

Phnom Penh

Siem Reap

Sihanoukville



Cambodia Real Estate

Highlights-2nd half 2022

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ECONOMIC SNAPSHOT

The Cambodian economy experienced a good recovery with GDP expected to grow at a rate of 5.3 percent in 2022, increasing to 6.2 percent in 2023 according to the Asian Development Bank

In line with Cambodia’s commendable Covid-19 vaccination programme and the removal of travel restrictions in the first half of 2022, Cambodia saw great success in its post-pandemic economic recovery with a GDP growth rate of around 5.3 percent projected for the full year 2022.

A global spotlight was shining on the Kingdom during the second half of the year due to its chairmanship of the ASEAN Summit, with Cambodia welcoming leaders from all over the world, providing a boost in the arm for the tourism sector.

Cambodia welcomed 2.28 million international tourist arrivals during 2022, reflecting a Y-o-Y increase of 1,059 percent, whilst domestic tourists increased Y-o-Y by 199 percent to 13.93 million in 2022

Economic growth was also supported by the Kingdom’s resilient exports markets; the value of Cambodia’s garments, travel

goods, and footwear (GTF) sector exports rose to \$5.7 billion in 2022, representing a 47.3% increase compared to 2021.

The bilateral free trade agreement between Cambodia and South Korea, which came into force in December, will have a positive impact on the expansion of the Cambodian market, accelerating trade and investment flows.

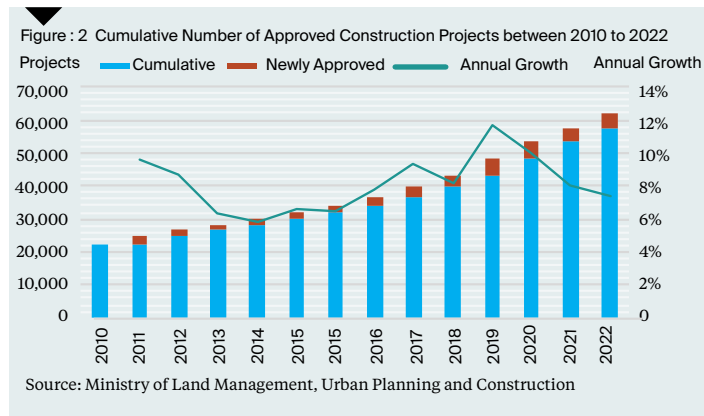
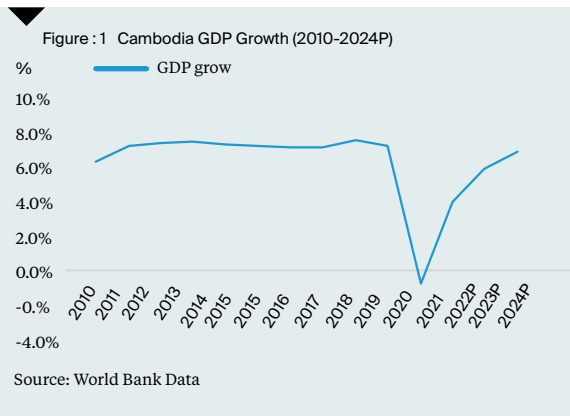
FDI into Cambodia also recorded an increase of 7.5% in 2022 to US\$4.68 billion with key source markets being China, Japan, Thailand and Singapore. On the back of a healthy recovery in 2022, the Asian Development Banks has projected 6.2 percent GDP growth for Cambodia’s economy in 2023.

In light of the continued diversification of Cambodia’s economy, the reopening of the Chinese border, and the increase in disposable incomes in the coming years, the outlook over the medium and long-term remains positive.



Ly Hakim
Senior Manager

“The Cambodian economy experienced a good recovery with GDP growth expected to grow at a rate of 5.3 percent in 2022 and 6.2 percent in 2023”



Key findings

The completion of Prince International Plaza introduced approximately 63,000 sq m of NLA to the existing supply in the second half of 2022.

The majority of projects scheduled to complete during H2 2022 rolled over into 2023.

Grade B continues to dominate the supply, accounting for 46% of the market followed by grade C and A, accounting for around 31% and 23% respectively.

Daun Penh retained its position as the leading office location, accounting for 26% of total supply. This is now closely followed by Chamkarmon District at 23% of total office supply.



Prince International Plaza, Phnom Penh

PHNOM PENH OFFICE SECTOR

Due to the incoming supply in H2 2022 and low take-up rate, the Phnom Penh average vacancy rate increased from 34% to 39% YoY and this trend is expected to continue, with many projects due for completion in 2022 rolled over into 2023

Supply and Demand

New completions during H2 2022 brought the existing supply to 901,202 sq m of NLA. The majority of the new stock was stratified office space

During H2 2022, a newly completed mixed use project - Prince International Plaza – added 63,000 sq m of NLA to the Phnom Penh office. The development also consists of a retail podium and residential units. The new completion increased the existing supply to 901,202 sq m of NLA, representing a 15.4% year-on-year growth.

Prince International Plaza includes both strata office and centrally retained office by the developer, Prince Real Estate Group. There were no other completions during H2 2022, with the majority of future projects rolling over and expected to complete in 2023.

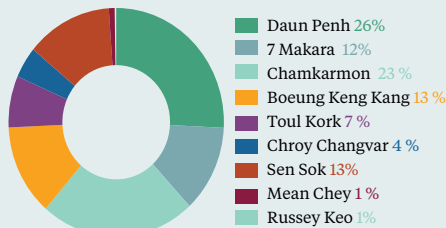
There is a further 644,266 sq m of office space in the development pipeline, which would take to cumulative supply to 1,545,280 square metres of office NLA by 2027, representing an increase of 70%.

Despite the fact that there has been a significant increase in grade A strata-title office space, grade B continued to account for the majority of supply at 46%. This was followed by grade C (31%) and grade A (23%) office space.

The city centre districts of Daun Penh, Toul Kork, Chamkarmon, 7 Makara and Boeung Keng Kang 1 remain the most concentrated with office space, totalling 735,125 sq m of NLA (82% of the total stock). However, there is an increasing number of projects being developed in outside city locations where we are beginning to see the development of satellite cities and new commercial hubs.

As illustrated in Figure 3, Daun Penh is the most favoured district for office space, accounting for 26% of entire existing supply. This was followed by Chamkarmon (23%), Boeung Keng Kang (13%), Sen Sok (13%), 7 Makara (12%), Toul Kork (7%), Chroy Changvar (4%), Mean Chey (1%), and Russey Keo (1%).

Figure : 3 Distribution of Existing Office Supply by District



Source: Knight Frank Research

Four office projects are scheduled for completion in H1 2023. The projects are divided among three different city centre districts: Toul Kork, 7 Makara, and Chamkarmon.

Chip Mong Tower, located along Russian Federation Boulevard in Toul Kork District, is a centrally-owned office skyscraper that occupies a land area of approximately 8,000 sq m and is one of the city’s tallest buildings, at a height of 185 metres across 45 floors. This mixed-use building will comprise a retail podium, a Fairfield by Marriott hotel and 10 levels of office space.

CEO KT Pacific, located in 7 Makara, is a 33-story mixed-use twin tower building that provides both commercial and residential space including a 5-star hotel by Windham. Developed by LIXIN Group & GCC Group, the development will feature strata title office space with a total of 195 units, or approximately 10,070 sq m of NLA.

Located along Samdech Hun Sen Street in Tonle Bassac, Chamkarmon District, The Peak, developed by Oxley Worldbridge - a Cambodia-Singapore joint venture, is a mixed-use development that is divided into 3 towers including the pending tower featuring a Shangri-la hotel and office space. Once completed, this 55-storey luxurious tower will offer 250 office units, or approximately 10,830 sq m of NLA to the strata office market.

There are more than 30 developments in the city that are scheduled to complete by 2026. This comprises 307,040 sq m of centrally-owned office space and 337,185 sq m of strata office units.

Prices and Rental

Despite the fact that the economy is on the path to recovery, office rents in Phnom Penh continue to trend downward in view of increasing vacancy rates and impending supply coming into the market in the second half of the 2022.

Grade A office rents in Phnom Penh ranged between US\$12 and US\$26 per sq m per month, dependent on specification and location.

For the grade B market, headline rents ranged between US\$10 and US\$20 per sq m per month whilst grade C rents in suburban locations started from US\$6 per sq m per month. With rents at a low entry level, grade C achieved the highest occupancy rate at 69%.

Office Sector Outlook

As noted in the Economic Snapshot, the world economy is experiencing an economic headwind initiated by the pandemic and compounded by ongoing geopolitical tensions in Europe and Asia that has led to a high inflationary environment.

As a reflection of this, the World Bank projects that global trade will continue to slow down during 2023.

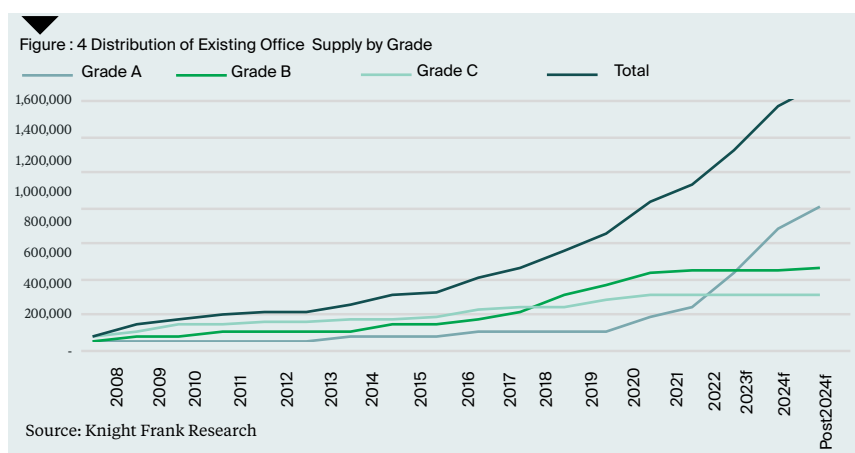
In Asia Pacific, the Asian Development Bank is (ADB) recently released report, Asian Development Outlook (ADO), indicated that regional inflation fell from 4.5% to 4.4% in 2022 but will rise from 4.0% to 4.2% in 2023.

Whilst economic growth in the APAC region is expected to outpace other regions, Knight Frank projects that the office vacancy rate will increase to 42% assuming all projects to be completed on schedule. This increase in vacancy rate will continue to place downward pressure on rental rates as competition intensifies and landlords vie for tenants.

Despite the above, the Royal Government of Cambodia continues to approve new laws and regulations to encourage foreign direct investment and attract new companies to set up business in the Kingdom.

Numerous free trade agreements and economic partnerships have been agreed with countries within the region which could attract significant investment that will ultimately drive demand for new office space.

Thus, whilst the short to medium term outlook is one of further volatility, the medium to long-term fundamentals remain favourable and Cambodia is well positioned to benefit from the continued growth of the ASEAN economic bloc.



PHNOM PENH RETAIL SECTOR

Key findings

During H2 22 the Phnom Penh retail supply increase to 800,571 sqm, representing a Y-o-Y growth of 75%

There were six new completions, Chip Mong 271 Mega Mall, Aeon Mall Mean Chey, Domrey Park 598, Prince International Plaza, Makro CCV, Fun Mall TK

Zara, a Spanish multi-national retail clothing chain, is expected to open its doors in Chip Mong 271 Mega Mall in 2023

If all future supply completes as scheduled, the cumulative supply will jump up to 1,075,444 sqm by 2025

7-eleven celebrated its one-year anniversary in Cambodia, expanding its presence in major province includes Sihanoukville and Siem Reap

The overall occupancy rate for the retail sector was recorded at 70%



Aeon Mall Mean Chey, Phnom Penh

Multiple global fashion brands entered the Cambodian Retail market through newly completed shopping malls; Chip Mong 271 Mega Mall and Aeon Mall Mean Chey

Supply and Demand

Six new completions were recorded during H2 22, two of which were the biggest malls in southern Phnom Penh

Since the full post-pandemic reopening of Cambodia during H1 22, there was a notable uptick in retail activity in Phnom Penh during the second half of the year. H2 2022 saw an increase of existing retail stock to 800,571 sq m of NLA, a Y-o-Y growth of 75% with the opening of six new retail destinations.

The completed projects were; Chip Mong 271 Mega Mall (58,000 sqm), Aeon Mall Mean Chey (98,000 sqm), Makro Chroy Changvar (8,433 sqm), Prince International Plaza (120,000 sqm), Domrey Park 598 (4,740 sqm) and Fun Mall TK (6,000 sqm). Notable openings were Chip Mong 271 Mega Mall, Aeon Mall Mean Chey and Makro CCV.

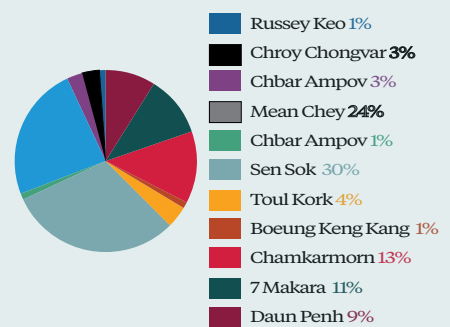
Both Chip Mong 271 Mega Mall and Aeon Mall Mean Chey are located in Phnom Penh's Southern Growth Corridor, within the 2,500-hectare master-planned ING City. Both malls have brought in new-to-market brands in an effort to differentiate themselves from the rest of the retail offerings in Phnom Penh but it remains to be seen whether there will be sufficient footfall within the two malls to support the newly opened retail outlets.

Covering a land area of 16 hectares, Chip Mong 271 Mega Mall is located in Mean Chey District, southern Phnom Penh. The mall can accommodate up to 1,970 cars and 540 moto lots. Adopting the "Everyday Discovery" concept, it is Cambodia's first domestic-branded international standard regional shopping mall with major global fashion brands including H&M, Calvin Klein, ZARA, Jaspal, Paul Smith, Tommy Hilfiger, and Jumbo Seafood.

Cambodia's largest shopping mall, Aeon Mall Mean Chey opened shortly after 271 Mega Mall in December 2022. With a site area of approximately 17 hectares the mall provides 98,000 square metres of net leasable area. The mall proved its popularity with the public as busy foot-traffic was reported. The project adopted the concept of "edutainment mall", with unique features and activities available such as an outdoor park and a 250-meter-high glass sky bridge.

Despite the opening of two large-scale regional shopping malls in Mean Chey District, Sen Sok District was recorded as having the most retail space with a market share of 30%. This was followed by Mean Chey (24%), Chamkarmon (13%), 7 Makara (11%), Daun Penh (9%), Toul Kork (4%), Chbar Ampov (3%), Chroy Changvar (3%), Russey Keo (1%) and Boeung Keng Kang (1%).

Figure: 5 Distribution of Existing Retail Space by District



Source: Knight Frank Research

Classification-wise, the current supply circulating on the market is differentiated between Prime and Secondary developments, at 66% and 34%, respectively. 63% of retail space is located in Suburban areas whilst 37% is within the City Centre districts.

By 2025, Knight Frank Cambodia forecasts that the total cumulative supply in Phnom Penh will increase to 1,083,877 sqm across 63 retail buildings, assuming all the announced projects finish as planned. The forecasted projection is equivalent to a growth rate of 35% over the existing supply. A quarter of the supply between 2023f – 2025f will be located in Toul Kork district.

97% of the monitored future supply will be centrally retained for lease whilst the remaining 3% is for sale on strata title.

Capturing September headlines, Q3 2022 marked one year of the global convenience store 7-Eleven entering the Cambodian market, which up to date operates more than 10 stores. So far, the chain has expanded into tourist-driven provinces including Sihanoukville and Siem Reap. Aside from the store-franchise, 7-Eleven also supplies its bakery products to numerous gas stations across 7 major provinces in Cambodia.

Overall, the retail occupancy rate in Phnom Penh remained stable despite the new completions and the reported high turnover rate of tenants. As of H2 2022, the occupancy rate for the market remained similar to the previous half-year at approximately 70%.

Located to the north of Phnom Penh, Domrey Park 598 is an open air community mall composed of two-storey buildings. Opening during the fourth quarter of 2022, the mall achieved a full occupancy rate with tenants including Tube Coffee, Pong, Koi The, Pizza Hut, Brown Coffee, and Lucky Supermarket.

Prices and Rental

As expected, the retail landscape has undergone rapid and dramatic transformation for the past several years. Consumer shopping habits have changed due to the introduction of e-commerce and online retail platforms. People are far more informed which has impacted greatly on their spending habits.

However, H2 2022 saw a slight increase in the overall rental price of both Prime and Secondary retail spaces in Phnom Penh. Knight Frank recorded a headline rent for Prime retail developments between \$21 to \$40 per sq m/month, depending on floor and location. The asking price for Secondary retail was recorded between \$21 to \$28 per sqm/month.

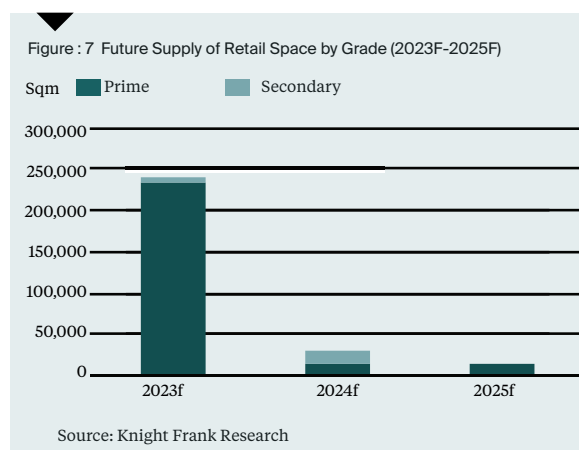
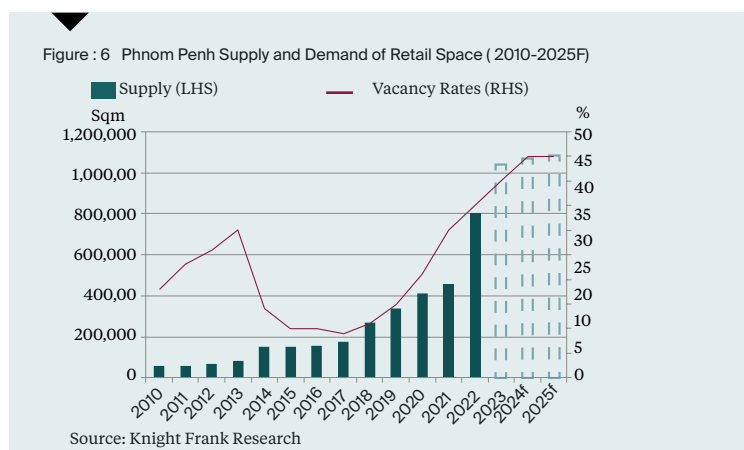
Retail Sector Outlook

Globally, the retail industry is evolving, changing and adapting constantly in view of changing consumer habits and the way people shop. This has also heavily influenced the Cambodian retail sector. It is essential the market grasps the idea of the future of retail, which would be one that features a high level of online penetration where consumers expect speed and convenience.

Cambodia has a young, tech-savvy demographic with increasing disposable incomes. This has now been acknowledged by major global fashion brands, with H&M being the first to enter the market at the start of 2022 and a slew of new-to-market brands having taken up space within the newly opened malls in H2 22 – although most outlets are scheduled to start operating in H1 23.

Whilst there will be a short-term over supply in the retail sector, the favourable demographics of Cambodia will ensure the medium and long-term success of the retail sector.

With that being said, landlords will need to be adaptive to new ‘market norms’, such as retailers requesting a low base rent and a percentage of turnover (turnover rents), which is in line with the global trend and is unlikely to change moving forward, impacting on developer returns.



PHNOM PENH HOTEL SECTOR

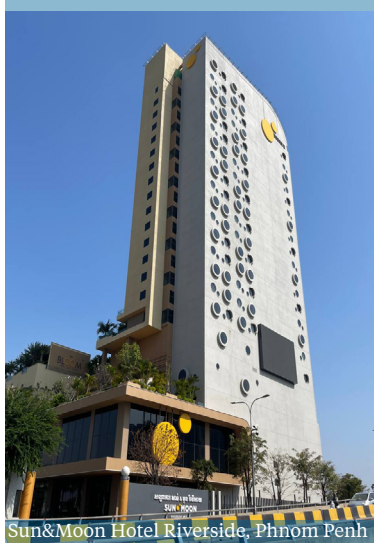
Key findings

One new completion and the reopening and rebranding of a second hotel increased the total hotel supply to 13,953 keys.

As of H2 2022, Midscale & Economy hotels accounted for the majority of the existing supply at 47%.

Mercure Phnom Penh Boeung Keng Kang 1, a 200-room Midscale & Economy hotel, broke ground in Boeung Keng Kang District

26 projects were identified in the future supply pipeline that will add 7,648 rooms to Phnom Penh's accommodation offerings.



International tourist arrivals to Cambodia reached 2.3 million in 2022, far exceeding expectations, and are projected to increase to 4 million in 2023, putting the kingdom's hospitality sector on a post-pandemic recovery path.

Supply

During H2 2022, one new completion and one rebranded and relaunched hotel contributed 200 and 322 keys, respectively.

During the second half of 2022, two classes of hotels in Phnom Penh officially opened their doors to welcome both domestic and international tourists. One Upscale & Upper Midscale hotel and one Midscale & Economy class hotel opened in the fourth quarter of 2022. These two new offerings increased the total supply of Phnom Penh hotel rooms to 13,953.

Sun & Moon Hotel, located on the banks of the Bassac River and fronting Norodom Boulevard in Chamkarmon District, is a 4-star hotel built on a 6,892 sq m block of land and developed by Sun & Moon Group. This 23-story cutting-edge design hotel was finished in late 2022 and provides 200 keys.

ibis budget Phnom Penh Riverside is an economy-class hotel operated under Accor, a world-leading hospitality brand, partnering with Dara Hotels Group - the locally-owned hospitality group. Strategically positioned in the city's bustling Tonle Bassac area, ibis budget Phnom Penh Riverside contributed 322 keys to the kingdom's hospitality needs. The hotel was formerly operating as Toyoko Inn but was rebranded during the Covid-19 pandemic.

As shown in Figure 8, Daun Penh accounts for over 40% of the total existing rooms in Phnom Penh. This was followed by Chamkarmon and Boeung Keng Kang, which accounted for 23% and 11%, respectively. The remaining six districts shared hotel rooms as follows: 7% in 7 Makara, 7% in Chroy Changvar, 6% in Sen Sok, 4% in Toul Kork, 1% in Por Senchey, and 1% in Meanchey.

Additionally, according to Knight Frank's research findings, the Midscale & Economy class accounts for nearly half of the current supply, at roughly 47% as of H2 2022.

Figure : 8 Distribution of Existing Supply by District

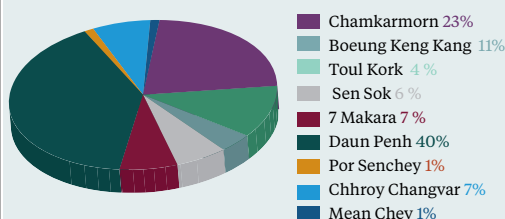
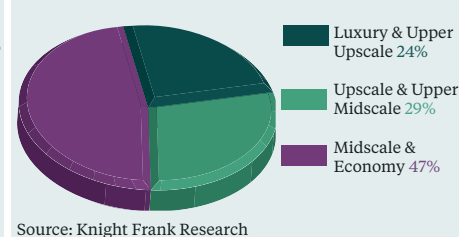


Figure : 9 Distribution of Existing Hotels by Classification



This was followed by Upscale & Upper Midscale class and Luxury & Upper Upscale, accounting for 29% and 24% of total stock, respectively.

In terms of future supply, one project broke ground in Boeung Keng Kang District during H2 22, that will add additional rooms to the district that has long been a favoured residential enclave for expatriates.

Accor Group has been working closely with The Flora to add to its footprint in Cambodia by establishing another Midscale & Economy brand hotel joining its newly opened budget, ibis budget offering Phnom Penh Riverside. The hotel will operate under Accor’s Mercure brand and is located Boeung Keng Kang 1, on Street 71 corner 398. The 200-key hotel is expected to start operating in 2027.

As of H2 2022, there were 26 projects identified in the future supply pipeline across Phnom Penh. These developments will contribute approximately 7,648 rooms to the existing supply.

Contrasting with the composition of the existing supply, the Luxury & Upper Upscale segment accounts for approximately 58% of the future supply, followed by Upscale & Upper Midscale and Midscale & Economy, with approximately 25% and 17%, respectively.

In terms of geographic distribution, Chamkarmon District has the largest share of the total future supply accounting for approximately 48% of future hotel rooms, followed by Daun Penh (17%), Boeung Keng Kang (15%), Toul Kork (6%), Sen Sok (5%), Por Senchey (4%), 7 Makra (3%), and Chroy Changvar (2%).

If all future hotels complete as scheduled, the cumulative supply of hotel rooms in Phnom Penh will reach 21,601 by 2027, representing an increase of 55% or 1,912 room per annum.

Occupancy rate and average room rates

The number of international tourist arrivals to Cambodia reached 2.3 million during 2022, significantly exceeding expectations.

However, despite the increase in arrivals, the average occupancy rate across Phnom Penh remained well below pre-pandemic levels. The majority of arrivals were from Southeast Asia and China.

Hotel sector outlook

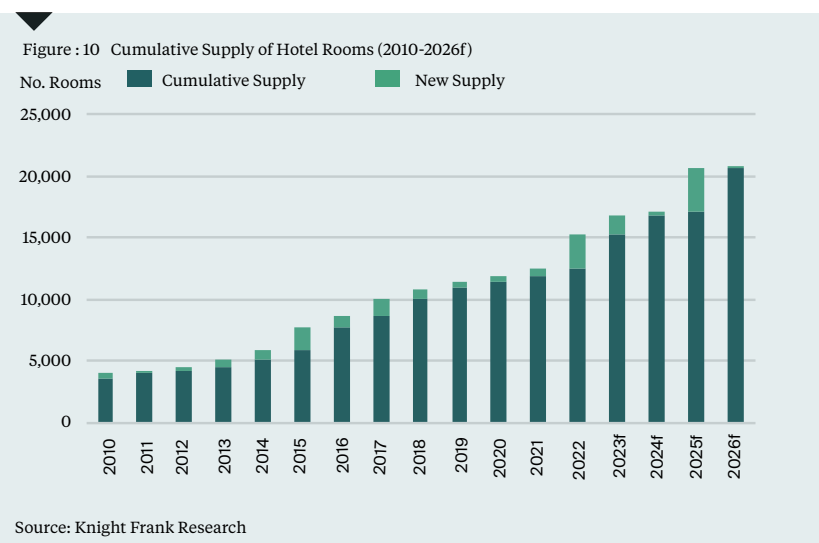
With Cambodia hosting the Southeast Asian Games in H1 23, the sector is set to receive a boost in the arm in May – historically a low season in Cambodia – and the medium and long-term outlook is bullish, although short term global headwinds remain.

According to a recent report from the World Tourism Organization (UNWTO), the tourism sector saw an unexpectedly significant rebound in several regions, particularly Europe and the Middle East, in 2022.

Meanwhile, with the opening of borders and the removal of travel restrictions in Asia-Pacific (APAC), the tourism sector globally is expected to rebound stronger in 2023, albeit long-haul travel will take longer to recover than regional travel.

Air Asia’s announcement that they will be opening a branch in Cambodia, Air Asia Cambodia, that they claim will bring and additional 3 to 4 million tourists per year further buoyed the market.

With the Manila International Airport Authority (MIAA) announcing more flights between the Philippines and Cambodia, the administration of Turkey desire to cooperate with Cambodia to connect a direct flight between the nations; and the bilateral tourism cooperation between Cambodia and Thailand to promote tourism between the nations, indicate that Cambodia’s tourism sector is set for tremendous growth over the medium and long-term.



Key findings

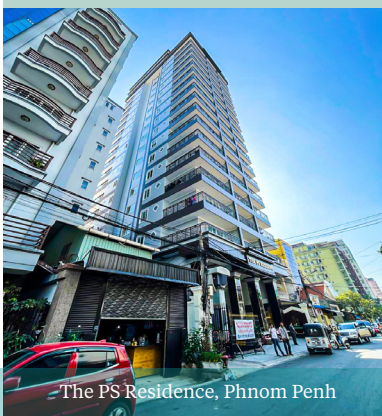
Two additional completions added 243 units to the current supply, namely Oakwood Premier Phnom Penh and The PS Resident Serviced Apartment.

The total existing supply increased to 7,953 units. Almost all the serviced apartments are in the city centre, with only 8% located in suburban areas.

The city's supply is split between Business (55%), International (28%), and Economy (17%) class serviced apartments with several global operators now in the market.

Approximately 2.28 million inbound visitors to the country helped increase the average occupancy to 65% as at the end of H2 2022. Rental prices for International class apartments varied between US\$16 and US\$22 per sq m per month, Business Class between US\$10 and US\$15, and Economy class between US\$6 and US\$8.

The entire future supply of around 806 units will be finished in a few years, bringing the cumulative supply of serviced apartments to approximately 8,759 units



PHNOM PENH SERVICED APARTMENT SECTOR

With the reopening of borders across the globe, tourist arrivals to Cambodia during 2022 were recorded at 2.28 million and many expatriates arrived in Cambodia for increasing work opportunities. This underpinned occupancy rate which increased to 65% during H2 2022

Supply

Two new completions added 243 units to the existing supply, which totalled 7,953 units by the second half of 2022.

During the second half of 2022, there were two new completions in two separate districts of the capital, developed by international and local developers. These developments contributed approximately 243 units to the existing supply.

Oakwood Premier Phnom Penh is positioned as a five-star International serviced apartment operated by Oakwood, a global operator and is located in Phnom Penh City Centre (PPCC), Daun Penh District. This 207-fully-equipped luxury serviced apartment opened in August 2022 to welcome both short and long stay guests.

The PS Resident Serviced Apartment is a Business class serviced apartment built by a local developer and strategically positioned in the city's Boeung Keng Kang District.

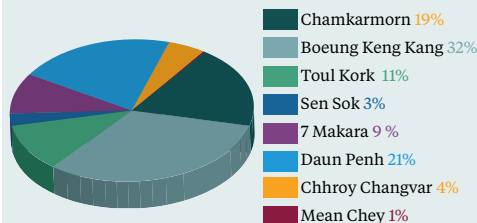
The 14-story, 50 metre height structure was developed on a 446 sq m site providing 36 rooms.

With the completion of these two projects, the existing supply of serviced apartments increased to 7,953 units. Almost all the serviced apartments are in the city centre (92%) and only 8% are in suburban areas.

As illustrated in Figure 11, Boeung Keng Kang District accounted for 32% of the serviced apartment supply, followed by Daun Penh (21%), Chamkarmon (19%), and Toul Kork (11%), 7 Makara (9%), Chroy Changvar (4%), Sen Sok (3%) and Mean Chey (1%)

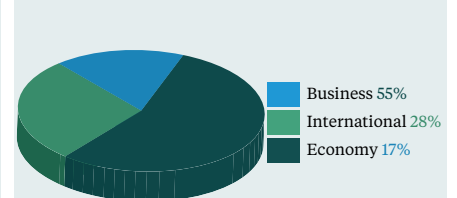
In terms of classification, Figure 12 shows that the city's supply of Business class units is roughly 55%. International class units accounted for 28% and the remaining 17% were classified as Economy.

Figure : 11 Serviced Apartment Distribution by District



Source: Knight Frank Research

Figure : 12 Serviced Apartments by Grade



Source: Knight Frank Research

In terms of future supply, two projects are scheduled to be completed in the first quarter of 2023. Both projects are in Chamkarmon district and will add approximately 100 units to the supply.

Kingston is a Business Class serviced apartment developed by a local developer in Boeung Trabek. In February 2023, this 19-story building will open its 83 units to accommodate all guests.

Greyon Serviced Apartment, located in Tuol Tumpung, will debut its 18 units in the first quarter of 2023. The local developer built and will operate this Business Class serviced apartment.

As shown in Figure 13, all future supply (806 units) are scheduled to complete by the end of 2024. These completions will bring the cumulative supply of serviced apartments to 8,759 units.

Figure 14 illustrates that Chamkarmon and Boeung Keng Kang will contribute the majority of future supply. Citadines Leedon Phnom Penh, operated by The Ascott Limited, will add around 154 units by 2024, with Daun Penh having the lowest allocation, which is surprising given that Daun Penh encompasses Phnom Penh's Central Business District.

Rental

As of H2 2022, the city's international tourist arrivals and inbound expatriates were on the rise.

With the removal of Covid restrictions and the reopening of almost all borders, globally, Cambodia received an increasing number of international arrivals and long stay expatriates, contributing to a rise in rentals and demand for serviced apartments in Phnom Penh during the second half of 2022. The number of expatriates is increasing, and many former foreign residents are returning to Cambodia.

The unit rental rates for International class units ranged between US\$16 and US\$22 per sqm per month, Business Class units ranged between US\$10 and US\$15 per sq m per month, and Economy class units ranged between US\$6 and US\$8 per sq m per month.

Occupancy

Inbound tourists to the kingdom have increased dramatically as of the second half of 2022.

Despite a sluggish start for its serviced apartments in Cambodia, the country is on a solid comeback path. During 2022, about 2.28 million investors, tourists, and expats were documented on flights to Cambodia.

This boost in the number of arrivals underpinned improving occupancy rates with the average occupancy increasing to 65%, a four percentage point rise over H1 2022.

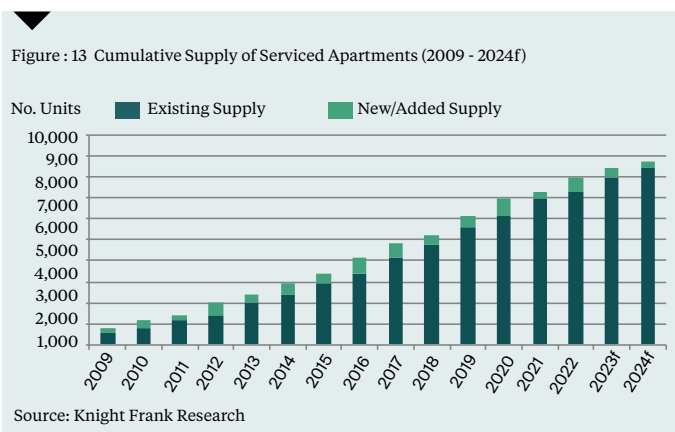
Serviced Apartment Sector Outlook

Whilst it will take some time for the incoming supply of condominiums to be absorbed into the market, which is a direct competitor for serviced apartments, the medium and long-term fundamentals remain sound.

Despite the worldwide economic disruption caused by the pandemic, the Russia-Ukraine crisis, and the inflation hike, the Cambodian economy showed unexpectedly robust growth in 2022. According to a recent Asian Development Bank (ADB) report, the kingdom's GDP growth for 2022 is projected at 5.3% in 2022 and 6.3% in 2023. This is attracting more business to be established which will drive long-term demand for serviced apartments.

Additionally, in May and June 2023, Cambodia will host the 32nd Southeast Asian Games and the 12th ASEAN Para Games. This international event will draw attention from across the region, attracting more tourists and raising demand in the sector.

However, continued global headwinds may stifle the sector's short-term operations.



Key findings

As at the end of H2 2022, the existing condominium supply was recorded at 37,763 units, a Y-o-Y growth of 133% over H2 2021.

Chamkarmon continued to be Phnom Penh's most condominium concentrated district at 24% of total supply

The supply is forecasted to grow by 216% over the next five years, bringing the total supply to 81,740 units in Phnom Penh

There was a notable increase in demand from the domestic market for rental units priced between \$300 to \$400

The condominium market distribution is reported at Prime (5%), High-end (15%), Mid-tier (59%), and Core (21%)



Chip Mong Parkland TK, Phnom Penh

PHNOM PENH CONDOMINIUM SECTOR

With the pandemic continuing to impact on foreign demand for condominium sales, the Condominium market remained flat and there were no newly launched project recorded during H2 2022

Supply and Demand

With the continuous growth in Condominium supply, more than 183 developments will exist in Phnom Penh by 2026f

During H2 2022, the Phnom Penh condominium market remained subdued with many projects slowing construction progress due to a lower-than-expected sales rate. Despite the above, the market is gradually showing signs of picking up post-pandemic, underpinned by an increase in expatriates returning to Cambodia as well as the significant growth in tourist arrivals which is driving demand for holiday rentals.

As at the end of 2022, the existing supply of condominiums in Phnom Penh reached a total of 37,763 units across 108 buildings. The figure reflected a Y-o-Y growth of 133% over H2 2021, with twelve completions recorded during 2022.

Located in the bustling area of Sen Sok District, Chip Mong Park Land TK is Chip Mong Group's first condominium project. The development is a Mid-tier 26-storey condo with approximately 1,300 units. Adopting the concept of premium living, the developer aims to deliver homeowners the living arrangement that focuses on open and green space, and quality living standards that exceeds expectation. Built on a 2-hectare site, the units mix includes 1 bedroom, 2 bedroom and penthouses.

The existing supply of 37,763 units was distributed across Mid-tier (59%), Core (21%), High-end (15%) and prime residential units (5%).

Known as one of the most prestigious and desirable districts of Phnom Penh, Chamkarmon is dotted with the most condominium developments with a market share of 24%. This was followed by Mean Chey (19%), Sen Sok (15%), Toul Kork (12%), 7 Makara (8%), Boeung Keng Kang (7%), Chroy Changvar (7%), Russey Keo (3%), Daun Penh (2%), Porsenchey (2%) and Chbar Ampov (1%). The district of Mean Chey has grown extensively and become a popular area amongst developers in recent years due to the vacant land along Hun Sen Boulevard, and the under-construction highway connecting to the hotly anticipated Techo International Airport to the south of the city.

By 2026, Knight Frank anticipates a growth of 216% in the cumulative condominium inventory, bringing the total supply up to 81,740 units. This will be distributed across 183 developments in Phnom Penh. In view of the significant number of projects in the development pipeline and the lackluster demand, there were no new condominium projects launched during H2 2022.

In contrast to the hospitality and tourism industry which showed a notable recovery during 2022, the residential sector, especially the condominium segment, remained subdued. Both local and foreign developers are adopting a 'wait and see' approach in view of the upcoming general election in 2023.

In terms of future supply between 2023 and 2026, the unit distribution was recorded as follows: Prime (5%), High-end (22%), Mid-tier (55%), and Core (18%). As observed, more condominium developers continued to pivot to Mid-tier projects due to the over supply in the High-end segment with limited demand from the domestic market.

Location wise, the future supply is distributed across Chamkarmon (22%), Sen Sok (18%), Chroy Changvar (14%), Mean Chey (12%), Toul Kork (9%), Beoung Keng Kang (8%), 7 Makara (6%), Daun Penh (4%), Russey Keo (4%), Chbar Ampov (2%), and Porsenchey (1%). Thereby, the remaining districts of Dangkov, Prek Pnov and Kamboul have yet to receive development plans of condominiums due to limited demand in these suburban localities.

As Cambodia is set to host SEA Games (Southeast Asian Games) in May 2023, many are keeping close eyes on the construction progress of Worldbridge Sport Village (WBSV). The mixed-use development which includes 13 blocks (1,747 units) of high-rise buildings is reported to be on track, with all building structures completed and more than 80% decoration ready.

Likewise, a number of other high-profile project are due in 2023 including Agile Sky Residence (963 units), Time Square III (280 units) and Yuetei the Garden (420 units).

Globally, real estate transactions were valued at USD 3.6 trillion in 2022 reflecting an annual growth of 5% (Grand View Research). However, the condominium market at a national level continued to struggle with oversupply and unsold units due to the loss of foreign buyers. This has led to a low sales rate since 2020, with it being under 10%. The overall sales rate of monitored projects for 2022 was recorded at approximately 5%.

Prices and Rental

There was a notable uptick in rental demand from Cambodian tenants for units priced between \$300 to \$400 per month

As at the end of H2 2022, Knight Frank’s research indicated stability in the average selling price of new off-plan launches at approximately \$1,800 per square meters. In the span of 12 months, a total of 7 newly launched projects were put up for sales, bringing in an additional 3,672 units onto the market available for purchase.

Whilst selling prices remained stable, the average asking rent dropped slightly to entice more tenants. Due to the lack of demand in the foreign market, local tenants have been the targeted market for the majority of condominiums.

A notable number of Cambodians flocked to lease and adapt to vertical living as rental prices continue to become more affordable, with healthy demand for units priced between \$300 to \$400 per month.

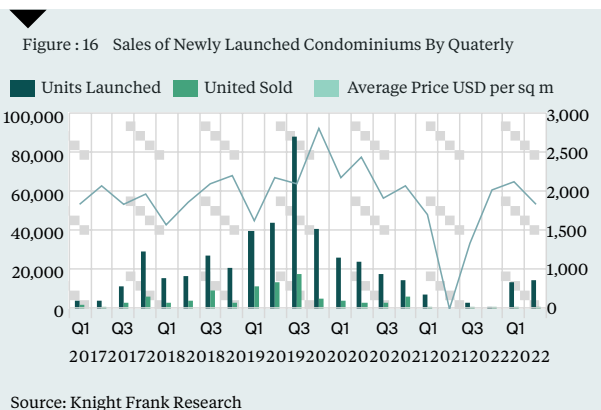
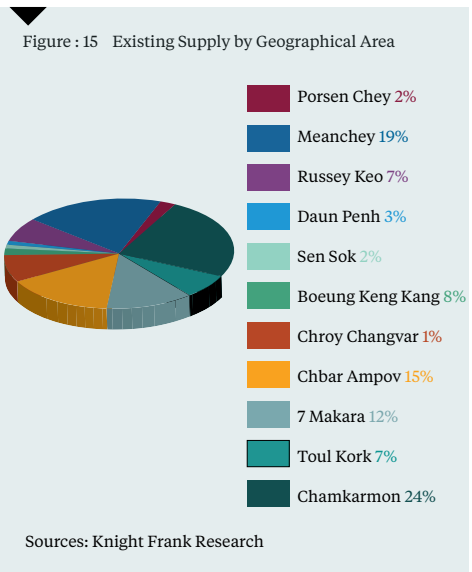
Condominium Sector Outlook

The Phnom Penh condominium sector continues to face challenges, however the local demand for rental units is a positive sign for the medium and long-term

Pressured by the previous economic halt from the ongoing Covid-19 pandemic, the Condominium sector in Phnom Penh continued to struggle, with a sales rate of only 5% recorded during 2022. The current oversupply needs to be absorbed into the market before the sector can fully recover.

Developers and investors continue to navigate the market volatility and are adopting a wait and see approach.

However, the local demand for unit rentals between \$300 to \$400 per month shows a level of support in the market which is a positive sign for the medium and long-term prospects.



Key findings

The existing supply in our monitored basket increased to 79,182 units, a Y-o-Y growth of 9% over H2 2021.

10 new completions totalling 4,570 units were added to the Phnom Penh existing supply during H2 2022.

97% of the existing housing projects are located in Suburban areas with the remaining 3% located in the city centre districts.

There was a notable slowdown in the sales rate of newly launched projects, declining by 11 percentage points Y-o-Y and 10 percentage points Q-o-Q

Despite a slow down in sales, there was a 12.5% increase in the average developers' selling price of newly launched projects.



Siha Residence, Phnom Penh

PHNOM PENH LANDED HOUSING SECTOR

New stock continued to enter the market with 10 completions and 9 new launches. However, there was a notable slow down in the sales rate during H2 2022

Supply and Demand

As regional and global external influences continued to weigh down on market sentiment, there was a notable slow down in residential sales both Y-o-Y and Q-o-Q during H2 2022

Despite a slow down in the land housing sector, ten new completions were recorded during the second half of 2022 increasing the total existing supply in our monitored basket to 79,182 units representing a Y-o-Y growth of 9% from the H2 2021.

During the reporting period, finished developments brought in an additional 4,570 units into the market; Mekong Harmony (17 units), New World National Road III (772 units), Borey Galaxy II (150 units), Borey Pipub Tmey Kur Srov (1,045 units), Borey Chue Pom (228 units), Chip Mong The Parkland 50m (435 units), Borey Phnom Penh Tmey Elite Park II (625 units), Borey Golden Avenue (300 units), Borey Ly Sovann (750 units), and last but not least, Borey Natha Residence the Boulevard (248 units).

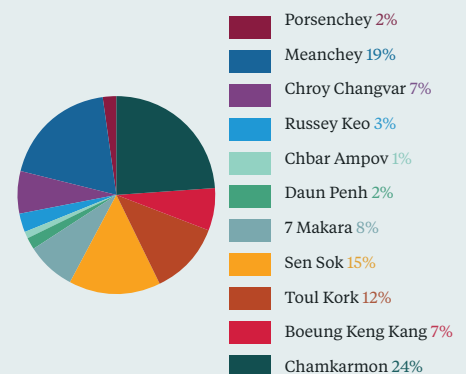
Category-wise, our current monitored basket is classified into three different segments based on the unit pricing; High-end (10%), Mid-tier (54%), and Core (36%). During H2 2022, the highest priced house in Phnom Penh was purchased at approximately USD\$5 million.

With more than 45 completed landed housing developments situated in Sen Sok, the district continued to be the area with the highest concentration of housing projects at 22%. This was followed by Dangkao (16%), Kamboul (12%), Mean Chey (11%), Russey Keo (10%), Chroy Changvar (8%), Chbar Ampov (8%), Por Senchey (6%), Prek Pnov (2%), Chamkarmon (2%), 7 Makara (1%), Daun Penh (1%) and finally, Boeung Keng Kang (1%).

Given the current oversupply in the condominium sector, there has been a growing trend of developers moving into landed housing development despite the slow down in the market. According to Knight Frank's observation, a lot of the property developers are new players. In the last six months, there was a total of 9 new off-plan launches entering the market. These included Borey Dragon Land (22 units), Borey Lucky One (383 units), Borey HNH Residence (875 units), Borey Sovann Machha (Phase 1 - 37 units), Borey Bospha (322 units), Borey Chip Mong Pochentong (184 units) and Borey Jovan City (299 units).

Ranked 29th among China's top 100 property services company in 2020, Jovan Group made its presence known in the Kingdom of Cambodia with the launching of Borey Jovan City. Located in Chroy Changvar on a 140 hectares of land, Jovan City will provide 299 houses. Prices within Jovan City ranged between \$180,000 and \$700,000 per unit.

Figure : 18 Housing Projects by Districts



Source: Knight Frank Research

Given the current competitive market, gated communities aimed to offer buyers a number of different unit types and options. Currently, the market is divided into four popular housing types; Flat-house and Shop-house (52%), Link-house (20%), Twin-house (15%) and Villa (13%). On top of this, housing developments usually allocate a considerable amount of space for parks, playgrounds and retail outlets within the community.

With the newly launched projects during H2 2022, and if all projects complete as scheduled, the cumulative supply will increase to 93,884 units by 2025, a 26% increase from the current figure. Location-wise, 97% of the future supply is located in the Suburban areas.

With an average annual increase of 5% to 8% in the price of land, developers have shifted to build housing projects on the outskirts of Phnom Penh. In particular, the future supply will be most concentrated in the Suburban districts of Sen Sok (19%), Dangkao (18%), Kamboul (11%) and Chroy Changvar (11%). This is followed closely by Russey Keo (10%), Mean Chey (10%), Chbar Ampov (8%), Por Senchey (6%), Prek Pnov (3%), Chamkarmon (1%), Daun Penh (1%) whilst Boeung Keng Kang, Toul Kork and 7 Makara share the remaining 2% of the future cumulative supply.

Of the newly launched projects, the sales rate declined by 11 percentage points Y-o-Y and 10 percentage points Q-o-Q.

Prices and Rental

Knight Frank Cambodia recorded an increase of 12.5% in the average developers’ selling price in Phnom Penh

H2 2022 saw a notable increase of 12.5% in the developers’ selling price of new off-plan launches in Phnom Penh, from \$1,200 per square meter to currently \$1,350 per square metre. Among the 9 new housing projects entering the market, the minimum selling price started at \$800 per square metre for a unit.

Located in Chroy Changvar, Sovann Machha Shop-house developed by OCIC (Overseas Cambodia Investment Corporation) had one of the highest selling prices during the review period. With a price of up to \$3,800 per square metre, a corner unit in this High-end project offers 378 square meter of GFA over 3 storeys.

As one of Phnom Penh’s newest housing developments, Borey Bospha performed well in term of sales rate achieving approximately 40%. The project has a total of 322 units from Shop-houses, Twin-villa and Villas, expected completion in 2024. It has an average selling price of \$800 per sqm with a price range between \$125,000 to \$380,000 per unit.

Despite the increase in the general pricing, it is offset by attractive discounts and offers from developers. For instance, Jovan Group presents to buyers a number of offers; management fee free of charge (2 years period), complementary wireless internet, complementary pest control and home insurance. Furthermore, there’s a discount up to 8%.

Landed Housing Sector Outlook

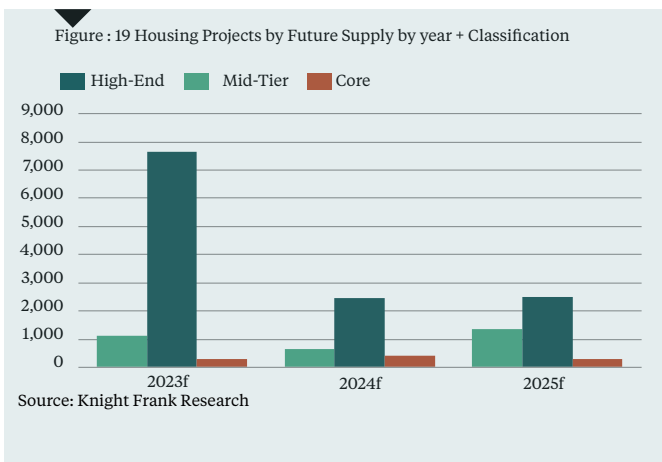
Short term volatility expected due to the over development of higher priced projects and diminishing demand.

Phnom Penh’s housing market proved to be resilient during the past three years despite the continuing Covid-19 pandemic impacting on the global economy.

However, there was a notable slowdown in the sales rate of newly launched projects during 2022 and many developers are now reviewing master plans and project concepts due to a softer landed residential market.

As we have seen in the condominium sector, the landed housing market appears to be entering an oversupply situation in the High-segment, with those that can afford the higher prices having already invested in several projects.

With the continued development of infrastructure projects in Phnom Penh, we expect to see a growing trend of more affordable housing projects being launched on the outskirts of the city and it may take some years for the secondary sales market to mature in Phnom Penh, with many projects now selling at lower prices than when they were launched.



SIEMREAP H2 2022 REVIEW

Overview

Over the past decades, Siem Reap has developed into a top tourist destination, with Angkor Wat often voted as the world’s leading tourist attraction. International arrivals increased at an average annual rate of 8% between 2009 to 2019, and tourism was a major contributor to Cambodia’s GDP. However, since the beginning of 2020, the Covid-19 pandemic had tremendously impacted Siem Reap Province, and hospitality and retail in the province continued to struggle during 2022.

Since the mid-90s, tourism has been the backbone of economic growth and development of Siem Reap Province, as well as contributing to the overall development of Cambodia into an international tourism destination.

Whilst the full reopening of Cambodia during H1 2022 helped the Kingdom exceed expectations in terms of international arrivals, the lack of direct long-haul flights as well as continued economic uncertainty hampered Siem Reap’s tourism industry recovery with international visitors to Angkor Archeological Park recorded at 287,454 in 2022 compared with 2.2 million in 2019, and many hotels remained closed during H2 2022.

However, the Cambodian Government was prudent in undertaking major infrastructure improvement works during the pandemic and Siem Reap is now well-positioned to welcome the growing number of international arrivals projected for 2023.

The major infrastructure projects for Siem Reap included; the recently completed 38-road network renovation and improvement, and the ongoing New Siem Reap International Airport (about 60% percent completion) which is due to start operating in H2 2023.

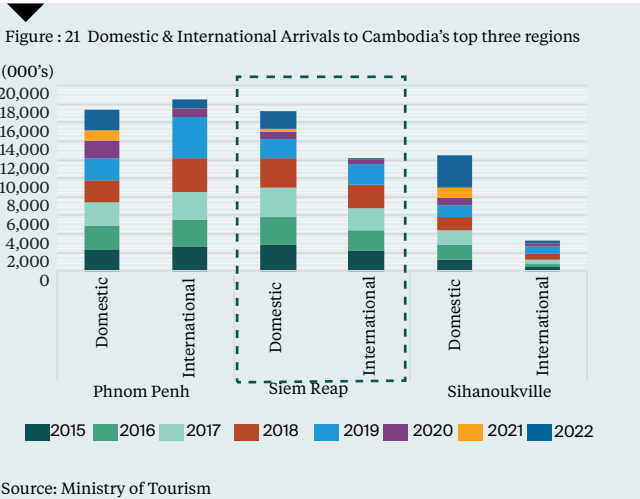
As part of the Siem Reap Tourism Development Master Plan 2021-2035, and to ensure the long-term sustainability of the heritage town of Siem Reap, the government has initiated plans to develop a new town named Grand Siem Reap on a 7,000-hectare site to the east of Siem Reap town and in close proximity to the new Siem Reap International Airport. However, the specific date for the project to commence construction is yet to be revealed.

In addition to projects in the pipeline, as well as the government’s long-term vision for infrastructure development, as at Q4 2022, four private companies had shown interest in constructing a third expressway linking Phnom Penh and Siem Reap following the official launch of Phnom Penh- Sihanoukville expressway and the anticipated groundbreaking of Cambodia’s second proposed expressway between Phnom Penh – Bavet.

In terms of tourism offerings, Cambodia’s first aquarium project opened its doors in Siem Reap Province in November 2022. This first phase comprises a 500m³ freshwater aquarium, a 600 m³ saltwater aquarium and a 10 hectare wildlife park. Set within a total land area of 100 hectares, subsequent phases will include and expansion of the wildlife park, botanical gardens and resorts. This project aims to diversify Siem Reap into a new choice for leisure tourism activities.

Whilst international arrivals remained significantly below pre-pandemic levels, domestic tourism continued to flourish which was a shot in the arm for the local economy, with many shuttered hotels reopening during H2 2022. This also boosted business for retailers and food and beverage operators in Siem Reap town, with 2023 expected to gather momentum.

As the economy recovers at a steady pace, Siem Reap’s post-pandemic residential market remains a promising sector, notably the landed housing market. However, demand continued to face downward pressure during 2022.





City Road Improvement

Project: 38-Road Network Improvement
Developed by: Government
Project Cost: US\$140 million
Status: Completed



International Airport

Project: New Siem Reap International Airport
Developed by: Chinese Owned Angkor International Airport Investment Cambodia Co.,Ltd
Project Cost: US\$880 million
Status: 60% completed



New City

Project: Grand Siem Reap
Developed by: Government
Land Area: 7,000 hectares
Status: Planning



Expressway

Project: Phnom Penh-Siem Reap Expressway
Developed by: Private sector
Project Cost: N/A
Status: Feasibility stage

RESIDENTIAL SECTOR

Over the last decade, due to the trend of urbanisation and the rise of the middle class, the residential market has performed strongly in Cambodia and several projects have successfully launched and completed in Siem Reap, changing Siem Reap’s housing landscape during recent years.

In addition, the government’s continued efforts to improve infrastructure in Siem Reap, especially the recently completed 38-road network improvement, are expected to strengthen domestic demand and investment opportunities.

The resumption of construction activities in line with the economic recovery led Siem Reap’s residential market to stabilise during 2022, underpinned mainly by the landed housing sector, following the increase of existing supply.

As at H2 2022, Siem Reap’s existing landed housing stock was recorded at 3,544 units across 21 developments.

982 houses across 8 developments were completed throughout 2022, with a mix of small to large-scale projects ranging between 12 units and 388 units, respectively. OCIC’s ongoing Tourism City completed its fifth phase comprising 388 units of semi-detached and detached villas.

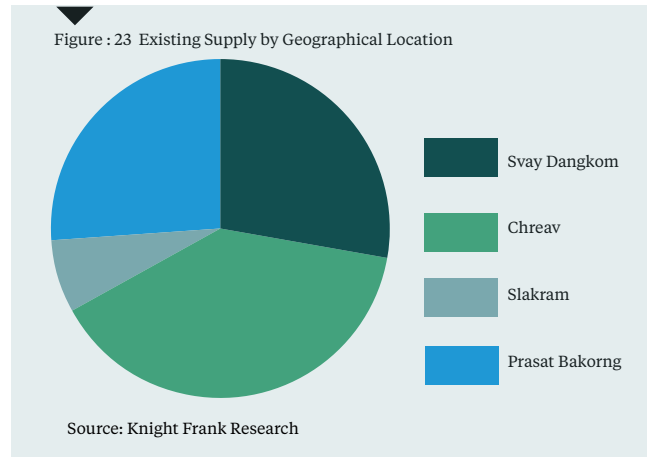
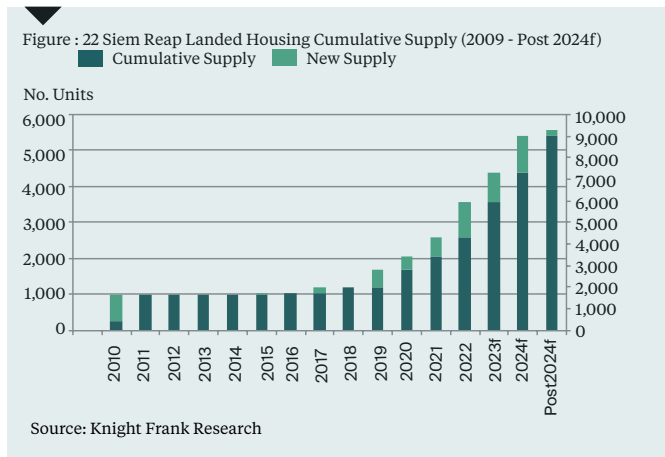
With the addition of 982 houses during 2020, the cumulative supply increased by 38% Y-o-Y.

Due to height restrictions within the Apsara zone, the high-rise residential market remained muted with no new launches during H2 2022.

However, 2022 saw the completion of Siem Reap’s first purpose-built condominium project, Rose Apple Square. The development is a mixed-use project comprising condominiums, serviced apartments and stratified offices.

Despite the full reopening of the economy, the volume of residential transactions was still low compared with pre-pandemic sales.

The average developer’s asking prices of selected landed housing projects in Siem Reap were recorded at US\$940 per sqm (GFA). Location-wise, of the selected projects, city centre projects were priced between US\$915 to US\$1,205 per sqm (GFA), whilst Siem Reap’s city fringe (Sangkat Chreav and Prasat Bakorng District) was priced between US\$664 to US\$1,062 per sqm (GFA).



Outlook:

The landed residential sector is expected to remain a leading sector in Siem due to domestic demand underpinning the market. Additionally, the government’s planned new township to the east of Siem Reap, Grand Siem Reap, is expected to include a large allocation of affordable housing which will appeal to a wider segment of the market.

Despite the upcoming general election in 2023, the outlook remains optimistic helped by the growing confidence in Cambodia’s political stability. Whilst the short-term performance will be one of continued recovery from the pandemic, the medium and long-term prospects are encouraging, which will be supported by the growing number of tourism attractions in the province, driving demand for second homes and retirement living in temple town.

RETAIL SECTOR

As with hotels guests, retail footfall has been significantly affected by Covid-19, and many non-essential retailers were forced to permanently or temporarily cease operation during the pandemic.

T- Galleria by DFS Group, which entered into Cambodia in 2016, was still closed during H2 2022 due to the limited number of international arrivals, particularly from China. As a large proportion of customers are Chinese tourists, this 8,000 sq m Duty-Free Store adopted a wait-and-see approach until the reopening of the Chinese border and growing international tourist arrivals.

However, compared to the previous year 2021, the retail market saw improvement with increased footfall traffic. A notable movement was the anchor tenant Lucky Supermarket vacating the space in the Heritage Walk in 2021 and recently reopening the business.

Whilst purpose-built retail formats continued to struggle during H2 2022, rising economic activity during the Cambodian public holidays helped support high-street retail with Siem Reap’s notorious Pub Street able to resume business during H2 2022.

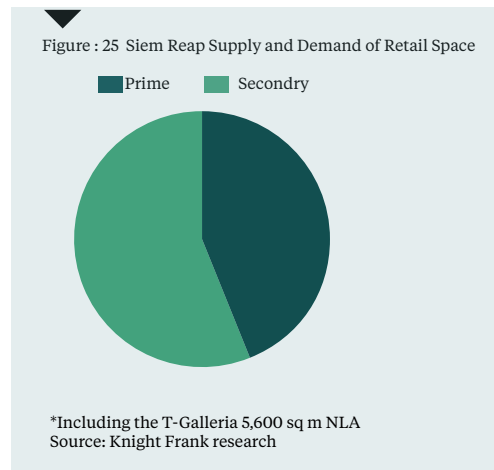
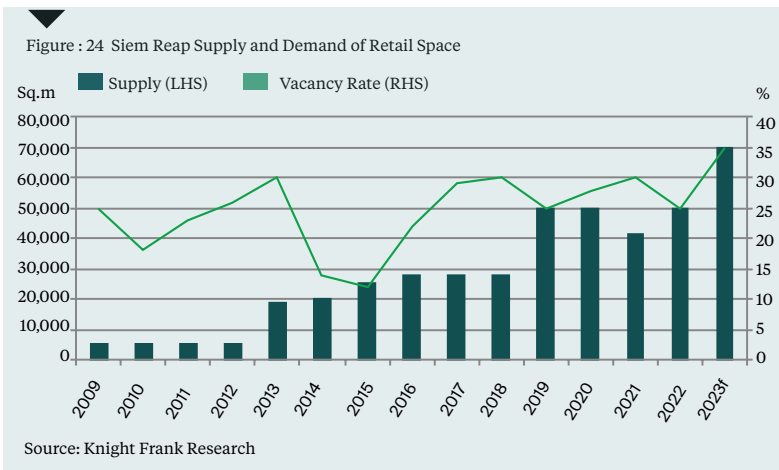
In view of the limited demand for purpose-built retail malls in Siem Reap, there were no new completions during the second half of the year. With no new supply, the total cumulative supply of retail space in Siem Reap remained unchanged at 41,914 sq m (NLA) as at H2 2022, excluding the temporary closure T-Galleria by DFS.

The projected pipeline of new retail developments in Siem Reap also remained unchanged with no newly launched projects. The most notable project, Kulen Central Mall, delayed completion and will roll over into 2023.

Meanwhile, the Cambodia-Chinese Innovative Cultural Park is part of a mixed development comprising Smile Angkor theatre, a museum, a cultural exchange centre, an expo centre and premium retail offering. To date, the project has been postponed and is not expected to resume construction until the reopening of the Chinese border.

Overall, Siem Reap’s average occupancy rate was recorded between 72% as at H2 2022. Heritage Walk recorded a healthy occupancy rate of approximately 80%, largely attributed to the reopening of Lucky Supermarket and also new retailers setting up operation.

With the continued challenges in the retail sector due to a lack of tourist arrivals, Siem Reap experienced further downward pressure on rental rates during H2 2022. At Heritage Walk, the base rental rates were recorded at US\$20 to US\$25 per sq m per month with a service charge of US\$2.5 per sq m per month.



Outlook:

Retail demand is driven by both the local resident population and tourism spending. As part of the master plan to promote Siem Reap as a diversified tourist destination, the government has earmarked tourism as one of the key drivers of growth for the retail market within Siem Reap Province. According to the Tourism Development Master Plan Siem Reap 2021-2035, and due to China’s Zero-Covid policy, the government has forecasted a further 5 years to recover to the same level as pre-pandemic.

Thus, the reopening of the Chinese border will be a catalyst for the gradual recovery of the tourism and retail market in Siem Reap. However, the short-term outlook for the sector remains challenging and there are unlikely to be any notable retail developments proposed over the short-term.

HOTEL SECTOR

Prior to the pandemic, tourism and hospitality were the key drivers of the Siem Reap economy. The absence of international visitors severely affected the Siem Reap tourism industry.

To kickstart the recovery, the government has implemented the Road Map to Recovery strategy, which is targeting 7 million international tourists by 2025. However, this pales in comparison to the planned 25 million foreign tourists by 2030 that was expected before the onset of Covid-19.

With the full reopening of the border, the government has moved to the third phase of the Road Map to Recovery, which envisions the province moving toward Smart Tourism and introducing attractive and quality new tourism products.

During H2 2020, tourism activities in Siem Reap Province showed a notable uptick, evident by the growing number of tourist arrivals.

As a result, between January to November 2022, Siem Reap welcomed 1,968,200 domestic tourists and 225,192 international tourists, an increase from 372,671 domestic tourists and 10,886 international tourists in 2021, respectively. However, the number of international arrivals is still only 10% of that in the pre-Covid 19 periods.

Siem Reap hotel’s performance significantly improved due to the rising demand for hotel accommodations during the second half of 2022.

The total number of hotel rooms slightly increased with the reopening of hotel operations.

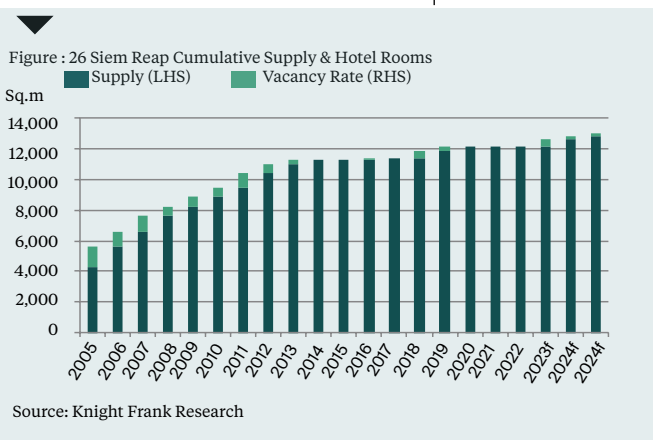
As at H2 2022, there were 12,219 keys across 88 hotels recorded in the existing stock. Within Knight Frank’s monitored supply, 69% were operating their business, whilst the remaining 39% continued their temporary closure operation.

There were some notable Luxury & Upper Upscale (5 Stars) hotels that reopened during H2 2022 including; Raffles Grand Hotel D’Angkor (133 rooms), Sofitel Angkor Phokeethra (239) and Park Hyatt Siem Reap (107 rooms).

Despite the improvement, Ibis Style Siem Reap and Courtyard by Marriott remained temporarily closed.

Additionally, during the second half of 2022, the number of newly opened accommodations in Siem Reap was mainly dominated by the boutique category with room inventory below 50 keys including Melody Boutique Hotel (40 rooms), The Golden Boutique Hotel (14 rooms), Khmer House Boutique (23 rooms), to name a few.

The anticipated hotels within the future pipeline are scheduled to open between 2023 and 2025 including Angsana Siem Reap (158 rooms), Angkor Grace Hotel (312 rooms), and the recently announced Park Royal hotel (130 rooms).



Outlook:

2022 has seen inbound tourism recover after the server impact throughout the pandemic. The government has launched the third phase of the “Roadmap for Recovery of Cambodia Tourism” preparing for a new future for the tourism sector in Siem Reap between 2024 – 2025. Furthermore, the Siem Reap Tourism Master Plan has forecasted the demand for accommodation in Siem Reap will increase to approximately 70,000 rooms by 2035.

Thus, the medium and long-term prospects for Siem Reap are healthy, with the Angkor Archeological Park continuing to play a key role in Cambodia’s tourism sector, with the province a priority development tourism zone, underpinned by future development in the pipeline including the ongoing New Siem Reap International Airport, the proposed Grand Siem Reap city as well as the proposed Phnom Penh – Siem Reap Expressway.

SIHANOUKVILLE H2 2022 REVIEW

Overview

An improvement in provincial master planning and the development of key infrastructure projects is starting to reap rewards, with a notable uptick in market activity since the opening of the Phnom Penh-Sihanoukville Expressway in October 2022. As a result, the coastal city’s tourism overtook the famed Angkor Archeological Park, attracting 4,623,853 domestic tourists and 343,418 international tourists in 2022.

As one of the fastest-growing economies in Cambodia, the coastal province of Sihanoukville remained on the radar of both domestic and foreign visitors despite the absence of Chinese nationals.

Notably, the government put an effort to improve infrastructure and connectivity, and the 187km long Phnom Penh – Sihanoukville Expressway officially opened to the public in October 2022.

With the reduction of travel time by half between Phnom Penh and Sihanoukville, the coastal city ranked as the tourist top destination in Cambodia for domestic travellers. During 2022, domestic tourist arrivals in Sihanoukville totalled 4,623,853 visitors, whilst international tourist arrivals were recorded at 343,418.

In line with the country’s economic rebound, there have been increased logistic activities for export-oriented industries. To support diversification and due to its strategic geography, the Cambodian Government plans to transform Sihanoukville into a “Multi-Purpose Special Economic Zone”, and the draft master plan has been fully approved by the Royal Government of Cambodia.

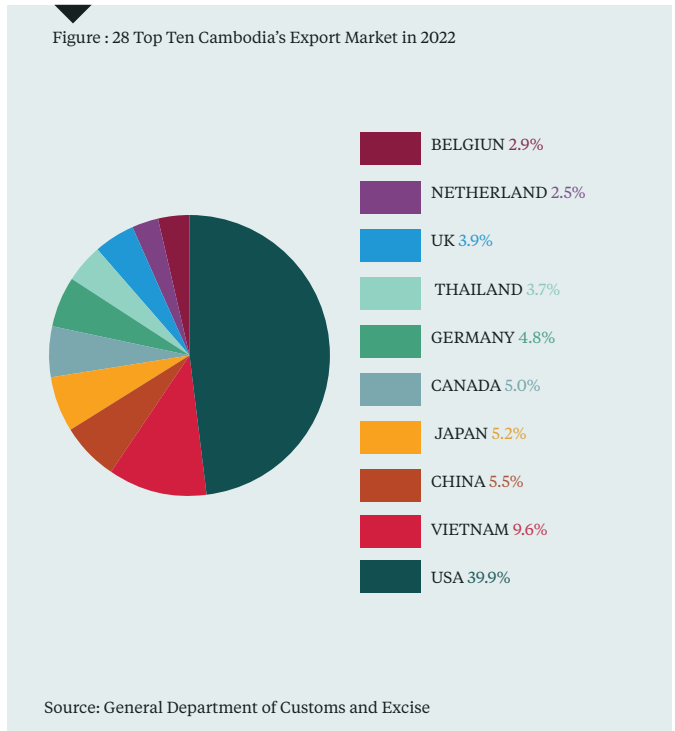
The total revenue of the Sihanoukville Autonomous Port (SAP), the only operational deep-sea port in Cambodia, recorded an increase of 4.73% as at the third quarter of 2022 with Cambodia’s export volumes recorded at US\$22.4 billion during 2022, an increase of 16.4% or US\$3.1 billion over 2021. The USA remained Cambodia’s largest export market, rising by 19.7 percent y-o-y in 2022 to US\$8.9 billion.

The uptick in logistic activities has led to expanding the Sihanoukville Port. During Q3 2022, the Japan International Cooperation Agency (JICA) signed a loan agreement with the government to provide a Japanese ODA loan of up to US\$306 million for the Sihanoukville Port New Container Terminal Expansion Project (I).

Backed mainly by Chinese FDI, Sihanoukville has a high number of hotels and casinos and has become a popular Chinese tourist destination. The casinos are mostly run by Chinese operators targeting Chinese players who visit Sihanoukville.

However, the absence of Chinese nationals which was accelerated by China’s Zero Covid-19 policy, the current momentum of construction activity has halted in Sihanoukville. To date, many ongoing construction projects remained put on hold, and the developers have been forced to cease developments.

With the demand from Chinese investors declining significantly since 2019 when the Cambodian Government implemented its ban on online gambling, market prices and rents have been on a steady downtrend.



RESIDENTIAL SECTOR

Supply

Despite the slowdown in construction activity within the coastal province of Sihanoukville, four additional condominium projects were completed in 2022, adding 600 units during H1 2022 and 1,962 units during H2 2022.

During the previous review year of 2021, there were 7,860 units scheduled to complete by the end of 2022. However, out of 7,860 units, only four projects comprising 2,930 units were completed; 63% of anticipated supply rolled over to 2023 and 2024, respectively. The four projects included; LZ Seaview Residence (600 units), Prince Golden Bay (1,062 units), Won Majestic (368 units) and Kampong Dewa (900 units).

As at H2 2022, 8,801 units across 17 projects were recorded in the existing supply representing an increase of 44% compared with H2 2021.

Of the existing supply, 5,802 units (66%) were High-end, 2,752 units (31%) were Mid-tier, and the remaining 247 units (3%) were Core units.

Location-wise, the existing condominiums were mostly concentrated in Sangkat 3 (66%), a highly sought-after location for beachfront and sea view developments. This was followed by Sangkat 4 (30%) and Sangkat 2 (4%).

Due to the subdued market, there was only one condominium project launched during H2 2022, Platinum Coast sited off the coast of Ream Beach, comprising 494 condominiums. In view of the soft market during the pandemic, the developer didn't launch sales until the construction progress finished topping out in H2 2022 and estimated handover is mid-2023.

Over the next five years, if all ongoing monitored projects resume construction and complete as scheduled, the cumulative supply of condominiums in Sihanoukville is projected to surge up to 34,847 units by 2026 which is equivalent to a 296% growth if compared to the existing stock.

There was a notable decline in the sale rate due to the decline in Chinese investment into the province. The fall in Chinese demand has led active developers to shift their focus to developing more affordable units to cater to local demand. The selling prices within Knight Frank's monitored and available stock ranged between US\$1,500

to US\$2,200 per sqm (GFA) for Mid-tier and High-end segments.

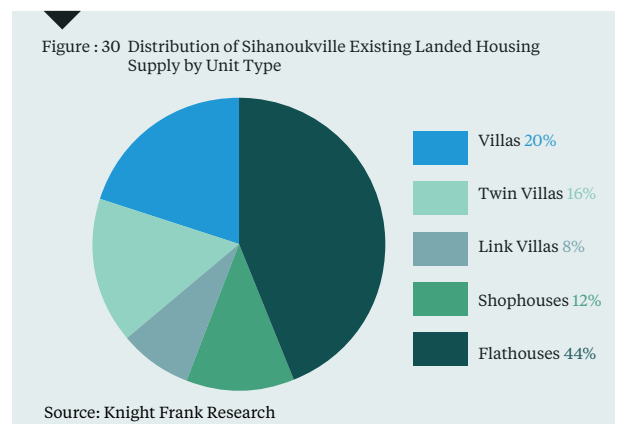
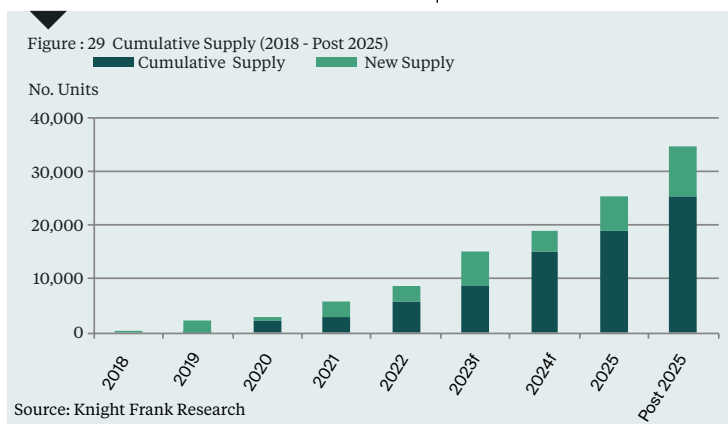
Development of landed housing projects in Sihanoukville remained limited. There was only one landed housing project completed during 2022 providing 99 units.

H2 2022 saw the Sihanoukville landed housing market remain stagnant. Moving into the second half of 2022, there was no new supply of landed housing due to limited customer purchasing power and a small local population.

As at the end of H2 2022, there were 1,457 landed housing units in Sihanoukville's existing stock, comprising mainly Flathouses.

The developers are focusing more on Cambodian buyers, with almost all of the units categorised as Mid-tier 52% and Core 46%. The remaining 2% was within the High-end segment, with the only High-end project being Morokot Beach Vila on Morokot Island (Koh Pos).

Only one project was launched during 2022, Marina Garden (140 units), being developed by the same developer of Leshen The Lord Garden. Prices start from US\$152,000 per unit, with an average price of US\$950 per sq m GFA.



Outlook:

Knight Frank expects Sihanoukville's economy to pick up during 2023 with the anticipated reopening of China and returning Chinese nationals. However, it is unlikely that the province will attract the same amount of investment or tourist arrivals over the short term due to the ban on online gambling.

Over the short term, developers will continue to adopt a wait and see approach for better timing to launch new supply and resume their construction activity after the market shows signs of recovery. However, the long-term prospects remain very promising with the potential for Sihanoukville to match Phnom Penh in terms of an economic hub.

HOTEL SECTOR

Supply

In the second half of 2022, the Sihanoukville hotel sector showed signs of improvement after being severely impacted by the pandemic. With positive market sentiment, some delayed projects resumed construction whilst hotels that had temporarily closed reopened adding 1,101 keys across 8 developments to the existing supply.

As at H2 2022, the total existing supply of Sihanoukville hotels (with 50 rooms inventory and above) was recorded at 11,108 keys, an increase of 11% if compared to the same period of 2021.

The Midscale & Economy category accounted for the large majority of existing supply at 52%, followed by the Upscale & Upper Midscale category (40%), and the remaining 8% were in the Luxury & Upper Upscale category.

There is a significant number of hotels in the pipeline that are due for completion within the next five years in Sihanoukville. Looking forward, Sihanoukville’s total room inventory is expected to increase by approximately 93% between 2023 and 2027, with an additional 10,928 keys across 42 projects to be added to the total room inventory.

The majority of ongoing hotel developments were dominated by Chinese chain operators, currently seeing delays in completion due to being unable to travel from China due to its Zero Covid policy.

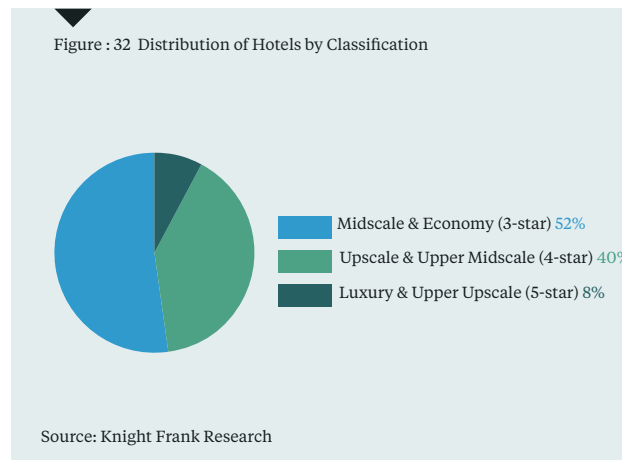
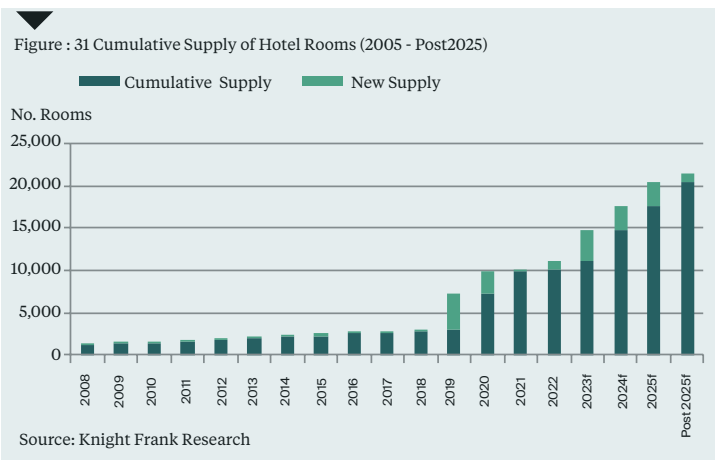
Besides Chinese chains, an increasing number of international brands are set to enter the market including Novotel which is scheduled to open in 2023.

Demand

With improving connectivity aided by the completion of the Phnom Penh – Sihanoukville Expressway, Sihanoukville surpassed Siem Reap in terms of tourist arrivals in 2022.

Tourism activities within the coastal city are picking up, albeit moderately with the number of tourist arrivals in Sihanoukville totaling 4,623,853 domestic visitors and 343,418 international visitors during 2022.

However, direct international arrivals through Sihanoukville International Airport were low, recorded at 16,756 international passengers, largely due to no direct flights from China.



Outlook:

In line with the easing of travel restrictions and also improving connectivity, Sihanoukville’s tourism sector will continue its recovery through 2023, albeit at a moderate pace.

To reach pre-pandemic levels, the tourism market’s pace of recovery is highly dependent on the reopening of China’s borders, the largest share of international arrivals within the coastal city.

The province’s recovery will be further buoyed with Cambodia hosting the SEA Games 2023 in H1 2023. The government has projected that Cambodia will welcome approximately 4 million international visitors in 2023, nation-wide, and hoteliers have seen a positive pickup in hotel bookings.

RETAIL SECTOR

Supply

There was no new retail space added to the existing supply during H2 2022. The cumulative retail space in Sihanoukville remained unchanged at 56,078 sqm NLA across 4 projects.

Following the latest completion of Prince Huan Yu Mall in Sihanoukville during H2 2021, adding 30,000 square meters of NLA to the retail market, there have been no new completions. Prince Huan Yu Mall secured a number of international and local tenants including; Legend Cinema, KFC, Starbucks, Levi's, Adidas, Lock & Lock and Armani Exchange, to name a few. The project was developed by a subsidiary of the Chinese-owned Prince Holding Group. The development is part of Prince Golden Bay, a large-scale residential-led development comprising condominiums and soho apartments.

With no new completions or launches retail in Sihanoukville, the retail supply is undoubtedly right in proportion to the current retail demand of Sihanoukville due to the small population and the slow return of Chinese nationals.

Location-wise, all the existing retail developments were sited in Sangkat Bei. Category-wise, Furi Time Square and Prince Huan Yu are classified as Prime developments, and the remaining two were classified as Secondary.

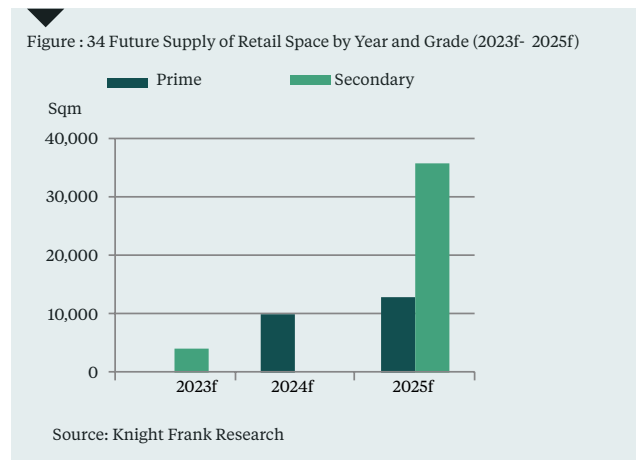
The continued delay of construction resulted in the completion of planned retail formats rolling over into subsequent years. The future supply pipeline stood at 62,933 square metres across six malls, which will take the cumulative supply to 119,011 sq m over the next three years.

Demand

According to the latest Sihanoukville census 2019 recording a population of 302,887 people, the retail space per capita was 0.19 square metres.

The overall occupancy rate in Sihanoukville remained flat between 60% to 70%, supported by the strong performance of Prince Mall and Furi Time Square Mall. These two shopping malls have a diverse mix of tenants including entertainment, fashion and dining. Meanwhile, the remaining two malls recorded much lower occupancy rates of 5% and 20%, respectively.

Asking rents ranged between \$15 to \$40 per sq m/month. All malls struggled to fill retail space on the upper floors, with ground and first floor space being the most in-demand.



Outlook:

Prior to the Covid-19 crisis, Sihanoukville's investment activities had skyrocketed due to the influx of Chinese nationals, fueling demand for commercial retail space, however, the retail offering was dominated by boutique shops, shophouses, and convenience stores. Also, in line with the lower population and a lower propensity to spend, the demand for international standard retail space has been limited due to the lack of high-value tourists in the city.

With tourism expected to recover at a moderate pace, the short and medium-term outlook for the retail sector in Sihanoukville is cautious, and it is likely that planned retail malls will be delayed further until there is more optimism in the market.

INDUSTRIAL SECTOR

At a national level, the number of investments in Cambodia registered at the Council for Development of Cambodia (CDC) recorded a value of US\$4.68 billion in 2022, reflecting an increase of 7.7% if compared to the same period last year.

In line with Sihanoukville remaining the main strategic location for industrial growth, the government continues to support the province with numerous policies.

During H2 2021, the Cambodian government signed a sub-decree to establish Preah Sihanouk Province as a multi-purpose special economic zone. The coastal land of Preah Sihanouk Province remains an attractive location for industrial operators within the trading, logistics, manufacturing and garment & textile sectors.

The province has strongly benefited from Sihanoukville Autonomous Port (SAP), being only Cambodia’s deep seaport.

The port operator now plans to construct and extend its deep-water port terminal which will be funded under an Official Development Assistance (ODA) from Japan. However, the project has been postponed due to the impact of Covid-19.

With the economy slowly recovering, Sihanoukville Autonomous Port’s (SAP) financial performance remained strong during Q3 2022 compared to Q3 2021. The total revenue was recorded at 266.7 billion riels reflecting an increase of 4.7% if compared to the same period in 2021. The total assets of Sihanoukville Autonomous Port (SAP) were recorded at 4,291.1 billion riels, indicating an increase of 2.9% if compared to the same period in 2021.

With the coastal province being the main sea gate to Cambodia, Preah Sihanouk has 5 approved SEZs. However, as at H2 2022, there were only 4 operational SEZs across a land area of approximately of 2,277

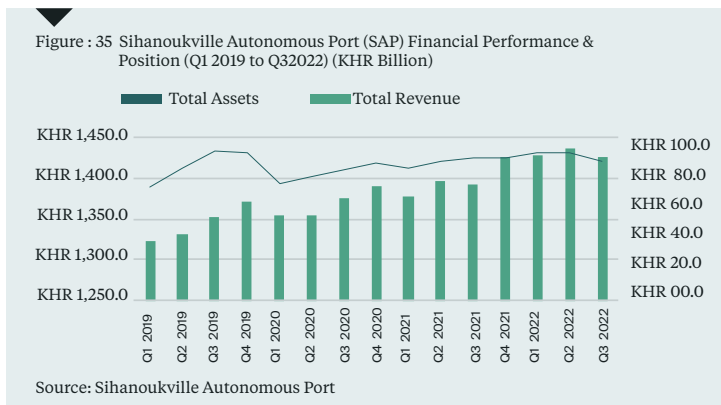
-hectares. These SEZs are the Sihanoukville Port Special Economic Zone (SPSEZ), the Steung Hav Special Economic Zone (SHSEZ), the Sihanoukville Special Economic Zone (SSEZ), and Cambodia Zhejiang Guoji Special Economic Zone.

Among them, Sihanoukville Special Economic Zone (SSEZ), which has been operating since 2008, is the top performing SEZ in Cambodia. The project was developed in two phases, comprising 528 and 580 hectares, respectively. As at H2 2022, the occupied land within SSEZ was recorded at approximately 115 hectares across 165 operational enterprises.

Despite the global downturn during the pandemic, Sihanoukville Special Economic Zone (SSEZ) performed well during 2022, and land price and rental rates remained stable.

Factory rentals within the SEZs ranged between US\$2.00 to US\$2.50 per sq m over the gross lettable area per month.

Meanwhile, prices for long leases (50 years) of industrial land within the SSEZ ranging between US\$45.00 per sq m to US\$100.00 per sq m over the land area.



Outlook:

Since the early 2000s, Cambodia’s industrial sector has performed well, largely dominated by the garment & textile industry. As Cambodia slowly begins to move up the value chain and with the province’s strategic location, Sihanoukville is emerging as a key industrial hub in line with the government’s Industrial Development Policy 2015-2025. This has been underpinned by China’s One Belt, One Road initiative and has become an attractive destination for Foreign Direct Investment (FDI). Despite the impact by Covid-19, over the medium to long term, the trend is expected to continue showing signs as a potential sector in Sihanoukville.

Moreover, the economy of Sihanoukville is based primarily around the port, the import / export hub for Cambodia, and the province will continue to be a leading industrial and logistics hub.

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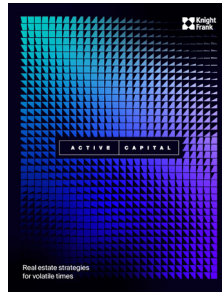
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Ross Wheble
Country Head

ross.wheble@kh.knightfrank.com
+855 23 966 878



Arevind Pillai
Associate Director - Property Management

arevind.pillai@kh.knightfrank.com
+855 23 966 878



Law Keng Fong
Associate Director - Valuation & Advisory

khengfong.law@kh.knightfrank.com
+855 23 966 878



Jonathan Baxter
Associate Director - Agency Services

jonathan.baxter@kh.knightfrank.com
+855 23 966 878



Hakim Ly
Senior Manager - Research & Consultancy

hakim.ly@kh.knightfrank.com
+855 23 966 878



Socheata Ear
Assistant Manager - Research & Consultancy

socheata.ear@kh.knightfrank.com
+855 23 966 878

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