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MARKETVIEW

Phnom Penh, Q2 2019

Rainy Season Brings Flood of Affordable Condominium Launches

Average High-end Condominium Price	Prime Condominium Rent	Prime Office Rent	Prime Retail Mall Rent
$ 3,254/SQM	$ 14.61/SQM	$ 25.6/SQM	$ 35.8/SQM

*Arrows indicate change from the previous quarter.

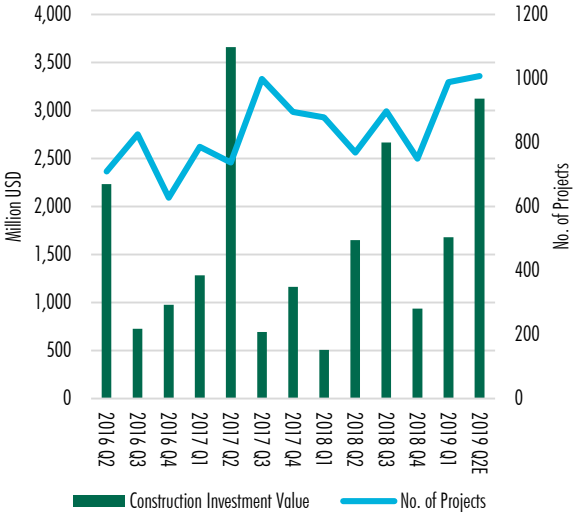
HIGHLIGHTS

The condominium sector saw a significant influx of new launches, comprising 5,853 units in total, 55.5% of which were positioned in the affordable sector. In addition, the market witnessed 5 condominium project completions totalling 1,393 units, a q-o-q increase of 27.7%.

The completion of *Star City* consisting of 20,323 sqm of net leasable area boosted strata-title office supply by circa 51%. The centrally-owned market saw no new completions in Q2 2019. The sector maintained a high occupancy rate of approximately 86.5%, a q-o-q uplift of 0.5%.

Two project completions within the retail sector increased total stock by approximately 7%, adding 4,881 sqm and 15,084 sqm to community mall and shopping mall stock, respectively.

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



Source: Ministry of Land Management, Urban Planning and Construction

OVERVIEW

According to figures from the Ministry of Land Management, Urban Planning and Construction, Cambodia's construction sector witnessed a substantial increase in approved investment value in the second quarter of the year, with an anticipated rise of approximately 86.2% to over US$ 3.1 billion.

It is projected that H1 2019 outperformed the first half of 2018 with regard to approved investment into construction. H1 2018 reached a total investment value of circa US$ 2.2 billion in contrast to approximately US$ 4.8 billion anticipated to have been invested in H1 2019, a 118% increase.

In addition to the substantial value of approved investment estimated over Q2, the number of projects to be approved is also anticipated to have risen over the quarter from circa 989 in Q1 to approximately 1,008 in Q2, a slight upward adjustment of circa 1.9%. Furthermore, when compared to Q2 2018, it is forecast that the number of approved projects was substantially higher in the same quarter this year, increasing by circa 240, an uplift of 31.6%.

The number of tracked projects currently under construction is estimated to total 221 across eight districts. As of Q2 2019, Chamkarmon District has the highest volume of projects under construction, of which approximately half are within the residential sector.

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SUPPLY

The condominium sector witnessed eight project launches in Q2 2019, comprising circa 5,853 units in total, a q-o-q uplift of approximately 281.5%. Similarly to Q1 2019, the majority of condominium launches were positioned in the affordable sector, a shift in trend from the mostly mid to high-end positioned launches seen throughout 2018. It is estimated that 3,252 of the total units launched in the second quarter were within the affordable range, amounting to circa 56% of the newly launched stock. Over half of the affordable supply launched in Q2 is located in de-centralized regions of Phnom Penh, including Sen Sok, Chroy Changvar and Mean Chey districts, which when combined accounted for circa 57.4% of total launched supply in Q2.

In addition to the high volume of launched units, Q2 2019 saw five project completions, comprising circa 1,393 units. Similarly to the first quarter of 2019, condominium project completions were dominated by high-end developments, which contributed approximately 72% to total completed stock in Q2.

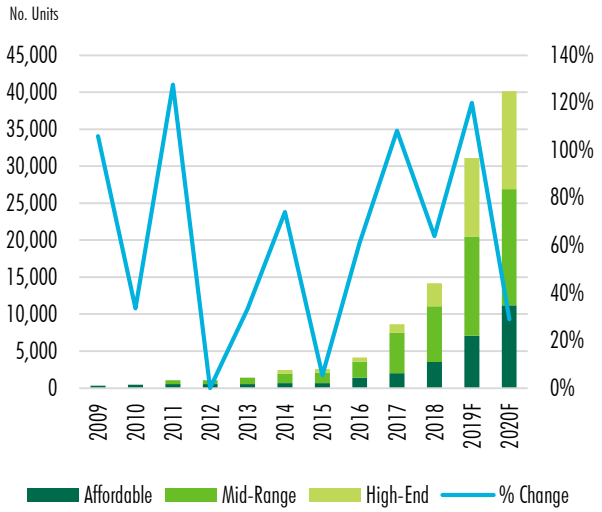
SALES PRICES

The condominium sector saw a nominal change in average prices within the mid-range and high-end sectors, showing a shift of less than 1% in both segments. As of Q2 2019, high-end and mid-range prices averaged US$ 3,254/sqm and US$ 2,568/sqm, respectively. The affordable market sector witnessed an upward adjustment of circa 1.9% q-o-q, increasing the average asking price to approximately US$ 1,501/sqm.

CONDOMINIUM RENTS

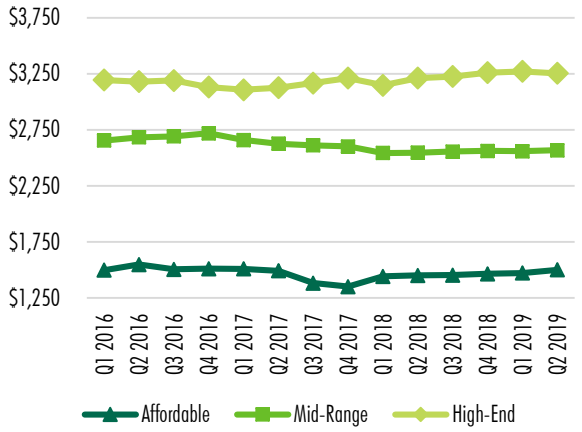
In spite of the 9.1% increase in completed condominium stock continuing the trend of rapid supply increase across the sector, condominium rents have seen another slight upward correction over the quarter. The mid-range sector saw a 4.3% increase in sector wide rental rates, pushing the average rate to US$ 12.0/sqm/month. In addition, the high-end segment rose by just under 3%, bringing the average rental rate to US 14.6/sqm/month.

Figure 2: Phnom Penh Condominium Supply by Grade (2009-2020F)



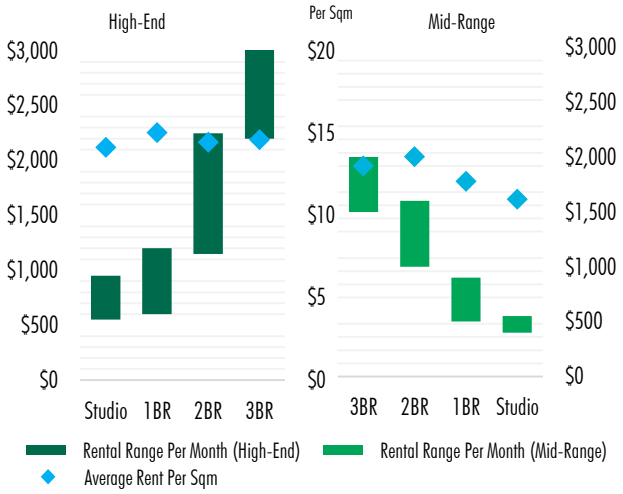
Source: CBRE Research, Q2 2019

Figure 3: Average Price Per Sqm of Phnom Penh Condominiums (Q1 2016 – Q2 2019)



Source: CBRE Research, Q2 2019

Figure 4: Monthly Rents and Average Rents Per Sqm Per Month of Phnom Penh Condominiums (High-End & Mid-Range) (USD)



Source: CBRE Research, Q2 2019

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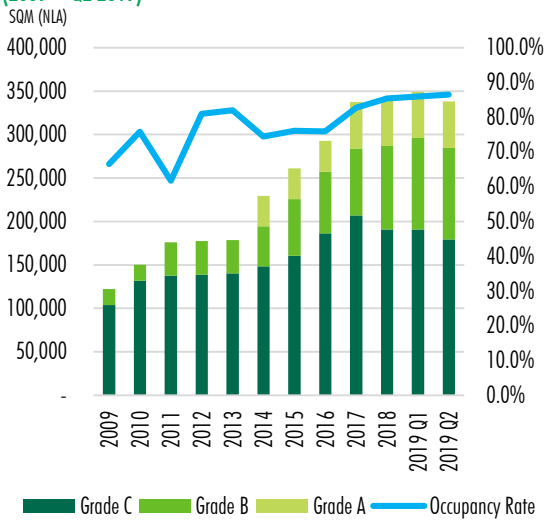
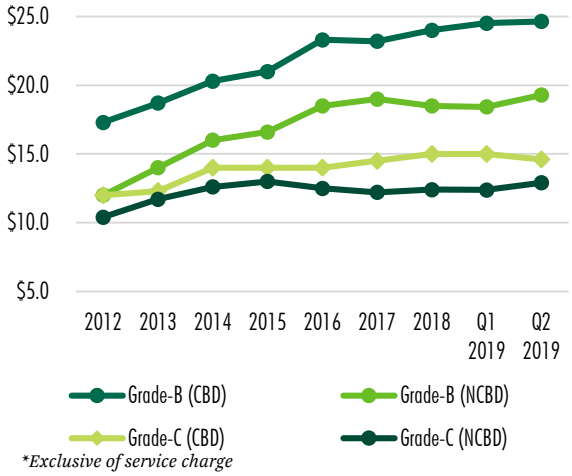
Figure 5: Phnom Penh Centrally Owned Office Supply by Grade (2009 – Q2 2019)



Source: CBRE Research, Q2 2019

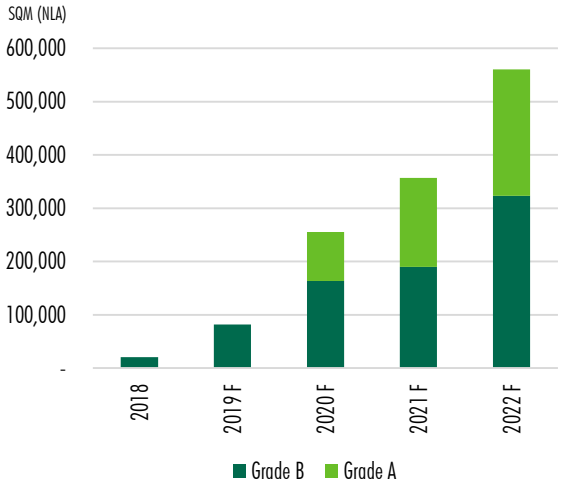
Figure 6: Average Quoted Phnom Penh Office Rental Rates (USD/SQM/Month) (2012 – Q2 2019)



*Exclusive of service charge

Source: CBRE Research, Q2 2019

Figure 7: Strata-Title Office Supply (2018 – 2022F)



Source: CBRE Research, Q2 2019

SUPPLY

Centrally owned office supply decreased slightly in Q2 2019 due to the removal of one Grade C development from the market, totalling 11,256 sqm NLA. This 3% downward correction has left total centrally owned supply standing at approximately 359,000 sqm of net leasable area as of Q2 2019.

One centrally owned Grade B office project located outside of the CBD was announced in May 2019, boosting future centrally owned supply.

Occupancy rates within the centrally owned office sector saw a nominal upward correction in Q2 from approximately 85.9% to 86.5%, a q-o-q increase of 0.54%.

RENTS

Average quoted rental rates of centrally-owned stock saw little change within the central business district over Q2 2019, with Grade B stock increasing marginally by less than 1% and Grade C supply adjusting downward by US$ 0.4/sqm/month, a q-o-q decrease of 2.6%.

Non-CBD supply within the Grade B and Grade C sectors saw a more substantial rental change over the quarter. Grade B stock is estimated to have seen an upward rental correction of 4.7% q-o-q, whilst Grade C supply witnessed an increase of circa 4.2%.

STRATA-TITLE SUPPLY

The trend of rapidly growing strata-title supply continued in Q2 2019 through the completion of *Star City*, a non-centralized Grade B office development. This addition upwardly adjusted total strata-title supply by approximately 51%, raising the total strata-title stock in the market to circa 40,496 sqm of net leasable area.

In addition, the announcement of *Versailles Square*, a Grade B non-centralized office project comprising 11,257 sqm of net leasable area has further enhanced strata-title pipeline supply.

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SUPPLY

The retail sector saw two completions in the second quarter, increasing total completed stock by 7%. The grand opening of *MiDTOWN MALL*, located in Sen Sok District added 4,881 sqm of net leasable area to the community mall sector, an uplift of 24.6%. Furthermore, the soft opening of *The Olympia Mall* to the retail market boosted the shopping mall sector by circa 10% to a current total of approximately 166,084 sqm of net leasable area.

In addition to these completions, four new project announcements were made in Q2 2019, predominantly in the community mall sector. In total, newly announced community mall pipeline stock comprises circa 28,444 sqm of net leasable area. Furthermore, *YT Mall*, a shopping mall consisting of approximately 17,000 sqm NLA was also announced in Q2.

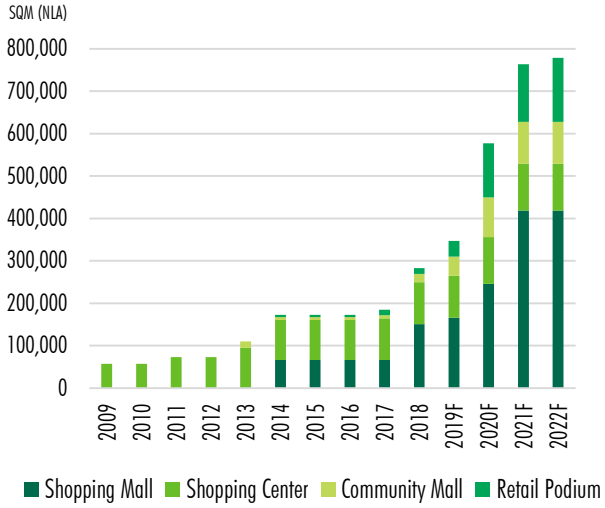
RENTS

Average rental rates across the retail sector saw a downward adjustment over the quarter. Community mall average asking rents fell US$ 1.4/sqm/month, thought to be a reaction to increasing pipeline stock. Furthermore, retail podium average rental rates dropped approximately 4% to US$ 28.50/sqm/month. Nonetheless, shopping mall average asking rates increased over the quarter from approximately US$ 29.40/sqm/month to US$ 30.48/sqm/month, an increase of circa 4%.

VACANCY

Vacancy rates across the sector saw a minor downward adjustment of approximately 1.1% over the second quarter. Currently, vacancy rates are the lowest in ten years standing at circa 7.9%, primarily due to the delayed completions of anticipated stock and the increasing volume of new entrants to the local market. It is forecast that there will be an uplift in vacancy rates over the coming quarters as a result of anticipated stock completion.

Figure 8: Phnom Penh Retail Supply (2009 – 2022F)



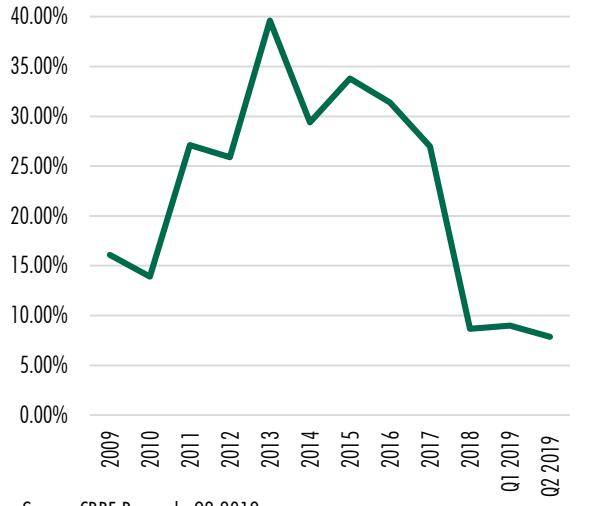
Source: CBRE Research, Q2 2019

Figure 9: Quoted Retail Rental Rates by Type (USD/SQM/Month)

** Prime quoted rents for ground and 1st floor space*

Source: CBRE Research, Q2 2019

Figure 10: Vacancy Rate of Phnom Penh Retail Supply (2009 – Q2 2019)



Source: CBRE Research, Q2 2019

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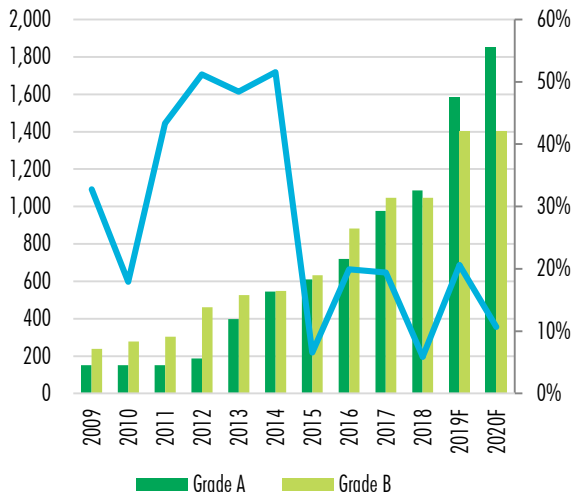
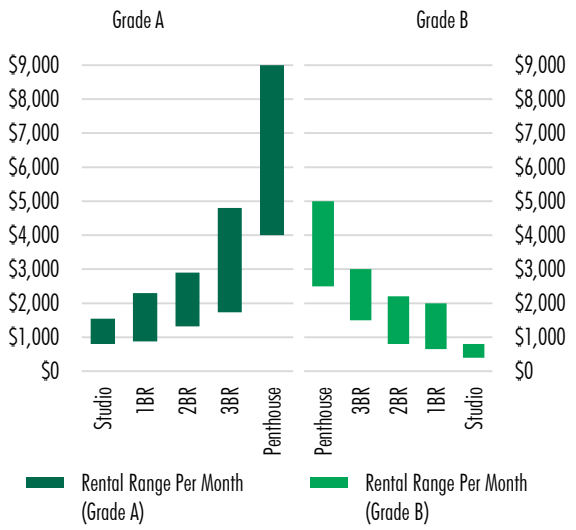
Figure 11: Phnom Penh Serviced Apartment Supply (2009 - 2020F)



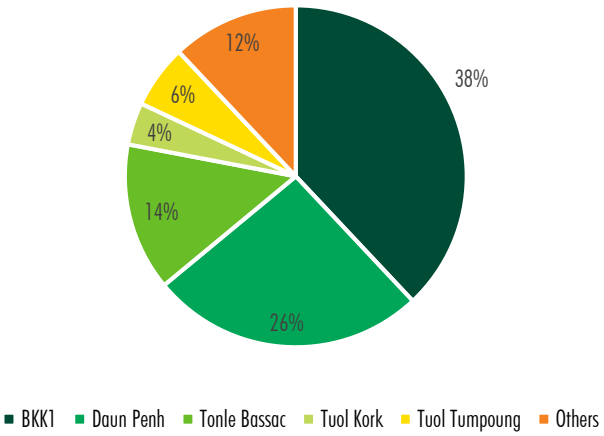
Source: CBRE Research, Q2 2019

Figure 12: Quoted Serviced Apartment Rental Rates by Unit Type (USD)



Source: CBRE Research, Q2 2019

Figure 13: Distribution of Serviced Apartments by Location



Source: CBRE Research, Q2 2019

SUPPLY

Serviced apartment supply has seen a significant rise since a relatively uneventful 2018, with two projects completing in Q2 2019. *Alpha Residence* and *The View,* both located centrally in Phnom Penh, increased total Grade B serviced apartment supply by circa 34.1%, driving total current serviced apartment stock to 2,491 units.

It is forecast that the total stock of Grade A and Grade B serviced apartments will reach circa 2,990 units by the end of 2019 as a result of the anticipated completion of 499 Grade A units in H2 2019, a y-o-y percentage increase of circa 21% for the serviced apartment sector as a whole.

It is projected that this surge in serviced apartment supply will continue into 2020, particularly within the Grade A sector, with an anticipated 266 units to be introduced to the market, equating to a y-o-y uplift of 9%.

RENTS

Current average rental rates for studio and 1 bedroom apartment units vary substantially in both the Grade A and Grade B sector, with Grade B 1 bedroom rates ranging from US$650 to US$ 2,000 per month. However, the most substantial variance in rental rates has been found in the Grade A penthouse sector, where current rates range from US$ 4,000 to as high as $ 9,000 per month.

DISTRIBUTION

The vast majority of Grade A and Grade B serviced apartment supply is located in the central regions of Phnom Penh. The highest volume of developments are situated within Boeung Keng Kang 1 (38%) followed by Daun Penh (26%) and Tonle Bassac (14%).

It is forecast that future stock of serviced apartment projects will continue to be largely located in central locations within Phnom Penh.

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