

Cambodia Real Estate Highlights



PHNOM PENH

SIHANOUKVILLE

SIEM REAP

H2 2023 Edition

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

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Economic Snapshot

The slower-than-expected global economic recovery weighed down on market sentiment in 2023; the Asian Development Bank (ADB) adjusted the GDP growth forecast for Cambodia from 5.5% to 5.3% in 2023 and maintained 6.0% for the 2024 outlook.



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Despite a strong recovery for the tourism sector, the overall 2023 economic growth was slower than predicted largely due to weak external demand from Cambodia’s main export markets. The ADB adjusted its forecast for Cambodia’s economic growth in 2023 to 5.3%, slightly lower than the previous projection of 5.5%.

However, Cambodia’s merchandise exports remained weak during 2023, especially in the EU, UK, and USA markets, due to a slowdown in external demand. Cambodia’s primary export market, the United States, accounted for 40% of total exports at US\$8.8 billion in 2023, representing a slight decrease of 1% yearly. Meanwhile, the second largest export market, the European Union (EU), accounted for 16% of the total market share, contracting by 9% during 2023.

Despite the weakening of the export market to the US and EU, the total export value recorded an increase of 8% from US\$20.5 billion in 2022 to US\$22.2 billion in 2023, driven by the major markets of China and ASEAN, reflecting an increase of 19% and 151% year on year, respectively.

The service sector was also a key driver of the economy in 2023, mainly supported by the tourism sector. Cambodia received 4.9 million international visitors between January and November, accounting for a Y-o-Y increase of 157%.

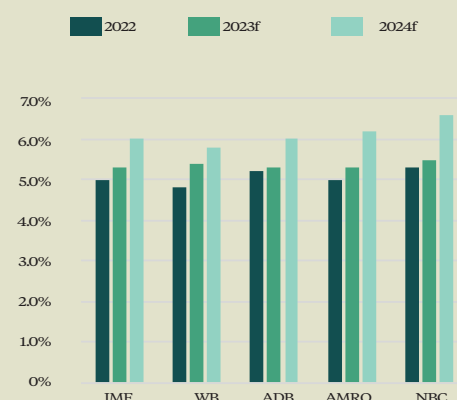
China remained one of Cambodia’s major trading partners and also the main source of foreign direct investment (FDI); according to the CDC, Cambodia attracted fixed-asset investment of US\$2.84 billion between Q1 to Q3 2023, indicating a 5% year-on-year increase from US\$2.70 billion in the same period in 2022. More than 80% of fixed asset value investment as of Q3 2023 was contributed by Chinese investment, mainly invested in infrastructure and industrial sector.

However, domestic investment declined significantly by 77%, recording a fixed asset value investment at US\$391.6 million between Q1 and Q3 2023 from US\$1.70 billion in the same period in 2022.

Approved permit value for real estate development projects continued to expand during the first eleven months of 2023. Between January and November (where data is available), the Ministry of Land Management, Urban Planning, and Construction approved 3,139 projects spanning 12.69 million square meters with a capital investment of US\$5.25 billion. This number represents a decrease of 687 projects compared to the same period in 2022, but approval area and value have increased by 93% and 100%, respectively.

“In the medium to long term, Cambodia’s economy is projected to rebound with GDP growth rates of between 6% and 7%, largely supported by export and FDI inflows facilitated by the newly ratified free trade agreements.”

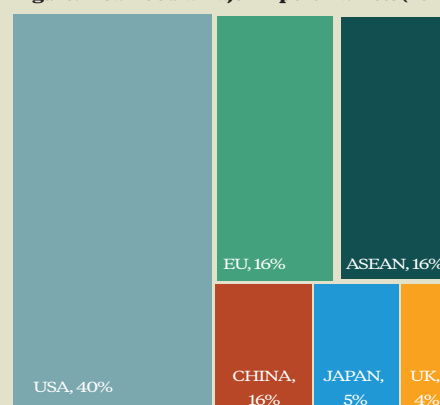
Fig 1: GDP Growth Forecast (2022 - 2024f)



Source: National Bank of Cambodia, International Monetary Fund, World Bank

The Cambodian economy is forecasted to expand despite the global economic slowdown and upcoming general election, largely led by the tourism recovery.

Figure 2 Cambodia Major Export Markets (2023)



Source: General Department of Custom and Excise

Phnom Penh Office Sector

The recent wave of new completions has significantly expanded Phnom Penh’s office market, substantially increasing the Net Lettable Area to approximately 0.96 million square metres.

SUPPLY AND DEMAND

In H2 2023, two centrally owned office projects were introduced in Phnom Penh, adding over 28,000 sqm of NLA to the existing supply. The first project, a grade A office, is located at 7 Makara, while the second project, a grade B office, is in Toul Kork. Total supply of centrally owned offices increased to approximately 688,140 square metres (sqm) of net leasable area (NLA).

Strata-title office space significantly contributes to the office space landscape in Phnom Penh, with an existing supply of 274,399 sqm located across various districts. When combined with centrally-owned offices, the current total supply in Phnom Penh reached 962,539 square metres of NLA, representing a year-on-year growth of 7%. This growth showcases the thriving commercial real estate market in the city.

Phnom Penh’s office spaces are divided into three categories: grade A, B, and C. Grade B offices are the most prevalent, with 46% market share, followed by grade C (29%), and grade A (24%). The distribution reflects the diverse office options available, catering to businesses’ specific needs in Phnom Penh’s dynamic commercial landscape.

Phnom Penh’s office space is dispersed throughout the city and suburban areas.

The city centre has most of the market, accounting for approximately 83%, while the suburbs contributed about 17%. This diverse distribution caters to the varied needs and preferences of businesses seeking centrally located office and outside city centre locations in Phnom Penh. Companies can select between a bustling and easily accessible city centre location or a more peaceful and potentially cost-effective alternative in the suburbs.

In terms of geographical distribution, the majority (24%) of offices are located in Daun Penh District, which encompasses Phnom Penh’s central business district (CBD). This was closely followed by Chamkarmon District (23%) which is developing into a secondary CBD following the completion of GIA Tower and Morgan Tower on Koh Pich (Diamond Island). The remaining office space was located in 7Makara (14%), BKK (12%), Sen Sok (12%), Toul Kork (10%), Chroy Changva (4%) and Meanchey (1%) districts.

The office sector in Phnom Penh is projected to experience notable growth in the upcoming years, with an extensive pipeline of centrally-owned and strata title office spaces totalling 606,575 sqm of NLA.

This upcoming supply is fairly evenly split between strata title office space (53%) and centrally owned office buildings (47%).

Key findings

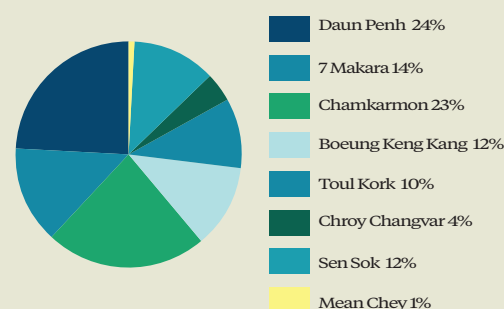
Two projects added an additional 28,000 square metres of NLA to the existing supply.

The total existing supply in Phnom Penh reached 962,539 square meters of NLA.

The future supply of office space in Phnom Penh will predominantly consist of grade A (88%), followed by grade B (12%) buildings.

The cumulative supply is projected to reach 1,569,114 square metres of NLA by 2028.

Fig 3: Distribution of Existing Office Supply by District (H2 2023)



Source: Knight Frank Research

Notably, most of the future supply will comprise grade-A office spaces, representing 88% of the upcoming buildings. These grade-A offices are anticipated to set new standards of quality and sophistication, catering to companies seeking premium amenities, cutting-edge design, and prime locations within the city. Grade B offices will make up the remaining 12% of the future supply, with no grade C office projects planned for the future supply.

Looking ahead, the geographical distribution of future office supply in Phnom Penh reveals that 7 Makara District will play a prominent role, contributing approximately 33% of the upcoming market. Following closely, Chamkarmon and Daun Penh districts will also significantly contribute to the future office market, accounting for 28% and 23% of the supply, respectively. Other districts, including Beoung Keng Kang, Toul Kork, and Meanchey, will collectively distribute around 7%, 6%, and 3% of the office space, respectively.

The forthcoming pipeline of office spaces will augment the existing supply, driving a substantial increase in the overall market.

This influx of new developments is projected to propel the overall supply to approximately 1,569,114 sq m of NLA.

PRICES AND RENTAL

During H2 2023, the average rental prices for office spaces in Phnom Penh remained relatively stable. Grade A office spaces commanded rental rates ranging from US\$10 to US\$25 per psm/month, reflecting their premium features, modern amenities, and prime locations. Grade B office spaces balanced quality and affordability and were available for rent between US\$8 and US\$17 per sqm/month.

Lastly, grade C office, which generally provide more basic facilities, were priced at a minimum of US\$6 per sqm/month. Whilst office rents remained stable during H2 2023, the office sector in Phnom Penh continued to experience a decline in occupancy, primarily attributed to the influx of new completions. As a result, the current occupancy rate stood at approximately 59%, indicating the market entering an oversupply situation.

OUTLOOK

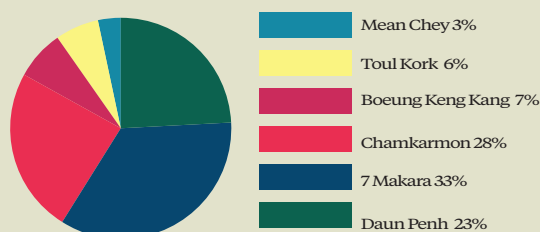
In 2023, the global challenges significantly impacted the Cambodian economy across all sectors, including the office sector.

As a result, several office projects initially slated for completion in 2023 have experienced delays, with their timelines rolling into 2024 and subsequent years.

Despite these challenges, there are positive indicators for the Cambodian economy. The country’s GDP growth forecast suggests a rise from the actual growth rate of 5.5% in 2023 to an expected 6.4% in 2024. This indicates a gradual improvement and stability in the short-term outlook for the office sector, with the potential for modest growth.

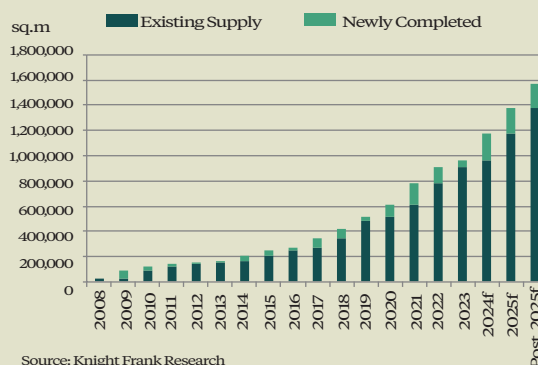
Looking at the long-term perspective, the office sector in Phnom Penh is poised for an Upward trajectory. This positive outlook is bolstered by ongoing developments in various sectors, such as infrastructure, foreign direct investment (FDI), and implementing a new investment law. These factors contribute to a favorable business environment, attracting local and international investors and fostering sustained growth in the office sector. These factors position the sector for sustained growth and success in the future despite the challenges faced in the immediate term.

Fig 4 : Distribution of Future Office Supply by District



Source: Knight Frank Research

Fig 5: Cumulative Supply of Office Space (2008 - Post2025f)



Source: Knight Frank Research

Phnom Penh Retail Sector

During H2 2023, the retail sector experienced a slowdown in new supply largely due to global economic uncertainties and interest rate hikes, resulting in the absence of newly completed and launched shopping malls.

SUPPLY AND DEMAND

During H2 2023, there were no newly completed retail developments in Phnom Penh. The slow global external demand severely impacted real estate investment activity, resulting in many ongoing projects being put on hold and delayed completion.

An additional 231,637 sq m of NLA across ten projects was anticipated to be completed in 2023, being suspended and rolled over to the next year or the next few years.

As of H2 2023, a total existing retail supply was recorded at 826,725 sq m of NLA, indicating a Y-o-Y increase of 3%. This growth figure was the lowest in the last five years. Between 2017 and 2023, the retail supply grew at a compound annual growth rate (CAGR) of 36% per year.

Within the existing supply, a large number of retail spaces are dominated by Purpose-Built Shopping Malls at 70%,

followed by Community Malls (19%), Retail Podiums (8%), Strata Malls (2%), and Cash and carry Wholesale (1%).

Over the past five years, Community Malls recorded the most accelerated supply growth within the retail sector, starting with the open-air community mall, TK Avenue which opened in 2013; between 2018 and 2023, an additional 148,865 sq m (NLA) across 25 projects of Community Malls entered the market.

Geographically, Sen Sok and Meanchey districts were the most concentrated locations in current supply at 30% and 23%, respectively. It is primarily attributed to the two large-scale regional shopping malls, Aeon Sen Sok Mall (70,500 sq m) and Aeon Mall Meanchey (98,000 sq m). This is followed by Chamkarmon (15%), 7 Makara (11%), Daun Penh (8%), Toul Kork (3%), Chbar Ampov (3%), Chroy Changvar (3%), Russey Keo (2%), and the remaining Bueng Keng Kang (1%), Porsenchey (1%).

Key findings

At the end of H2 2023, the Phnom Penh retail supply stood at 826,725 sqm of NLA, representing a Y-o-Y growth of 3% compared to H2 2022.

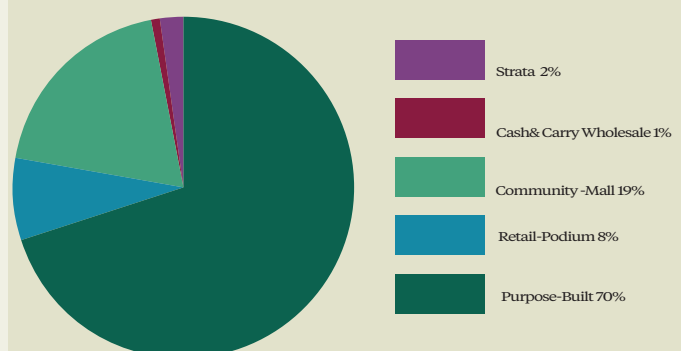
2023 recorded the lowest annual growth of retail supply for the last five years.

Over the next three years, the retail space per capita will reach 0.43, with a forecast Phnom Penh's population of 2.6 million by 2026.

Facing a supply glut situation over the past three years, overall occupancy rates declined to approximately 68% as of H2 2023, reflecting a fall of 2 percentage points if compared to the previous year.

With an abundance of new retail malls and slower leasing activity, the average rental rates of retail space continued to experience downward pressure during H2 2023.

Fig 6: Phnom Penh Existing Retail Supply by Type (As at H2 2023)



Source: Knight Frank Research

Classification-wise, 67% of the existing supply is categorised as Prime grade, with the remaining 33% categorised as Secondary grade.

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

An additional 294,839 sq m of NLA retail space is expected to come online by the end of 2026. Considering this, the cumulative retail supply will increase to 1,121,564 sq m of NLA by the end of 2026 if all monitored projects are completed as scheduled, reflecting an increase of 36% from the existing supply.

Prime grade retail spaces dominate the future pipeline, accounting for 88% of new supply whilst Secondary retail accounted for the remaining 12%.

Over the next three years, the retail space per capita will reach 0.43 per sq m of NLA, with Phnom Penh's population forecast to reach 2.6 million by 2026.

Global economic headwinds and the subsequent changes in consumer behaviour have significantly impacted the retail property market. Occupancy has faced many challenges in recent years due to slower-than-expected demand from new retailers, purchasing habits, and the competition in new supply.

During H2 2023, overall occupancy rates declined to approximately 68%, reflecting a drop of 2 percentage points if compared to the previous year.

By grade, the occupancy rate for Prime space topped the list at 74%, while the average occupancy for Secondary retail was recorded at 57%.

With a potential oversupply in the market over the last three years, retail landlords have been repurposing space to keep occupancy levels high. Despite this effort, Food, Beverage, and Entertainment retailers dominate Phnom Penh's retail spaces.

PRICES AND RENTAL

With the snowballing supply of retail malls in Phnom Penh as well as the slower leasing activity, rental rates in both City Centre and Suburban areas continued their downward trajectory.

As of H2 2023, average asking rents for retail units in prime shopping centres ranged between US\$20.00 to US\$30.00 per sq m per month of NLA, and the Secondary grade shopping malls ranged between US\$12.00 to US\$25.00 per sq m per month of NLA.

OUTLOOK

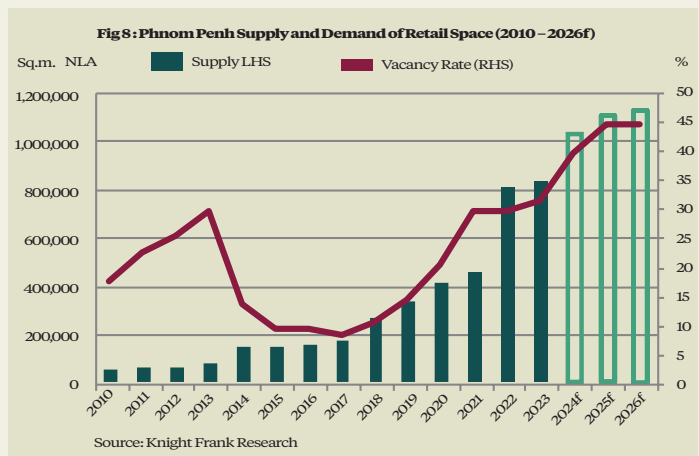
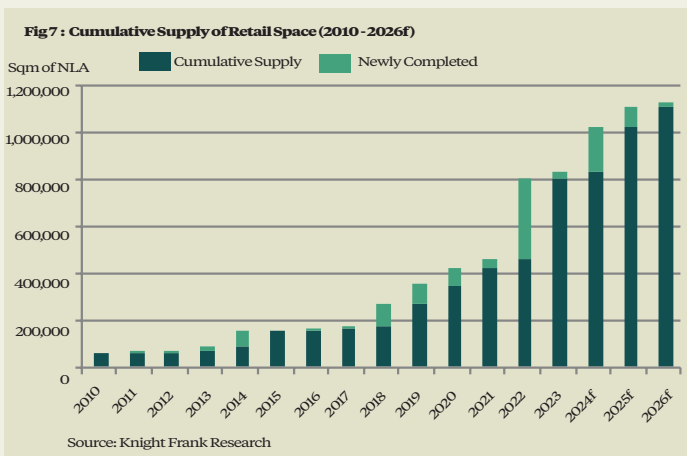
Initially impacted by the outbreak of Covid-19 pandemic in 2020, retail has been one of the hardest hit sectors along with hospitality in Cambodia.

This was made worse by the global macroeconomic and geopolitical outlook in 2023, as well as the Cambodian general election held in July 2023, which negatively impacted consumer spending.

Globally, the retail sector accelerated the shift to e-commerce, given changing consumer habits, and demand for physical retail footfall is expected to remain weak over the short and medium-term.

Despite the weakening consumer spending sentiment, Cambodia has favourable demographics with a mean age of 25; this should underpin demand for retail offerings over the long-term.

According to the World Bank, Cambodia's middle class is estimated to proliferate, with Cambodia reaching middle-income status by 2030, leading to increased consumer spending that will drive the growth of the retail sector over the long-term.



Phnom Penh Hotel Sector

Marriott International Hotel debuts exquisite 237 Luxury Rooms in Q4 2023, set to elevate Phnom Penh’s hospitality landscape with an investment of US\$84.5 million.

SUPPLY AND DEMAND

In Q4 2023, the hotel landscape experienced notable additions. JD Polman Hotel & Residence, a five-star hotel, unveiled its impressive 300-room establishment catering to international and domestic tourists. Situated within the burgeoning Sen Sok district, a vibrant residential and commercial neighbourhood in Phnom Penh, this 33-storey hotel was developed by Jingdi Group.

Meanwhile, in the heart of the city centre, a three-star hotel named Emerald Hotel Residence emerged as a welcoming destination for budget tourists. Developed by MSQMZTH, this Midscale & Economy hotel boasts 69 rooms and is strategically located in the Boeung Keng Kang area, a major residential and commercial district residential and commercial prominence.

Completing these hotels has substantially increased Phnom Penh’s hotel room inventory, reaching approximately 14,993.

This notable expansion within the hotel sector is expected to positively impact the city’s tourism economy, as travellers now have access to superior accommodation options.

Figure 9 illustrates the distribution of hotels in the city based on their classification. The existing hotels are categorised into three classes and are spread across various areas. Consistent with previous years, most hotels fall under the Midscale & Economy classification, comprising 44% of the total supply. Following closely behind were Upscale and Upper Midscale hotels, accounting for 31% of the overall inventory.

Luxury and Upper Upscale hotels round out the distribution with a share of 25%. This analysis highlights that tourist arrivals to Cambodia tend to be lower value tourists and back packers, seeking more affordable accommodation option.

A diverse array of hotel categories thrives across various districts of Phnom Penh, with notable concentrations in the Daun Penh District thanks to its central location and significant population.

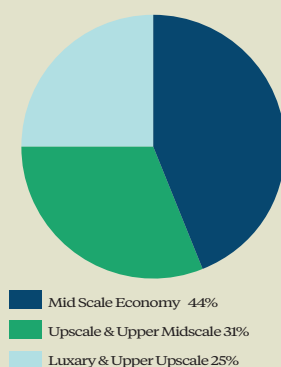
Key findings

H2 2023 saw the completion of two new hotels adding 369 rooms to the Phnom Penh existing supply.

The overall supply expanded to 14,993 rooms, of which 44% were recorded as Midscale & Economy, 31% were Upscale & Upper Midscale hotels, and 25% were Luxury & Upper Upscale hotels.

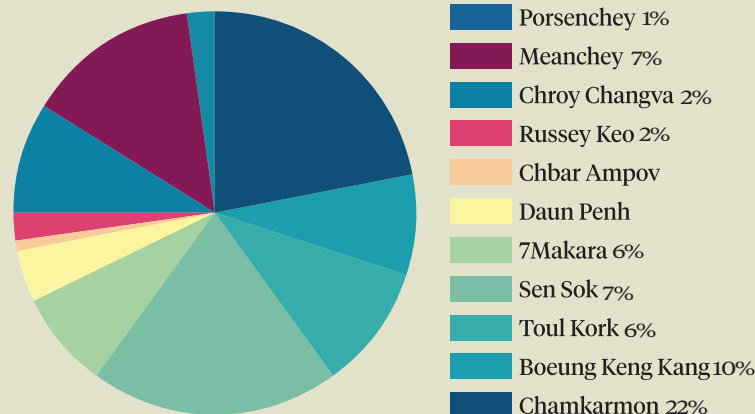
Daun Penh District accounted for 39% of the existing supply, whilst Boeung Keng Kang District accounted for an 32% of the future hotel pipeline.

Fig 9: Distribution of Existing Hotels by Classification



Source: Knight Frank Research

Fig 10: Existing Supply by District (H22023)



Source: Knight Frank Research

Daun Penh District accounted for 39% of the hotel room stock, making it a substantial contributor. Additionally, Chamkarmon District, known for its residential and commercial appeal, captured 22% of the hotel rooms, followed by Beoung Keng Kang, Sen Sok, Chroy Changvar, 7 Makara, and Toul Kork districts, accounting for 10%, 7%, 7%, 6%, and 6% of the total room stock, respectively. Moreover, on the outskirts of Phnom Penh, smaller markets such as Por Senchey and Mean Chey districts comprised 2% and 1% of the overall hotel room supply, respectively.

During H2 2023, the city witnessed the commencement of construction of a five-star hotel in the central area by a prestigious international brand. Additionally, a local four-star hotel expanded its room capacity to cater to a growing number of tourists. Notably, in Q4 2023 the highly esteemed Marriot International Hotel unveiled its opulent 237 luxury rooms within the magnificent Khou Tower, representing an investment of US\$84.5 million. This luxury brand is situated on the iconic Monivong Blvd and promises an unparalleled hospitality experience.

Anik Hotel Group is expanding its offerings with a new four-star hotel adjacent to the Anik Palace Hotel. The hotel will introduce 21 additional rooms to complement the existing 126 rooms.

This expansion aims to cater to the evolving demands of discerning travellers and further enhance the group’s presence in the Beoung Keng Kang 1 area.

3,494 rooms have been identified within the Phnom Penh future supply. 60% of the projected supply will be in the Luxury & Upper Upscale category, 20% in the Upscale & Upper Midscale, and 20% in the Midscale & Economy category. This diverse distribution of future supply ensures a range of options for travelers.

An analysis of upcoming hotel supply in Phnom Penh shows that Daun Penh and Beoung Keng Kang districts will have the highest percentage of new hotels, at approximately 39% and 32%, respectively. Other districts will also have new hotels, with Chamkarmon, 7 Makara, and Sen Sok accounting for 14%, 11%, and 5% of the forthcoming hotel offerings. This diverse distribution of hotels across districts provides visitors with many options for accommodation in Phnom Penh.

OCCUPANCY RATE AND AVERAGE ROOM RATE

According to STR data in the second half of 2023, there was a wide range of average daily room rates observed across the Luxury & Upper Upscale hotel sector, ranging from US\$128 to US\$156. This data highlights the varied pricing strategies implemented by different establishments to cater to the preferences and budgets of their diverse guests.

According to the data provided by STR, occupancy rates during the Q4 2023 holiday season ranged from 33% to 40%, indicating that seasonal factors significantly affect hotel demand as travelers seek accommodations for their festive getaways.

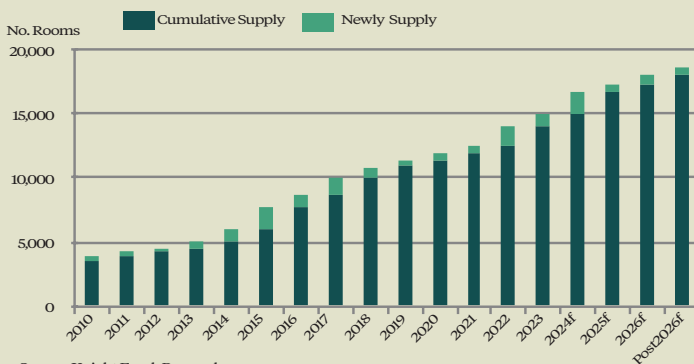
OUTLOOK

The hotel sector in Phnom Penh is poised for recovery and growth as domestic and international travel gradually resumes. This is expected to boost hotel occupancy rates and stabilise or even raise average daily room rates. The city will likely witness a surge in bookings during significant festivals and events.

The long-term outlook for Phnom Penh’s hotel sector remains positive. The city’s reputation as a tourist destination and thriving business hub attracts investments in the hospitality industry. The construction of new hotels and resorts will expand accommodation options and contribute to sector-wide growth. With its strategic location, rich cultural heritage, and diverse attractions, Phnom Penh is well-positioned for sustained tourism expansion.

The hotel sector in Phnom Penh will be greatly affected by international events, leading to an increased demand for hotel rooms, particularly in the city center. Cultural festivals are expected to attract a large number of tourists, resulting in higher hotel bookings and occupancy rates during those periods.

Fig 11: Cumulative Supply of Hotel Rooms (2010- Post2026f)



Source: Knight Frank Research

Phnom Penh Serviced Apartment Sector

Unleashing potential, Phnom Penh’s Serviced Apartment market is set for expansion with an incoming supply surge of 8%, reaching 8,893 units

SUPPLY AND DEMAND

During H2 2023, the existing supply of serviced apartments in Phnom Penh experienced a slight increase, reaching a total of 8,270 units. These units are classified into three categories: Economy, Business, and International.

The Economy category represents around 1,363 units, accounting for 16% of the total supply. This segment caters to individuals seeking budget-friendly options without compromising essential amenities. The Business category dominates the market, comprising 4,679 units, approximately 57% of the total supply. This segment reflects strong professional demand and emphasises the importance of amenities and services tailored to business-oriented stays. The International category accounts for approximately 2,228 units, equaling 27% of the total supply. This segment caters to global travellers and individuals with specific International preferences.

Most serviced apartment units (92%) are located in the city centre, emphasising its popularity and convenience. Meanwhile, the suburban areas account for only 8% of the total stock.

Boueng Keng Kang has the most existing serviced apartment, accounting for 30% of the Phnom Penh supply. Its appeal can be attributed to its modern infrastructure, strategic location, and amenities. Chamkarmon District follows closely with about 21% of the total stock, while Daun Penh District accounts for 20%. Toul Kork accounts for 11%, 7 Makara has 9%, Chroy Changvar has 5%, Sen Sok has 3%, and Meanchey has the smallest share at 1%.

Phnom Penh’s serviced apartment market is expanding rapidly, with 623 new units expected to be completed in the coming years. This will increase supply, with 192 units to be completed in 2024, 277 units in 2025 and 154 units in 2026.

Key findings

As of H2 2023, the supply of serviced apartments in Phnom Penh amounted to 8,270 units.

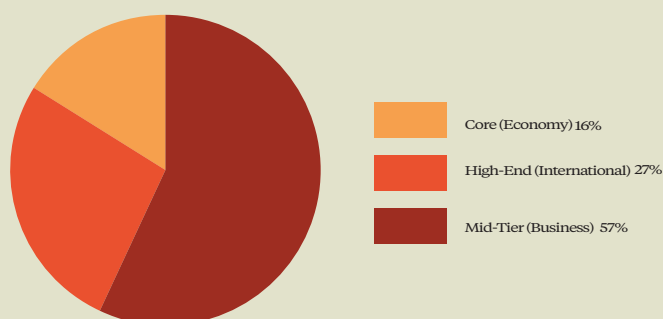
The supply distribution across categories was as follows: Economy accounted for 16%, Business accounted 57%, and the remaining 27% were classified as International.

A current oversupply scenario in view of the global economic slowdown and a reduction in the number of expatriates working in Phnom Penh.

The occupancy rate during H2 2023 was 41%, indicating a balance between supply and demand for upscale serviced apartments in Phnom Penh despite high prices.

The tourism sector is expected to prosper due to regional improvements and infrastructure development. This will benefit the serviced apartment market for short- and long-term stays.

Fig 12: Existing Supply of Serviced Apartment by Grade



Source: Knight Frank Research

This growth shows the market’s strong momentum and investor confidence, making it an attractive prospect for developers and investors.

The top districts in terms of future supply were Beoung Keng Kang with 160 units, Sen Sok with 154 units, Toul Kork with 122 units, Daun Penh with 96 units, and Chamkarmon with 91 units. These districts have modern infrastructure and amenities that attract both residents and visitors.

The influx of future supply indicates the growth potential of the Phnom Penh serviced apartment market. With the projected units, the cumulative supply is expected to reach approximately 8,893 by 2026.

OCCUPANCY RATE AND RENTAL

During H2 2023, the Phnom Penh serviced apartment market witnessed a notable uptrend in rental rates, particularly for one-bedroom, two-bedroom, and three-bedroom units.

One-bedroom units commanded hefty rents, surpassing US\$900 per month, highlighting the appeal of these units to individuals seeking a luxurious and convenient living experience.

Larger two-bedroom apartments exceeded US\$1,400 per month, while three-bedroom apartments reached an even higher price point, averaging over US\$1,800 monthly.

These rental rates indicate the presence of high-end offerings tailored to a specific market segment willing to pay a premium for exceptional amenities, spacious layouts, and top-notch services.

Despite the substantial pricing, it is noteworthy that the overall occupancy rate during H2 2023 remained moderate, standing at 41%. This finding suggests that while there is demand for upscale serviced apartments in Phnom Penh, the market is currently saturated and faces stiff competition from the condominium sector.

OUTLOOK

Phnom Penh’s serviced apartment sector faces short-term challenges but has long-term prospects. The fundamental demand drivers of the industry are the tourism and services sectors. The GDP of Cambodia is predicted to grow at 6.4% during 2024, according to the National Bank of Cambodia (NBC).

However, global issues like pandemics and climate change pose risks, However. continued global economic and geopolitical headwinds posed challenges for the sector, leading to project delays and a cautious market sentiment leading to project delays and cautious market sentiment.

Looking at the long-term outlook, the serviced apartment sector in Phnom Penh has a promising picture due to reflected by the incoming pipeline of future supply. The rapid expansion will initially meet the demand from an optimistic outlook of the office and tourism sectors with the city’s infrastructure development.

The tourism sector is expected to recover promisingly due to the improvement in the regional tourism sector and infrastructure development. This positive trend will benefit the serviced apartment market in the city.

Fig 13: Cumulative Supply of Serviced Apartments (2009 - 2026f)

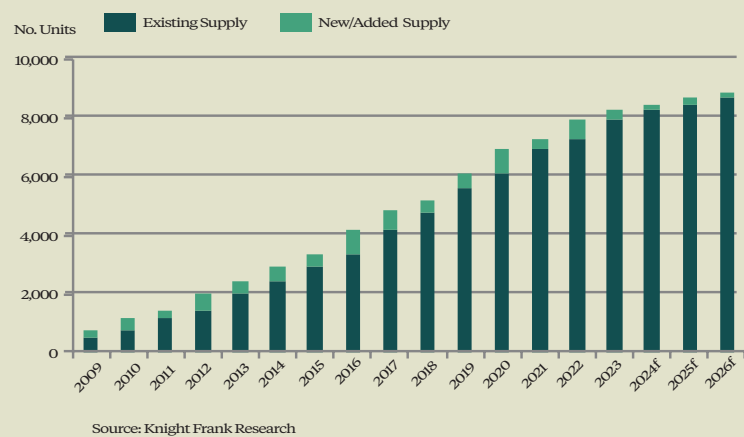
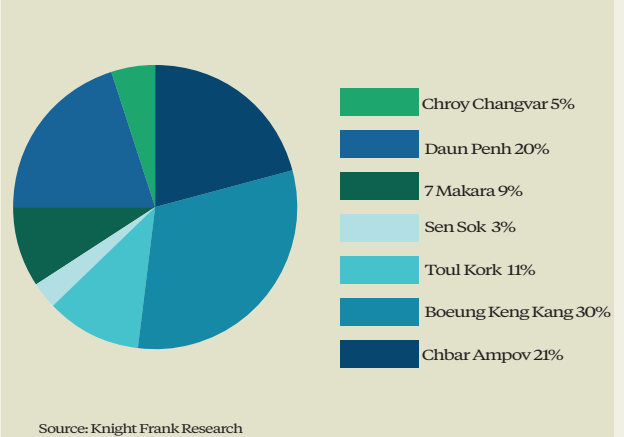


Fig 14: Distriution of Serviced Apartment by District



Phnom Penh Condominium Sector

Continued global macroeconomic / geopolitical uncertainty and high interest rates, coupled with short-term oversupply have led to a price correction in the Phnom Penh condominium market

SUPPLY AND DEMAND

Following the same trend from H1 2023, the Phnom Penh condominium market remained muted with weak buyer sentiment, and new launches significantly declined during the second half of 2023. Most developers focused on their inventory of unsold units and the ongoing projects within the scheduled completion.

During H2 2023, 9 projects were completed, bringing 6,411 units to the existing supply. The notable completed projects included Prince Haun Yu Centre (1,624 units), Real Hope Condo (231), Arakawa Residence 1 (2,000 units), Garden Residency 2 (369 units), Le Cozii TK (76 units) and Morgan Emaison (1,119 units).

However, many scheduled completion projects in 2023 rolled over to 2024 and post-2025, respectively, and some of the developments have been permanently put on hold. Thus, only 42% of the projects schedule to complete during H2 2023, completed as planned.

the project estimated scheduled completion in H2 2023. 11 projects (30%) that were scheduled to complete during H2 2023 rolled over into subsequent years whilst a further 11 projects (28%) were put on hold.

As of H2 2023, the total supply of condominiums in Phnom Penh stood at 49,102 units, a year-on-year increase of 15% over H2 2022.

By classification, the majority of existing supply was categorised by Mid-tier (54%), followed by Core (24%), High-end (17%), and the remaining (5%) Prime units.

Geographically, the ratio between the city centre and the suburban was almost equal at 52:48 due to the rapidly growing number of new satellite cities outside CBD districts. However, Chamkarmon remains the leading district in terms of the existing supply at 22%, followed by Sen Sok (20%), primarily attributed to the recently completed Arakawa Residence 1 (2,000 units) in Sangkat Tuek Thlar of Sen Sok district.

Key findings

Nine new condominium projects were completed during H2 2023, adding 6,411 units to the existing supply in Phnom Penh.

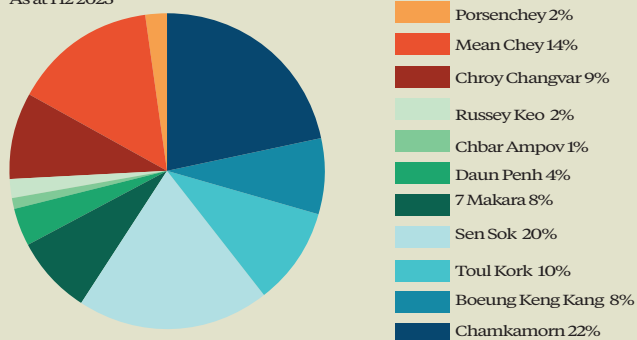
H2 2023 recorded a total existing condominium supply of 49,102 units.

The Mid-tier segment remained the dominant category in the market, representing 54% of the total supply, followed by Core (24%), High-end (17%), and Prime (5%).

Once the interest rate increase is on hold, demand for condominiums will return, with solid support from the higher-income bracket.

Fig 15: Existing Supply by District

As at H2 2023



Source: Knight Frank Research

This was followed by Meanchey (14%), primarily attributed to the development within ING City along Hun Sen Boulevard, including R&F City (5,232 units) and Urban Village 1 (828 units), Toul Kork (10%), Chroy Chongvar (9%), 7 Makara (8%), Bueng Keng Kang (8%), Daun Penh (4%), Russey Keo (2%), Porsenchey (2%) and Chbar Ampov (1%).

As mentioned above, the overall landscape of 2023 was challenged by ongoing global economic headwinds, as well as the Cambodian General Election, and the Phnom Penh condominium market remained weak.

During H2 2023, only two projects comprising 656 units were launched and added to the future pipeline, including Time Square 6 (302) and Condo Anata Residence. The other two projects, Picasso 2 and Arakawa Residence 2 have been soft opening and groundbreaking, respectively. However, there has yet to be an official launch.

A high-profile developer with a growing client base has launched their fifth project, Time Square (302) or Time Square 6, comprising 370 condominium units in the BKK1 area. Since 2016, the developer has completed three projects located in the BKK1 and Toul Kork areas, with a further two projects recently launched in the BKK1 area.

By 2026, the total cumulative supply is projected to reach 82,495 units, contributing an additional 34,512 units to the condominium supply, reflecting an increase of 68% from the existing supply.

19,997 units are schedule to complete by 2024, 8,495 units by 2025, and 3,710 units by 2026.

Whilst the economy picked up during December, demand recovery for condominiums has not kept pace with supply, evidenced by the ongoing growth in the number of unsold units remaining for sale at discounted prices.

The overall sale rate for the condominium sector still ranged below 5%, from 1% to 4% as of Q3 2023 and Q4 2023, respectively. However, according to Knight Frank Asia Pacific Residential Review H1 2023, sales momentum for residential properties in Asia-Pacific (APAC) seemed to have edged up slightly, while prices experienced positive or stable year-on-year (YoY) growth in the second half of 2023.

PRICES AND RENTAL

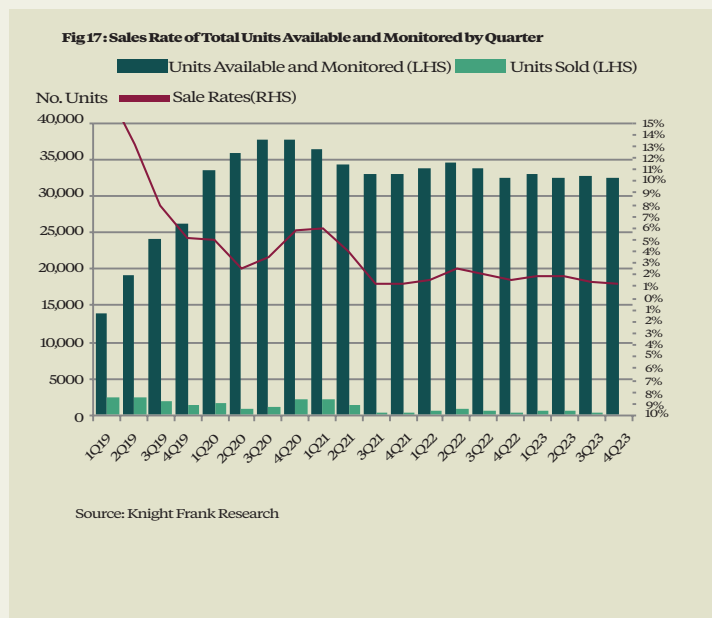
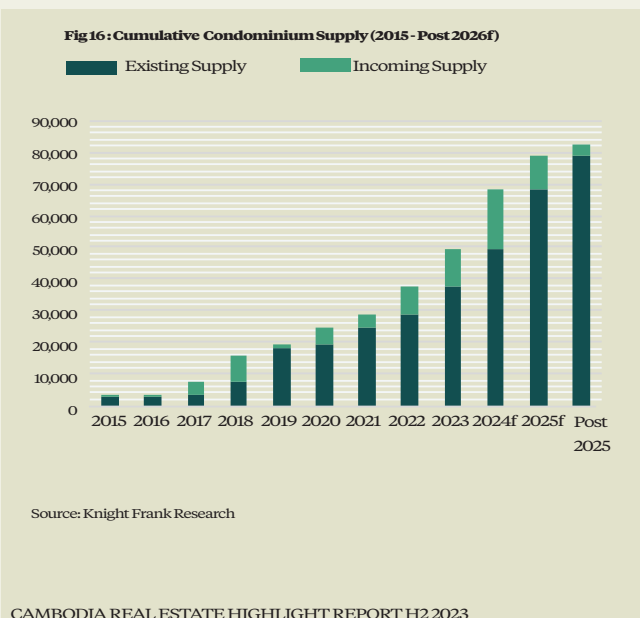
Given the oversupply scenario in Phnom Penh, H2 2023 saw a slight decline in the average developer’s selling price from approximately US\$1,800 per square meter in H1 2023 to US\$1,500 per square meter of net area during H2 2023.

Market rents also continued to fall, albeit at a slower pace than previous years and we appear to be reaching the bottom of the cycle for condominium rents.

OUTLOOK

The slower-than-expected Chinese economic recovery will impact condominium market sentiment in Cambodia over the short term. However, as soon as interest rate hikes are paused, it is expected that domestic buyers with higher spending power will return to the market.

Additionally, the healthy performance of central projects priced around US\$2,000 per sq m shows that it’s not an oversupply situation, but an oversupply of overpriced properties. Thus, the medium to long-term outlook remains positive.



Phnom Penh Landed Housing Sector

New landed housing launches in Phnom Penh recorded a modest level in 2023; only 998 units were launched across ten developments during 2023, with most of them by well-known developers including Penh Huoth, Chip Mong, OCIC, Mekong Land and Urbanland.

SUPPLY AND DEMAND

As of H2 2023, following the completion of 6 new projects with an additional 3,176 units, the existing supply was recorded at 226 projects with an accumulated 86,488 units, an increase of 9% from H2 2022. Out of the total existing supply, the majority of developments remained concentrated in the suburban districts (97%), and (3%) were located 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 (12%), Chbar Ampov (10%), Meanchey (10%), Russey Keo (10%), Chroy Chongvar (9%), Porsenchey (6%), Prek Pnov (3%), and the remaining 3% were located within City Centre districts.

Despite the growing number of Core housing in the supply pipeline, the Mid-tier segment continued to be the leading category at 56%, followed by Core units at 34%, and the remaining 10% were High-end units.

The challenge of attracting buyers required developers to press the wait button; the new supply mainly comes from ongoing projects of new blocks or phases.

During the second half of 2023, the leading borey developers launched five new off-plan projects, adding a total of 552 units to the future supply. This marks the lowest number of new launches in a decade. The new projects were Garden City Olympia Villa (77 units), Golden Avenue 2 (81 units), William Park Avenue (175 units), Chip Mong 50m phase 3 (185 units), and Norea Cove Residence (34 units).

Norea Cove Residence, developed by Akram Development, a Singaporean-owned property developer, offers a waterfront living concept; the project was unveiled on Koh Norea City, the reclaimed land of the Mekong riverbank by OCIC. The project will comprise 34 waterfront super villas of a minimum size of 1,000 sqm of land and an average built-up area of 3,000 sqm priced from US\$ 6 million and above.

Key findings

Following the completion of 6 new developments with an additional 3,176 units, the existing supply stood at 86,488 units as of H2 2023.

Mid-tier units accounted for 56% of existing supply, followed by Core units (34%) and High-end units (10%).

An additional 12,686 landed houses are expected to enter the market by 2026.

Increasing interest rates and non-performing loans had a major impact on the housing sector during 2023, with first quarter sales rates upon project launch declining to between 4% and 6%.

Rising disputes between developers and purchasers regarding construction progress have arisen due to the impact on developers' cash flow. However, financially strong developers have remained supportive by providing extended payment terms.

Fig 18 : Cumulative Supply of Land Housing Units (2009-2026f)



Source: Knight Frank Research

Meanwhile, the second phase of Peng Houth The Star Platinum Eco Collection, Cambodia’s largest landed housing project, announced the launch of a new project within the Eco Collection, namely Eco Poly in Q1 2024, to initiate a pre-booking stage. Detailed information has not yet to be released.

The total future supply of landed housing in Phnom Penh scheduled for completion between 2024 and 2026, either under construction or planning stage, was recorded at 12,686 units across 45 projects as of H2 2023.

73% of the future pipeline is within the Mid-tier category, followed by the High-end market (19%). The remaining categorised as Core Units (8%), supported primarily to lower-income buyers. All of the future supply is concentrated within suburban districts.

The cumulative supply of landed housing in Phnom Penh will stand at 99,174 units in the 2026, indicating an increase of 15% over the existing supply.

Since the beginning of 2023, the housing sector has had rising disputes between developers and buyers.

However, generally developers remained supportive by providing an extended payment duration, and some developers have introduced a buy-back scheme.

One example is Borey New World; the developer announced the buy-back of 1,394 units with a total value of approximately US\$16.8 million.

Before the COVID-19 pandemic, the sale rate of landed housing remained strong, ranging between 20% to 40% of monitored projects each quarter.

The demand in the landed housing market has now slowed considerably largely due to increasing interest rates. The overall sales rate of monitored projects recorded ranged between 4% and 6%.

PRICES AND RENTAL

Due to low purchasing demand, there has been subdued sales momentum for landed housing. Only financially strong developers remained active in the market, focusing on unsold units and providing discounted prices with flexible payment terms.

The developer’s selling price of newly launched projects in H2 2023 declined by 12% compared with H1 2023, indicating a price correction within the landed housing sector.

Despite the ongoing price correction, Norea Cove Residence launched Cambodia’s first super prime property with prices starting from US\$ 6 million, calculating the average price at US\$2,500 per sq m based on the gross floor area of the units.

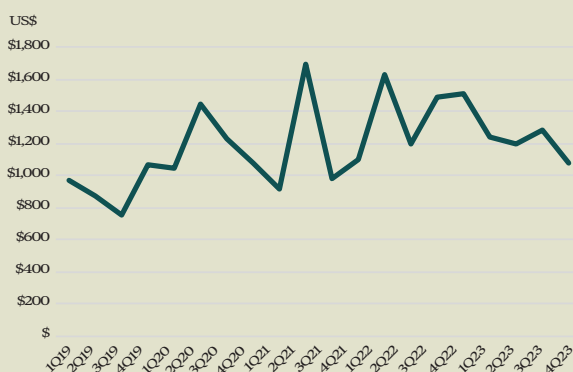
OUTLOOK

In view of the slower than expected economic recovery, housing developers continue to be cautious about launching new projects due to limited demand in the current climate.

However, with inflation declining and the US and Western economies recovering, interest rate hikes have stopped, and rate cuts are expected in 2023, which will reduce the cost of borrowing in Cambodia.

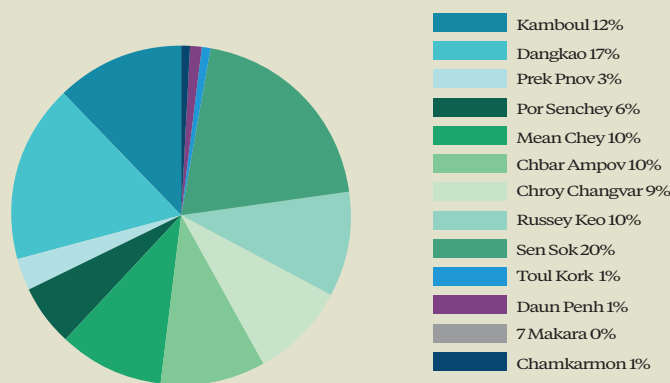
Whilst the short-term outlook remains challenging, the ongoing market correction should present opportunities for developers to acquire more affordable land for development to target the Core sector which is where a gap in the market exists.

Fig 19 : Launch Price US\$ PSM (H2 2023)



Source: Knight Frank Research

Fig 20 : Housing Supply by Districts (H2 2023)



Source: Knight Frank Research

Sihanoukville H2 2023 Review

The slower-than-expected return of Chinese FDI into Sihanoukville has caused a slowdown in construction activity in the coastal province and led to numerous buildings being put on hold. However, the government is offering special incentives to attract investors and tourists to revive business and economic activities to pre-2020 levels, which will gradually help the construction and real estate sector recover.

During H2 2023, construction and real estate activity within the coastal province of Sihanoukville remained subdued due to the absence of Chinese investors.

Despite the above, Sihanoukville remains one of Cambodia's more robust economies, underpinned by the Sihanoukville deep seaport and the Sihanoukville Special Economic Zone which has been the most successful SEZ in Cambodia to-date.

To kick start the real estate and construction sector, the government will launch an investment promotion programme to tackle the issue of over a thousand unfinished buildings in Preah Sihanouk Province, which have been on hold since the start of COVID-19 in 2020.

The proposed programme will provide numerous tax incentives and other exemptions from authority fees. A key incentive to promote investment in the province was the announcement of a 3-year visa offered to investors who purchaser or acquire long-term leases with a value of USD 100,000+.

With the completion of Cambodia's first expressway in Q4 22, the Phnom Penh-Sihanoukville Expressway which reduced travel time by half, Sihanoukville Province was Cambodia's most popular domestic tourism destination in 2023.

The coastal provinces as a whole recorded 8.2 million domestic visitors, an increase of 16% from the previous year, whilst Sihanoukville alone accounted for 4.8 million domestic tourists.

During December 2023, the MS Westerdam, a Vista-class cruise ship owned by Holland America Line, docked in Sihanoukville for the second time since its first docking during the COVID-19 outbreak period in 2020. The Westerdam transported over 1,500 tourists to Sihanoukville, with around 900 returning to the ship and the rest visiting Cambodia.

Emerging as a popular beach destination, the Preah Sihanouk is the second most economically diverse province behind Phnom Penh. A notable opening was Phase 1 of The Bay of Lights – a 980-hectare seafront township developed by Canopy Sands Development, a subsidiary of Prince Holding Group, Phase 1 of Bay of Lights focuses on leisure activities, including a golf driving range, Nitro Kart Circuit, the Summer Bay Beach Club and Cabins and numerous watersports activities and tourism offerings to drive foot traffic to the project whilst the developer continues with the remaining land reclamation.

The government's long-term vision for the province is to position Preah Sihanouk as a multi-purpose special economic zone and Cambodia's central logistics hub. According to the PAS report, it has a container capacity of more than 550,000 TEUs per year, while transit cargo reached more than 880,000 TEUs in 2023, exceeding the port capacity.

The groundbreaking for the expansion of Sihanoukville Autonomous Port commenced on December 22, 2023, and the development is scheduled to be completed by 2029.

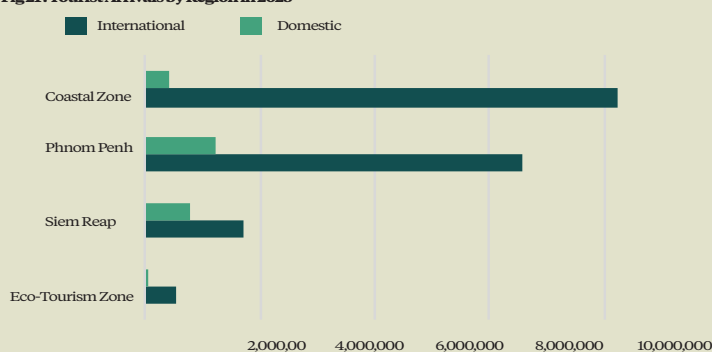
In 2023, the port's revenue was 364.4 billion riels, up 6% from 2022.

Between 2016 and 2019, real estate demand was soaring due to an influx of Chinese FDI, putting it on the radar for both domestic and international investors. This significant increase in demand pushed land and condominium prices to be at par with, or exceed those in the capital city of Phnom Penh.

However, real estate transaction activities have been modest over the past four years since the pandemic, and property prices have declined significantly due to a drop off in demand.

With the current momentum of lower real estate demand, Sihanoukville's land prices revealed a significant reduction, resulting in a much-needed correction. According to KF proprietary research, average prices are down by 25% compared to the pre-2020 level.

Fig 21: Tourist Arrivals by Region in 2023



Source: Ministry of Tourism

CAMBODIA REAL ESTATE HIGHLIGHT REPORT H2 2023

Residential Sector

New residential launches in Sihanoukville remained stagnant during the second half of 2023 due to low demand, resulting in no new project launches.

SUPPLY AND DEMAND

Despite the increase in tourist arrivals, demand for residential properties in Sihanoukville has declined significantly largely due to the exodus of Chinese investors, the primary source of demand pre-pandemic.

During 2020, KF projected condominiums to increase to over 34,000 units by 2025. However, most projects have now been put on hold, or have been scrapped altogether.

In the review year 2022, KF had estimated the completion of 6,324 units across 10 projects in 2023. However, only four projects comprising 2,016 units were completed; 68% of the anticipated supply rolled over to 2024 and 2025.

Four completions during 2023 brought the existing supply of condominiums in Sihanoukville to 10,817 units, representing a 123% year-on-year growth compared to the previous year of 2022.

The completed and ready-to-handover projects were 88 Residence (202 units), Air Apartment (120 units), Sihanoukville City View (1,200 units) and Platinum Coast (494 units).

A notable completion was Platinum Coast, the first condominium project introduced sited off the coast of Ream beach, within walking distance to the reclaimed development of Bay of Lights.

The future supply pipeline contracted during 2023 due to developers permanently ceasing numerous developments. The projects in the future pipeline were mainly Chinese-owned developments; if all monitored projects resume construction and complete as scheduled, the cumulative supply of condominiums in Sihanoukville will reach 33,233 units by 2030.

In terms of location, the high-rise residential properties were mainly located in Sangkat 3 and Sangkat 4. These districts are in high demand due to their beachfront and sea views. The distribution of high-rise residential developments was dominated by Sangkat 3 with 54% of total supply. This was followed by Sangkat 4 (39%), Sangkat 1 (5%), Sangkat 2 (1%), and Ream accounting for 1%.

With a small local population of approximately 320,000 as of 2023, local demand for residential properties in Sihanoukville remains limited.

There were also no newly launched landed housing projects during 2023. The existing stock was recorded at 1,757 units at the end of H2 2023. Two ongoing developments were active in Sihanoukville's landed housing market: Marina Garden and Lorn City Lotussea (Asiantic II).

Residential sales in Sihanoukville remained subdued due to declining investments in the coastal province.

Most homebuyers in Sihanoukville were for investment purposes, mainly Chinese nationals. Despite falling prices, the sales momentum remained slow largely due to the absence of Chinese buyers.

OUTLOOK

Looking toward 2024, the sector is expected to continue to face challenges and uncertainty, with possible further declines in prices due to the supply and demand imbalance. The Sihanoukville condominium sector has yet to gain popularity with the domestic market; foreign investments still drive demand. In this scenario, developers will delay project launches and adopt a wait-and-see approach until confidence returns to the market and the economy starts to recover.

However, as Cambodia's secondary economic hub, including the country's only operational deep seaport and numerous industrial zones, the medium and long-term outlook is one of optimism, which will be further underpinned by the eventual extraction of offshore oil reserves.

Investment into the province will be further buoyed by the government's proposed investment initiatives to attract FDI and transform the entire Sihanoukville Province into a multi-purpose special economic zone.

Fig 22: Existing Landed Housing Supply by Locations in Sihanoukville

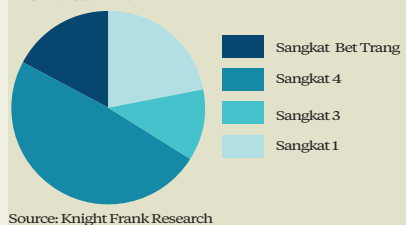


Fig 23: Cumulative Supply Condominium in Sihanoukville (2018 - Post 2026)

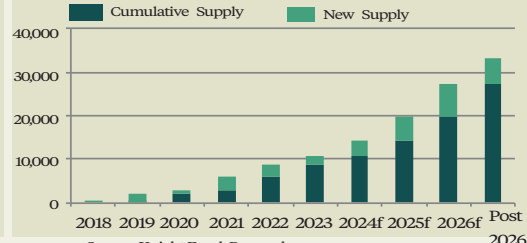
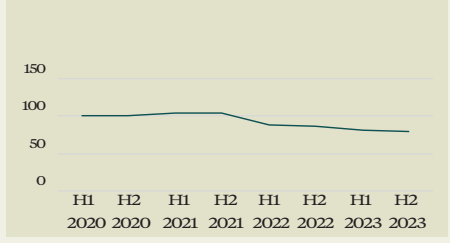


Fig 24: Sihanoukville Condominium Asking Price Index (H1 2020 - H2 2023)



Hotel Sector

Tourism activities increased significantly during 2023 with the improvement of infrastructure and connectivity between Phnom Penh and Sihanoukville. During 2023, Preah Sihanouk province welcomed 4,846,200 domestic tourists and 315,996 international tourist arrivals.

SUPPLY AND DEMAND

With strong government support, Sihanoukville is gaining popularity among local and international tourists. Out of the 8.2 million domestic tourists who visited Cambodia’s coastal provinces (Preah Sihanouk, Kampot, Kep, and Koh Kong), almost half of them, 4.8 million, travelled to Sihanoukville.

Despite the return of tourism activities, newly opened hotels remained modest, with only three recently completed hotels during 2023, adding 250 keys to the existing supply.

As of the end of 2023, KF recorded 11,505 keys to the total number of existing hotels in Sihanoukville.

Among them, 54% were categorised as Midscale & Economy (3-Star), followed by the Upscale & Upper Midscale (4-Star) category (38%), and the Luxury & Upper Upscale (5-star) category (8%).

The newly added hotels were Siha Hotel & Casino (62 keys), Otres Beach Hotel (131 keys) and Summer Bay Beach Club and Cabins (50 keys).

Canopy Sands, a subsidiary of Prince Holding Group, has developed the Bay of Lights project, featuring Summer Bay Beach Club and Cabins as the first hotel accommodation in Ream City.

The Bay of Lights project comprises the Summer Bay Club and Cabins, which offers a variety of lodge room types for individuals and families. These lodges are located on the beachfront, providing guests with a perfect vacation spot.

The Bay of Lights also includes other tourism attractions like the Nitro Karting Racetrack and a variety of watersports activities. A groundbreaking ceremony also took place for the country’s first USGA-standard golf course designed by legendary golfer, Greg Norman.

However, many Chinese-initiated projects in the city centre had been put on hold. It was anticipated that over 10,000 hotel rooms were expected to open in the next five years, but construction has been delayed due to insufficient investment from Chinese investors.

The hospitality industry is experiencing a resurgence thanks to the rise in domestic tourism, leading to a steady increase in hotel occupancy rates.

Foreign tourist arrivals to Cambodia rebounded from 2.2 million in 2022 to 5.5 million in 2023, almost reaching pre-COVID 19 levels.

According to the yearly tourism statistic report from the Ministry of Tourism, Cambodia recorded a hotel occupancy rate of 76.5% nationwide, reflecting an increase of 1.4% percentage points compared to the previous year of 2022 at 75.1%.

Sihanoukville welcomed 4.8 million domestic tourists and 315,996 international tourists. With this growth, according to KF ground research, we noted that Sihanoukville recorded an occupancy rate between 40% and 60% on weekdays and 70% to 90% on weekends/holidays.

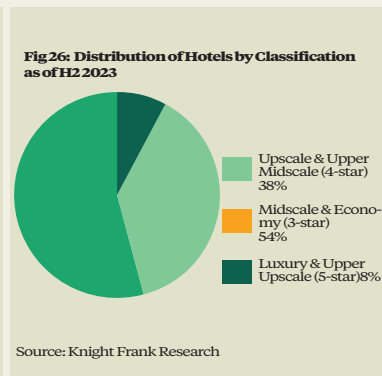
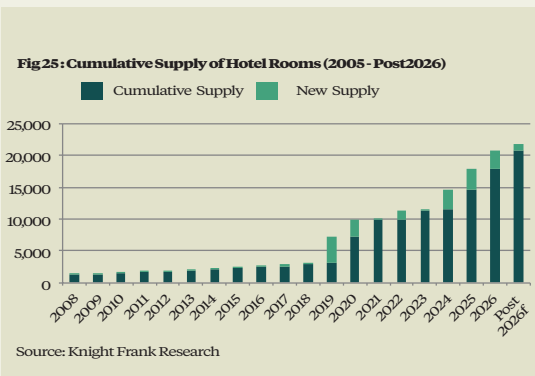
OUTLOOK

In recent years, the economy of Sihanoukville was mainly driven by Chinese FDI into the manufacturing and gaming and hospitality sectors. Since the government issued a ban on online gambling, Chinese tourist arrivals started to decline in 2019, even before the Covid-19 outbreak.

Numerous projects that started construction were abandoned. Many of these projects were joint ventures with Cambodian landlords, who constructed buildings to lease to Chinese investors but are now stuck with unfinished and empty buildings. With all the stalled projects, there will be a significant reduction in the future supply pipeline for hotels. Thus, the short-term outlook for Sihanoukville is one of continued uncertainty.

Despite the above, Sihanoukville is Cambodia’s secondary economic hub and increasing numbers of manufacturing and logistics companies are looking to set up operation in the province. Furthermore, with the completion of a new road network as well as the beautification of the beachfront, domestic tourism bounced back in 2023 and Sihanoukville was Cambodia’s top destination for domestic tourist.

This, coupled with the government’s incentive programme to kick start the economy will underpin medium and long-term demand for hotel accommodation in the province. .



Retail Sector

Despite Sihanoukville being a major economic hub of Cambodia, there is limited demand for international standard retail space due to its small population and low number of high-value tourists.

SUPPLY AND DEMAND

Over the past five years, the province has entered a new stage of evolution, leading to an increased demand for retail spaces that meet international standards. However, traditional shophouses still dominate the retail space. The most sought-after location for shophouses offering retail space is along Ekareach Street. This street is the central axis that intersects Independent Park to Golden Roundabout, and it is mainly occupied by mixed retailers and shops owned by Chinese nationals.

As of the end of 2023, Sihanoukville had five purpose-built retail malls, contributing an existing supply of 73,718 sq m of NLA.

There have been no new retail completions over the last three years (2021 to 2023). Prince Mall was the recent opening back in Q4 2020, providing a net lettable area of 30,000 square metres. This project was the only Prime retail project within Sihanoukville, currently occupied by major anchor tenants such as Legend Cinema and Prince Supermarket, along with mixed international specialty tenants such as KFC, Armani Exchange, Starbucks, Levi's, Lock&Lock, Pedro, Adidas, Potato Corner, etc. The other four projects were categorised as Secondary grade, comprising an aggregated 43,718 sq m of NLA.

Furi Time Square Mall, the first purpose-built retail format in Sihanoukville, has lost many upper-floor tenants, with an occupancy rate of around 45% as at the end of H2 2020/23.

Two retail podiums were developed within mixed-use projects providing residential, commercial space and hotel rooms, namely Blue Bay and D'seaview. These projects provide a combined a net lettable area of 26,318 sq m.

In addition to the shopping centres, there is a Chinese-operated hypermarket, Da Run Fa. It provides space for grocery shops, mainly for Chinese retailers. The owners of Da Run Fa are planning to extend the mall and intend to open it during the first half of 2024.

With the current supply, the retail space per capita as of H2 2023 was 0.24 sq m, according to the latest Sihanoukville census 2019 at 302,887 population at a provincial level but 1.07 sq m per capita at a city level, which is more than three times higher than Phnom Penh, indicating an oversupply scenario.

Seven projects will add 81,933 square metres of NLA between 2024 and 2027. Some of them include retail podiums within residential projects. However, most of these projects are still on hold.

The latest occupancy rate in Sihanoukville was recorded at approximately 65%. This rate was primarily upheld by the higher occupancy of the Prince Mall Sihanoukville, while D'seaview and Furi Time Square Mall experienced lower occupancy rates of 30% and 45%, respectively, during H2 2023.

Asking rents recorded a slight discount from H1 2023. During the review period of H2 2023, the retail asking rents ranged between US\$10 to US\$30 per sq m (NLA) per month.

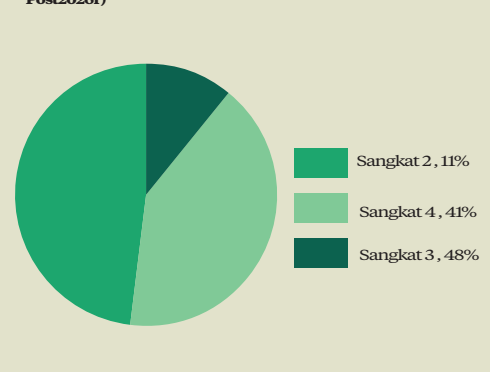
OUTLOOK

Before the COVID-19 crisis, Sihanoukville's investment activities had skyrocketed due to an 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 was limited. With a slower-than-expected economic recovery and return of Chinese investors and high-value tourists, the retail outlook will continue to be substantially negatively affected placing further downward pressure on both rents and occupancy rates.

Fig 27: Cumulative Supply of Retail Space (2019-Post2026f)



Fig 28: Future Supply of Retail Space by Location sqm of NLA (2024f-Post2026f)



Industrial Sector

The government has unveiled the expansion of Sihanoukville Port’s Container Terminal due meet increased demand from logistic activities and trade promotion in Cambodia, with the scheduled completion of Phase 1 in 2025.

SUPPLY AND DEMAND

Despite the slowdown in external demand, Cambodia’s manufacturing and logistics sector continued to expand during H2 2023 as compared with H2 2022; as a result, container throughputs in Sihanoukville Autonomous Port (PAS) increased 31.9% y-o-y; exported containers increased 36.3% y-o-y whilst imported containers increased by 27.9% y-o-y compared to the same period in 2022.

The increasing container throughputs within PAS reflected a rise in PAS’s total revenue during 2023, recording a total revenue of 364.4 billion riels, an increase of 6% compared with 2022. The total assets of PAS increased by 7% to 6,103.4 billion riels compared to the same period in 2022.

With Sihanoukville having Cambodia’s only operational deep seaport, the province benefited enormously. The government invested in infrastructure, such as the expressway, and recently announced the expansion of Sihanoukville Port’s Container Terminal project.

The groundbreaking ceremony for phase 1 of the New Container Terminal Development project at Sihanoukville Port was held on December 22nd, 2023.

The project aims to increase the port’s capacity and is expected to be completed at the end of 2025.

However, according to the World Bank Focus Report, the approved FDI was slower than expected, with a contraction of 7.3% y-o-y during the first eight months of 2023.

Despite this, there has been a shift in FDI inflow to Cambodia, with an increased share in non-garment manufacturing and a decrease in real estate and construction. Foreign investors invested US\$274.9 million, which accounted for 30% of the total share in the garment industry despite declining exports.

In 2023, a total of 17 projects were approved by CDC in Preah Sihanouk province, with a cumulative capital value of US \$109.4 million. Among them, 61% of capital was invested within special economic zones, including Sihanoukville SEZ, Cambodian Zhejiang Guoji SEZ, Cambodia Sino Metallic Material Special Economic Zone and Sihanoukville Port SEZ.

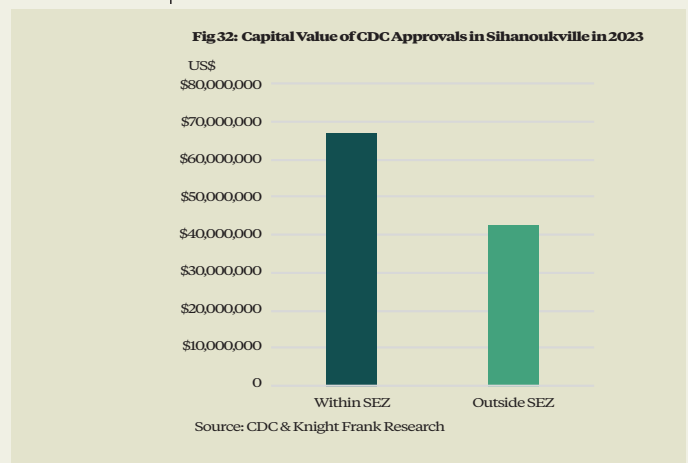
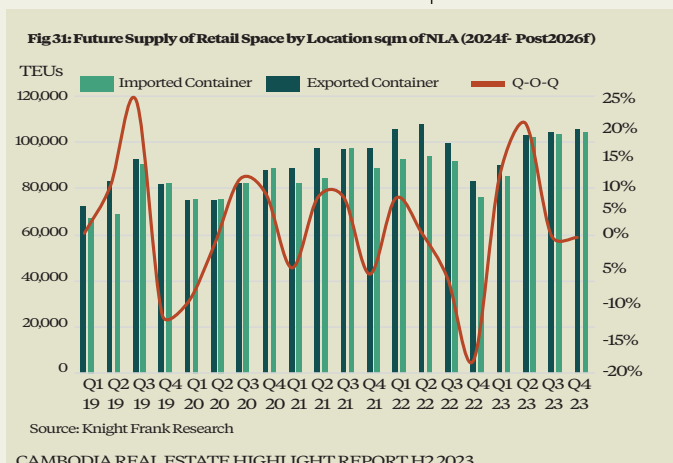
Preah Sihanouk has 6 approved SEZs, according to the sub-decree of the government. Currently, there are only 5 operational SEZs on a development land area of approximately 2,332 hectares and comprising more than 250 enterprises.

With the broad availability of industrial land within each SEZ, premiums for land held on 50-year leasehold title recorded a price correction and ranged between US\$30.00 per sq m to US\$50.00 per sq m over the land area. At the same time, the factory’s rentals ranged from US\$1.5 to US\$2.30 per sq m/month.

OUTLOOK

Over decades, Cambodia’s industrial sector has been performing strongly, contributed mainly by the garment & textile industry. Sihanoukville is a growing industrial hub, attracting Foreign Direct Investment due to its strategic location and China’s One Belt, One Road initiative. Despite a slowdown in global external demand, it shows potential for continued growth in the medium and long-term outlook.

Moreover, the economy of Sihanoukville is primarily based around the deep seaport, the only operational deep seaport in Cambodia, and is considered Cambodia’s central gateway and import and export hub; the province will continue to lead the growth of the logistic sector in line with numerous industrial incentives, as well as improving infrastructure, mainly underpinned by the extension of the New Container Terminal Development project.



Siem Reap H2 2023 Review

The hospitality industry in Siem Reap is gradually recovering as the number of international tourist arrivals increased to 798,069 in 2023. This represented an increase of 178% compared with 2022, however, despite this improvement many hotels and retail outlets remain shuttered.

H2 2023 recorded a significant increase in international tourist arrivals to Siem Reap, which is the main driver of the local economy and was a positive sign for 2024.

Siem Reap received 1,731,445 domestic tourists and 798,069 international tourist arrivals in 2023. However, despite international arrivals recording a growth of 178% over the previous year, the number of visitors was still significantly below pre-pandemic levels.

Ticket sales and revenue at the Angkor Archaeological Park rose in tandem with the increase in tourist arrivals, with total revenue generated recorded at US\$37 million, showing an increase of 223% compared with 2022.

H2 2023 also saw the inauguration of the new Siem Reap-Angkor International Airport (SAI) on 16th October 2023, replacing the existing Siem Reap airport (REP) and increasing annual passenger capacity to 7 million for Phase 1. The \$1.1 billion Chinese-funded project is located approximately 60km east of Siem Reap city centre and is expected to boost tourist arrivals to the province as more airlines announce direct flights to SAI. The majority of confirmed flight routes were from major regional hubs such as Bangkok Suvannaphumi and Bangkok Don Mueang,

Ho Chi Minh, Kuala Lumpur and Singapore. As part of Cambodia's Comprehensive Intermodal Transport Master Plan (2022-2030), a feasibility study is underway for a 400-kilometre four-lane expressway connecting Phnom Penh and Siem Reap. The second phase of the expressway will connect Siem Reap to Poipet City, located at the Cambodia-Thailand border. This will eventually provide overland connectivity between Thailand and Vietnam which is expected to generate new revenue streams for Siem Reap, and the country as a whole.

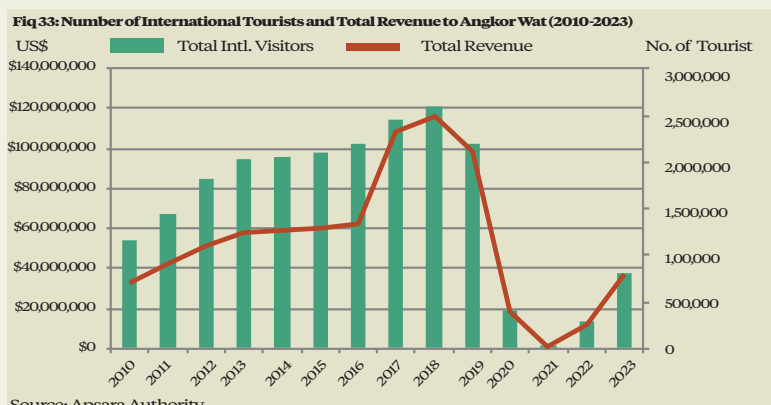
In addition to the Angkor Archaeological Park and the Tonle Sap Lake, Siem Reap now offers a variety of tourist attractions including the Angkor Wildlife & Aquarium and the Angkor Wonder Garden, increasing the number of tourism offerings with the ultimate aim to extend the average length of stay of international tourists.

However, whilst H2 2023 showed signs of a recovery for the tourism sector, Lucky Mall and T-Galleria, a retail centre and a duty-free store operated by global group, DFS, respectively, announced the permanent closure of their businesses due to the difficult trading environment.

2023 continued to be a challenging year for Siem Reap but with the increase in tourist arrivals during November and December, the general consensus is that 2024 will see a strong rebound in international tourist arrivals which will kick start the Siem Reap economy.

Furthermore, with technical assistance from the Japanese Government, the long-term goal for Siem Reap city is to become a Smart City; the Siem Reap Smart City Roadmap was officially launched in October 2023. With support from JICA, the study focused on tourism, waste management, mobility, security, and data management.

Siem Reap's Smart City roadmap aligns with the Royal Government of Cambodia's policies, including the Siem Reap Tourism Development Master Plan 2021-2035 and is anticipated to encourage further FDI into the province, boosting the local economy.



Residential Sector

Before the Covid-19 outbreak in 2020, landed housing (Borey) was emerging as an attractive sector for investment in Siem Reap driven by strong domestic demand. That has since stalled due to the sharp decline in tourist arrivals impacting the local economy.

SUPPLY AND DEMAND

Despite showing signs of promise pre-pandemic, in view of limited demand from both local and international buyers, there were no newly launched residential projects (landed housing and condominiums) in Siem Reap during H2 2023.

As at the end of H2 2023, Siem Reap’s existing landed housing stock was recorded at 3,625 units distributed across 22 borey developments, and the existing condominium supply was recorded at 317 units across three developments.

Despite being Cambodia’s main tourist hub, there were no High-end residential properties recorded in the existing stock. At 63%, most residential developments were categorised as Mid-tier, and the remaining 37% were Core units.

For landed housing, 38% of the existing supply was located in Sangkat Chreav, distributed mainly by two larger-scale projects, Borey Tourism and Borey Seang Nam. This was followed by Sangkat Svay Dangkom (30%). Both Sangkats are located in south Siem Siem Reap, in vicinity to the city centre.

Meanwhile, Prasat Bakong District contributed 25%, namely Bakong Village, Krong Phnom Village and Relax Angkor. The remaining 7% were located in Sangkat Slakram, the major axis of tourist traffic to the Angkor Archaeological Park.

Due to height restrictions in the Apsara zone, there are no high-rise developments within Siem Reap. The existing condominium supply was located in Sangkat Svay Dangkom, a zone essentially allowing the construction of 5 to 7-storey buildings.

Numerous rolled-over projects were put on hold during 2023. Only one project, SR Residence (81 units), was added to the existing supply and more than 500 units were delayed and are now scheduled for completion in 2024.

Over the next three years, the cumulative supply of landed housing is forecast to increase to 5,547 units, representing a 53% growth over the existing supply.

However, with a sluggish market due to both macro global and domestic economic factors, the residential market in Siem Reap was adversely impacted and the overall sales rate declined further during H2 2023.

The selling prices within selected developments in the city centre ranged between US\$520 to US\$1,850 per sqm (GFA), from flat houses to detached villas. Meanwhile, in the city fringe (Sangkat Chreav and Prasat Bakong), the prices ranged between US\$320 and US\$920 per sq m (GFA), from flat houses to detached villas. The average asking prices of selected landed housing projects was recorded at US\$885 per sq m (GFA), a notable decline

from the previous year (US\$940 per sq m/GFA).

OUTLOOK

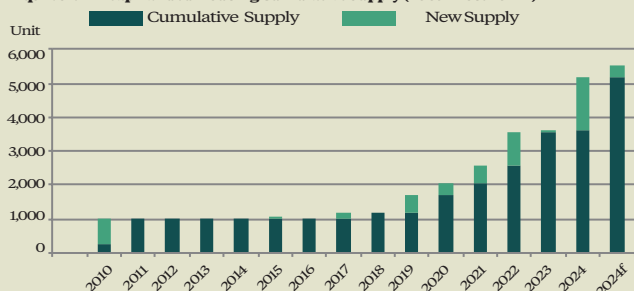
Since 2021, the real estate sector in Siem Reap has been negatively affected by COVID-19, resulting in decreased activity.

In 2023, continued external economic headwinds, as well as the general election in July, further impacted the market.

Real estate buyers are adopting a wait-and-see approach as regional and global uncertainty continued to hamper demand for residential properties, leading to decreased sales within the sector.

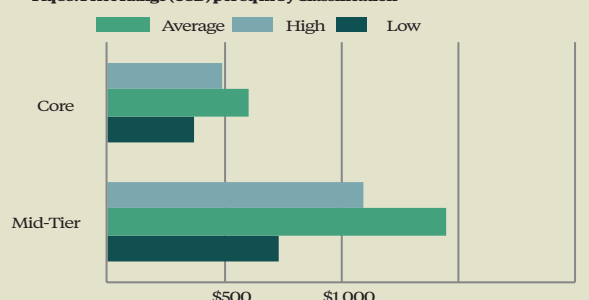
The short-term outlook remained unchanged, with transaction activity expected to stabilise during H1 2024. The outlook for H2 2024 is more optimistic as growth in tourist arrivals starts to stimulate the local economy, increasing demand from domestic buyers.

Fig34: Siem Reap Landed Housing Cumulative Supply (2009 - Post 2024f)



Source: Knight Frank Research

Fig35: Price Range (USD) per sq m by Classification



Source: Knight Frank Research

\$1,500 \$2,000

Hotel Sector

Siem Reap emerged as Cambodia's top destination for international tourist arrivals, with over 480,000 visitors by air, a 193% increase from the previous year. This led to a number of hotels reopening their doors in anticipation of a stronger 2024.

SUPPLY AND DEMAND

During 2023, global macro economic and geopolitical uncertainties continued to stifle the return of international tourist arrivals to Cambodia and Siem Reap, despite being the first country in Asia to fully reopen its borders after the Covid-19 pandemic. This was compounded by a slowdown in the Chinese economy, with China previously being the top source market for tourist arrivals to Cambodia. This affected Cambodia's tourism sector, particularly in Siem Reap province.

The above notwithstanding, Cambodia saw a rise in international tourist arrivals during H2 2023 which resulted in an increase in the average occupancy rate from 75.1% in 2022 to 76.5% in 2023 according to the Ministry of Tourism. The majority of Cambodia's visitors came from Thailand, with over 1.82 million tourists. Vietnam and China were the second and third ranked countries of origin, with over 1.01 million and 0.54 million visitors, respectively.

Over 480,000 tourists took flights to Siem Reap, a 193% increase from the previous year, making it one of Cambodia's most popular tourist destinations .

With the completion of the new international airport, Siem Reap Angkor International Airport, international tourist arrivals are anticipated to rebound in 2024 and many mothballed hotels are now reopening.

The rise in tourist arrivals can be attributed to various reasons, including the province's ongoing infrastructure development – Siem Reap has completed a 38-road construction project that has made access to tourist destinations much easier and faster – and the completion of the new international airport. In addition, Siem Reap Angkor Archaeological Park remains one of the world's top tourist attractions which is a main driver on international arrivals to Cambodia.

As at the end of H2 2023, Siem Reap offered 12,173 hotel rooms to accommodate tourists. The supply was dominated by Upscale & Upper Midscale hotels, accounting for approximately 63.3% of the total keys.

The Luxury & Upper Upscale and Midscale & Economy categories follow, with an estimated 2,783 and 1,649 rooms, respectively, representing 22.9% and 13.5% of the overall room inventory.

There are a number of new hotels within the future supply and the hotel room supply is forecast to grow to 13,043 keys by 2027 if all hotels complete as scheduled.

OUTLOOK

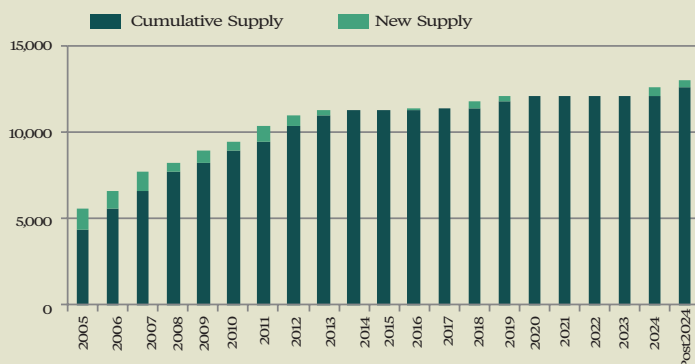
The tourism sector was a main contributor to Cambodia's GDP pre-pandemic and is expected to reach 2019 figures by 2025.

Siem Reap, a globally renowned tourist destination, is striving to enhance its attractions and security measures to offer a better experience to visitors.

Whilst supply currently exceeds demand, the hotel sector in Siem Reap is expected to see positive growth over the medium and long-term, underpinned by improved connectivity with the opening of the new international airport and the proposed Phnom Penh-Siem Reap Expressway.

As Siem Reap continues to enhance its tourist attractions, in tandem with Cambodia's improving infrastructure connecting key cities and coastal regions, and the growth in domestic tourism, the outlook for Siem Reap's hotel sector is positive, and the Angkor Archaeological Park will continue to be one of the world's top tourist attractions.

Fig 36 : Cumulative Supply of Hotel Rooms in Siem Reap (2005 - Post 2024f)



Source: Knight Frank Research

Retail Sector

From traditional markets to modern shopping centres, Siem Reap’s retail sector has faced challenges since 2020 but is poised for a promising future.

SUPPLY & DEMAND

With a population of approximately 250,000 (2019 Population Census), Siem Reap’s retail sector is heavily dependent on tourist arrivals which reduced significantly since 2020 due to the Covid-19 pandemic.

As a consequence, there were no new retail projects completed during H2 2023, highlighting the continued challenges faced by the sector.

A number of retail outlets permanently ceased operating in 2023. As a result, 8,345 sq m of net lettable area, which accounted for approximately 17% of the total retail supply, was removed from our monitored basket.

Whilst tourist arrivals rebounded strongly in Q4 2023, footfall at retail malls remained low placing downwards pressure on occupancy and rental rates.

As at the end of H2 2023, Siem Reap had a total retail supply of 41,569 sq m of NLA. This included both prime and secondary grade retail spaces.

The majority of the retail space is secondary grade, comprising 25,080 square meters of NLA and accounting for 60% of the total supply.

The prime grade retail space is approximately 16,489 square meters of NLA, accounting for the remaining 40% of the total existing retail supply.

Despite the absence of new retail projects in Siem Reap, the city provides a diverse range of shopping options for both residents and tourists to explore and enjoy.

In addition, Siem Reap is expected to witness a surge in domestic and international tourist arrivals thanks to the city’s continuous development of infrastructure. As a result, new projects in the development pipeline will increase the total supply to 262,149 sq m of NLA, an increase of 628%.

The new developments are expected to secure a wider range of brands and products, offering a more diverse and modern shopping experience for consumers.

OUTLOOK

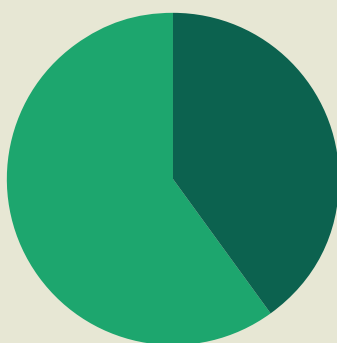
Siem Reap’s retail sector will continue to face short-term challenges, highlighted by the closure of both Lucky Mall and T-Galleria.

However, the city’s medium to long-term outlook is positive, largely attributable to enhanced connectivity for domestic and international tourists as well as government initiatives to kick-start the local economy.

With the expected increase in tourist activity and growing domestic demand, Siem Reap is poised to experience growth in its retail sector in the years to come. The expansion of retail space will ensure that visitors have access to a more diverse and modern shopping experience, making Siem Reap an even more attractive destination for tourists and residents alike.

Fig 37:: Prime Vs Secondary Supply

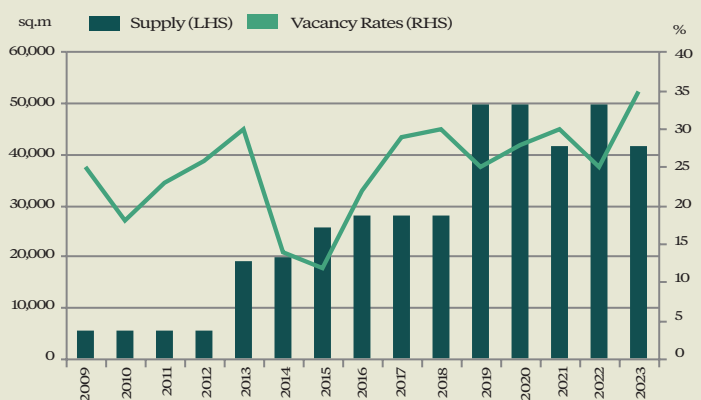
Prime Secondary



Source: Knight Frank Research

CAMBODIA REAL ESTATE HIGHLIGHT REPORT H2 2023

Fig 37: Siem Reap Supply and Demand of Retail Space



Source: Knight Frank Research

Recent Research



The Wealth Report 2024



Your Space 2023



Asia Pacific Tomorrow



Prime Global Rental Index - Q4 2023



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