

**H1 2017**

# **SIHANOUKVILLE MID-YEAR REVIEW**



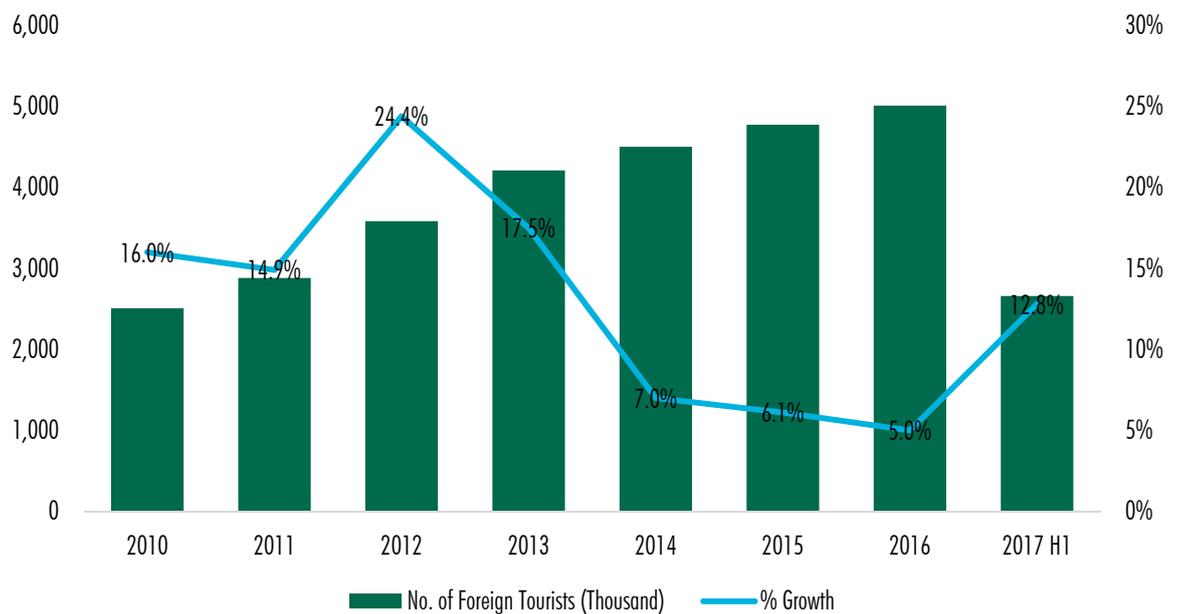
Sihanoukville, H1 2017

# Sihanoukville, Cambodia's New Coastal Investment Destination

▲ GDP Growth (2017f) 7.0%
▲ Inflation (H1'17) 3.5%
▲ No. of Tourist Arrivals (H1'17) 2.66 Million
▲ Growth Tourist Arrival (H1'17) 12.8% y-o-y

Figure 1: Foreign Tourist Arrivals to Cambodia (2010 – H1 2017)

\*Arrows indicate change from the previous year



Source: Ministry of Tourism (Cambodia)

**OVERVIEW**

Sihanoukville’s real estate market has witnessed a rapid rise in its fortunes, spearheaded by investment into manufacturing and real estate leveraging off improvements to infrastructure and growing numbers of tourist arrivals. In recent years, accumulated investment value into the Kingdom’s coastal city has reached US\$310 million.

A four-lane expressway connecting between Phnom Penh and Sihanoukville is due to commence by the end of this year, supported by a loan from the Chinese government. Sihanoukville sits in the path of China’s Maritime Silk Road initiative, part of One Belt, One Road.

Upon resumption of operations, Sihanoukville International Airport has grown to offer domestic flights across the Kingdom, particularly with the tourist hub of Siem Reap and has gradually increased connectivity with other Asian cities, especially in Mainland China. Air traffic has significantly increased during the last two years, with the airport welcoming circa 47,000 visitors in Q1 2017, an increase of 182% on Q1 2016.

Sihanoukville International Airport has been undergoing renovation, whilst the construction of a new terminal promises to increase capacity to 500,000 passengers per year. The expansion plan is on track to complete by the end of 2017.

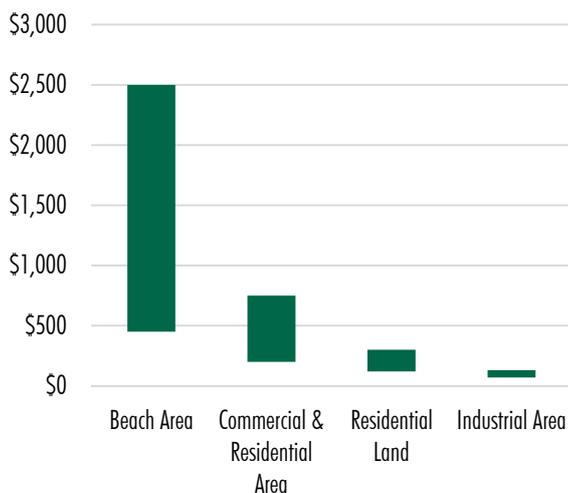
**LAND PRICES**

Land prices within Sihanoukville have rapidly appreciated during the past 12 months, driven by rising investment into the coastal city’s hospitality and resort sector, as well as residential-led projects and manufacturing industries, particularly focused on the city’s special economic zones (SEZs). It is worth noting that speculation has been a considerable influencer of land prices in Sihanoukville during the past 12 months, fueled by a positive outlook for the city’s future prospects as a driver of Cambodia’s growth.

According to a CBRE survey undertaken during H1 2017, land within the vicinity of the beach was offered to the market at between US\$450 and US\$2,500 per square meter. The highest quoting prices were found close to Ochheuteal Beach, where land prices have been almost doubled from the corresponding period in 2016. Meanwhile, the lowest prices for land were found within the Otrass Beach area.

For land in the city’s downtown area, prices ranged between US\$200 and US\$750 per square meter. Residential land within the town was quoted between US\$120 and US\$300 per square meter.

Figure 2: Indicative Land Prices in Sihanoukville Town H1 2017 (USD/Sqm)



Source: CBRE Research, H1 2017

**INDUSTRIAL MARKET**

Benefiting from direct access to Cambodia’s only deep-sea port and encouraged by the industrial policies of the Royal Government of Cambodia’s in addition to China initiated One Belt One Road project, Sihanoukville is home to a number of SEZs and the Kingdom’s largest industrial zone, Sihanoukville Special Economic Zone (SSEZ). One year after announcing its 100<sup>th</sup> investor in Q2 2016, SSEZ has reported welcoming an additional 30 investors into the zone, recording a total of 130 investors by Q2 2017, with Chinese businesses occupying the majority of units within the zone.

CBRE Cambodia have not witnessed any significant changes in rental prices for industrial units in the city during the past 18 months. For an industrial unit within a SEZ and of minimal specifications, rents range between \$1.8 and \$2.1 per square meter per month and between \$1.5 and \$1.8 per square meter per month outside the zone.

CBRE anticipate that industrial rental rate is likely to be stable over the next 12 months.

As of H1 2017, CBRE estimate that average industrial rental yields within SEZs stand at approximately 15%.

Figure 3: Industrial Rental Range H1 2017 (USD/Sqm/Month)\*



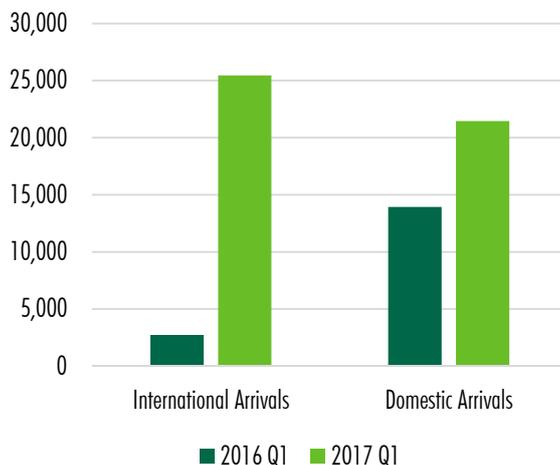
\* Excludes monthly maintenance fee

Source: CBRE Research, H1 2017

**HOTEL AND RESORT MARKET**

Traditionally, Sihanoukville is popular amongst domestic tourists, as such the city’s hotel market focuses on low-end guest houses and 3-star or below hotel accommodation. As connectivity to the coastal region has improved, especially with international destinations across Asia, with tourists drawn to the area’s beautiful coastline and many island attractions, Sihanoukville has witnessed a rapid increase in the number of foreign tourist arrivals especially from China, closely followed by Vietnam, Russia and developed western nations. The airport welcomed a total of 47,000 visitors in Q1 2017, representing an increase of 182% compared to the corresponding period last year. The instigation of direct flights into Sihanoukville Airport has opened the gateway to the city’s soundly established casino market; to date there are 19 registered casinos in Sihanoukville

Figure 4: Tourist Arrivals by the Sihanoukville International Airport (2016 Q1 vs. 2017 Q1)



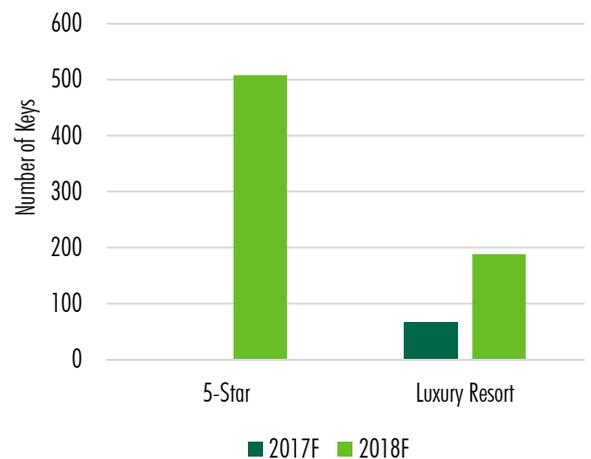
Source: Cambodia Airports, H1 2017

As a result, the increasing demand has led to a rising supply pipeline for both residential and hospitality developments involving a wide range of both local and international investors. Increasing development has garnered the city’s real estate sector more international media attention, further perpetuating the demand for development sites and increasing the supply pipeline.

Following the success of SongSaa Private Island Resort, which remains the most luxurious resort in Sihanouk Province, CBRE have witnessed increasing activity levels from internationally branded resort operators in hospitality and resort developments on Sihanoukville’s islands including but not limited to Koh Russey (Bamboo Island) where Alila are shortly due to complete a mixed villa and hotel project. Six Senses are set to launch a resort on Koh Krabey by 2018, whilst on Koh Rong, Royal Group’s Royal Sands is slated to open during October 2017.

In addition to developments on islands, a number of 5-Star hotels are planned or under construction within Sihanoukville city itself. Xihu International Hotel is scheduled to launch a 508-key 5-Star hotel by late 2017 or 2018. Both Intercontinental and Marriot are understood to be planning an entry into the Sihanoukville’s hospitality market.

Figure 5: Future Supply (Luxury Segment)



Source: CBRE Research, H1 2017

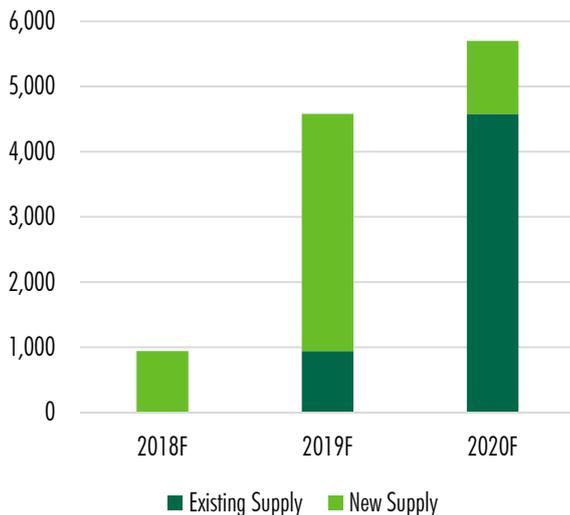
The first six months of 2017 saw hotel occupancy within Sihanoukville, particularly within the luxurious segment, improve from the levels witnessed in 2015 and 2016, as a result of increased tourists arrivals. High occupancy is most typically found, at the hotels in the proximity to Ochheateal beach and during public holidays or weekends due to the importance of domestic tourists.

**CONDOMINIUM MARKET**

Compared to Phnom Penh, the Sihanoukville condominium market is still in its infancy. The first high-rise condominium project was launched on Independence Beach in 2015. During H1 2017, two residential-led projects comprising a total of 1,324 condominium units were announced and both are set to commence construction before the end of 2017.

By the close of H1 2017, a total of 5,700 units within 6 residential-led projects have been announced in the market or are under construction across the town. The Sihanoukville skyline is set to evolve dramatically during the next three years as the supply pipeline of the condominiums begin to deliver new stock. The first projects are set to complete in 2018, when two developments will deliver a total of 941 units to the market.

Figure 6: Sihanoukville Condominium Supply (2018F – 2020F)



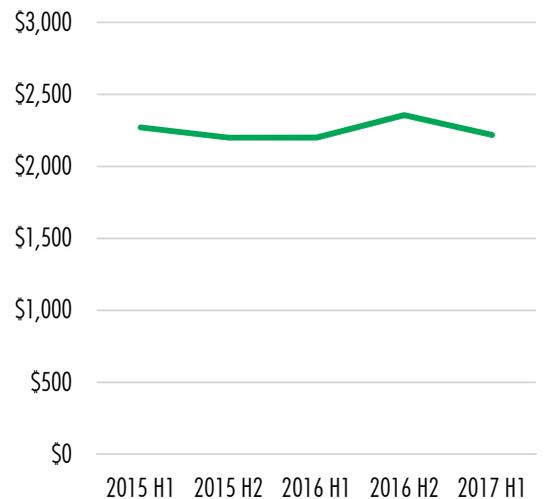
Source: CBRE Research, H1 2017

Similar to the Phnom Penh condominium market, demand within the Sihanoukville condominium sector is predominately driven by foreign investors, particularly from China, Singapore and Taiwan, who seek the opportunity that obtains higher rental yields than are offered in their home countries, alongside capital appreciation and low barriers to entry. The Sihanoukville market has emerged as an alternative condominium hub to the Phnom Penh market. In addition to foreign buyers, expats from Sihanoukville and residents of Phnom Penh make up a relatively small portion of the wider buyer profile for Sihanoukville condominiums.

Sale prices for condominium units were broadly stable during H1 2017 across previously launched projects. CBRE note that recently announced projects have targeted a lower sales price to attract sales.

Average quoting prices across all condominium projects dropped by 6% in H1 2017, compared to H2 2016, yet receding to the same level as seen during corresponding period in 2016.

Figure 7: Condominium Sales Prices (USD/sqm)



Source: CBRE Research, H1 2017

**QUARTERLY REPORT – PHNOM PENH**



CBRE Cambodia issue quarterly market reports concerning Phnom Penh’s residential and commercial markets.

The quarterly market report covers a brief over of each market sector, including supply and demand, occupancy, pricing and rental trends, as well as other indicators.

A copy of the market report can be downloaded via: [www.cbre.com.kh](http://www.cbre.com.kh)

If you wish to receive our market report on quarterly basis, please contact [cambodia@cbre.com](mailto:cambodia@cbre.com)



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