

Phnom Penh, Q1 2016

# International developers driving land price appreciation

**▲ Average High-end Condominium Price**  
**\$3,195/SQM**

**▶ Prime Apartment Rent**  
**\$21.9/SQM**

**▲ Prime Office Rent**  
**\$22.7/SQM**

**▼ Prime Retail Mall Rent**  
**\$34.8/SQM**

\*Arrows indicate change from previous quarter.

**HIGHLIGHTS**

US\$1.65bn invested in construction over Q1, compared to US\$448m in Q1 2015, representing a significant Y-o-Y increase of 267%.

Hongkong Land’s mixed-use development, Exchange Square, due to top out by Q2, with overall completion set for Q4 2016.

Average sales and rental prices broadly appreciated over Q1, with the exception of shopping mall rents, due to challenges faced by ageing retail stock in the context of upcoming supply.

Sorya Shopping Center, one of Phnom Penh’s first purpose built shopping malls, announces renovation and rebrand as ‘Sorya Center Point’.

4,158 condominium units, across 8 buildings, announced over Q1.

**OVERVIEW**

The Phnom Penh property market witnessed a significant increase in developer activity over the first quarter, with a total of US\$1.65bn invested in construction, compared to US\$448m in Q1 2015, representing a notable Y-o-Y increase of 267%.

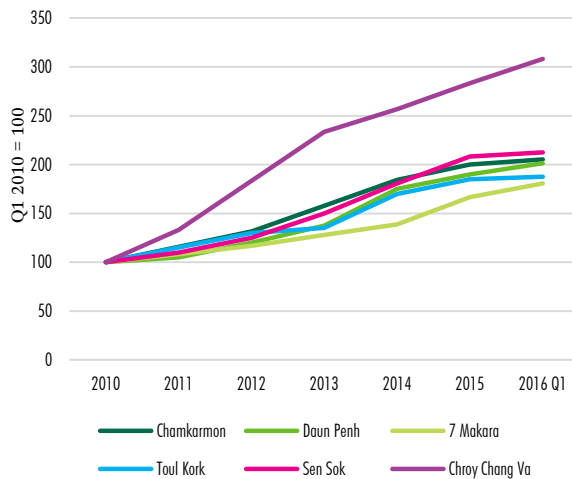
Land prices across principal districts, while expected to stagnate towards the end of 2016, appreciated by an average of 4.8% over the first quarter, with prices in Chroy Chang Va and 7 Makara districts rising by 8.8% and 8.3% Q-o-Q, respectively.

A total of 4,158 condominium units, across 8 projects, were announced during Q1. This compares to 2,573 units, across 7 projects, in Q1 2015, representing a Y-o-Y increase of 61.6%. Average condominium sales prices, across all grades, appreciated by 4.1% Q-o-Q, with off-plan high-end prices rising by 5.7% over the first quarter.

Limited new supply came on-stream over Q1, with 3 office buildings collectively adding 17,260 sqm of leasable space to modern Phnom Penh stock. Overall occupancy dipped marginally by 1.5 PP Q-o-Q, with Grade B and C office rents rising by 1.3% and 2.6% Q-o-Q, respectively.

While no new retail supply was delivered over the first quarter, Sorya Shopping Center, one of Phnom Penh’s first purpose built shopping malls, announced renovation works, with the mall due to relaunch as ‘Sorya Center Point’. Parkson Phnom Penh City Center, currently under construction, is now scheduled to launch in Q4 2016.

Figure 1: Phnom Penh Land Price Index (2010-Q1 2016)



Source: CBRE Research, Q1 2016

**INTERNATIONAL DEVELOPERS DRIVING PHNOM PENH CONDOMINIUM SUPPLY**

Future Phnom Penh condominium supply is set to be principally driven by the arrival of international developers, with units delivered by companies from Taiwan and China (including Hong Kong) forecast to account for approximately 28.5% and 18.5% of total stock by the end of 2018, respectively.

The majority of planned condominium projects fall into either the ‘mid-range’ or ‘high-end’ categories, due to account for 44% and 36% of overall supply by the end of 2018, respectively.

**UPLIFT IN FIRST QUARTER SALES PRICES ACROSS ALL GRADES**

Average sales prices continued to rise over the course of Q1, with ‘high-end’ condominiums seeing the greatest appreciation, demonstrating growth of 5.7% Q-o-Q.

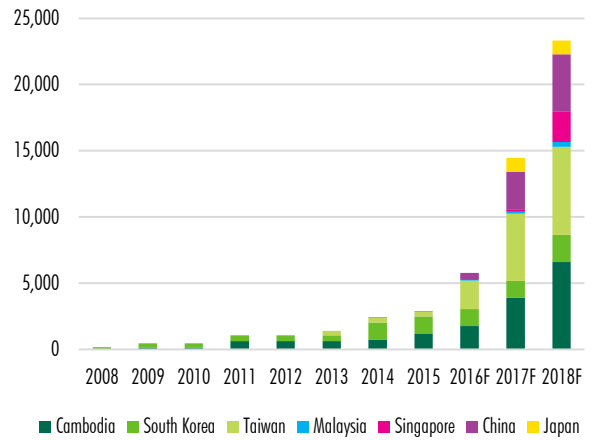
The average price of ‘mid-range’ condominiums, both in terms of existing stock and off-plan sales, rose by 2.6%, with sales prices of affordable stock returning to growth, appreciating by 3.8% Q-o-Q, following a fall of 1.4% over the previous quarter.

**NOTABLE RISE IN PROJECT LAUNCHES IN BOTH PRIME AND SECONDARY DISTRICTS**

While the traditionally prime residential area of Chamkarmon saw the greatest volume of condominium units launched for sale off-plan, with a total of 2,900 units accounting for a 70% share, secondary locations, such as Chroy Chang Va and Mean Chey, accounted for 4.9% and 9.6% of total units announced, respectively, over Q1.

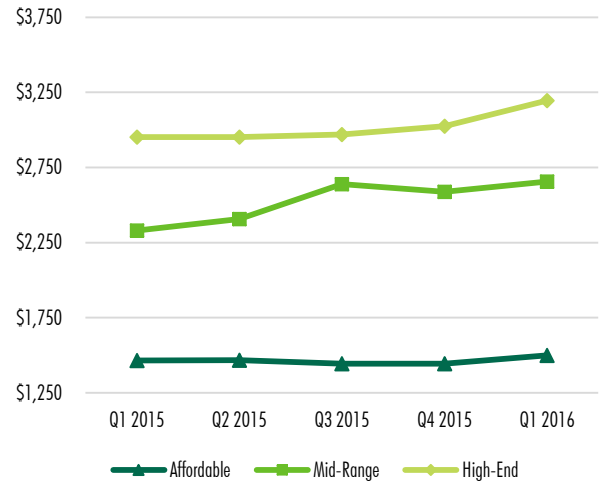
Further significant condominium and mixed-use schemes are due to launch, across predominately secondary locations, over the course of 2016 and 2017.

Figure 2: Phnom Penh Condominium Supply by Origin of Developer (2008-2018F)



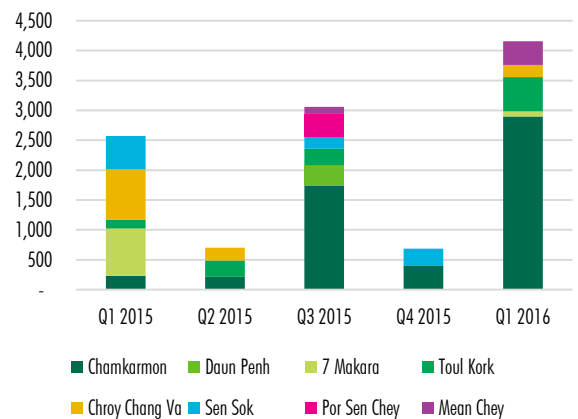
Source: CBRE Research, Q1 2016

Figure 3: Average Price Per Sqm of Phnom Penh Condominiums (Q1 2015-Q1 2016)



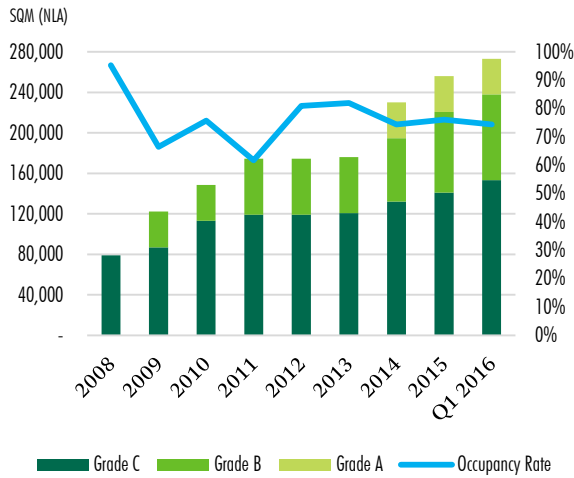
Source: CBRE Research, Q1 2016

Figure 4: Number of Off-plan Condominium Units Announced by District (Q1 2015-Q1 2016)



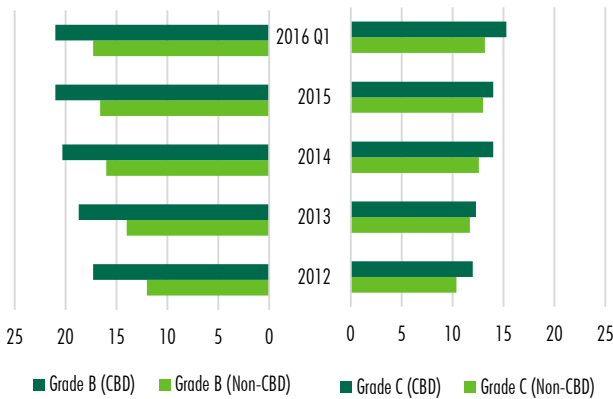
Source: CBRE Research, Q1 2016

**Figure 5: Phnom Penh Office Supply by Grade (2008-Q1 2016)**



Source: CBRE Research, Q1 2016

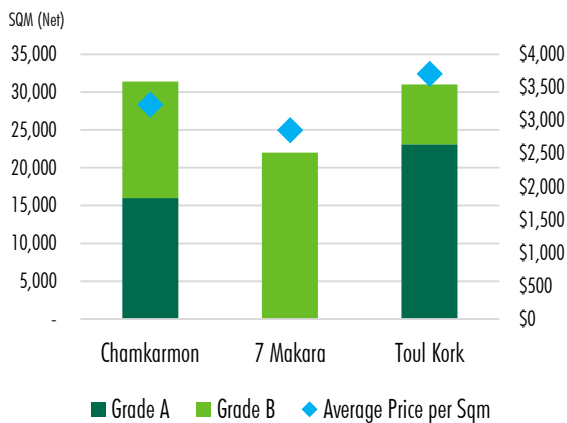
**Figure 6: Average Quoting Rental Rates (USD/SQM/Month)**



\*Exclusive of service charge

Source: CBRE Research, Q1 2016

**Figure 7: Strata-title Supply/ Average Price by District (Q1 2016)**



Source: CBRE Research, Q1 2016

**OCCUPANCY FALLS MARGINALLY IN CONTEXT OF RECENTLY DELIVERED STOCK**

The overall occupancy rate for office space stands at 74.4%, representing a fall of 1.5 PP Q-o-Q. A total of 17,260 sqm, predominately Grade C, leasable space was delivered over Q1, accounting for the slight drop in overall occupancy levels in a context of expanding demand from both domestic and international occupiers.

As of Q1 2016, over half of modern stock would be considered Grade C quality by regional levels, accounting for 56% of total leasable space.

**QUALITY PHNOM PENH OFFICE SPACE SEEING SUSTAINED RENTAL RATE GROWTH**

Average rents, across both CBD and non-CBD locations, appreciated over the first quarter, with Grade B and C rents rising by 1.3% and 2.6% Q-o-Q, respectively.

Quoted rents for Grade A space remained stable at approximately US\$28 per sqm, exclusive of service charge.

**STRATA-TITLE PROJECTS DRIVING OFFICE SUPPLY PIPELINE**

A total of 5 office projects, available for sale through long leasehold or strata-title tenure, are under construction as of Q1. All launched their off-plan sales over the course of 2015 and are set to collectively deliver approximately 84,000 sqm of net space by 2019.

Average prices, across all projects, stand at US\$3,475 per sqm, with Grade A and B space accounting for a 46% and 64% share of future supply, respectively.

**FLAGSHIP RETAIL SCHEMES SET TO COMPLETE OVER COMING 12 MONTHS**

Retail supply in the capital is set to rise significantly by the end of 2018, driven by a combination of new international shopping complexes and significant retail components within predominately residential and mixed-used schemes.

Parkson Phnom Penh City Center, comprising 57,000 sqm of leasable space, is now scheduled to launch in Q4 2016, with Hongkong Land's Exchange Square on-track to deliver 8,000 sqm of leasable retail space in Q1 2017.

**AGEING RETAIL STOCK CHALLENGED IN CONTEXT OF UPCOMING SUPPLY**

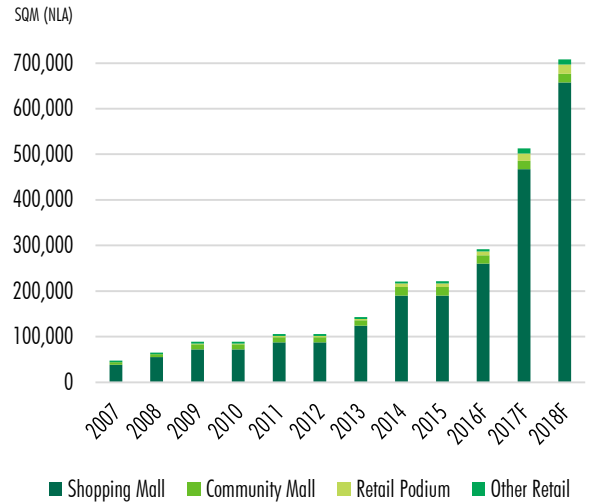
Rents remained broadly stable over the course of Q1, with the exception of rents across purpose built retail malls, which declined marginally by 1.6% over the course of the first quarter. This trend will likely continue as retailers review their requirements in the context of upcoming developments due to be delivered over the course of the coming 12 months.

**INTERNATIONAL BRANDS EYE PRIME RETAIL LOCATIONS**

Financial and Professional Services uses, occupying 33.2% of prime high-street and 9.2% of prime mall space, continues to dominate prime retail locations, in addition to Food and Beverage uses, accounting for 25% of retail mall and 14.2% high-street retail space, respectively.

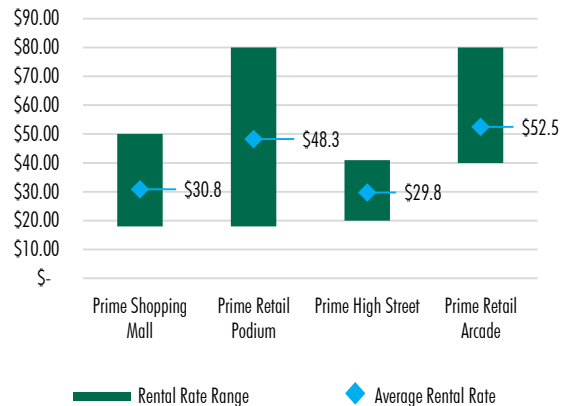
2016 is set to welcome a wave of new international brands, with active requirements for both prime shopping mall and high-street locations driven principally by Food and Beverage/ Fashion and Accessories retailers.

Figure 8: Retail Supply by Type (2007-2018F)



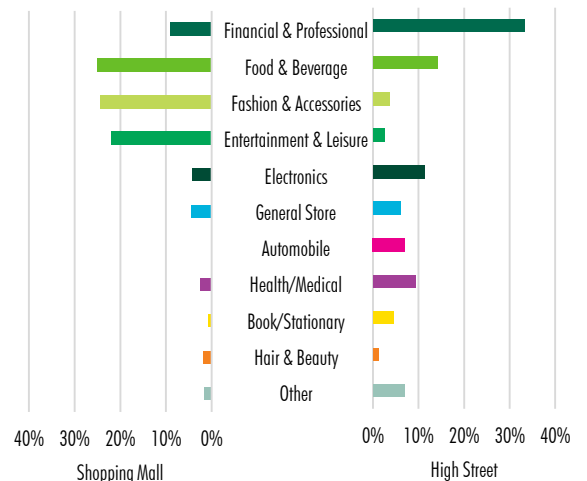
Source: CBRE Research, Q1 2016

Figure 9: Quoting Rental Rates by Type (Q1 2016)



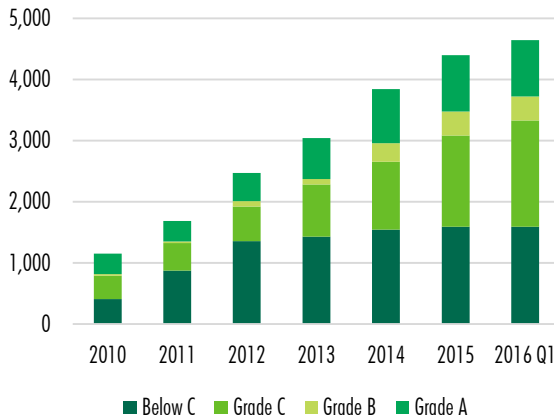
Source: CBRE Research, Q1 2015

Figure 10: Prime Retail Uses (Q1 2016)



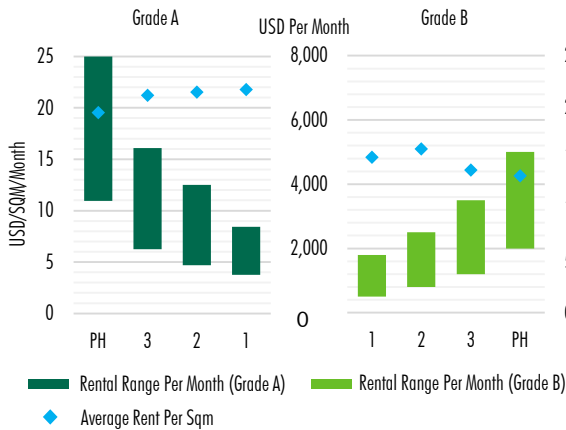
Source: CBRE Research, Q1 2016

**Figure 11: Serviced Apartment Supply by Grade (2010-Q1 2016)**



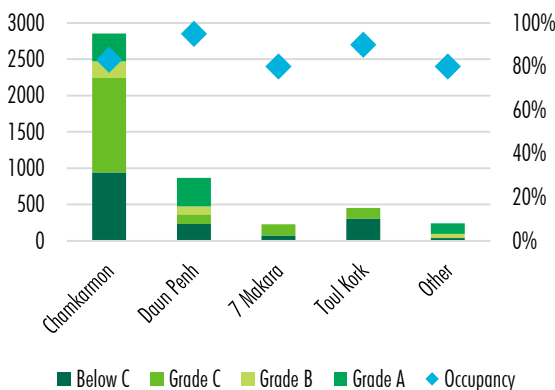
Source: CBRE Research, Q1 2016

**Figure 12: Rental Rate Range by Bedrooms, Type / Grade (USD/Month Q1 2016)**



Source: CBRE Research, Q1 2016

**Figure 13: Supply and Occupancy by District (Q1 2016)**



Source: CBRE Research, Q1 2016

**GRADE C SERVICED APARTMENTS DRIVING NEW SUPPLY**

Serviced apartment supply increased by 5.6% over Q1, with an additional 246 Grade C serviced apartments bringing total stock to 4,645 units.

The majority of serviced apartment stock is currently considered to be of Grade C or below standard, collectively accounting for 71.6% of all units, with Grade A and B quality apartments accounting for 19.9% and 8.5% of total units, respectively.

**PRIME SERVICED APARTMENT RENTS HOLD STABLE OVER FIRST QUARTER**

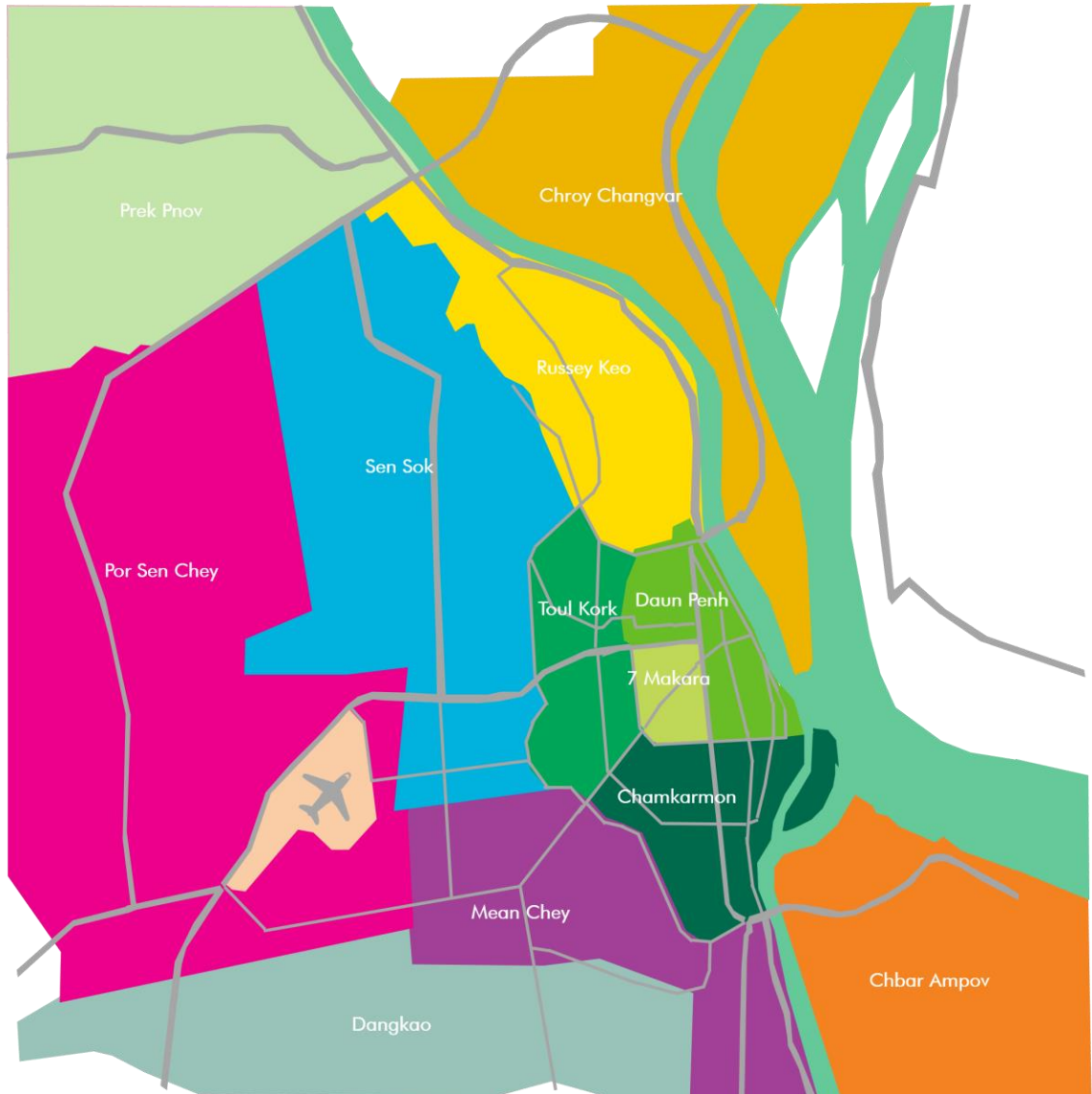
Rental rates across prime Phnom Penh serviced apartment stock range from US\$500 Per Calendar Month (PCM), for a one-bedroom Grade B apartment, through to US\$8,000 PCM for a flagship penthouse unit, as of Q1 2016, with no significant change noted from the previous quarter.

Average rates per square meter range from US\$13.30, based on Grade B penthouse units, through to US\$21.80, based on Grade A one-bedroom units.

**SERVICED APARTMENT STOCK LOCATED IN PRIME RESIDENTIAL DISTRICTS**

The overall occupancy rate of serviced apartments stands at 85.6%, as of Q1, across all grades and districts.

The majority of Phnom Penh's existing serviced apartment stock is located in the capital's key districts of Chamkarmon and Daun Penh, collectively comprising 61.4% and 18.7% of total supply, respectively



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