

Cambodia

# Real Estate Highlights

PHNOM PENH

H1 2024 Edition

Knight Frank's half-yearly review of market trends in the Cambodia real estate market

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## Cambodia

# Economic Snapshot

Cambodia continues its growth trajectory with a projected 5.8% increase in 2024, according to Asian Development Bank, increasing to 6.1% in 2025 and 6.4% in 2026. However, consumer sentiment remains subdued in view of ongoing external headwinds

Despite a slower-than-expected recovery in 2023, the Asian Development Bank (ADB) reported that Cambodia's economy displayed resilience. The ADB forecasts a 5.8% growth in Cambodia's economy for 2024, driven by increased exports and a revival of the tourism sector.

In Q1 2024, Cambodia's merchandise exports surged by 17.2% year-on-year to \$6.3 billion, driven by increased garment, travel goods, and footwear exports to the US and the EU. This growth also led to the creation of 50,578 new jobs in the industry by March 2024, according to the World Bank.

Since 2023, ASEAN has become Cambodia's second-largest export destination, surpassing the EU. During H1 2024, ASEAN countries accounted for 28.0% of Cambodia's total exports, up from 24.7% in the same period in 2023. Additionally, ASEAN countries imported 85% of Cambodia's total agricultural exports, which grew by 28% year-on-year, reaching \$1.1 billion and representing 17.4% of total goods exports.

The service sector continued to expand, with Cambodia receiving 988,574 international tourists in early 2024. This marked an 18% increase from the same period in 2023 and reached 84% of pre-pandemic levels.

Cambodia's construction sector is showing signs of revival, with a significant increase in imports of key construction materials like iron, steel, and cement in the first four months of 2024. Iron and steel imports rose by 31%, while cement imports grew by 15% year-over-year. This surge in construction material imports suggests increased activity in the construction sector, which had experienced a slowdown in recent years.

However, the Ministry of Land Management, Urban Planning, and Construction reported a 39% decline in approved permits for real estate development. Meanwhile, approved fixed asset investment projects in the first two months of 2024 increased by 500% compared to the same period in 2023, mainly due to Chinese investment in manufacturing and infrastructure projects.



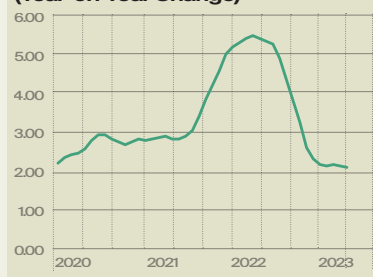
LY HAKIM,  
ASSOCIATE DIRECTOR,  
RESEARCH & CONSULTANCY

**“With continued tourism recovery, strong manufacturing growth as well as moderating inflation, Cambodia's economy is predicted to expand over the medium term.”**

Although the global economy is in decline for the third consecutive year, Cambodia continues to benefit from regional and global trade agreements, which have expanded its export markets and attracted foreign investment.

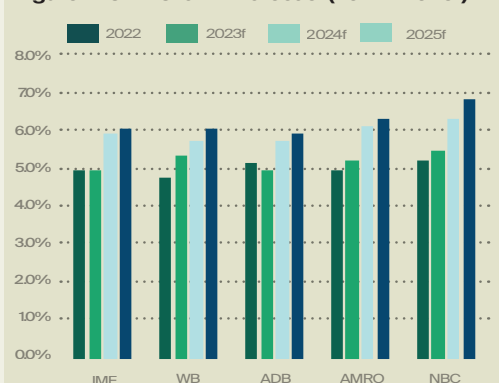
Cambodia has managed to maintain a positive economic trajectory, with a strong foundation for medium-term growth.

**Figure 2:**  
**Consumer Price Index**  
**(Year-on-Year Change)**



Source: National Bank of Cambodia

**Figure 1: GDP Growth Forecast (2022 - 2025f)**



Source: National Bank of Cambodia (NBC), International Monetary Fund (IMF), World Bank (WB), Asia Development Bank (ADB), ASEAN+3 Macroeconomic Research Office (AMRO)

# Phnom Penh

# Office Sector

There was a moderate increase in the Phnom Penh office supply during the first half of 2024, with one new building added to the existing supply, while two buildings were removed from the existing stock.

## SUPPLY AND DEMAND

Phnom Penh's office supply slightly increased in the first half of 2024 with the completion of one new building and the removal of two office buildings.

MK Tower, the only completion during H1 2024, contributed an additional 6,000 square metres of NLA to Phnom Penh's existing supply. It is located in Sen Sok District, the neighboring district to Toul Kork and a Suburban location.

Two buildings with a total area of 4,598 square meters of Net Lettable Area (NLA) were removed from the existing stock, including the demolition of the TM281 office building and Soma Tower, which has ceased operation as an office building.

The existing office space supply (centrally-owned and strata title) as of H1 2024 was recorded at 963,939 sq m, representing a 4.4% increase compared with H1 2023.

Within the existing stock, the ratio between centrally-owned and strata offices was 72% and 28%, contributing a total of 689,540 sq m of NLA of centrally owned offices and 274,399 sq m of NLA of strata offices.

The majority of the existing supply is still dominated by the grade B office (46%), followed by grade C (30%) and grade A (24%).

Most offices are located in the City Centre districts, with a ratio of 82% to 18% compared to Suburban districts. Daun Penh and Chamkarmon continue to attract office developers, representing 24% and 23% of the existing stock, respectively. The remaining space was located in 7Makara (14%), Sen Sok (12%), BKK (12%), Toul Kork (10%), Chroy Changva (4%) and Meanchey (1%).

However, more projects are developing in outside city locations including Sen Sok, Meanchey and Chroy Changva, leading to the emergence of satellite cities and new commercial hubs.

## 6,000 sq m

One project added 6,000 square meters of Net Lettable Area (NLA) to the existing supply.

## 4,598 sq m

Two buildings, which contributed 4,598 square metres of Net Lettable Area (NLA), were removed from the existing inventory.

## 963,939 sq m

As of H1 2024, the Phnom Penh office stock was recorded at 963,939 sq m of net lettable area (NLA), showing a 4.4% increase in office supply when compared to H1 2023.

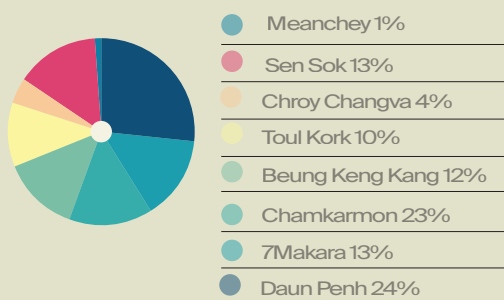
## 1,507,698 sq m

In future stock, and by 2030 Phnom Penh will have a cumulative office supply of approximately 1,507,698 sq m of NLA.

## 59.3% Occupancy

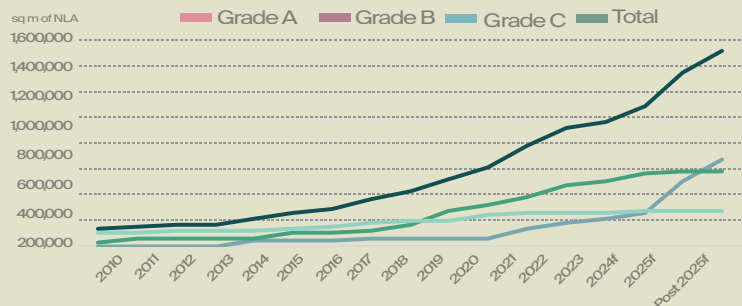
The average occupancy rate showed signs of stabilising at 59.3% in H1 2024, a 0.4 percentage point increase year over year, although rentals still experienced year-over-year declines.

Figure 3: Distribution of Existing Office Supply by District As of H1 2024



Source: Knight Frank Research

Figure 4: Cumulative Supply By Year and Grade (2010 - Post2025f)



Source: Knight Frank Research

An additional 543,759 sq m NLA of office space is scheduled for completion between H2 2024 and post-2025, representing a 56% increase in the current stock. If completed on time, this would bring the total net lettable area (NLA) up to 1,507,698 sq m NLA.

Upcoming office buildings due for completion in the second half of 2024 will provide an additional 106,021 sq m of NLA. Most of them were rolled over projects that have now made significant progress and are on track for their slated completion dates.

Maritime Tower, located along Hun Sen Boulevard in ING City, is a 24-story building that offers grade B office space. The centrally-owned office building comprises 18,200 sq m of Net Lettable Area (NLA) and is set to be ready for rental enquiries in H2 2024. Located along Norodom Boulevard in Tonle Bassac, Chamkarmon District, Maline Office Park, developed by a local developer, is a commercial building that comprises two storeys of retail space and office space on the above-ground levels. This grade B office will provide an additional 21,901 square meters of net lettable area to the office supply in the upcoming quarter.

After several delays, the CEO KT Pacific, a 33-story mixed-use twin tower building located in 7 Makara District, will provide commercial and residential space, including a 5-star hotel managed by Wyndham Hotels & Resorts.

Developed by LIXIN Group and GCC Group, it will feature 195 units of strata title office units, totalling approximately 10,070 square meters of NLA.

The overall occupancy indicated signs of stabilising in H1 2024, although rentals still experienced year-over-year declines.

The overall occupancy rate (combined centrally owned and strata office title) was recorded at 59.3% during H1 2024, a 0.4 percentage point increase year over year. The centrally owned office had an occupancy rate of 69.7%, a -2.7 percentage point decrease year over year. However, the strata title office showed a promising trend with an 8.1 percentage point increase year over year, reaching 33.2%.

**PRICES & RENTAL**

Despite advertising rents remaining unchanged, the achieved rents continued to decline as part of proactive effort to secure tenants

In the first half of 2024, there was a moderate increase in new office supply, however, the overall average rent continued to decline. Grade A and B offices command rentals ranging between US\$10 to US\$25 per square meter per month and US\$10 to US\$17 per square meter per month respectively. Grade C offices, typically offering basic facilities, were priced at a minimum of US\$6 per sqm/month. (excluding service charges and tax).

**OUTLOOK**

The office sector in Phnom Penh is expected to face continued challenges due to an increasing supply across all office grades.

Several delayed office projects initially slated for completion between H2 2024 and H1 2025 will come online, making the office sector more competitive.

Over the short term, with a sizeable supply pipeline, KF anticipates that average rental rates will continue to drop, however, minimum rents appear to be bottoming out which is a positive sign for the sector.

The Cambodian economy is expected to grow by 5.8% in 2024, increasing to 6.1% in 2025 and 6.4% in 2026, suggesting a stable short-term outlook for the office sector and potential for moderate growth.

Phnom Penh's office sector is expected to grow long-term, driven by growing demand from SMEs, increasing foreign direct investment (FDI), and a new investment law, fostering continuous economic growth despite current challenges.

Figure 5: Supply and Demand of Office Space (2010 - Post2025f)

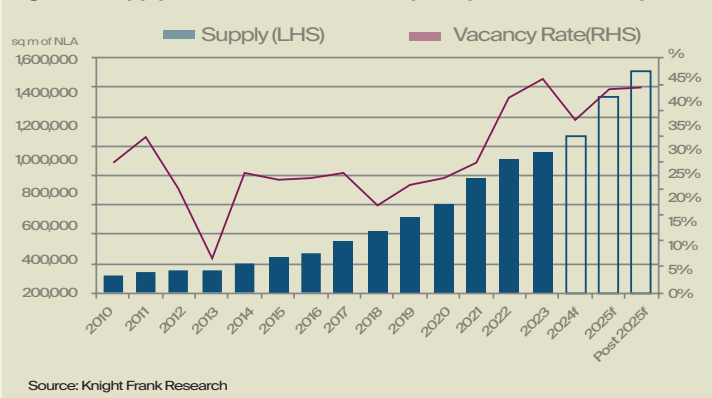
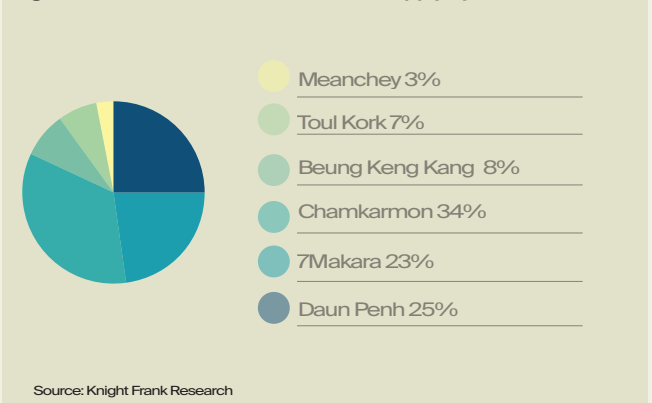


Figure 6: Distribution of Future Office Supply by District H1 2024



## Phnom Penh

# Retail Sector

The Phnom Penh retail sector remained challenging during the first half of 2024 despite an improvement in the overall economy, with consumers still cautious in view of high interest rates and global headwinds

### SUPPLY AND DEMAND

[The Phnom Penh retail supply continued to expand despite declining occupancy rates and market rents.](#)

The challenging operating environment witnessed during 2023 continued into H1 2024, with global macroeconomic and geopolitical factors weighing down on consumer sentiment. Despite the challenges, new supply continued to enter the market in the first half of 2024.

Approximately 23,733 sq m of NLA across three projects came online in H1 2024. The most significant new development in the first half of 2024 was Meanchey Avenue, situated on Hun Sen Boulevard within ING City. This community mall added 13,000 square meters of net leasable area (NLA) to the existing supply. It also includes approximately 1 hectare of green space garden. During the same period, The Connexion and U-Mall Phnom Penh combined approximately 10,733 square meters of NLA to the existing retail stock.

With the above three retail malls officially opening their doors – Meanchey Avenue, The Connexion and U-Mall Phnom Penh - the total existing retail supply grew to 863,440 sq m of NLA, equating to an annual increase of approximately 3% compared with H1 2023.

Although increasing, retail supply growth has been modest during the past two years, keeping the retail space per capita unchanged at 0.34 during H1 2024, based on a Phnom Penh population of 2.5 million (as of 2023).

From a classification perspective, the current supply of retail space is well-balanced. 64% of retail space is classified as Prime grade and the remaining 36% is Secondary grade.

Despite slow progress in ongoing retail projects, we expect an additional 95,783 sqm of NLA across six projects to be completed by the end of 2024, adding further diversification to Phnom Penh's retail offerings.

By 2026, the cumulative retail supply is projected to reach an estimated 1,145,279 sq m of NLA, assuming all monitored and launched projects are constructed and completed as planned. This would add an additional 281,839 sq m of NLA to the market, representing a 33% increase over the existing supply.

## 863,440 sq m

At the end of H1 2024, the Phnom Penh retail supply stood at 863,440 sqm of NLA, representing a 3% year-on-year growth compared to H1 2023.

## 0.34 sq m per capital

The retail space per capita was recorded at 0.34 sq m.

## 1,145,279 sq m

Over the next three years, the cumulative supply of retail space will reach 1,145,279 sq m of NLA, assuming all monitored projects are completed as scheduled, equating to an increase of 33% over the existing supply.

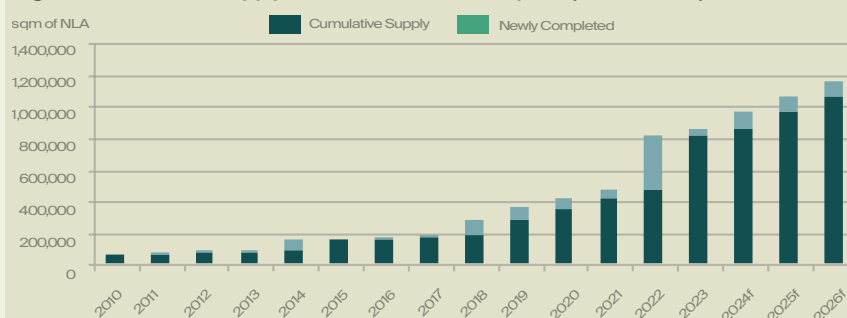
## 83% of supply

In future stock, and by 2030 Phnom Penh will have a cumulative office supply of approximately 1,507,698 sq m of NLA.

## 58% of future

Faced with a supply glut over the past three years, overall occupancy rates declined to approximately 67% as of H1 2024, reflecting a fall of 1.5 percentage points compared to the same period in 2023.

Figure 7: Cumulative Supply of Phnom Penh Retail Space (2010 - 2026f)



Source: Knight Frank Research

The current split of centrally-owned and strata-title retail was unchanged at 98% and 2%, respectively.

Most (66%) of Phnom Penh's existing supply comprises purpose-built shopping centres. Over the past decade, there has been a notable rise in residential developments in Phnom Penh, leading to the expansion of community malls to meet local residents' needs. As of the first half of 2024, community malls comprised 21% of the overall retail space, followed by retail podiums (9%), strata title retail at (2%), and cash and carry wholesale (2%).

Location-wise, Sen Sok accounts for the most retail space with 29%, followed by Meanchey District (23%), largely attributed by Aeon Mall 3 and Chip Mong Mega Mall 271, Chamkarmon (16%), 7 Makara (10%), Daun Penh (8%), Chbar Ampov (3%), Chroy Changva (3%), Toul Kork (3%), Boeung Keng Kang (2%), Russey Keo (2%) and Porsenchey (1%). The current ratio of retail space between the city centre and suburban areas stood at 39:61.

Many projects were put on hold, and some were expected to be delayed, while the largest supply is expected to come online in 2025, with an estimated 101,056 sq m of NLA.

Phnom Penh's retail sector is under pressure due to over construction over the past five years and the continued global economic uncertainties and interest rate hikes. This has led to decreased occupancy and rental rates.

Retail landlords have been adapting spaces to maintain occupancy levels. Food, beverage, and entertainment retailers continue to dominate the market in Phnom Penh.

The overall occupancy rate decreased to 67%, representing a 1.5 percentage point decline compared to the occupancy rates reported during the first half of 2023.

**PRICES & RENTAL**

Rental rates in both the City Centre and Suburban areas of Phnom Penh are declining due to the growing number of retail malls and reduced leasing activity.

In H1 2024, prime shopping centers had average rents of US\$20.00-30.00 per sq m per month of NLA, while secondary-grade retail mall rents were between US\$10.00-25.00 per sq m per month of NLA.

**OUTLOOK**

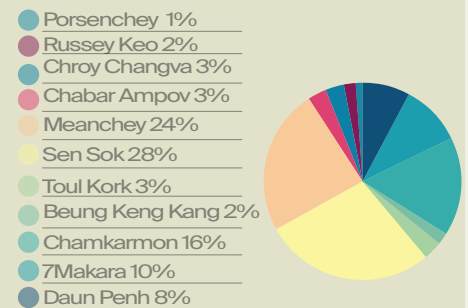
Retail was one of the hardest hit sectors during the pandemic, alongside hospitality, and it has yet to recover, with consumers still cautious in view of continued global headwinds

Cambodia's economy is forecasted to grow at 5.8% in 2024 and 6.0% in 2025, driven by a further rebound in tourism and strong manufacturing prospects, according to the World Bank and ADB.

The above notwithstanding, the short and medium-term outlook is one of volatility as retail malls struggle to attract foot traffic and the short-term oversupply continues to place downward pressure on occupancy rates and retail rents.

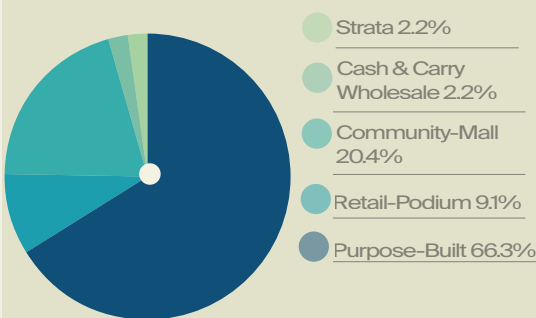
Over the long term, Cambodia's young demographic, with a mean age of 25, and increasing disposable income will drive demand for retail.

Figure 8: Distribution of Existing Retail Space by District H1 2024



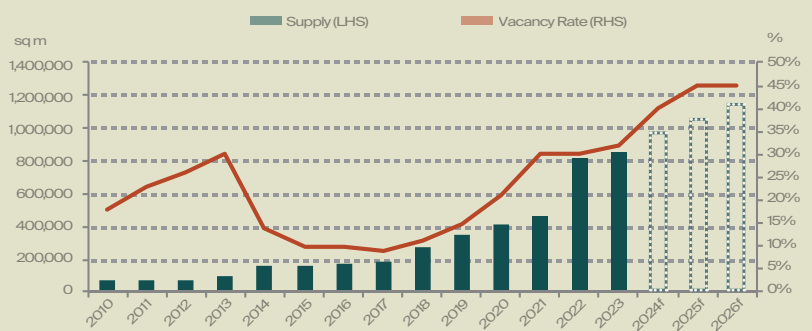
Source: Knight Frank Research

Figure 9: Phnom Penh Retail Formats H1 2024



Source: Knight Frank Research

Figure 10: Phnom Penh Supply and Demand of Retail Space H1 2024



Source: Knight Frank Research



# Hotel Sector

Phnom Penh’s hotel scene is elevating with an increase in luxurious four-star accommodations and a focus on upscale experiences, anticipating growth in the years ahead.

## SUPPLY AND DEMAND

H1 2024 saw the addition of two new Upscale & Upper Midscale hotels, including Novotel Phnom Penh BKK1 and Chaiya Palace Hotel, adding approximately 334 rooms to the market.

These new completions brought the current room stock to 15,377, reflecting a 5 percent increase over the same period in 2023.

In the city centre district of Boeung Keng Kang, the four-star Novotel Phnom Penh BKK1, which is operated by Accor S.A. – a global hospitality company, opened 254 rooms to both local and international tourists. Additionally, the nearby Chaiya Palace Hotel opened an additional 80 rooms in Sangkat Chaktomuk of Daun Penh District.

The Phnom Penh hotel supply is categorised into three different grades, namely, Midscale & Economy, Upscale & Upper Midscale, and Luxury & Upper Upscale.

As illustrated in Figure 10, the majority of hotels in Phnom Penh are classified as Midscale & Economy, accounting for 44% of the total existing supply.

The Upscale & Upper Midscale and Luxury & Upper Upscale categories make up 32% and 24% of the market, respectively.

The classification of hotels and their market share is split into City Centre and Suburban areas in Phnom Penh. As at the end of H1 2024, the majority of hotels in Phnom Penh were located in the City Centre districts, accounting for 83% of the total existing supply. The City Centre’s consistent popularity with tourists and business travellers has fueled continued investment and development in this area.

In the City Centre, Daun Penh is a prominent district with a high number of hotels to accommodate tourists. Due to its accessibility and popular attractions, it captures 38% of the market share. Following closely are the districts of Chamkarmon and Boeung Keng Kang, contributing 21% and 12% of the market share, respectively. Other districts such as Sen Sok, Chroy Changva, 7 Makara, Toul Kork, Por Senchey, and Mean Chey contribute 7%, 7%, 6%, 5%, 2%, and 1%, respectively.

## 334 rooms

Two stylish new four-star hotels have expanded the existing supply with approximately 334 additional rooms.

## 15,377 rooms

The addition of these new rooms brings our current stock to 15,377, marking a 5% increase over the same period in 2023.

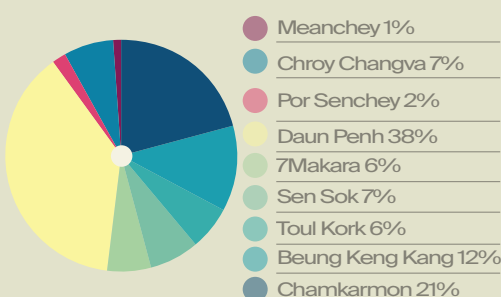
## 83% of supply

Phnom Penh boasts a vibrant city centre that is home to the majority of its hotels, making up 83% of the total existing supply.

## 58% of future

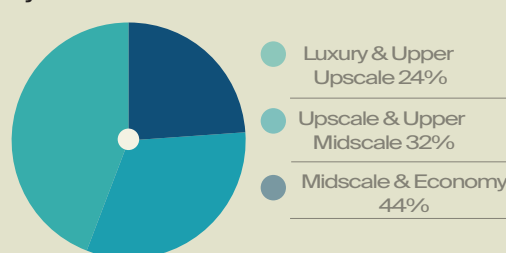
Luxury and Upper Upscale, five-star hotels will reign supreme, comprising an impressive 58% of the total future supply.

Figure 11: Existing Supply by District As of H1 2024



Source: Knight Frank Research

Figure 12: Distribution of Existing Hotels by Classification As of H1 2024



Source: Knight Frank Research

In the first half of 2024, 3,613 hotel rooms were identified in the future pipeline, which marks a significant decrease of 53% compared to the previous year. This decline is due to a number of hotel completions during the year. Additionally, several large-scale projects were placed on hold, including NagaWorld 3 which comprised 5,000 hotel rooms alone.

In the contrast of existing supply, The majority of future hotel supply in Phnom Penh will consist of Luxury & Upper Upscale (five-star) hotels, making up 58% of the total. The remaining 42% will be divided equally between Upscale & Upper Midscale (four-star) and Midscale & Economy (three-star) hotels, each accounting for 21% of the market share.

In addition, 40% of the upcoming hotels will be situated in Daun Penh District. This will be followed by 24% in Boeung Keng Kang District and 21% in Chamkarmon district.

The remainder will be located in 7 Makara and Sen Sok districts, accounting for 10% and 5% respectively. If all hotels complete as scheduled, the cumulative supply in Phnom Penh will increase to 18,990 rooms.

This number is 15% less than projected in 2023 due to the cancellation of several delayed and postponed projects.

**OCCUPANCY & AVERAGE ROOM RATE**

According to data collated by STR, average daily rates for Luxury & Upper Upscale hotels ranged between US\$128 to US\$156 during 2023, which is in line rates achieved 2013, indicating limited demand growth during the past decade

Information from the same data showed that hotel occupancy rates averaged around 40% during 2023, continuing to fall short of pre-pandemic levels recorded in 2019.

The data supports the general census from hotel GMs that demand growth for Luxury & Upper Upscale hotels in Phnom Penh has been relatively flat during the past decade, but that hotel operators and investors are confident about the medium and long-term prospects for Cambodia's hospitality sector.

**OUTLOOK**

During the first five months of 2024, Cambodia welcomed 2.6 million international tourists, marking a 22.1% increase over the same period in 2023.

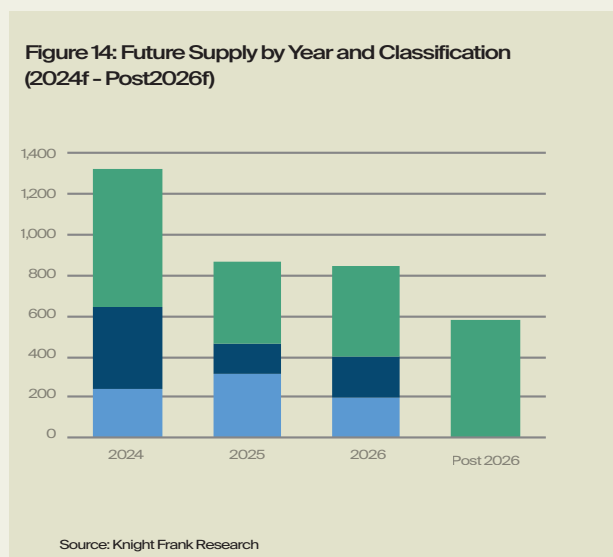
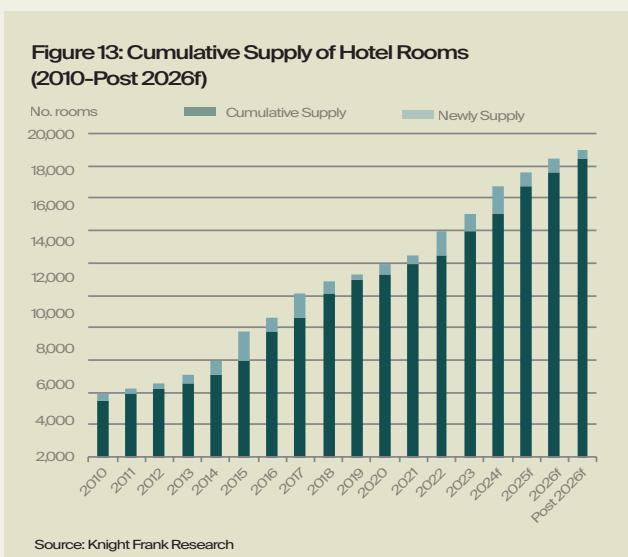
Thailand, Vietnam, and China were the top source markets, with increases of 6.1%, 399%, and 43.1% respectively compared with the previous year.

After four challenging years for the hospitality sector in Phnom Penh, since the outbreak of Covid-19, there finally seems to be some light at the end of a very, very long tunnel.

International tourist arrivals rebounded strongly during Q4 2023 & Q1 2024, Cambodia's traditional peak season, and the general sentiment is now a lot more promising.

With the completion of the Novotel Phnom Penh BKK1, and several other international brands scheduled to complete within the next 12 months, Phnom Penh continues to offer increasingly diversified accommodation options which will further attract international tourists.

2025 is expected to be the year we surpass 2019 numbers, coinciding with the scheduled completion of the new Techo International Airport, and the medium and long-term outlook is promising.





## Phnom Penh

# Serviced Apartment Sector

In line with the recovery in tourist arrivals during H1 2024, the average occupancy rate of serviced apartments increased by five percentage points to 55% year-on-year, whilst rental rates also increased marginally

### SUPPLY AND DEMAND

There were two new completions during H1 2024, bringing the total existing supply of serviced apartment to 8,388 units, reflecting a year-on-year increase of 2%. One building was categorised as Business grade and the other was within the Economy segment.

The new additions were situated in the City Centre, namely Boeung Keng Kang District, and Chamkarmon District, providing a combined total of 53 units. These newly built serviced apartments cater to both local and international clients.

Knight Frank classifies Phnom Penh serviced apartments into three different grades based on a number of criteria including location, unit sizes and composition, quality of fixtures, fittings and furnishing, facilities, amenities and prices. The three categories are International (High-end), Business (Mid-tier) and Economy (Core).

As shown in Figure 10, a majority of serviced apartments in Phnom Penh are categorized as Business class, making up 56% of the total existing supply. The International and Economy categories accounted for 27% and 17% of the market, respectively.

With serviced apartments targeting short-stay business guests and long stay professional expatriates, it's no surprise that 92% of the existing supply is located in City Centre districts. The remaining 8% is spread across the various Suburban districts.

A more detail breakdown is as follows; the majority (30%) of serviced apartments in Phnom Penh are located in the Boeung Keng Kang District. This was followed by Chamkarmon (21%) and Daun Penh (20%) districts.

The remaining supply was located in the districts of Tuol Kork, 7 Makara, Chroy Changva, Sen Sok, and Meanchey, which accounts for 11%, 9%, 5%, 3%, and 1% of the total supply, respectively.

## 8,388 units

The number of serviced apartments in Phnom Penh was recorded at 8,388 units as at the end of H1 2024.

## 56% Classification

56% of serviced apartments in Phnom Penh are categorized as Business Class. This was followed by International (27%) and Economy (17%) class apartments.

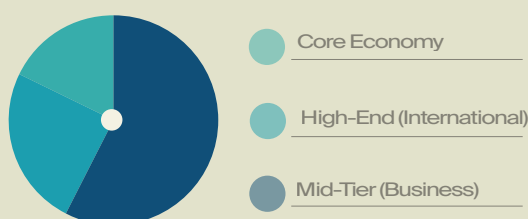
## 30% in BKK

30% of serviced apartments were located in Boeung Keng Kang, followed by Chamkarmon (21%) in Chamkarmon and Daun Penh (20%).

## Outlook

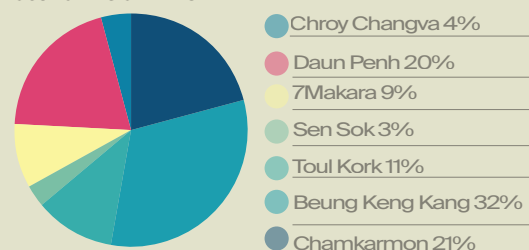
The growing number of internationally branded and operated serviced apartments will underpin demand over the medium and long-term with operators able to tap.

Figure 15: Serviced Apartments by Grade As of H1 2024



Source: Knight Frank Research

Figure 16: Serviced Apartment Distribution by Geographical Location As of H1 2024



Source: Knight Frank Research

During the second half of 2024, the number of serviced apartments in Phnom Penh is projected to expand further by 820 units, representing a 10% increase over the existing supply recorded in H1 2024. A new serviced apartment project was also launched in H1 2024, providing 160 International class units located in Chamkarmon District.

Within the future supply pipeline, the majority (73%) of serviced apartments are situated in the City Centre districts, while the remaining 27% are located in Suburban areas. This distribution reflects the demand for accommodation within urban cores, highlighting the popularity and convenience of City Centre locations for serviced apartments.

The future supply of serviced apartments is spread across the City Centre districts as follows: 30% will be located in Chamkarmon District, 27% in Sen Sok District, 16% in Boeung Keng Kang District, 15% in Toul Kork District and 12% in Daun Penh District.

The growing demand for serviced apartments in Phnom Penh can be attributed to the city’s increasing popularity as a business and leisure destination. The expansion of infrastructure and amenities has also contributed to the rise in serviced apartment offerings in the area.

This trend is indicative of the city’s ongoing development and attractiveness to both local and international visitors.

**OCCUPANCY RATE & RENTAL**

As at the end of H1 2024, prime monthly rental prices for serviced apartments ranged between the following: one-bedroom units ranged from US\$980 to US\$1,300, two-bedroom units ranged from US\$1,400 to US\$2,000, and three-bedroom units range from US\$2,300 to US\$8,000. The average overall occupancy rate for Phnom Penh serviced apartments was recorded at 55%.

There is a continuous demand for serviced apartments. Price and occupancy rate variations are likely influenced by factors such as location, amenities, and local market conditions.

**OUTLOOK**

In the short and medium term, the serviced apartment sector in Phnom Penh is projected to experience a significant increase in supply, with a 10% growth in the number of units during H2 2024 alone. This surge is driven by the introduction of new internationally branded serviced apartments in prime City Centre districts.

The growth in supply indicates improving investor confidence in the sector as Phnom Penh moves away from a traditionally backpacker-oriented destination to a vibrant city attracting more business tourists and long-stay expatriates.

The ongoing development of infrastructure, attractions and amenities in Phnom Penh is expected to further bolster growth of the serviced apartment sector in tandem with the increasing number of international tourist arrivals anticipated upon completion of Phnom Penh’s new Techo International Airport.

Despite increasing competition from new condominiums entering the market, as well as hotels now offering long-stay packages, the general outlook for serviced apartments is optimistic as Cambodia’s tourism sector continues to evolve and the Kingdom transforms itself into a destination in its own right.



## Phnom Penh

# Condominium Sector

Newly launched projects with competitive pricing and in prime locations continue to attract both Cambodian and foreign buyers, indicating that the oversupply is largely due to pricing and that the price correction is nearing the bottom of the cycle

### SUPPLY AND DEMAND

In view of the challenging economic environment and increased competition, developers' selling prices have been on a downtrend since 2021. However, the healthy sales rate achieved at newly launched projects with competitive pricing suggests that we are nearing the bottom of the pricing correction. Seven new projects were handed over to buyers during H1 2024, including TV Tower, R&F City Miro, Morgan EnMaison, Ramdoul City, XO Power, Yuetai The Garden and Residence H Sen Sok.

With the completion of the above projects, the proportion of condominiums positioned within the Mid-tier segment increased from 54% to 57%, reflecting a growing emphasis on affordability and accessibility for a wider range of buyers, especially local buyers. This trend underscores the ongoing adjustment of the market towards units that cater to a broader demographic.

The observed shift reflects an adaptation to buyer affordability and a heightened recognition of the Mid-tier and Core segments' potential for sustained demand. In response, developers are progressively adapting their strategies to align with these market realities, emphasising delivering their products at more competitive prices. This shift is evidenced by the growing prevalence of smaller-sized units and the implementation of attractive discount programs designed to incentivise a larger pool of buyers.

Further evidence of the market correction was the noticeable downward adjustment in pricing for some Prime and High-end segment projects, bringing them closer to Mid-tier pricing.

The Phnom Penh condominium supply increased by 6.2% during H1 2024, reaching 53,138 units up from 50,040 units in H2 2023.

The existing supply is predominantly concentrated in Phnom Penh's City Centre districts, with Chamkarmon leading the way accounting for 20% of supply. Boeung Keng Kang, Toul Kork, Sen Sok, 7 Makara, and Meanchey collectively account for a significant 61% of the market, solidifying the central areas as the development hubs. Emerging areas including Chroy Changva and Russey Keo show promising growth, suggesting a gradual expansion beyond the city's core.

## 3,118 units

Seven new condominium projects were completed during H1 2024, adding 3,118 units to the existing supply.

## 53,158 units

H1 2024 recorded a total existing condominium supply of 53,158 units across 127 projects.

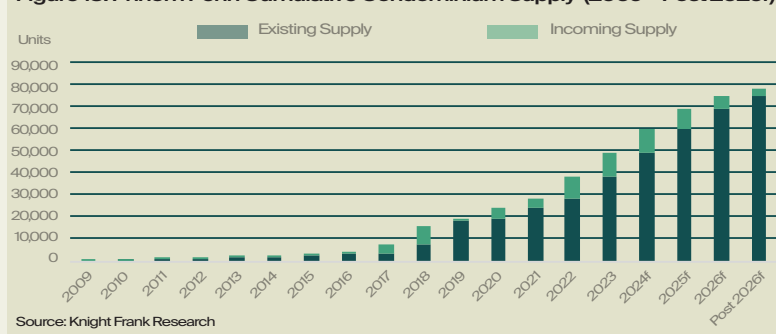
### Categories

The Mid-tier and Core segments remained the dominant categories in the market, representing 57% and 23% of the total supply, followed by High-end (15%) and Prime (5%).

### Outlook

The current trajectory, marked by increased buyer interest in affordable and well-located units, paints an optimistic picture of a more balanced and sustainable market in the near future.

Figure 18: Phnom Penh Cumulative Condominium Supply (2009 – Post 2026f)





H2 2024 is anticipated to experience a significant surge in project completions. Notable projects expected to reach completion by the end of the year include Royal Platinum, Vue Aston, Wealth Mansion, La Vista One, One 70, Seven Residence, WorldBridge Sport Village, East Sen Sok and Anata Residence.

The above completions will contribute 7,566 units to the existing supply, representing an increase of 14.2% over H1 2024.

There were a number of new launches during H1 2024, including Times Square 7 (700 units) in Toul Kork, Morgan Capital Center City (1,104 units) in Russey Keo, and L Tower Loft Condo (480 units) in Chamkarmon, all within the Core market segment, further illustrating the shift in developers' focus to the domestic market.

Offering mostly studio and one-bedroom units, with a combined total of over 2,284 condominiums starting from \$1,100 per square meter of net area, these projects target local buyers seeking affordable and centrally located housing options.

This demonstrates a clear trend towards catering to the growing demand for Core segment condominiums in Phnom Penh. Moreover, these projects' locations and pricing strategies align with the affordability and preferences

of local buyers, further solidifying the growing emphasis on catering to this demographic.

The positive shift in developers' focus will ultimately contribute to bringing down the cost of living in Cambodia and making the Kingdom more competitive with its regional neighbours, supporting medium and long-term economic growth. However, whilst there was an increase in the overall sales rate during H1 2024, the increase was nominal, with a sales rate of 5% of our monitored basket recorded during the reporting period.

The low sales rate can be attributed to a number of factors including continued uncertainty around the global economy, high interest rates, a strong USD, new project completions increasing the size of our monitored stock, the high pricing of certain projects and the increasing number of units now available for sale on the secondary market at a discount to the initial developers' selling prices.

**PRICES & RENTAL**

The average developers' selling price continued on its downward trajectory during H1 2024, dropping from around US\$1,500 to US\$1,300 psm of net saleable area. Conversely, market rents began to show clear signs of stabilisation, with rent finally nearing-

the bottom of the cycle. This is a positive sign for the sector, with stabilised rents providing a level of support for capital values in Phnom Penh, providing investor confidence and shoring up property values.

**OUTLOOK**

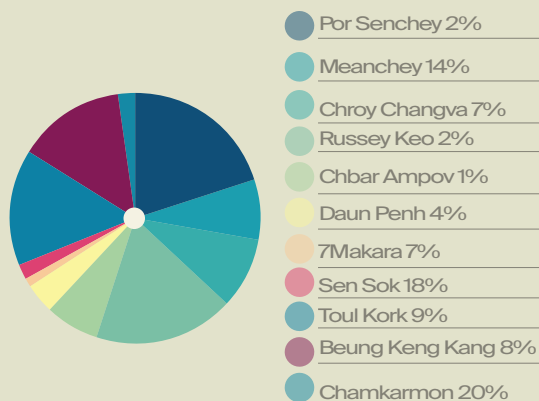
While the global economy remains uncertain and high interest rates persist, the recent success of several newly launched projects in prime locations and offered at competitive prices suggests that the market correction experienced between 2021 and 2023 is finally beginning to bottom out.

At the peak of the market, developer selling prices for high-end condos in the capital's premier residential address, BKK1, ranged between US\$3,500 to US\$5,000 per sq m. However, this pricing was not affordable for the local market with the majority of buyers being foreign investors.

With the outbreak of the Covid-19 pandemic in 2020, foreign buyers virtually disappeared over night and Cambodian nationals could not afford the high-end prices. Now, projects being launched in BKK1 and priced around US\$2,500 per sq m are achieving very healthy sales rates, indicating that there is a good level of demand from the domestic market for realistically priced properties.

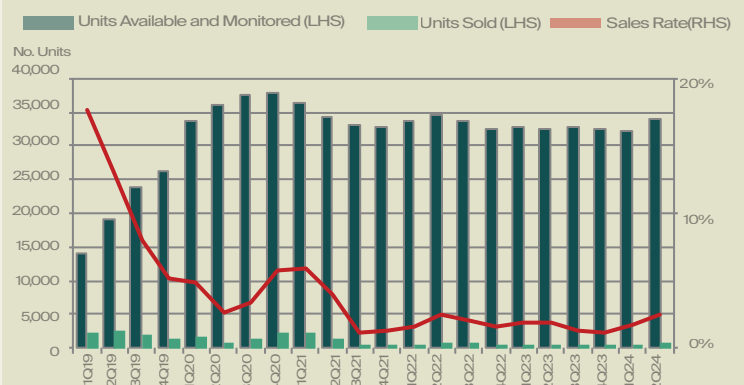
This bodes well for the sector and the medium to long-term outlook is positive.

Figure 19: Distribution of Existing Condominium Supply by District H1 2024



Source: Knight Frank Research

Figure 20: Sales Rate of Total Units Monitored and Available by Quarter (1Q 2019 to 2Q 2024)



Source: Knight Frank Research

## Phnom Penh

# Landed Housing Sector

Since H2 2023 many developers have shifted their focus towards completing construction on a block-by-block or even house-type basis, instead of a phase-by-phase basis, prioritising the completion of existing projects over the launch of new projects

### SUPPLY AND DEMAND

Following the completion of 16 new projects, adding over 4,196 units to the market, the existing supply of landed housing in Phnom Penh reached 91,510 units across 247 projects as of H1 2024. This represents a 5% HoH increase compared to H2 2023 and a 9% increase YoY compared to H1 2023.

The vast majority (97%) of these developments are located in Phnom Penh's Suburban districts, with only 3% situated in the City Centre districts.

Sen Sok District had the highest concentration of borey developments, representing 20% of the total existing stock. This was followed by Dangkor (17%), Kamboul (11%), Chbar Ampov (10%), Meanchey (10%), Russey Keo (10%), Chroy Chongva (9%), Porsenchey (6%), Prek Pnov (4%) and the remaining 3% were located within City Centre districts.

Despite the growing number of Core units in the supply pipeline, the Mid-tier segment remained the dominant category, accounting for 57% of the total supply. This was followed by Core units (33%) and High-end units (9%).

However, the Core segment, particularly shophouse and terraced house types, demonstrated the strongest performance in H1 2024 in terms of unit sales.

During H1 2024, many major developers shifted their focus towards completing construction on a block-by-block or even house-type basis, instead of a phase-by-phase basis, prioritising the completion of existing projects over the launch of new projects, particularly shophouses facing main roads and terraced houses along sub-main roads, over the launch of new developments. This strategic shift aims to ensure a successful handover in H1 2024 and capitalise on the steady demand for these property types.

While the construction of detached and semi-detached houses is ongoing, the pace moderated during H1 2024 reflecting the current market dynamics with limited new house buyers in the market. Additionally, some projects that originally planned to build detached and semi-detached houses have either paused construction or opted to redesign these units into terraced houses to cater to a wider range of buyers.

## 4,196 units

Following the completion of 16 new developments, an additional 4,196 units were added to the existing supply during H1 2024

## 91,510 units

the existing supply stood at 91,510 units as of H1 2024, reflecting an increase 9% if compared to the same period in 2023.

## Mid-tier dominates

Mid-tier units accounted for 57% of existing supply, followed by Core (33%) and High-end units (9%).

## 14,133 units

An additional 14,133 landed houses are expected to enter the market by 2026.

## Market Impact

In response to the slower-than-expected economic recovery, housing developers have adapted by prioritising the completion and launch of specific property types to better cater to market demand and optimise their financial resources.



Despite H1 2024 experiencing the fewest launches in a decade with only 510 units, some notable projects entered the market. These included Borey Peng Huoth The Star Platinum Eco Poli and Norea Square (Phase 2), catering to the Mid-tier and High-end segments located in Chbar Ampov, as well as other launches targeting the Mid-tier and Core segments located in Dangkor and Prek Pnov districts.

The total future supply of landed housing in Phnom Penh scheduled for completion between 2024 and 2026, either under construction or at the planning stage was recorded at 14,133 units across 51 projects.

The Mid-tier category accounts for 68% of the future pipeline, followed by the High-end market (16%) and Core units (15%), catering primarily to lower-income buyers. The entire future supply is concentrated within suburban districts.

Some major Mid-tier and High-end developers have embraced ESG (Environmental, Social and Governance) principles by partnering with reputable social community event planners or hosts to organise community gatherings in their green spaces. This initiative aims to enhance the well-being of existing residents, add intrinsic value to developers' brands and attract potential buyers who are becoming increasingly environmentally conscious.

By 2026, the cumulative supply of landed housing in Phnom Penh is projected to reach 105,643 units, reflecting a 15% increase from the current supply.

While there were previous concerns about disputes between developers and purchasers regarding construction progress, which arose due to the impact on developers' cash flow, these disputes in H1 2024 have subsided and the situation is now calmer.

**PRICES & RENTAL**

Between H2 2023 and H1 2024, property prices experienced a decline of 10-20%, with the secondary market witnessing a much steeper decline compared to the primary market.

The rental market in H1 2024 showed signs of stabilisation, with tenant needs, employment prospects and location becoming the primary determining factors for rental performance, as the long decline in rental prices prior to H1 2024 made rent a less significant consideration.

The landed housing market continues to experience subdued sales momentum due to low purchasing demand, mirroring the trends observed in the previous year.

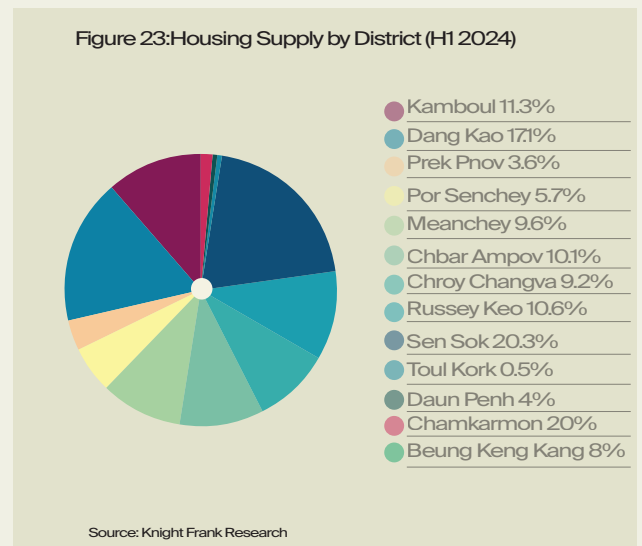
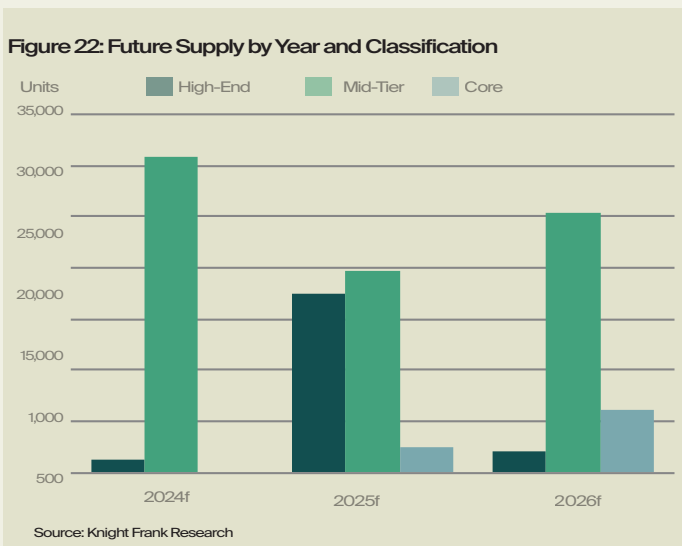
Some financially robust developers remain active, adapting to the market correction by offering attractive discounts, lower down payments and flexible payment terms, including interest-free periods of to stimulate sales and reduce unsold inventory.

**OUTLOOK**

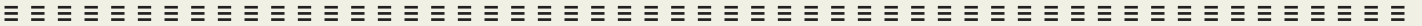
In response to the slower-than-expected economic recovery, housing developers have adapted by prioritising the completion and launch of specific property types to better cater to market demand and optimise their financial resources. This trend is expected to continue throughout the year.

It is anticipated that new project launches will remain at historically low levels in view of the current oversupply of overpriced properties in the market and there will continue to be downward pressure on selling prices and sales rates.

Knight Frank expects the market to remain sluggish over the short term whilst the market continues to undergo a pricing correction and it will take some years for the existing unsold stock to be absorbed into the market.







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