

Phnom Penh, Q1 2019

Affordable Condominium Launches On The Rise

▲ Average High-end Condominium Price
\$ 3,272/SQM

▲ Prime Condominium Rent
\$ 14.2/SQM

▶ Prime Office Rent
\$ 25.6/SQM

▼ Prime Retail Mall Rent
\$ 36.8/SQM

*Arrows indicate change from the previous quarter.

HIGHLIGHTS

Three condominium projects were completed in Q1 2019 totalling 1,091 units, increasing total supply across the sector by 7.69%. A further 1,169 units were launched over 5 projects, of which 76.2% are positioned within the affordable segment. Prices and rents were broadly stable over the quarter.

The completion of *Elysee Tower* increased centrally-owned office stock by 2.7%. Strata-title supply also saw further stock increases after the completion of *Diamond Twin Tower*. Average Grade B rents within the CBD saw a slight upward adjustment over the quarter to circa US\$ 24.5/sqm/month.

The retail sector saw no new stock enter the market over the quarter. Vacancy rates saw a nominal upward correction, yet remain below 10% across the sector.

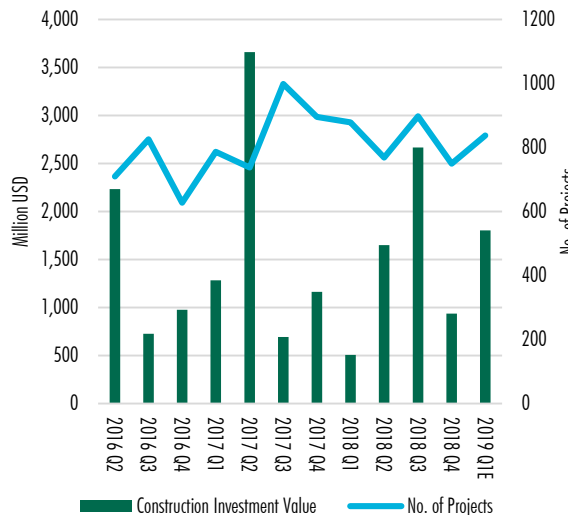
OVERVIEW

According to figures from the Ministry of Land Management, Urban Planning and Construction, Cambodia's construction sector witnessed a noteworthy increase in both approved investment value and volume of approved projects in Q1 2019.

Between January and February, total approved investment flow into construction is reported to have reached \$1.36 billion. In Q1 2019, accumulated investment into the sector is estimated to have reached \$1.8 billion, a q-o-q increase of 93%.

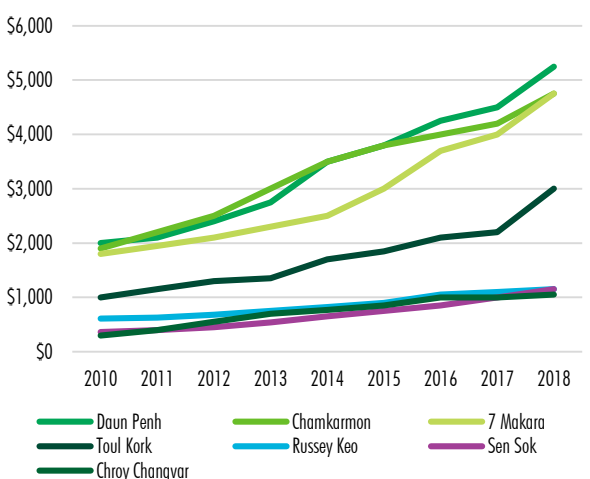
Land prices across many districts in Phnom Penh appreciated over 2018. Toul Kork saw the largest appreciation in average indicative land price, increasing from circa US\$ 2,200/sqm in 2017 to US\$ 3,000/sqm in 2018. Price appreciation has continued over the first quarter.

Figure 1: Approved Investment into Construction, Value and Number of Projects (Q2 2016 – Q1 2019E)



Source: Ministry of Land Management, Urban Planning and Construction

Figure 2: Phnom Penh Land Value USD/SQM (2010 – 2018)*



*Indicative price of land plots between 2,000 sqm and 3ha.

Source: CBRE Research, Q1 2019

SUPPLY

Three condominium projects were completed in the first quarter of 2019 consisting of circa 1,091 units, an increase in total supply of 7.69% q-o-q. The mid-range segment accounted for approximately 89.3% of completed supply in Q1, including *Urban Loft* and *The Skyline* containing 182 units and 792 units, respectively. High-end completed stock over the quarter comprise 117 units within *Embassy Central* located in Chamkarmon District, uplifting high-end total supply by circa 3.8%.

The condominium sector witnessed 5 new project launches over the quarter, four of which were positioned within the affordable segment, increasing affordable pipeline stock by 1,169 units. The affordable segment again saw the largest condominium project to be launched in Q1, *Phnom Penh Star*, which contributed 448 units to the pipeline.

Approximately 51.2% of launches across the quarter were located in Sen Sok District, including the first tower of *Romduol City*, *The Seven Residence* and *Thmor Madom Condominium* which together totalled 974 units. The remaining newly launched stock is located more centrally in 7 Makara and Chamkarmon Districts.

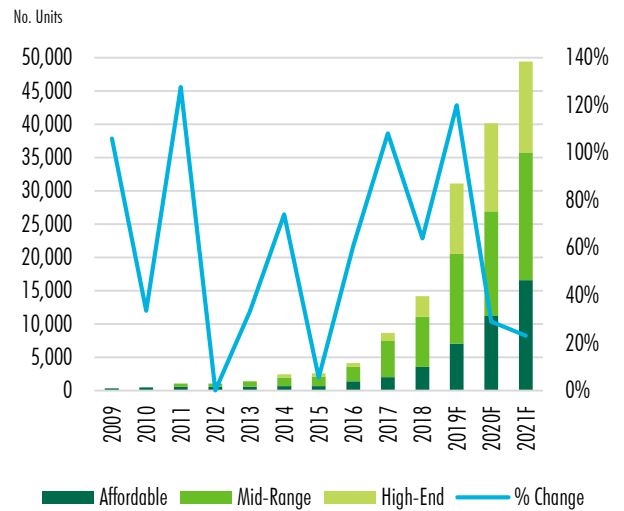
SALES PRICES

The condominium sector saw little change in sales prices over the first quarter. Both high-end and affordable stock saw a slight upward adjustment in average asking price of circa 0.4% and 0.5%, respectively. As projected, the mid-range sector saw a minor downward correction in average asking prices, from approximately US\$ 2,562/sqm to US\$ 2,559/sqm in Q1.

CONDOMINIUM RENTS

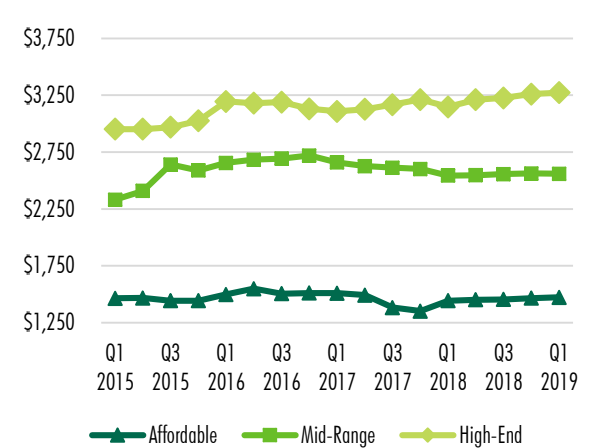
Despite a 7.69% increase in completed stock across the sector over the first quarter, rental rates within the high-end and mid-range segments remained steady. Rental rates within the high-end segment witnessed a marginal increase of less than 1%, finishing Q1 slightly above US\$ 14.2/sqm/month, with no change seen within the mid-range segment.

Figure 3: Phnom Penh Condominium Supply by Grade (2009-2021F)



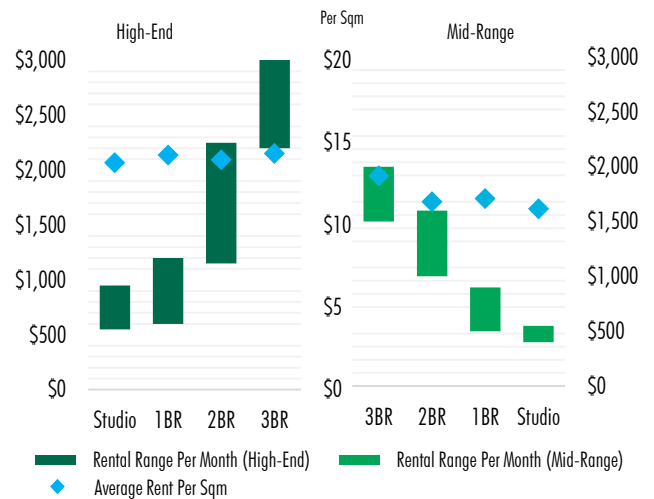
Source: CBRE Research, Q1 2019

Figure 4: Average Price Per Sqm of Phnom Penh Condominiums (Q1 2015 – Q1 2019)



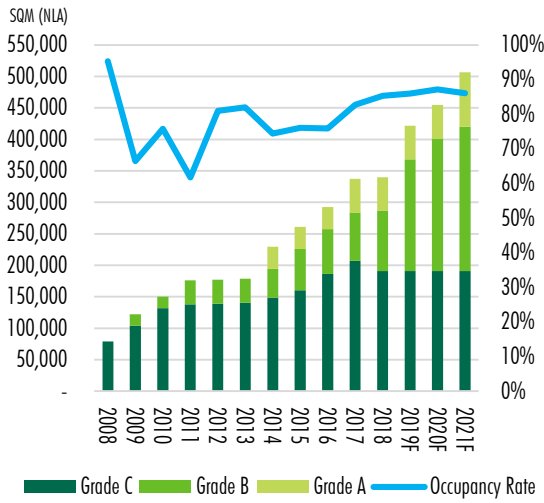
Source: CBRE Research, Q1 2019

Figure 5: Monthly Rents and Average Per Sqm Rents Per Month of Phnom Penh Condominiums (High-End & Mid-Range) (USD)



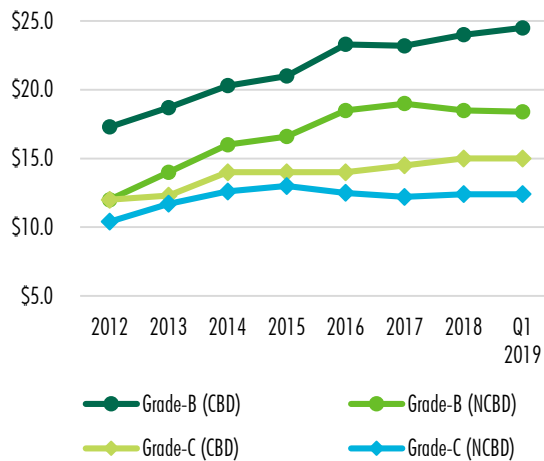
Source: CBRE Research, Q1 2019

Figure 6: Phnom Penh Centrally Owned Office Supply by Grade (2008 – 2021F)



Source: CBRE Research, Q1 2019

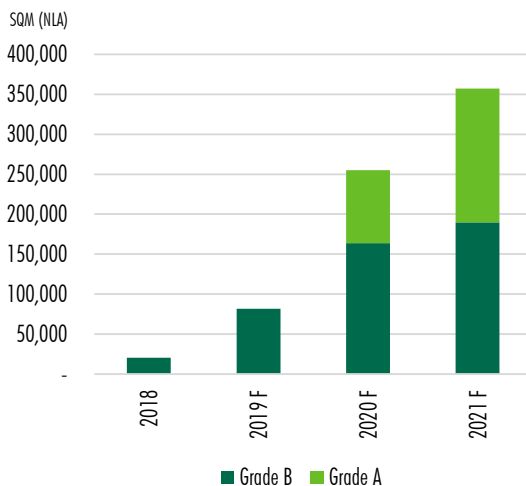
Figure 7: Average Quoted Phnom Penh Office Rental Rates (USD/SQM/Month) (2012 – Q1 2019)



*Exclusive of service charge

Source: CBRE Research, Q1 2019

Figure 8: Strata-Title Office Supply (2018 – 2021F)



Source: CBRE Research, Q1 2019

SUPPLY

Q1 2019 saw the completion of approximately 9,180 sqm of centrally-owned office space, a slight increase in centrally-owned stock of 2.7% q-o-q. The new addition of *Elysee Tower* boosted Grade B supply by over 9.5% over the first quarter. Q1 2019 also witnessed the launch of *Maritime Tower*, which broke ground in January this year.

Occupancy rates within the office sector saw a marginal upward correction in Q1 from circa 85.36% to 85.96%, a q-o-q increase of 0.6%.

RENTS

Rental rates across the office sector remained relatively unchanged over the first quarter. Grade B rents within the CBD increased by approximately US\$ 0.5/sqm/month due to the upward adjustment of rental rates within existing stock. Grade B stock outside of the CBD saw a minor downward correction due to the addition of *Elysee Tower* to centrally-owned supply. Grade A and Grade C rental rates saw little change over the quarter.

STRATA-TITLE SUPPLY

Strata-title supply also increased in Q1 2019 due to the completion of *Diamond Twin Tower* located in Chamkarmon District, adding approximately 19,812 sqm to total stock. Despite *Diamond Twin Tower* boosting strata-title supply by approximately 45.3% q-o-q, the delayed completion of *Star City* decreased the total stock anticipated in Q1 by 20,232 sqm. This delay in delivery of forecast strata-title stock has again continued the trend of postponed completions witnessed throughout 2018, principally attributed to slower than expected construction progress.

Q1 2019 saw the launch of *Chief Tower*, a 12,250 sqm Grade B strata-title project which broke ground in March this year.

SUPPLY

The first quarter of 2019 saw no new entrants to retail supply, with two anticipated project completions postponed. The delayed delivery of circa 19,965 sqm reduced anticipated total retail supply in Q1 by approximately 7.1%, and is now forecast to be delivered to the market in mid-2019. The retail sector also witnessed the launch of circa 1,870 sqm of net leasable area over the quarter, within *Chief Tower* in Chamkarmon District.

The retail sector saw a notable increase in new local and international brands entering the market over 2018 with 65 new occupiers, up from 29 in 2017, a y-o-y growth of 124%.

RENTS

The retail sector saw a drop in average quoted rental rates for prime retail space over the quarter. Average shopping mall prime rental rates saw a downward adjustment of circa 3.9% to US\$ 29.4/sqm/month. Community malls saw a drop of approximately US\$ 1.7/sqm/month to circa US\$ 25.1/sqm/month.

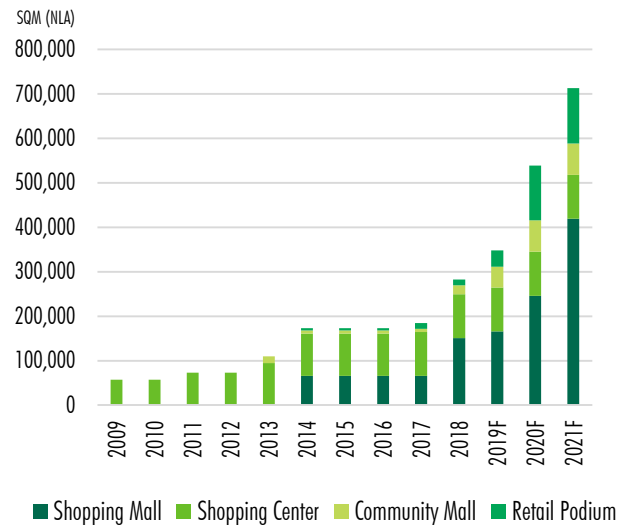
Prime average high street rental rates saw a marked downward adjustment to approximately US\$ 28.2/sqm/month projected to be a result of shifting occupier sentiment towards more modern retail formats such as retail podiums and shopping malls, as well as increased competition from forthcoming supply

VACANCY

Vacancy rates across the sector remained stable in Q1 2019, seeing a nominal upward correction of less than 1%. Retail vacancy rates have remained at a ten-year low since the completion of *AEON Mall Sen Sok City* in Q2 2018, with few new completions to ease occupier demand as a result of delays to project completions.

It is forecast that vacancy rates will witness an upward adjustment over the course of 2019 due to the anticipated delivery of approximately 65,573 sqm of retail stock before the end of the year.

Figure 9: Phnom Penh Retail Supply (2009 – 2021F)



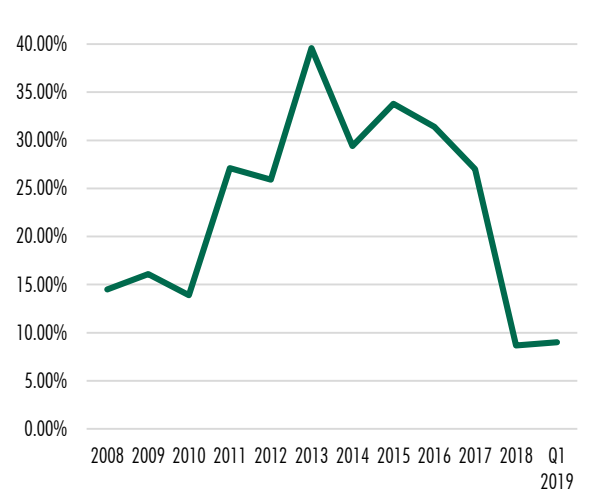
Source: CBRE Research, Q1 2019

Figure 10: Quoted Retail Rental Rates by Type (USD/SQM/Month)



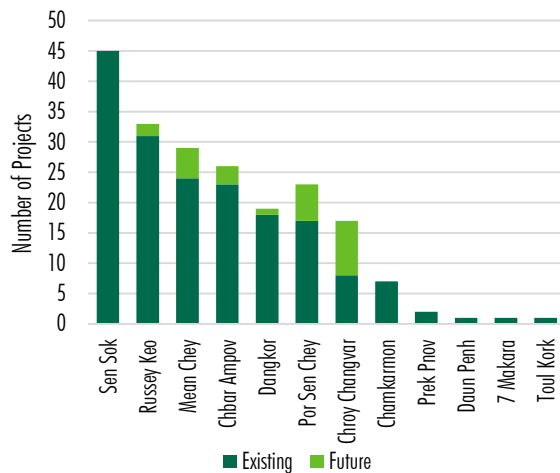
Source: CBRE Research, Q1 2019

Figure 11: Vacancy Rate of Phnom Penh Retail Supply (2008 – Q1 2019)



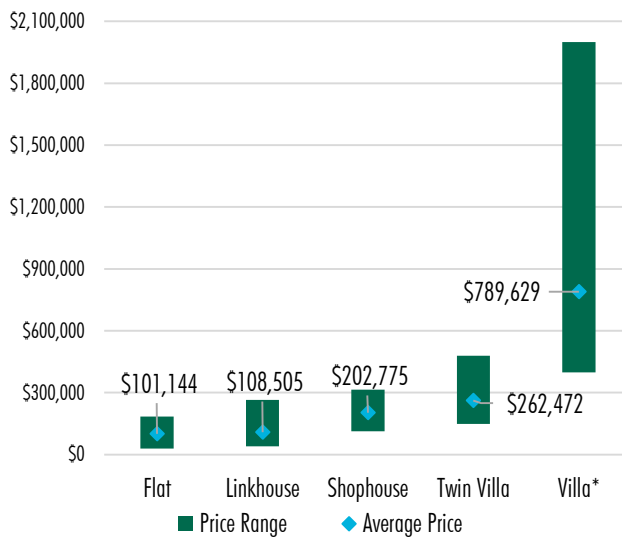
Source: CBRE Research, Q1 2019

Figure 12: Phnom Penh Landed Property Existing and Future Projects By District



Source: CBRE Research, Q1 2019

Figure 13: Quoted Landed Property Sales Rates by Unit Type (USD)



* Villa includes Single Villas, Prince Villas and Queen Villas.

Source: CBRE Research, Q1 2019

TRENDS IN LANDED PROPERTY MARKET

Certain large scale Borey developers provide mortgage loans to purchasers with interest rates of between 12% and 14.4% per annum.

Some international developers such as Oxley, have entered the luxury residential segment targeting mid to high-income families.

A number of Borey developers are showing an interest in the affordable segment, taking advantage of the demand for affordable housing from lower-middle income families with a monthly income of circa US\$500 or lower.

SUPPLY

Phnom Penh landed property is often referred to as ‘Borey’ development or ‘gated community’ development and has largely been driven by local developers over the course of the last decade.

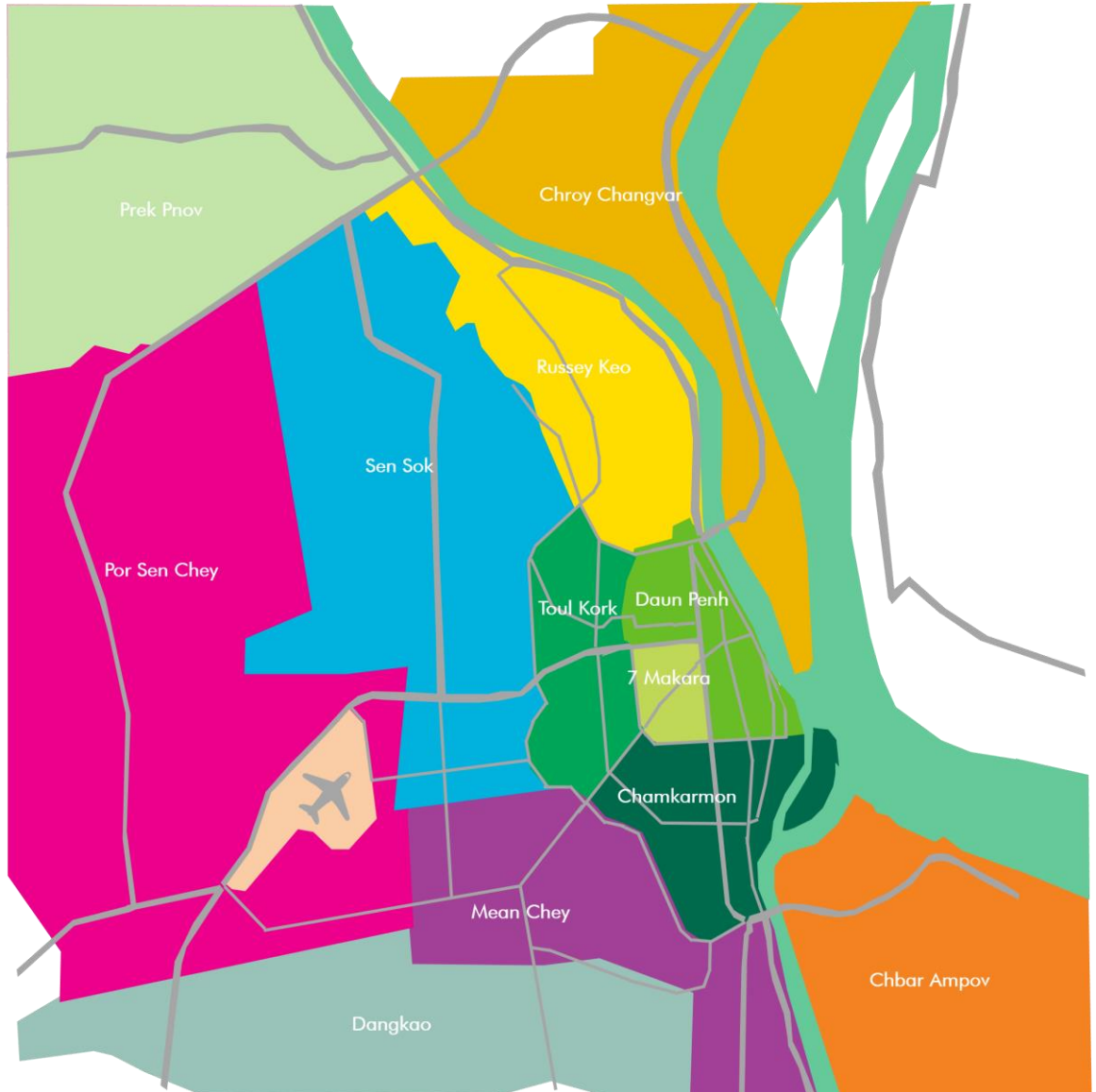
The vast majority of current Borey supply is dispersed throughout the suburban districts of Phnom Penh where generally larger plots of land are available at lower prices. The highest volume of existing landed property developments are located in Sen Sok District where currently 45 are situated, followed by Russey Keo, Mean Chey and Chbar Ampov districts which accommodate approximately 31, 24, and 23 projects, respectively.

A high concentration of upcoming landed property stock in the next three years is forecast to be developed in Chroy Changvar, Por Sen Chey and Mean Chey districts. Chroy Changvar District in particular is gaining popularity amongst developers of mid-range to high-end landed property. Key residential projects in the area are Borey Peng Huoth Group’s *The Star Jumeirah* and *The Star Munirah*, *Borey Mekong Royal* and *Borey Orkide Villa Botanic City*. In contrast, Pou Sen Chey District and Mean Chey District are in high demand amongst developers of affordable landed property projects.

SALES PRICES

The range in sale prices of gated communities within Phnom Penh vary substantially according to the specification of the property and its location. Less variety in sales prices are found in suburban areas where the purchasing power of the target market is markedly lower than that of inner-city regions.

Flat and Link houses, the most popular unit types in the landed property market, average a similar price per unit at circa US\$ 101,144 and US\$ 108,505, respectively. Shophouses are notably more expensive, with average asking prices standing at circa US\$ 202,775 per unit. Twin Villa and Villa vary considerably in average asking prices, at between US\$ 262,472 and US\$ 789,629 per unit, respectively.



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