 units, comprising both a one bedroom and two bedroom units. The smallest unit of Residence H Sen Sok is 45 square meters selling from US\$41,000 and the largest at 77 square meters selling from US\$72,241.

Condominium Sector Outlook

With the roll-out of the 4th dose of Covid-19 vaccinations, Knight Frank maintains an optimistic medium-term outlook as border start to reopen during 2022.

Buoyed by the high vaccination rate of close to 86% of the 16 million population at the end of H2 2021, Cambodia reopened all the social-economic activities across all sectors in November. Despite the spread of Omicron Variant of Covid-19 Pandemic, the medium and long term prospects for the real estate sector remain optimistic.

The commendable effort of the Royal Government of Cambodia (RGC) in recovering the economy and securing foreign investments for growth has strengthened property developers’ hope in launching and completing their planned projects. For a developing country, Cambodia is looking at a higher sales rate from condominium developments and a promising market in the upcoming future. It is a matter of timing, as both developers and buyers are closely eyeing the potential returns from their investments.



Key findings

Knight Frank reconfigured and reclassified its landed housing basket into four categories; namely Core, Mid-tier, High-end and Prime (the top 5% of the market).

The market recorded 6 completions, bringing the total cumulative supply to 72,552 units as at the end of H2 2021.

Sen Sok district ranked first as the most populous residential area of Phnom Penh, now commanding 22% share of the housing stock

The average overall selling price for housing projects in Phnom Penh was recorded at \$1,200 per square meter of gross floor area

All launched projects during the second half of the year were well-received by the market; with achieving an average sales rate of 23% upon launch



Peng Huoth Mera Garden, Phnom

PHNOM PENH LANDED HOUSING SECTOR

With 6 completions and 13 new off-plan launches during H2 2021, the cumulative supply of landed housing is projected to reach 91,543 units by 2025

Supply and Demand

Sen Sok tops all districts in Phnom Penh as the area with the most housing projects, at 22% of the total existing supply

Despite 2021 being a challenging year impacted by the global Covid-19 Pandemic and its prolonged economic uncertainty, major housing developers managed to handover 6 of their projects to buyers during H2 2021. The completions added a total of 2,706 units to the existing supply basket.

With the additional projects, the existing supply jumped to 72,552 units spread across 184 developments. The new completions included; Borey Chip Mong the Landmark 60M (886 units), Borey New World La Sen Sok 2 (539 units), Borey Ratanak Project 5 (136 units), Borey Sun City (45 units), Borey PH the Star Mera Garden (600 units) and Borey PH the Star Munirah (500 units).

Category-wise, Mid-tier developments contributed to the largest market share at 53%, more than both Core (36%) and High-end (11%) housing projects combined.

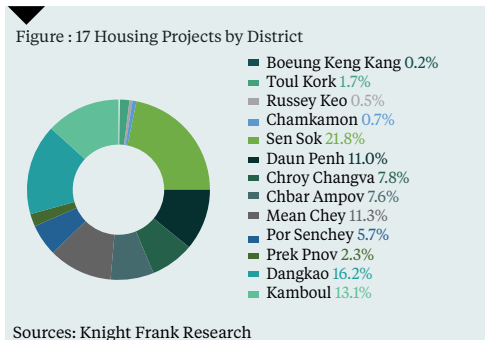
As a side note, Knight Frank Cambodia reconfigured and reclassified its monitored basket in line with the increase in depth in the sector. All projects were reclassified and monitored under Core, Mid-tier, High-end and Prime. As a result, the existing stock is now split between Core (25%), Mid-tier (50%), High-End (20%) and Prime (5%).

Geographically, Sen Sok has become the most concentrated district for housing development over the years, now accounting for 22% of the total market supply. This growth in development is in tandem with the rapid development of Sen Sok District, underpinned by improving accessibility and the development of major amenities including Aeon 3, Makro, Chip Mong Sen Sok Mall, Global House and the Australian International School of Phnom Penh.

This figure is followed by Dangkao (16%), Kamboul (13%), Mean Chey (11%), Russey Keo (11%), Chroy Changvar (8%), Chbar Ampov (7%), Por Senchey (6%), Prek Pnov (2%), Chamkarmon (2%) and the remaining (2%) is shared equally between Daun Penh and Toul Kork.

Whilst the demand for condominiums has declined significantly during the past two years, demand for housing is driven by domestic demand and the sector continues to perform well. As a result, 13 new projects were launched during H2 2021. One of the more notable housing launches of 2021 was Chankiri Palm Creek by Urban Land. Known for reserving up to 50% of the land for green areas, and a key focus on the quality of living, the borey will be built on 9.5 hectares of land, located in the South of Phnom Penh along National Road 2. Once completed in mid-2023, Chankiri Palm Creek will add more than 200 units to the supply.

Selected new launches recorded in H2 2021 included; Orkide The Botanic Palace (500 units) -



Borey Samrong Village (Phase 1) (206 units), Borey Phnom Penh Thmey Redian Park (296 units), Borey The Golden Park the Natural (1,100 units), Borey Chea RY Greenville Premium (38 units), Borey New World Kur Srov 1&2 New Block (1047 units), Borey Vistar (74 units), Borey Lay Kong Residence (464 units), Borey Kasen Phnom Penh (317 units) and Borey Amory Sen Sok (26 units).

Factoring in the above launches, the total cumulative supply in Phnom Penh is projected to increase to 91,543 units by 2025, assuming that all announced projects complete on time. It is equivalent to a 26% increase over the existing supply. Underpinned by increasing disposable incomes and the rapid urbanisation of Cambodia, new launches are expected to continue unabated over the short and medium term.

Location-wise, the upcoming supply will be distributed across all districts with Sen Sok leading the way, accounting for 20% of the future supply. This is followed closely by Dangkao (18%), Kaboul (11%), Russey Keo (11%), Chroy Changvar (10%), Mean Chey (9%), Chbar Ampov (8%), Por Senchey (6%) and Prek Pnov (3%). The remaining 4% is shared between Chamkarmon, Boeung Keng Kang, Toul Kork, 7 Makara and Daun Penh – the five city centre districts.

With the landed housing sector being the least impacted real estate sector in Cambodia as a result of Covid-19, developers benefitted from healthy domestic demand and stable sales rates. As observed, the demand from the local buyers was still notable amidst the economic slowdown. As a result, the 13 newly launched projects achieved an average sales rate of 23% during H2 2021.

Remarkably, the new block of New World Kur Srov 1&2 sold out more than 80% within a short period after launching. The healthy sales rates were supported by developers offering flexible payments plans, interest-free loans and attractive discounts.

Prices and Rental

H2 2021 recorded a slight difference in the selling price in housing sector from previous report at \$1,200 per square meter of gross floor area.

The average selling price of landed housing units also remained stable at approximately \$1,200 per square meter of gross floor area (GFA) during H2 2021. This was a slight increase from the corresponding period of 2020.

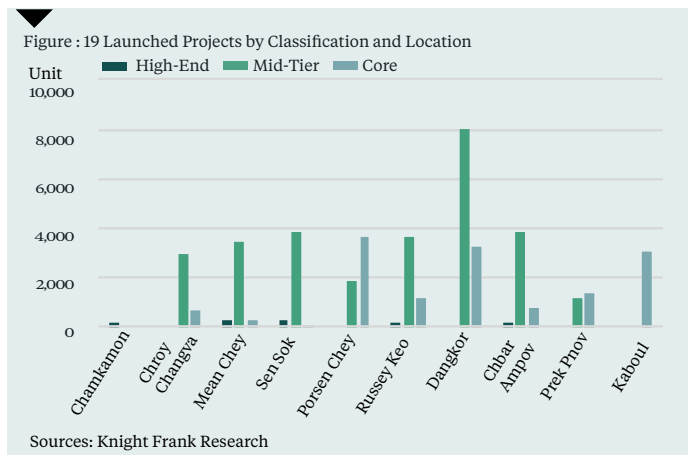
Located in Porsenchey District and expected to complete by 2024, Borey Kasen Phnom Penh is a Mid-tier development with a total of 317 units. The project has an average price of US\$1,500 per square meter with many house types such as double to three-storey shop houses and detached villas, ranging from US\$129,800 to US\$700,000 per unit.

Rental rates for prime, city centre villas and houses also remained stable with demand from both Cambodian families and expatriates. Schooling is a key factor impacting demand for these units.

Landed Housing Sector Outlook

The strong domestic demand indicates a healthy future market, despite the impacts from the ongoing Covid-19 Pandemic. The landed housing sector continues to perform well, and several foreign developers have now entered the market to tap into this domestic demand.

With Cambodia’s economy expected to bounce back stronger in 2022 and with regional and global economies starting to open back up, we anticipate an uptick in activity in the housing sector over the short and medium-term. This will be supported by increasing disposable incomes and Cambodia’s rapid urbanisation rate.



SIEM REAP H2 2021 REVIEW

Overview

The Siem Reap economy continued to be hampered by the ongoing pandemic, however, the Government has utilised the downturn wisely, implementing much needed infrastructure improvements across the city. Siem Reap’s 38-road construction project is progressing well and scheduled to complete in early 2022. The project is part of the Siem Reap Tourism Development Master Plan 2020-2035 which was launched in Q4 2021 in preparation for the return of much-needed tourist arrivals.

Siem Reap is known to be home to the UNESCO World Heritage Site of Angkor Archaeological Park, which is rich with historical and cultural sites attracting millions of international and domestic tourists every year.

Siem Reap’s economy is mainly driven by the tourism and hospitality sector, and as a result, Siem Reap is considered one of the most impacted provinces triggered by the Covid-19 outbreak.

With tourist arrivals coming to a virtual standstill in Cambodia, the government has utilised the downturn wisely to fasten the road improvement project of the entire Siem Reap town. As part of Siem Reap Tourism Development Master Plan 2020-2035, the ongoing 38 road construction project is expected to complete in early 2022. With the new Infrastructure improvements, the government hopes to boost investment activity within the real estate sector.

Despite the government relaxing travel restrictions during Q4 2021, allowing fully vaccinated tourists to enter without quarantine, international flight movements remained halted as at H2 2021.

The number of international arrivals to Angkor Archaeological sites was recorded at 10,886 tourists in 2021, a decrease of 97.3% if compared to the same period of 2020. Whilst the number of passenger movements through Siem Reap International Airport (REP) also recorded a sharp decline with only 2,000 passengers as at the end of H2 2021.

The recent key driver for the tourism sector in Cambodia has been domestic tourists supported by travellers living mainly in Phnom Penh. However, the latest data from the Ministry of Tourism revealed that the number of domestic tourists visiting Siem Reap in 2021 was recorded at 372,671 visitors, indicating a sharp decline at 47% compared with 2020.

A wider downturn in Siem Reap was triggered since Cambodia’s February 20th Community event, the largest detected community outbreak and a city-wide curfew was put in place by the government that deterred domestic tourists.

The number of tickets sold to Angkor continued to decline in 2021, recorded at 12,873 tickets sold as the end of H2 2021, indicating a decline of 96.8% compared with 2020.

Despite the government announcement to reopen all business activities, many of the larger scale, Luxury & Upper Upscale (5 star) hotels continued their temporarily closures, whilst others were opened at a significantly reduced capacity.

The pandemic had a significant impact on Siem Reap business activities during 2021. This led to many retailers being forced to permanently close their outlets, largely tourism-related business. The most notable closure was Siem Reap’s Cambodia Cultural Village, announcing its permanent shutter during H1 2021.

As a result of the downturn, Siem Reap’s transaction activities were muted. The pandemic reduced both acquisition and leasing activities, largely within commercial properties.

The above notwithstanding, landed housing remained a promising sector highlighted by newly launched projects on the city fringe during 2021.



HOTEL SECTOR

Despite the government’s declaration of the country’s reopening and easing travel restrictions, Siem Reap’s hospitality sector continued to be severely impacted by the ongoing pandemic.

The demand for accommodation has typically driven by high-value tourists visiting Angkor Wat. The spread of the Covid-19 pandemic resulted in a virtual standstill in international arrivals to Siem Reap.

The number of international arrivals to Siem Reap was recorded at 10,886 in 2021, reflecting a sharp decrease of 97.3% YoY from 400,889 in 2020, despite the ease of international travel restrictions.

According to the tourism statistics report 2021, tourist arrivals from Thailand overtook China to be the top source market (41.7%), followed by China (23.3%) and Vietnam (11.3%).

With this sharp decline in tourist arrivals, Siem Reap’s hotel sector has been hard hit. At the date of Knight Frank’s review period, many hotels remained partially or fully closed.

Knight Frank’s monitored basket tracks hotels with 50 rooms and above. As at H2 2021, there were 12,152 keys across 88 hotels recorded in the existing stock. (including hotels that were temporarily closed).

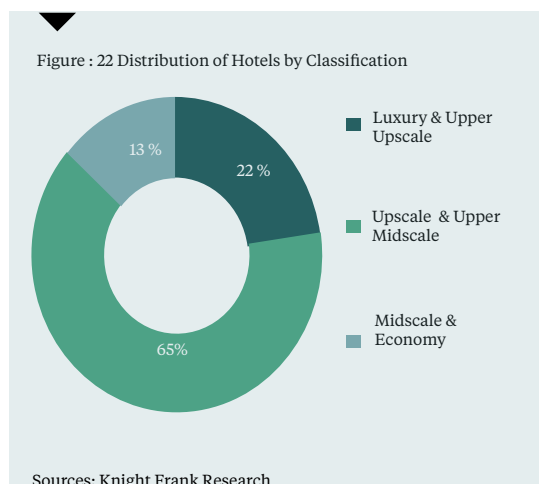
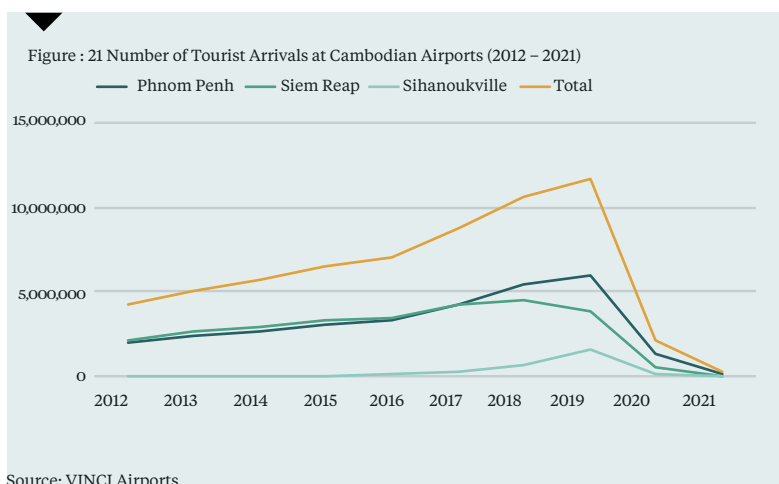
The majority (65%) of the existing supply is dominated by Upscale & Upper Midscale hotels, followed by Luxury & Upper Upscale hotels (22%), and Midscale & Economy hotels (13%).

An additional 3,599 hotel rooms have been identified within the development pipeline, the majority (67%) of which are scheduled for completion in 2022 including the long a waited Luxury & Upper Upscale (5 Star) Angsana Siem Reap.

Other major proposed hotels within the future pipeline include Angkor Grace Hotel (312 keys), Rosewood Hotels & Resorts (150 keys) and Oasis Integrated Resort (120 keys).

At the national level, the tourism sector started a slow recovery with occupancy rates from 8.3% in 2020, to 15.5 % during 2021.

This is due to the demand of domestic leisure tourists for Midscale & Economy and boutique hotels. Siem Reap remained a key tourist destination for both domestic and international tourists.



Outlook:

Cambodia’s government has done a commendable job in controlling the pandemic in the Kingdom, and Cambodia climbed to second place in the Nikkei Covid-19 Recovery Index. The government’s efforts in terms of infection control, vaccination rollouts, and social mobility have resulted in this position, and Cambodia is now well-placed to start receiving international tourists.

To help stimulate the Siem Reap economy, in Q4 2021 the government announced the Siem Reap Tourism Master Plan, which will run from this year through 2035 and aims to transform the city into a high-quality tourist destination. As a consequence, Siem Reap’s tourism sector, particularly hospitality, is anticipated to grow and attract more foreign tourists in the medium and long run, as well as more investment.

RETAIL SECTOR

Historically, there has been limited retail development in Siem Reap, with retail outlets more akin to department stores as opposed to purpose-built shopping malls. These included Lucky Mall and Angkor Trade Center. In recent years, however, the retail landscape has diversified in tandem with the growth in high-value tourists, prompting the development of several small-scale malls such as The Heritage Walk that opened in 2018.

As previously stated, the main driver of the economy in Siem Reap is the tourism sector, and international tourists were a key catchment for these malls. As a consequence of Covid-19, the duty-free mall, T-Galleria, remains temporarily closed and occupancy rates across the operating retail low.

Siem Reap provincial government launched and enforced a temporary measure on curfew from 8 pm to 5 am. Non-essential retailers were forced to close their doors, but F&B retailers became a key player in driving the retail market.

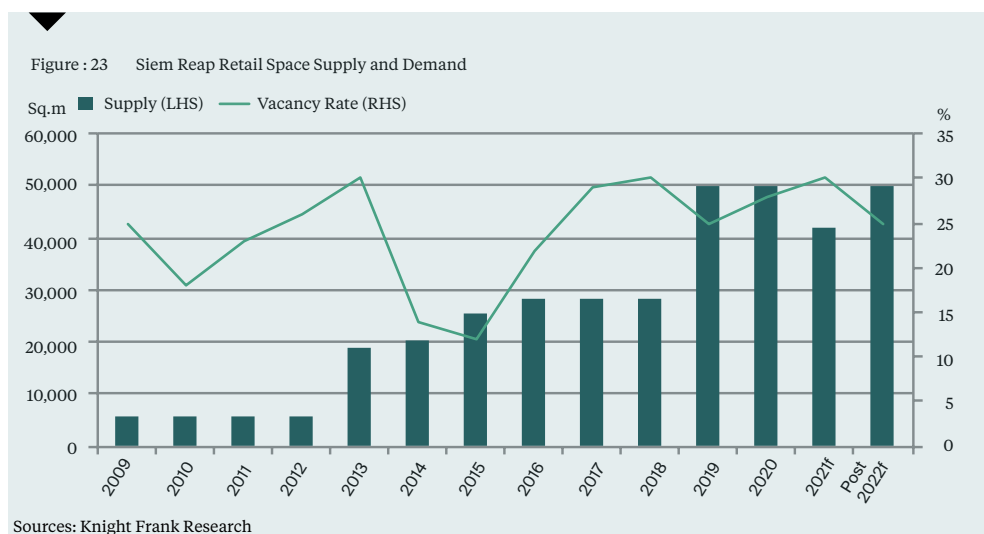
Whilst the F&B sector has been supported by local demand, other categories such as fashion, entertainment, health & beauty and lifestyle have struggled, resulting in uncertainty of recovery in the retail sector.

A major movement in 2021 was Lucky Supermarket vacating The Heritage Walk during H1 2021, highlighting the challenging operating environment for retailers during the pandemic.

Cash & carry wholesaler, Makro, that aimed to attract small businesses, vendors, hotels and restaurants, and also the local resident population in Siem Reap, also faced challenges resulting in the closure of several retail outlets including Arabitia Coffee shop.

Furthermore, T-Galleria by DFS, the Duty-Free Store housing 170 brands with allocated space 8,000 sq m of Siem Reap’s prime retail supply, also temporarily closed its door.

As at the end of H2 2020, the total cumulative supply of retail space in Siem Reap was recorded at 41,914 sq m (NLA), excluding the temporary closure T-Galleria by DFS.



Outlook:

Siem Reap was one of the hardest hit provinces in Cambodia during Covid-19, with its economy largely reliant on the tourism sector. The permanent population of approximately 250,000 is relatively small and not sufficient to support a sizable amount of retail space, attributing to the limited retail supply.

However, with no new retail supply in the future pipeline, the vacancy rate is expected to stabilise at current levels over the short-term and falling as borders reopen and international tourists return over the medium-term. Rates are expected to range between 25% to 30% in 2022.

The sector is expected to recover further in 2023 with Cambodia set to host the Southeast Asian Games, which is expected to drive growth in tourist arrivals. However, the outlook remains unclear with the ongoing pandemic and the impact this may have on the market over the short-term.

RESIDENTIAL SECTOR

Despite the slowdown in the wider Siem Reap economy, the landed housing sector performed well during H2 2021 and there were further additions to the existing stock..

As of the second half of 2021, Siem Reap’s existing landed housing stock was recorded at 2,562 units across 13 developments.

Throughout 2021, the number of newly completed landed houses was recorded at 515 units across 4 projects, reflecting an increase of 20% if compared with 2020. These included Bakornng Village phase 1 (350 units), Krong Phnom Village (91 units), Goldia Park (13 units) and SSC Residence (61 units). All of them were categorised as Mid-tier units, of which the majority of units were holiday villas including Bakornng Village and Krong Phnom Village located at the city fringe.

By segment, the Mid-tier segment had the largest share with 70% of the overall exiting supply, followed by the Core segment with 30%. There were no High-end units within Siem Reap’s Borey developments.

Location-wise, most of the landed housing units are in Sangkat Chreav (39%), largely attributed to the largest Borey development in Siem Reap, Borey Tourism, developed by OCIC. Followed by Sangkat Svay Dangkum (34%), Prasat Bakornng (25%) and the remaining 2% are in Sangkat Slakram.

An additional 2,002 units across 9 developments are recorded in the future pipeline including Modern Angkor Villa (61 units), Angkor Diamond Star (22 units), on-going Borey Tourism (1,209 units), SSC Borey (200 units), Borey Brilliant City (216 units), Borey SR Residence (81 units), Borey Lim Hy (62 units), Sakura Residence (48 units) and Kanthong Phonix (55 units).

As an estimation, if the future projects are completed as scheduled, the cumulative supply is forecasted to reach 4,564 units in total stock, indicating 78% growth from the current existing supply.

However, whilst the market kept moving, the sales rate was low throughout 2021 as a result of the pandemic. The majority of buyers were local Siem Reap residents, as well as buyers from Phnom Penh.

As at the end of H2 2021, the average developer’s price ranged between US\$731 to US\$1,452 per sq m (GFA) for Mid-tier units and US\$372 to US\$607 per sqm (GFA) for Core units. However, due to the pandemic situation, developers offered many discounts and flexible payment terms.

Siem Reap is not on the radar for high-rise residential developers due to height restrictions within the Apsara zone. Hence, there were no newly launched condominiums during H2 2021. The only launched condominium project is Rose Apple Residence, comprising 241 units of Mid-tier condominiums, co-living apartments, strata-title offices, and co-working space. With construction groundbreaking kicked off since Q2 2020, the current progress of Rose Apple Residence reached 65%.

The latest completed apartment was ST Premier Residence, comprising 36 units across 7 floors offered at selling prices of US\$1,000 to US\$1,200 per sq m over the net saleable area.



Outlook:

Market activity in Siem Reap remained moderate throughout the year due to the effects of Covid-19. However, developers were optimistic on the medium and long-term outlook for the residential sector.

Despite the optimism, the short-term outlook remains uncertain whilst Siem Reap’s economy remains lacklustre. A wait-and-see approach is expected to be adopted by developers and buyers, with the market not picking up until 2023 supported by Cambodia being the host nation of the 2023 Southeast Asian Games.

SIHANOUKVILLE H2 2021 REVIEW

Overview

Preah Sihanouk provincial Deputy Governor, Long Dimanche, announced plans to develop Sihanoukville into the ‘Sihanoukville Multipurpose Special Economic Zone Masterplan’ to ensure the long-term sustainability of development in the province. The city has been divided into zones covering tourism, manufacturing, finance and agri-industries in a bid to diversify its economy and attract investment for multiple source markets.

To kick start the recovery of the Sihanoukville economy and encourage foreign investors to return to the province, the government of Cambodia showed commitment to improving public amenities, infrastructure and accessibility across the entire city. The completion of the newly built 37- roads network as well the coastal road connecting Otres with the international airport, has greatly improved connectivity across the province.

Supported by the government as well as the strong relations between Cambodia and China, Sihanoukville has benefited from numerous investments in various sectors including industrial, gaming & hospitality, residential, commercial, and also infrastructure, notably the on-going expressway between Phnom Penh – Sihanoukville which is expected to open by 2023.

Envisioned for long-term sustainability, the Ministry of Land Management, Urban Planning and Construction (MLMUPC) has officially approved the Land Use Master Plan to 2038.

This plan is the long-term vision to transform Sihanoukville into a multi-purpose economic hub, and a consultancy study has been signed between Cambodia and the Urban Planning and Design Institute of Shenzhen to establish the master plan.

Meanwhile, UN-Habitat and UN Human Rights supported by the Human Security Trust Fund have implemented the project “Sihanoukville for all: Promoting Smart, Sustainable, and Inclusive City”, the project aims to develop Sihanoukville into a Smart City and sustainable coastal integration in Cambodia.

The above notwithstanding, there is now an impending oversupply across the residential, retail and hotel sectors, as projects that started construction during the construction boom in Sihanoukville between 2016 and 2019, have completed or are nearing completion. Current projects total around 600 mid and high-rise buildings (five stories and above).

The impact of the ban on online gambling in 2019 has been compounded by the outbreak of Covid-19 at the start of 2020. Many expatriates returned to China for the Chinese New Year in February 2020 and were unable to travel back to Cambodia due to international travel restrictions and quarantines.

This has led to many ongoing construction projects being put on hold or proceeding with delay. The construction contracts within Sihanoukville may see delays in completions due to developers’ induced postponement and interruption in labor forces, resulting in rolled-over projects increasing in Sihanoukville.



The current momentum of real estate investment has halted in Sihanoukville, and there were no new major real estate projects launched during H2 2021.

Furthermore, many developers have been forced to stop ongoing developments triggered by the lack of demand from Chinese investors.

With the contraction of Chinese investment in the province and demand for real estate, en-bloc buildings rents have reduced across the city.

Land prices remained flat, however, during the second half of 2021 despite a significant decline in the number of transactions.

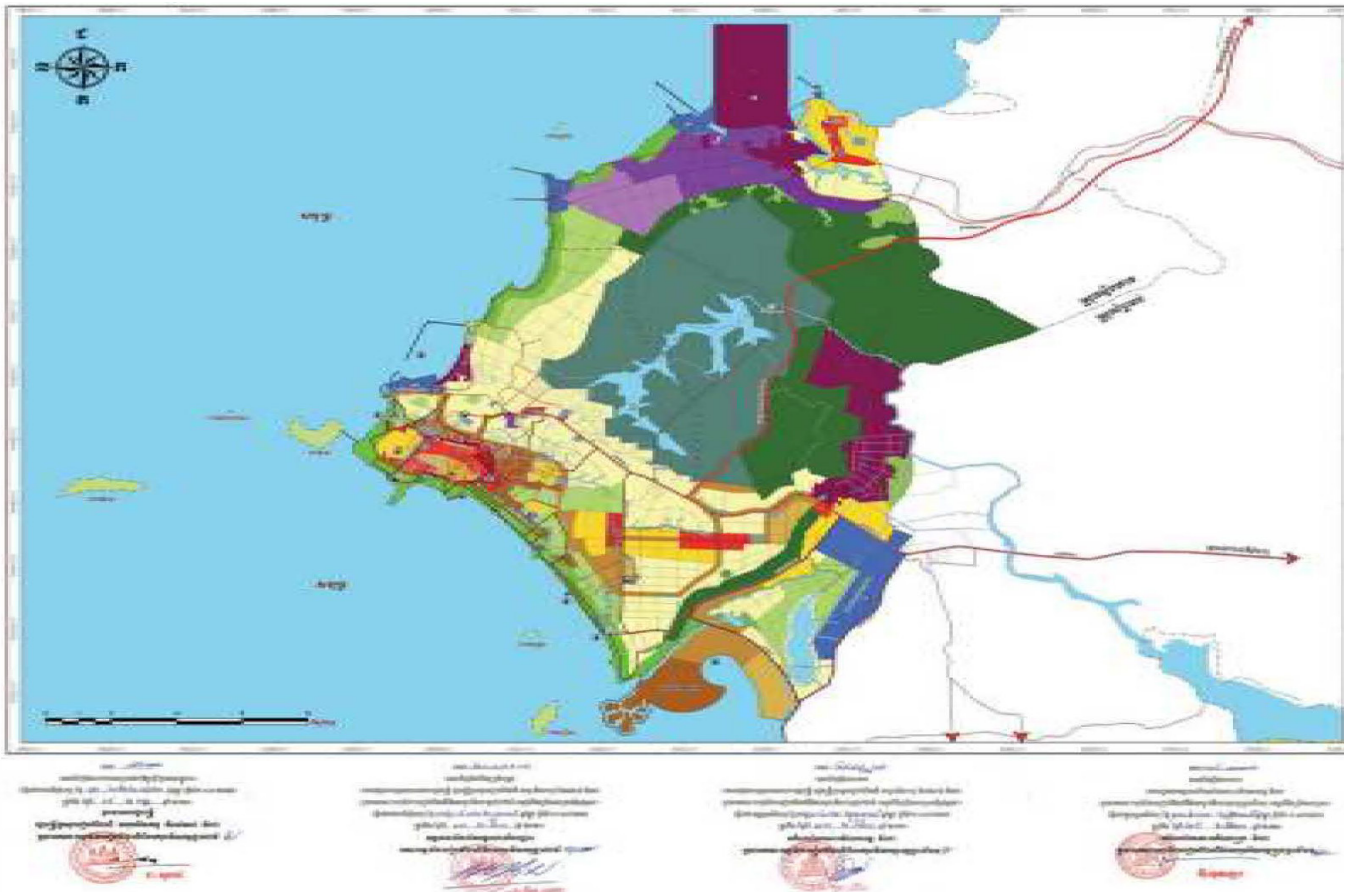
Land pricing in the city center and seafront locations is considered the highest value within Sihanoukville. The beachfront condominium and hotel & resort developments, being the sought-after locations including Independent beach, Hawaii Beach and Sokha Beach.

Otres land prices are notably lower than city centre locations and there are many mothballed developments between the city centre and Otres.

With the improved accessibility between the city center and Ream via the newly constructed boulevard, Chumteav Mao Blvd, Ream is proposed as a new urban development according to the latest approval Sihanoukville Land Use Master Plan 2038.

This accounts for several major township projects being launched in Ream including Ream City by Canopy Sands (35 ha), Sihanoukville New City by Lixin Group (2,600 ha), Golden & Silver Gulf Resort by Yeejia Development Co. Ltd. (3,300 ha) and the proposed 400 ha tourism development by LYP Group having received a land concession from the government.

SIHANOUKVILLE LAND USED MASTER PLAN 2038



Source: Ministry of Land Management, Urban Planning and Construction

CONDOMINIUM SECTOR

Supply

The Sihanoukville condominium sector came to an abrupt halt during 2020 largely due to the global travel restrictions as a result of Covid-19. This led to construction projects being placed on hold, and many units that were due for completion by 2022 have not completed as scheduled

More so than Phnom Penh, demand for condominiums in Sihanoukville is predominantly from foreign investors. With travel being restricted during the past two years and with the ban on online gambling in 2019, demand for condominiums in Sihanoukville has declined significantly and many projects due for completion by 2022 have been placed on hold.

Despite the subdued market, H2 2021 saw the completion of two condominium developments, bringing the existing supply to 5,871 units, across 12 buildings.

Xingshawan Residence, a 29 storey Mid-tier condominium located in Sangkat 4, completed in late 2021. Developed by a company of the same name, the project has 750 units, offering buyers both single bedroom and two bedrooms units. Priced at an average of US\$1,800 per sq m, Xingshawan bay has sold more than 80% of its units.

The other completion during the same review period is Star Bay, developed by the well-known joint-venture of Xing Hui Property and Thai Boon Rong Group. It has completed 3 of its 10 buildings, comprising approximately 1,800 units. The project is one of the most-awaited completions as it has a prime location in Sangkat 3, right in the heart of the coastal city. The project offers a variety of unit sizes and the asking price starts from \$2,200 per square meter of net saleable area.

Geographically, Sangkat 3 has the highest density of condominiums in Sihanoukville. It is a sought-after location and accounts for 81% of supply. This is followed by Sangkat 4 (13%) and Sangkat 2 (6%). Sangkat 1 is the last district to receive any condominium investments due to it being an outside city area and dominated by industrial development and activity.

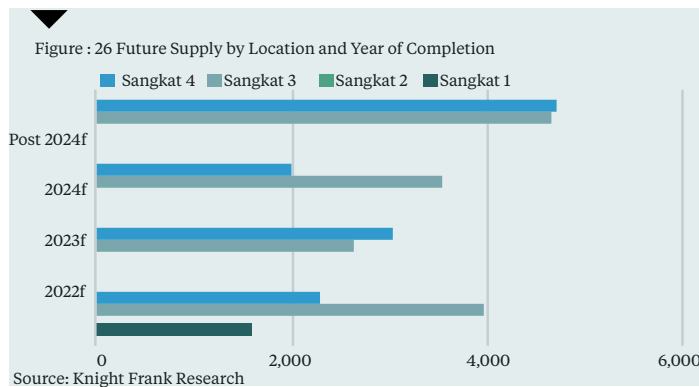
Once known as the sleepy beach town of Cambodia, the skyline has changed beyond recognition during the past few years.

Now filled with high-rise buildings, 55% of the monitored existing supply is categorised as High-end units. The remaining units are divided between Mid-tier and Core, at 41% and 4%, respectively.

By 2025, the cumulative supply of condominiums in Sihanoukville is forecasted to increase to 34,353 units, reflecting a 485% increase over the existing supply. This number could be much higher if many of the abandoned projects are kick started again.

The majority (52%) of the future supply is also located in Sangkat 3, cementing its position as the most developed sangkat in the city. This is followed by Sangkat 4 (42%) and Sangkat 1 (6%).

Despite hundreds of building being unfinished across the city, Sihanoukville remains appealing to Chinese buyers and units are being sold to overseas buyers every month. Over the medium and long-term, we expect to see supply-demand balance stabilise.



CONDOMINIUM SECTOR

Demand

The Sihanoukville economy has been severely impacted by the Covid-19 pandemic, which in turn has led to downward pressure on sales rates and rental rates across all real estate sectors, including the condominium sector.

Demand for condominiums in Sihanoukville started to drop off in 2019 after the ban on online gambling. This was compounded by the impact of Covid-19 with foreign investors not able to travel to Cambodia. As a result, Sihanoukville condominium market came to a virtual standstill.

The pandemic has forced the sales procedure to shift online, from visiting the project site and sales galleries to online promotion with electronic signatures.

The fall in demand has led to downward pressure on sales rates leading many developers to slow down construction and marketing efforts.

Despite this deceleration, asking prices within our monitored projects remained resilient ranging between US\$ 2,000 to US\$3,200 per sqm of net saleable area for Mid-tier and High-end units. Whilst prices for Core units ranged between US\$1,200 to US\$1,700 per sq m.

Outlook

Amid ongoing travel restrictions from China, the short-term outlook is not optimistic. However, the strong fundamentals for the city are expected to drive demand over the medium to long-term

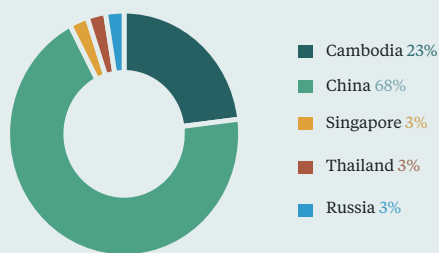
The low sales rates recorded during the past two years has led to many projects being placed on hold and it is uncertain when the market will recover. In view of this, no new projects were launched during H2 2021 and this may continue over the short-term. A key indicator of the market recovery will be the performance of the first launched project in 2022, to gauge the level of demand in the market.

However, the medium to long term potential of the coastal city has been further strengthened by the government’s visions to redesign the master plan for the city and create the Sihanoukville Multipurpose Special Economic Zone.

Location wise, beachfront property will continue to command higher selling prices and sales rates compared with more central locations, and we expect to see better quality projects coming into the market.

Planned to be a major gateway city to Cambodia in the future, as well as a smart city, the long-term prospects are promising, following the return of expatriates and foreign investors.

Figure : 28 Number of Condominium Projects by Country



Source: Knight Frank Research



Source: Preah Sihanouk Province Administration

LANDED HOUSING SECTOR

Supply

Historically, Sihanoukville has not been on the radar of landed housing developers, thus the growth of the landed housing sector has remained subdued.

Historically, Sihanoukville was a small coastal town in Cambodia with a permanent population of only 73,036 registered in 2019. Most residential accommodation was in the form of shop houses / shop flats in the city centre or individual properties at the outskirts.

With the main focus on high-rise residential development in recent years, the vast majority of future supply in the residential sector is condominium units.

As at H2 2021, we have identified 9 landed housing projects comprising a total of 1,358 units that were completed in Sihanoukville. The stock is dominated by Flathouses (40%), followed by detached Villas (21%), Twin Villas (17%), Shophouses (13%) and Link Villas (9%).

Targeting the tourism sector, several developments that have been launched mainly focused on holiday home villas.

BS Villas, Hilton Park and Pearl City were among the first landed housing progress launched within Sihanoukville. Pearl City, which launched only 12 villas in 2009, added an additional 125 shophouses and additional villas in 2015 within the same development. BS villas and Hilton Park recorded very low occupancy rates upon their first launch, adding 300 villas and 150 villas, respectively.

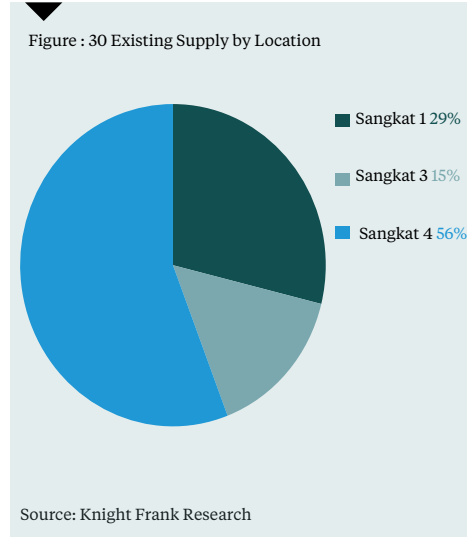
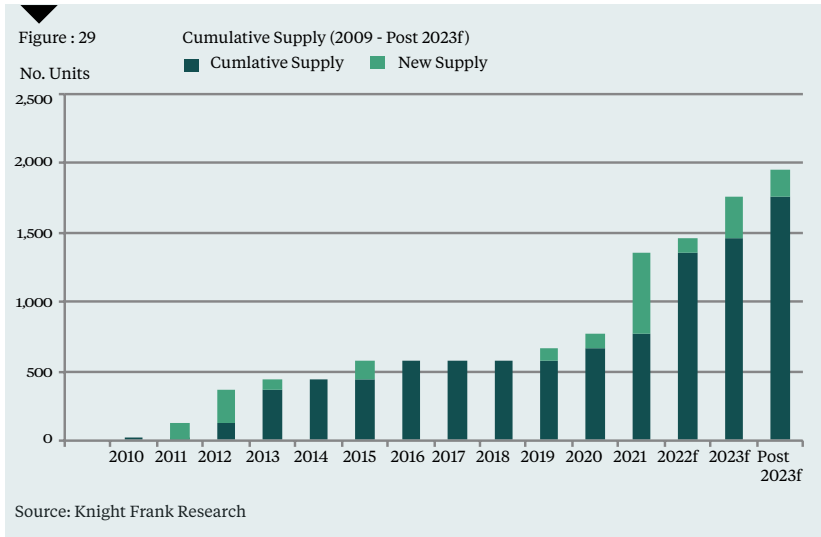
Demand for largescale housing projects remained limited between 2013 to 2016, and no new projects were added to the existing stock.

When Sihanoukville became a target for Chinese investors, city centre and beachfront land prices increased two to three-fold, fueled by an influx of high-rise residential development on the coast of Sihanoukville.

This increase in land prices displaced many city centre residents as land was sold for redevelopment. As a result, many landed housing projects are now concentrated outside the city center, catering to domestic buyers within the low to middle-income bracket.

By segment, Mid-tier accounts for the majority (56%) of the existing supply, followed by Core (41%) and High-end (3%).

Location-wise, Sangkat 4 is the most concentrated area for landed housing development at 56% of the existing supply. This is followed by Sangkat 1 at 29% and Sangkat 3 at 15%. There was no landed housing supply in Sangkat 2, being a high-density city center location dominated by low-rise residential and shophouses.



LANDED HOUSING SECTOR

The major completion during 2021 was Leshen The Lord Garden (315 units) in Sangkat 1. The project is being developed by a Cambodian-Chinese joint-venture.

The notable ongoing housing developments included Lorn City Lotussea in Sangkat Bet Trang and Furi Crystal Ville in Sangkat Ream. However, Furi Crystal Ville that launched in 2019 has stopped construction.

Sangkat Bet Trang and Sangkat Ream have recently been included in the Sihanoukville administration according to the latest approved Sihanoukville Master Plan of Land Use 2038.

Other landed housing development locations include Prey Nob District, the bordering district to Sihanoukville city, with two of the largest landed housing developments in Sihanoukville Province, including Borey VIP Sihanoukville and East Sihanoukville City by East Land & Home.

Demand

The key target market for landed housing is the domestic market. The vast majority of purchasers in Sihanoukville have been Cambodians from other provinces within Cambodia, mainly Phnom Penh.

The first landed housing projects in Sihanoukville recorded low sales rates and it took several years to sell the properties, illustrating the lack of demand for such housing projects in Sihanoukville.

However, Sihanoukville has developed rapidly during the past five years and the increasing economic activity has given promise to the real estate sector in the province.

The newly launched landed housing projects have been well received by the market. The number of monitored projects launched between 2017 and 2019 recorded healthy sales rates of between 50% to 70%. The buyers were mainly from Sihanoukville and Phnom Penh.

However, the Covid-19 outbreak significantly impacted the residential real estate market due to home buyers reducing their travel activities. This led to developers temporarily closing their sale galleries.

In line with targeting lower-income households, most of the recent developments within our monitored basket focused on Core units ranging between US\$406 to US\$765 per sq m of GFA.

The average current asking prices for Mid-tier units ranged between US\$850 to US\$1,417 per sqm, whilst the High-end units were underpinned by Morokot Beach Villa within Morokot Island in Sangkat 3, comprising seafront villas with total asking prices ranging between US\$1.8 million to US\$2 million per unit.

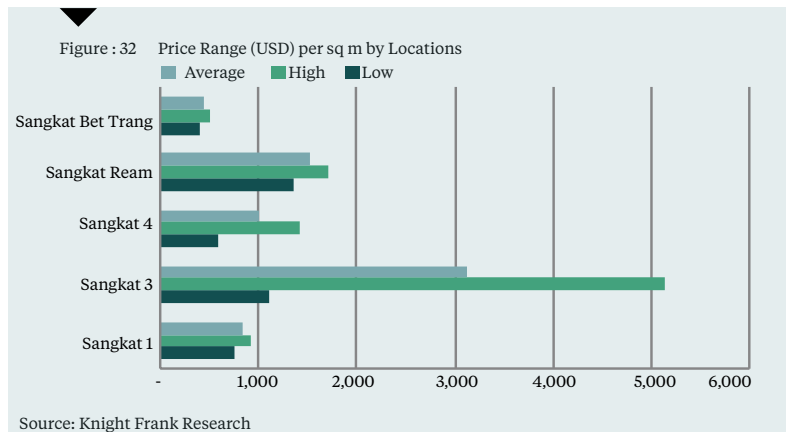
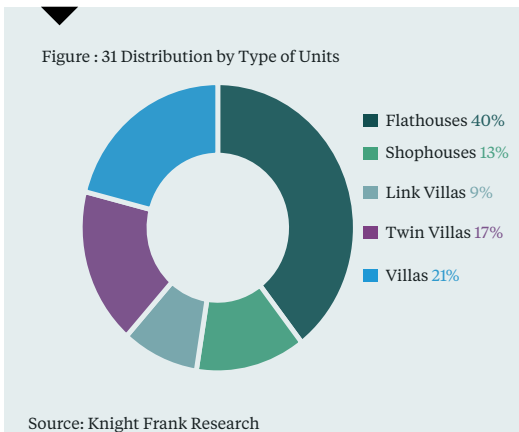
Outlook

The landed housing sector remains promising underpinned by stable domestic demand, however, the growth momentum for Sihanoukville's landed housing market remained stunted.

The current market for landed housing is driven by the middle-income bracket and Sihanoukville's supply will continue to focus on Core units to cater to the residents relocation from the city center to the city fringe and outside city locations.

The growing tourism sector will lead to several integrated developments being kicked off that comprise housing components, mainly holiday home villas, and we foresee this trend momentum with demand for Luxury villas growing within the coastal provinces.

The target market is identified as those from the mid to high-income earning groups, including buyers from Phnom Penh that are looking to own a holiday home in a well-planned integrated development that provides a secluded weekend retreat with entertainment and amenities.



Recent Market-Leading Research Publications



Global Buyer Survey 2021



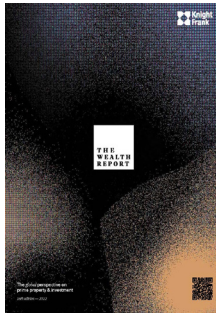
Active Capital 2021



New Frontier 2021



Future Gazing 2021



The Wealth Report 2022



Your Space 2021



Prime Global Cities Index Q4 2021



Asia Pacific Outlook Report 2020

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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