

*Phnom Penh*



# Cambodia Real Estate

knightfrank.com/research

**Highlights-1<sup>st</sup> half 2022**



# ECONOMIC SNAPSHOT

**Underpinned by Cambodia's successful vaccination programme and the lifting of Covid-19 restrictions across the region, Cambodia's economy is projected to grow by 4.5 percent in 2022, and bounce back to a growth of around 6 percent over the medium term.**

As a result of the successful vaccination programme and pandemic control policies of the Royal Government of Cambodia, as of June 30, 2022, 86 percent of the Cambodian population had received at least two doses of vaccine, giving Cambodia one of the highest Covid-19 vaccination rates, globally.

Cambodia was the first country in Asia to remove all travel restrictions, and began issuing visas on arrival in March. Given the above, Cambodia's economic recovery gained momentum during the first half of the year supported largely by increased domestic activity.

According to the Council for the Development of Cambodia, Foreign Direct Investment reached US\$2.99 billion during the first half of 2022, of which 43% was from China (US\$1.29 billion).

Other key source markets included South Korea, Singapore, Australia, Thailand, Malaysia, Japan and the British Virgin Islands.

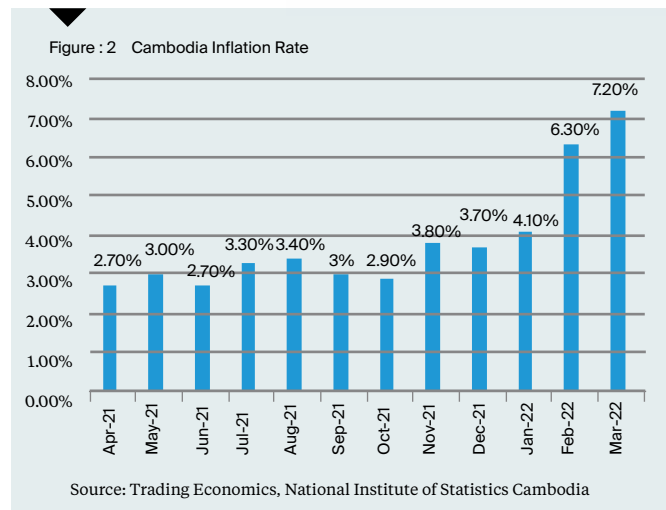
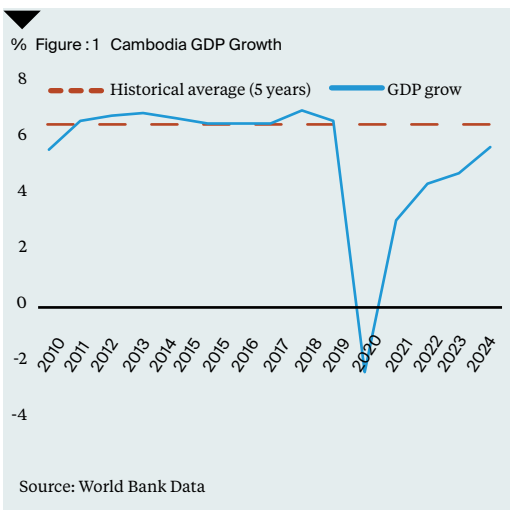
However, continued geopolitical uncertainty in the region and the ongoing Russia-Ukraine war weighed down on market sentiment and pushed inflation to a decade-long high of 7.2%, largely due to increasing oil and gas prices, which has impacted on the wider economy.

The above notwithstanding, according to the World Bank Cambodia's economy is projected to achieve 4.5 percent growth in 2022. The new investment law and regional partnership cooperation agreements are expected to produce more sound investment and trading in the coming years, with GDP growth expected to rebound to around 6 percent over the medium term.



**Ly Hakim**  
Manager

"Underpinned by the Government's successful vaccination programme and the relaxation of all Covid-19 restrictions, there was a noticeable uptick during H1 2022."



## Key findings

Two project completions contributed a total 57,185 sq m of net lettable area (NLA) to the existing supply.

Grade B office space still dominates the existing supply, but this will be overtaken by grade A space by the end of 2023 if all projects complete as scheduled.

FTB Tower was launched during H1 2022 and will provide about 46,556 sq m of grade A NLA. The project is a collaboration between FTB Bank and MSNH Investment.

Grade B office recorded the highest occupancy rate during H1 2022 at 72%, a 9% increase compared with the corresponding period in 2021.



Flatiron, Phnom Penh

# PHNOM PENH OFFICE SECTOR

**Despite the significant incoming supply, the average Phnom Penh occupancy rate increased by 2.5 percentage points to 68.1% during H1 2022, with grade B office space recording the highest average occupancy at 71.8%.**

## Supply and Demand

**Two newly-completed office buildings boosted the total supply to around 838,000 square metres.**

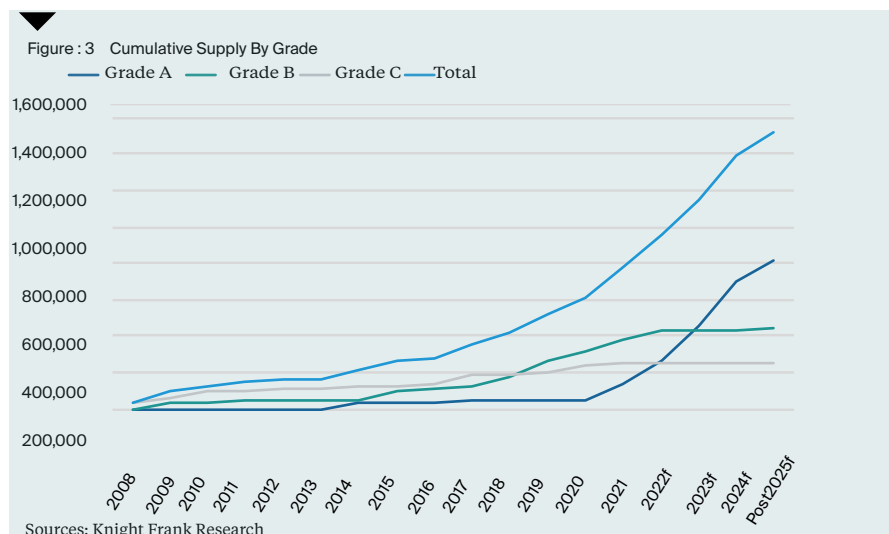
During H1 2022, two new office buildings completed adding a combined 57,200 sq m of net lettable area (NLA) to the current stock. Morgan Tower and Business Development Centre (BDC) added 40,000 sq m (30,000 sq m retained by the developer and 10,000 sq m sold on strata title) and 17,200 sq m of NLA, respectively. The two new completions pushed the total existing supply to approximately 838,000 sq m of NLA; this represents a 24% Y-o-Y increase.

The addition of the centrally-owned office, which totalled 47,200 sq m of NLA across Morgan Tower and Business Development Centre (BDC), brought the existing supply of centrally-owned office space to 637,634 sq m of NLA whilst the supply of strata title office increased to 200,569 sq m of NLA with the completion of 17,185 sq m within the Business Development Centre.

With the two new completions, grade B office space still dominates total supply, accounting for 41% of existing stock, but grade A office space is increasing rapidly and now accounts for 25% of existing supply. The remainder is grade C office, with 283,000 sq m NLA accounting for 34%.

However, as illustrated in Figure 3, assuming all planned projects complete as scheduled, grade A office will replace grade B office accounting for the largest market share by the end of 2023.

In terms of location, the city centre is home to 88% of the office stock, whilst suburban areas only account for 12% of the total supply. Daun Penh District, which encompasses the city's central business district, was the most densely distributed office location with around 28% of the existing supply. This was followed by Chamkarmon (25%), Boeung Keng Kong (14%), 7 Makara (13%), Toul Kork (8%), Sen Sok (6%), Chroy Changvar (5%) and Meanchey District (1%).



It is projected that the stock will swell by an additional 682,000 sq m of NLA during the course of the next three years. With the launch of FTB Tower during H1 2022, providing 46,556 sq m of grade A NLA, assuming all projects complete as scheduled, the Phnom Penh existing supply will increase to more than 1.5 million sq m, equating to an 81% increase over the existing supply. FTB Bank's new 28-storey headquarters, the FTB Tower, is situated along Russian Federation Boulevard in 7 Makara District.

The majority (36%) of the future supply is scheduled for completion in 2024, followed by 2023 (28%), Post 2024 (19%) and the remaining 17% during the second half of 2022.

Of the 682,000 sq m of NLA identified within the future development pipeline, 94% is classified as grade A office space. Grade B accounts for the remaining 6% with no grade C buildings identified within the future supply.

There has been a clear shift in recent years toward the development of stratified office buildings, and stratified office space accounts for 58% of incoming supply. Whilst stratified office buildings allow developers to generate immediate cash flow through the sale of strata units, occupier preference is still for centrally-owned office buildings, largely due to management of the building being under one ownership, and we are seeing a segmented market in terms of achieved

occupancy rates between strata and centrally-owned office buildings.

Looking at the overall Phnom Penh average occupancy rate, grade B recorded the highest occupancy rate, at approximately 72%, a 9-percentage point increase over the same period the previous year. Grade A office buildings recorded the lowest average occupancy rate at 63%, a marginal Y-o-Y increase despite the significant increase in supply. Grade C occupancies remained flat Y-o-Y at 69%.

## Prices and Rental

**The cost of renting office space remained stable during H1 2022 despite the ongoing Covid-19 pandemic and the impact this is having on demand for office space in Phnom Penh.**

It now costs between US\$18 and US\$30 per square metre per month to rent space within grade A office buildings, dependent on location, design, specification and building management.

Grade B office space can be secured from as low as US\$10 per sq m per month, going up to US\$25 per sq m per month for more centrally-located office buildings. Grade B was the strongest performing office class during H1 2022.

Grade C office rents start from US\$5 per sq m per month, offering very competitively priced options for Cambodia's growing SME sector.

## Office Sector Outlook

With the efforts of the Royal Government of Cambodia (RGC), the Kingdom has achieved excellent vaccination rates which contributed to the reopening of the economy and the return of office workers back to the office.

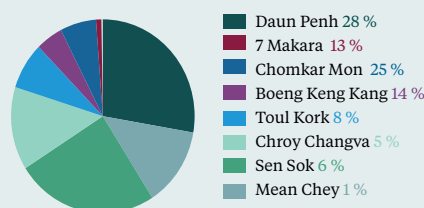
Unfortunately, the ongoing Russia-Ukraine war has led to soaring energy costs and inflationary pressure, threatening the country's economic recovery post-COVID-19.

This crisis has impacted the global and regional economic recovery, including China which was a key source of FDI into Cambodia. Due to its stringent COVID-19 policy, China's economic recession has led to more frequent lockdowns and retrenchment in its real estate industry, which may harm Cambodia's economic recovery over the short-term.

Whilst the medium to long-term fundamentals for Cambodia remain sound, in view of the incoming supply and muted demand growth, we expect market rents and occupancy rates to come under increasing pressure over the short-term as landlords vie for tenants.

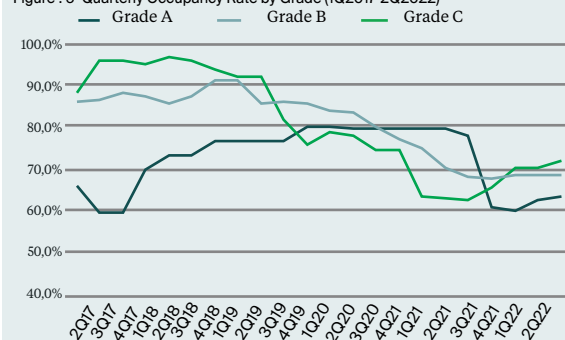
The above notwithstanding, we expect the sector to rebound strongly over the medium to long-term, underpinned by increasing domestic demand and the economic benefits of Regional Comprehensive Economic Partnership (RCEP) as well as bilateral trade agreements to attract international investment.

Figure : 4 Distribution of Existing Office Supply by District



Sources: Knight Frank Research

Figure : 5 Quarterly Occupancy Rate by Grade (1Q2017-2Q2022)



Sources: Knight Frank Research



## Key findings

H2 2022 saw an increase in the existing retail supply to 505,398 sq. m of NLA, with five newly opened shopping malls in Phnom Penh.

Sen Sok was recorded as the most retail concentrated district, with 25% of the total market share.

By 2024, the cumulative supply in the retail market is expected to soar up to 1,070,704 sq. m assuming that all projects are to be completed as planned.

During the review period, leading retail store Big C from Thailand acquired the popular Cambodian convenience store chain, Kiwi Mart.

Makro (Cambodia) announced the launch of its third retail branch in the District of Chroy Changvar.

The average occupancy rate in the retail sector in Phnom Penh was recorded at 69.6%.

The average rental price ranged between \$26 to \$30 per square meter, a slight increase from the previous reporting period.



# PHNOM PENH RETAIL SECTOR

**With the current average occupancy rate recorded at 69.6%, Knight Frank Cambodia noted a shift in the general shopping habits and spending as online purchasing has become more popular after the peak of Covid-19 pandemic**

## Supply and Demand

**During H1 2022 the Phnom Penh retail sector registered five newly opened malls, bringing the total existing supply to 505,398 sq. m of NLA.**

As at H1 2022, the existing supply of retail space increased to 505,398 sq. m of NLA, spread across 45 retail developments in Phnom Penh. The notable growth in the current figure resulted from the completion of five new projects entering the market.

During the reporting period, the completed retail projects were as follows; Chip Mong Sen Sok Mall (24,000 sq. m), Chip Mong Mall 598 (6,600 sq. m), Big Tree Community Mall (6,900 sq. m), Prince Time Square (3,892 sq. m), and The Kampus (6,000 sq. m) of NLA. Correspondingly, Knight Frank Cambodia categorised Chip Mong Sen Sok Mall as a primary retail space whilst the remaining projects were classified as secondary.

Located in the busy neighbourhood of Tonle Bassac in Chamkarmon District, The Kampus is a mix-used development comprising retail and office space. Branded as a 10-storey community centre, it is built on 5,000 sq. m of land.

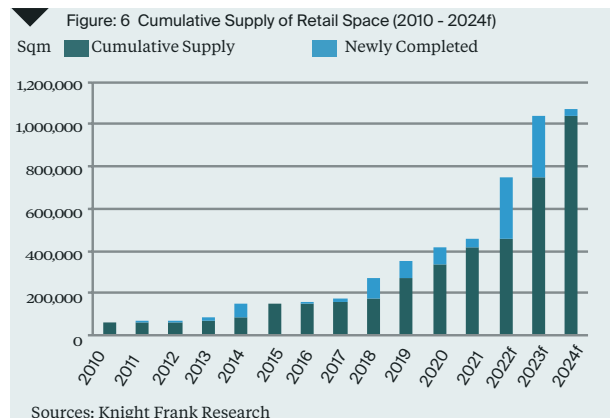
Currently, The Kampus has secured a number of retail tenants including Pleng Chan and Amazon Café. The occupancy rate as at H1 2022 was recorded at approximately 50%.

Location-wise, Sen Sok is ranked as the most retail concentrated district in Phnom Penh, with the biggest market share of 25%. Subsequently, all supply is distributed between Chamkarmon (20%), 7 Makara (16%), Duan Penh (13%), Mean Chey (6%), Chbar Ampov (5%), Toul Kork (5%), Chroy Changvar (4%), Russey Keo (3%), Beoung Keng Kang (2%) and Porsenchey (1%).

Knight Frank Cambodia classified the existing retail basket into two different segments; Primary (50%) and Secondary (50%). Presently, 10 developments with a total of 251,791 sq. m are recorded as prime whilst the remaining 35 developments with 253,607 sq. m of NLA are secondary.

57% of the mentioned supply is located in the City Centre districts. Selected popular retail malls include Eden Garden, Aeon Phnom Penh City, TK Avenue, Samai Square and Khalandale Mall. The remaining supply is located in the Suburban districts of Phnom Penh.

With all the incoming supply in the pipeline, the cumulative retail supply is forecasted to soar up to 1,070,704 sq. m by late 2024. This represents an increase of more than 112% from the existing supply.



During Q2 2022, the acquisition of Kiwi Mart, a popular convenience store chain in Cambodia, made the headlines. As reported, Kiwi Mart sold its 18 stores to Big C, a leading retail operator in Thailand. The deal was done with the intention of expanding Big C's retail footprint in Cambodia.

Likewise, Makro (Cambodia) announced its plan to tap into the growing domestic demand by opening its third outlet. The company plans to invest approximately \$12.7 million USD into the upcoming outlet. Located in Chroy Changvar District and in close proximity to the Morodok Techo National Stadium, the project is expected to provide more than 150 jobs upon opening.

In addition, the Phnom Penh retail sector was further boosted with the entrance of a number of brand-name stores and restaurants into the Kingdom; Routine (Fashion), H&M Cambodia (Fashion), and Pizzeria Matteo Phnom Penh (F&B). As for the current business trend, Knight Frank noted that the number of convenience stores and express supermarkets have been expanding and growing aggressively.

The Phnom Penh overall average retail occupancy as at the end of H1 2022 was recorded at 69.6%.

Specifically, retail malls in the Suburban districts achieved a higher occupancy rate than ones in the City Centre districts, at 72.8% and 67.1%, respectively. This can be partly attributed to the fewer number of retail malls in Suburban areas as well as the strong performance from Aeon Sen Sok City, which accounts for a large share of the Suburban retail supply.

With a total NLA of 12,000 sq. m, K-Mall (developed by Urbanland) attained a high occupancy rate of approximately 85%. Despite being a newly opened retail mall, the project has enticed a healthy number of shoppers from the bustling and busy districts of Meanchey and Dangkor. Similarly to Aeon Mall being a popular shopping hotspot in City Center, K-Mall has become the heartbeat of Veng Sreng Boulevard. The mall was able to secure a number of well-known brands including Daiso, Brown, Tous les Jours, Samsung, Gong Cha, Metro Azura, Zando, and Decathlon.

### Prices and Rental

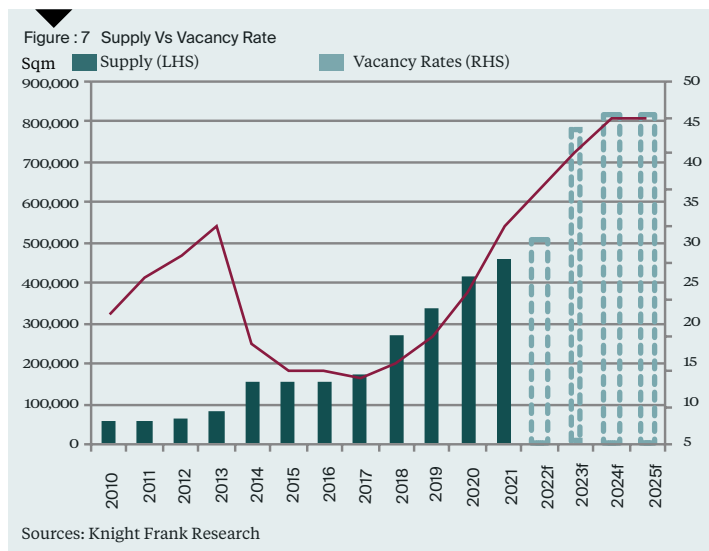
As at the end of H1 2022, the average rental rate in the City Centre was monitored between \$26 to \$30 per square meter for prime retail developments. Secondary retail projects recorded an average price between \$21 to \$27 per square meter.

With a number of retail projects entering the market, the price has become more competitive, particularly for the Suburban areas.

### Retail Sector Outlook

Covid-19 has often been termed an 'accelerator', and this trend can be seen in Cambodia with a shift in shopping habits and spending behaviour since the Covid-19 global pandemic. Despite the restrictions being lifted and shoppers returning to physical retail, many consumers have continued to shop online. This is in keeping with the global trend and there is likely to be an impact on demand for physical retail space in Phnom Penh and Cambodia, particularly with the low median age in Cambodia and the younger generation's rapid adoption of new technology.

However, Phnom Penh's retail space per capita is still somewhat lower than other countries in Southeast Asia. This, coupled with the rapidly increasing disposable income will drive demand for retail space over the medium and long-term.



## Key findings

12,909 hotel rooms are now available in Phnom Penh, an increase of 6.0% over the same period in 2021.

The majority are located within Daun Penh District, accounting for around 41% of all hotel rooms. This was followed by Chamkarmon District, accounting for 21% of the existing supply.

48% of hotels were categorised under Midscale & Economy. 27% of hotels were Upscale & Upper Midscale, and 25% were Luxury & Upper Midscale.

7,144 hotels rooms were identified within the future supply pipeline, with many international brands set to enter the Cambodia market

The average occupancy rate climbed marginally but is still well below pre-pandemic levels.

The hotel sector is anticipated to recover in the medium and long term with the expected return of international tourist arrivals.



Tribe Phnom Penh-Hotel

# PHNOM PENH HOTEL SECTOR

**Despite the Russia-Ukraine crisis, rising energy costs, inflation, and COVID-19, two new hotels completed and opened during the first half of 2022**

## Supply

**During the first six months of 2022, two new hotels with a total of 344 keys entered the market, increasing room availability to 12,909 keys, a 6.0% increase over the same period in 2021.**

Since the government declared the reopening of Cambodia in the last quarter of 2021, the picture for post-COVID-19 recovery is more optimistic. This resulted in growth in the number of both local and international tourists, with over 500,000 international tourists visiting during the first half of 2022, a significant increase of 394% compared to the previous year.

During the first six months of 2022, two new hotels with a total of around 344 keys joined the market, bringing the total number of available rooms to 12,900, a 6.0% increase compared with the same period in 2021.

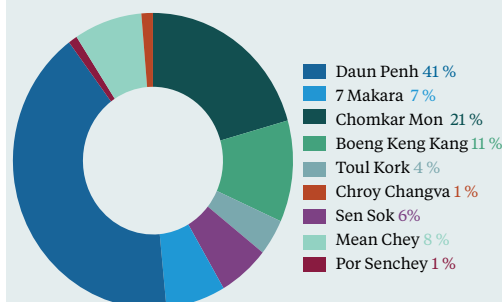
The new additions included one international hotel brand in the Upscale & Upper Midscale category. Accor, the French hotel giant, opened its first Tribe hotel in Phnom Penh, Tribe Phnom Penh Post Office Square, offering 260 rooms along Phnom Penh's riverside area. This was joined by the 84-room The ONRA Hotel, also within the Upscale & Upper Midscale classification.

The Tribe Phnom Penh Post Office Square is located within Daun Penh District whilst The ONRA Hotel is located in the Chamkarmon district.

As shown in Figure 8, the majority of hotels are located in Daun Penh District, accounting for 41% of Phnom Penh hotel rooms.

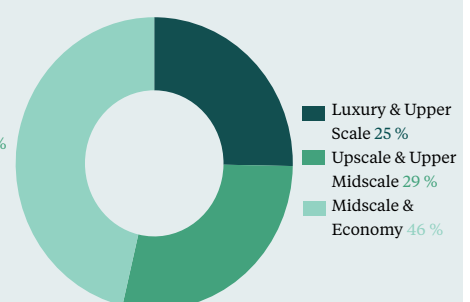
This was followed by Chamkarmon District (21%), Boeng Keng Kang District (11%), Chrouy Changvar District (8%), 7 Makara District (7%), Sen Sok District (6%), Toul Kork District (4%), Mean Chey District (1%) and Por Senchey (1%) District.

Figure : 8 Distribution of Existing Hotels by Location



Sources: Knight Frank Research

Figure : 9 Distribution of Existing Hotels by Classification



Sources: Knight Frank Research

As at the end of H1 2022, 48% of existing hotels were classified as Midscale & Economy. 27% of hotels were classified as Upscale & Upper Midscale and the remaining 25% were classified as Luxury & Upper Upscale.

27 hotels providing 7,144 key were identified within the future supply. Of the 27 hotels, 15 are to be operated by international hotel brands across all classifications of hotels.

If all hotels complete as scheduled, the existing supply will reach 20,053 rooms by 2025, equating to a 55% increase over the existing supply.

Of this future supply, 55% have been classified as Luxury & Upper Upscale hotels as tourist arrivals continue to move up the value chain, away from the traditional backpacker segment and to higher spending to tourists. This was followed by Upscale & Upper Midscale and Midscale & Economy both at 21%.

With Naga 3 accounting for 42% of the future supply, Chamkarmon District will see the completion of the most hotel rooms at 59% of total future supply. This was followed by Daun Penh (18%), Toul Kork and Boeung Keng Kang (6%), Sen Sok (5%), 7Makara (4%) and Chroy Changvar (2%).

## Occupancy rate and average room rates

The average occupancy rate increased slightly during H1 2022, although it is anticipated to remain below 50% for 2022.

Since the country's reopening was announced in November 2022, hotel operators have enjoyed providing accommodation and services to an increasing number of foreign tourists. According to the most recent data from the Tourism Statistics Department's statistical report for the first five months of 2022, the number of international tourists climbed to around 343,000, a 275% increase compared to the same period in 2021. Nonetheless, this figure is still much below the pre-pandemic level, a fall of 88% compared with 2019.

As at the end of H1 2022, it was noted that the average occupancy rate increased slightly compared with the same period in 2022, although it is expected to remain below 50% during 2022. It is important to note that domestic tourist destinations tend to be more focused on resorts as well as ecotourism, whereas the city is considered less attractive.

## Hotel sector outlook

Despite the worldwide economic downturn, the Tourism Ministry has projected that one million foreign visitors will visit the country by the end of the year.

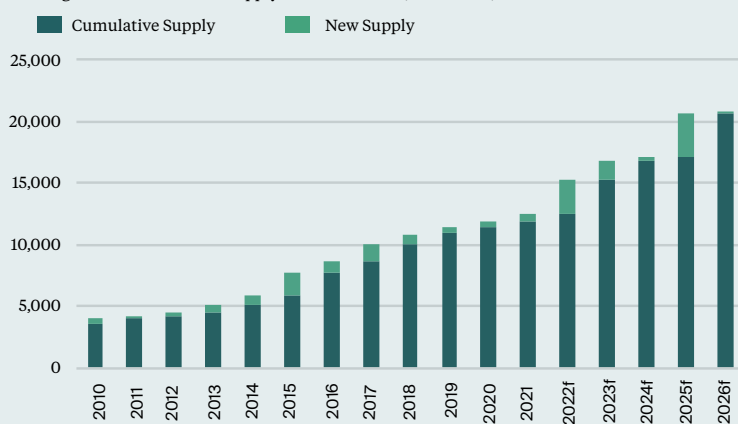
Since the country's reopening, the first half of 2022 showed signs of recovery across all industries, including hospitality.

Nevertheless, the outlook must take the global economic crisis firmly into consideration. The conflict in Europe, Russia-Ukraine, resulted in an increase in energy costs and inflationary pressures on a global and regional scale, including in Cambodia. In addition, there are still concerns about the new COVID-19 variants and other pandemics. These crises are hazards and one of the most significant issues affecting global tourism.

Therefore, the hotel market in the Kingdom is expected to rebound slowly over the short term. To fully recover and operate at the same level as before the pandemic, Cambodia might take a few years or longer, depending on the global and regional economic circumstances. However, the Tourism Ministry anticipates around 1 million foreign visitors and 8 million local visitors by the end of 2022.

The post-pandemic rebound of the tourist sector will be accelerated by the significant developments of the Kingdom, including the brand new Techo International Airport in Kandal province and Siem Reap International Airport, which are expected to open in 2023. With the projected arrival of millions of international tourists, the hotel industry is anticipated to rebound in the medium and long term. Significantly, Cambodia will host the 32nd Southeast Asian Games in Phnom Penh in 2023. This major event will draw global attention to Cambodia.

Figure : 10 Cumulative Supply of Hotel Rooms (2010-2026f)



Source: Knight Frank Research



## Key findings

The inventory increased by 407 units during H1 2022 bringing the total number of units to 7,695. This represented an increase of 5 percent compared with the same period in 2021.

Mid-tier units made up the majority of the existing stock, with over 4,400 units or approximately 57% of total supply. High-end accounted for 26% and the core class approximately 17%.

A further 780 units were identified in the future supply, bringing the cumulative supply to 8,475 units by 2024 if all units complete as scheduled.

Frasers Hospitality was the latest international operator to announce the launch of three projects in Phnom Penh, the first of which is scheduled to open in H2 2022.



# PHNOM PENH SERVICED APARTMENT SECTOR

**The unpredictability of new COVID-19 variants and other viruses, as well as growing global uncertainty placed downward pressure on rentals despite a slight uptick in the average occupancy rate.**

## Supply

**The completion and opening of Citadines Flatiron Phnom Penh and TK Central Apartment added 407 units to the market during H1 2022.**

Two new completions were recorded during the first half of 2022 adding 407 units to the existing stock. This brought the total cumulative supply to 7,695 units, representing an increase of 5% over the same period in 2021.

The two new completions included Citadines Flatiron Phnom Penh, the first Citadines brand to open in Cambodia under The Ascott Group.

The second project to open was TK Central Serviced Apartments, comprising 92 units located in Toul Kork District.

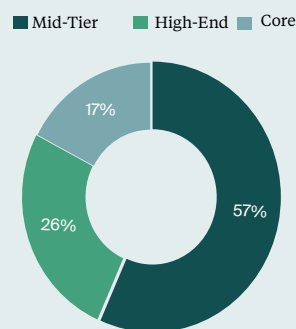
Both projects were classified as Mid-tier developments.

In terms of the unit distribution by classification, the majority of the Phnom Penh existing supply was categorised under the Mid-tier segment, with 4,368 units accounting for 57% of total stock. This was followed by the High-end segment recorded at 1,988 units, accounting for 26% of the total market share. The remaining 17% (1,300 units) were classified as Core.

As illustrated by Figure 12, the majority of serviced apartments in Phnom Penh are located in Boeung Keng Kang District, which is home to approximately 32% of the total supply.

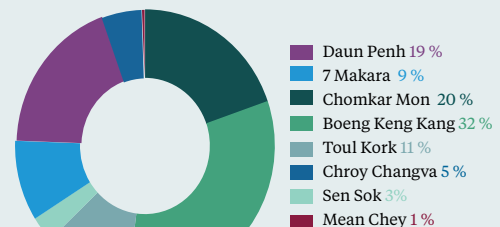
This was followed by Chamkarmon and Daun Penh Districts, accounting for 20% and 19%, respectively. The remaining overall supply can be found in the districts of Toul Kouk, 7 Makara, Chroy Changvar, Sen Sok, and Mean Chey at 11%, 9%, 5%, 3%, and 1% of the total supply, respectively.

Figure : 11 Serviced Apartment by Grade



Sources: Knight Frank Research

Figure : 12 Serviced Apartment Distribution by Geographical Location



Sources: Knight Frank Research

Around 91% of the entire supply is located in the City Centre, whereas only 9% is located in the outlying areas.

Despite the difficult trading environment as a consequence of the ongoing Covid-19 pandemic and global uncertainty, several new projects were launched during the first half of 2021 including three projects by Frasers Hospitality, under its Capri brand. This marks Frasers' first entry into the Cambodia market and is a welcome addition as the Phnom Penh serviced apartment offering continues to become more diversified.

A total of 780 units were identified within the future supply including international brands such as Capri by Frasers and the Oakwood Premium which is scheduled to open during H2 2022. If all projects complete as scheduled, the total supply will reach 8,475.

## Rental

**As Cambodia reopens its borders, expatriates are returning to Cambodia which is boosting demand for serviced apartments**

The reopening of the country in early November as well as an overall improvement in the situation with Covid-19 have both contributed to an increase in rentals and an increase in demand for serviced apartments in Phnom Penh during H1 2022.

The asking rents for High-end units start from US\$16 per sq m/month, while the rent for Mid-tier units start from US\$10 per sq m/month and Core units start from US\$6 per sq m per month.

## Occupancy

**The opening of the border led to an increase in the number of international tourists, causing the occupancy rates of serviced apartments to increase marginally during the first half of the year.**

Since the announcement of the removal of travel restrictions into Cambodia there has been a noticeable increase in international tourist arrivals to the Kingdom, which is driving demand growth for serviced apartments.

There were around 343,000 international tourist arrival during the first five months of the year, split evenly between those who arrived by air and those who arrived by land and waterways, according to data from the Ministry of Tourism.

This reassuring indicator underpinned increasing demand for serviced apartments in Phnom Penh. Between January and June of 2022, the average occupancy rate was recorded at 61%, an increase of 3 percentage points over H2 2021.

## Serviced Apartment Sector Outlook

**Depending on the global and regional economic circumstances, it may take a few more years for tourist arrivals to return to the same level as before the pandemic.**

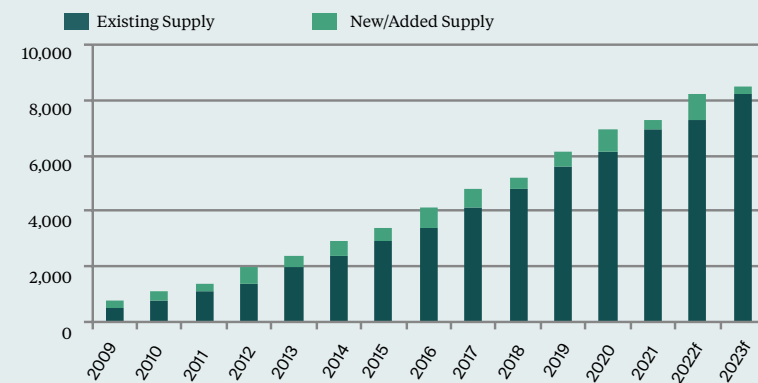
Demand for serviced apartments in Cambodia is generally driven by expatriates and long-stay international tourists. During H1 2022, there was a significant increase in the number of international tourist arrivals to the Kingdom, to more than 343,000 visitors representing a 275% increase compared with the previous year, according to the Ministry of Tourism.

However, this figure is still 88% lower than the 2019 pre-pandemic figures and it is expected to take a number of years for tourist arrivals to reach pre-Covid levels.

Furthermore, the ongoing war between Russia and Ukraine, which has led to increasing energy costs and overall inflation, and the uncertainty around new variants of COVID-19 as well as other viruses continues to weigh down on overall market sentiment and the willingness of expatriates to relocate to Cambodia.

In spite of this, the market for serviced apartments in Cambodia is anticipated to continue to have significant demand. This is due to the fact that the number of large operators and worldwide brands operating in the country is still relatively limited. Indeed, local residential developments such as condos have been observed trending toward the serviced apartment.

Figure : 13 Cumulative Supply of Phnom Penh Serviced Apartments



Source: Knight Frank Research

## Key findings

The existing supply in Phnom Penh soared to 36,358 units with the addition of ten completions entering the market

The first half of 2022 recorded a total of 5 new off-plan launches, with 4 of the projects being Mid-tier developments

By 2025, the cumulative supply is expected to increase to 82,532 units, a growth of 227% from the current supply figure

Knight Frank monitored an increase in the average selling price of new off-plan launches, recorded at \$1,800 per square meter of NSA

The condominium market in Phnom Penh is divided into Prime (5%), High-end (17%), Mid-Tier (58%) and Core (20%).



TK Star International

# PHNOM PENH CONDOMINIUM SECTOR

**Knight Frank reports a growing concern in the oversupply of Condominiums, as the cumulative supply is expected to double by 2025**

## Supply and Demand

**With the economy recovering from the Covid-19 pandemic, the condominium sector welcomed 10 completions and 5 new project launched during H1 2022**

With the resuming of socio-economic normalisation post the Omicron wave of Covid-19 pandemic at the start of 2022, the condominium sector in Phnom Penh is yet to bounce back. The performance from the sector is notably mediocre, reflected by the slow growth and low sales rate as of H1 2022.

During H1 2022, the existing supply of condominiums increased to 36,358 units due to the addition of 10 new developments. Major contributors to the increase in supply included TK Star International Condominium and R&F Glory City.

Project completions during H1 2022 included; Garden One (271 units), TK Star International (910 units), The Peninsula Private Residence (155 units), Parc 21 Residence (132 units), and Royal Orkide Condominium (Tower A, Tower B, Tower C, Tower D, Tower E; 1,183 units). The only remaining building within the Orkide development is Tower F, with the expected completion date between late 2022 - early 2023.

As the market matures and expands gradually, Knight Frank Cambodia classified the total supply into four different segments; Prime (5%), High-end (17%), Mid-Tier (58%) and Core (20%).

As monitored, Chamkarmon continues to dominate as the most condominium concentrated district in Phnom Penh, leading the market with a total share of 25%. The rest of the supply is distributed among; Mean Chey (20%), Toul Kork (12%), Sen Sok (12%), Chroy Changvar (8%), 7 Makara (8%), Boeung Keng Kang (7%), Russey Keo (3%), Porsenchey (2%), Duan Penh (2%), and Chbar Ampov (1%). In contrast to the landed housing sector where Dangkor ranked as one of the most popular areas to build housing projects, the district is yet to receive any major condominium development as it is outlying and at the moment, incompatible with vertical urbanism.

H1 2022 recorded 5 new off-plan condominium launches, totaling 3,672 units (launched: 2,726 units). Among the new projects are Prince Happiness Plaza Phase 2 (850 units), Time Square 306 (350 units), TV Tower Condominium (253 units), and One 70 Condo Phnom Penh (793 units). Specifically, four of the mentioned projects are Mid-Tier developments whilst L Tower which was launched in Q1 2022, is a Core condominium, developed by L Village and expected to finish in 2024.

During the review period, One 70 Condo took the market by surprise with its official launch. Whilst the project was launched in Q2 2022, the construction is approximately 80% completed. Under the management of New Moment Real Estate Development Company Limited and located in Phnom Penh's Central Business District, the condo has a total of 37 floors and a height of 127 meters. It offers four unit types; Studio (38.57 sqm), 1 Bedroom (57 sqm), 2 Bedroom (87 sqm), and 3 Bedroom (91 sqm) overlooking the Mekong River. The asking price starts from \$1,400 per square meter.

By 2025, the total cumulative supply is projected to more than double in size, to 82,532 units representing an increase of 227% over the existing supply. Currently, the existing supply is spread across 105 condominiums in the city whilst a further 78 projects were identified within the future development pipeline.

According to Asia Plus Securities in 2022, the unsold inventory of condominium projects in Thailand exceeded \$29.8 billion USD. Many units remain unsold and unoccupied. Despite the stronger performance of the Cambodian economy during H1 2022, there is a growing concern for oversupply in Phnom Penh, reflected by the low sales rates.

Location-wise, the future supply in the next three years is most concentrated in Chamkarmon District at 22%. The is followed by Sen Sok (18%), Chroy Changvar (14%), Mean Chey (12%), Boeung Keng Kang (8%), Toul Kork (8%), 7 Makara (6%), Daun Penh (4%), Russey Keo (4%), Chbar Ampov (2%), and Porsenchey (2%).

The upcoming supply combined with the existing supply is recorded as Prime (5%), High-end (22%), Mid-tier (56%) and Core (17%) developments. There is a growing demand for Mid-tier developments, and developers are keen to tap into the middle-class market, both now and in the future.

The sales rate for the condominium sector was recorded at 5% of the monitored stock during H1 2022.

With the questionable performance from one of the main property sectors in Phnom Penh, some developers are beginning to face financial difficulties.

During the review period, the City Light Condominium was put up for sale. Developed by Urban City Point Development Company Limited, it is a 21-storey building with 105 units. Built on a 712 sq m plot of land in Chamkarmon District, the condo has a total GFA of 9,732 square meter. The asking price is 24 million USD.

### Prices and Rental

**With the oversupply largely within the High-end segment, it is no surprise that the average developers' launch price has reduced significantly since 2019**

As at the end of H1 2022, the condominium sector recorded an average developers' selling price of \$1,800 per sq. m of net saleable area, which is a significant reduction from 2019's average selling price of US\$2,500 per sq m of net saleable area.

Due to the success of previous projects and support from a growing client base, Time Square 306 achieved a sales rate of 11% during the first selling month. Developed by Mega Kim World Corp. Company Limited, it is a Mid-tier condominium located in the prime area of Boeung Keng Kang. The 45-storey project provides 350 units. With a competitive selling price of US\$1,800 per sq m, 1 bedroom units start from US\$84,400

3 bedroom units are Priced between US\$192,000 - US\$216,000.

With the ongoing pandemic and the geopolitical climate continuing to weigh down on market sentiment, combined with the growth in supply, condominium rentals faced increasing downward pressure with rents now up to 50% lower than in 2019.

### Condominium Sector Outlook

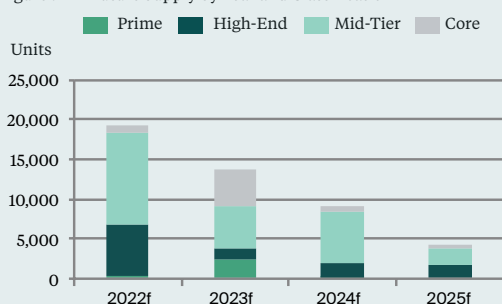
**Market expected to remain flat over the short-term whilst current supply is absorbed into the market.**

Since the amendments to the Cambodian law that allowed for the stratification of co-owned buildings and foreign nationals to buy freehold property from the first floor and above, Phnom Penh has undergone rapid development, particularly within the High-end condominium segment, predominantly targeting foreign investors.

For the condominium sector to be sustainable over the long-term, the demand needs to be driven by the domestic market, however, these High-end condominiums are too expensive for most Cambodian buyers. We therefore anticipate a period of consolidation over the short-term whilst the supply of condominiums is absorbed into the market.

On a positive note, growing demand from the domestic market was recorded for condominium rentals starting from US\$300 per month for 1-bedroom units with full facilities, in both Tuol Kork and Chroy Changvar districts which highlights a level of support in terms of domestic demand that bodes well for the future.

Figure : 14 Future Supply by Year and Classification



Source: Knight Frank Research

Figure : 15 Cumulative Supply (2009 - 2025F)



Source: Knight Frank Research



## Recent Market-Leading Research Publications



Global Buyer  
Survey 2021



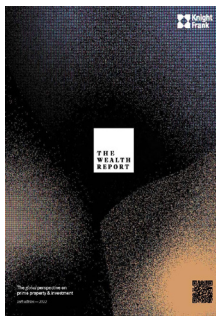
Active Capital  
2021



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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