

PHNOM PENH

# Market Insights Q3 2024

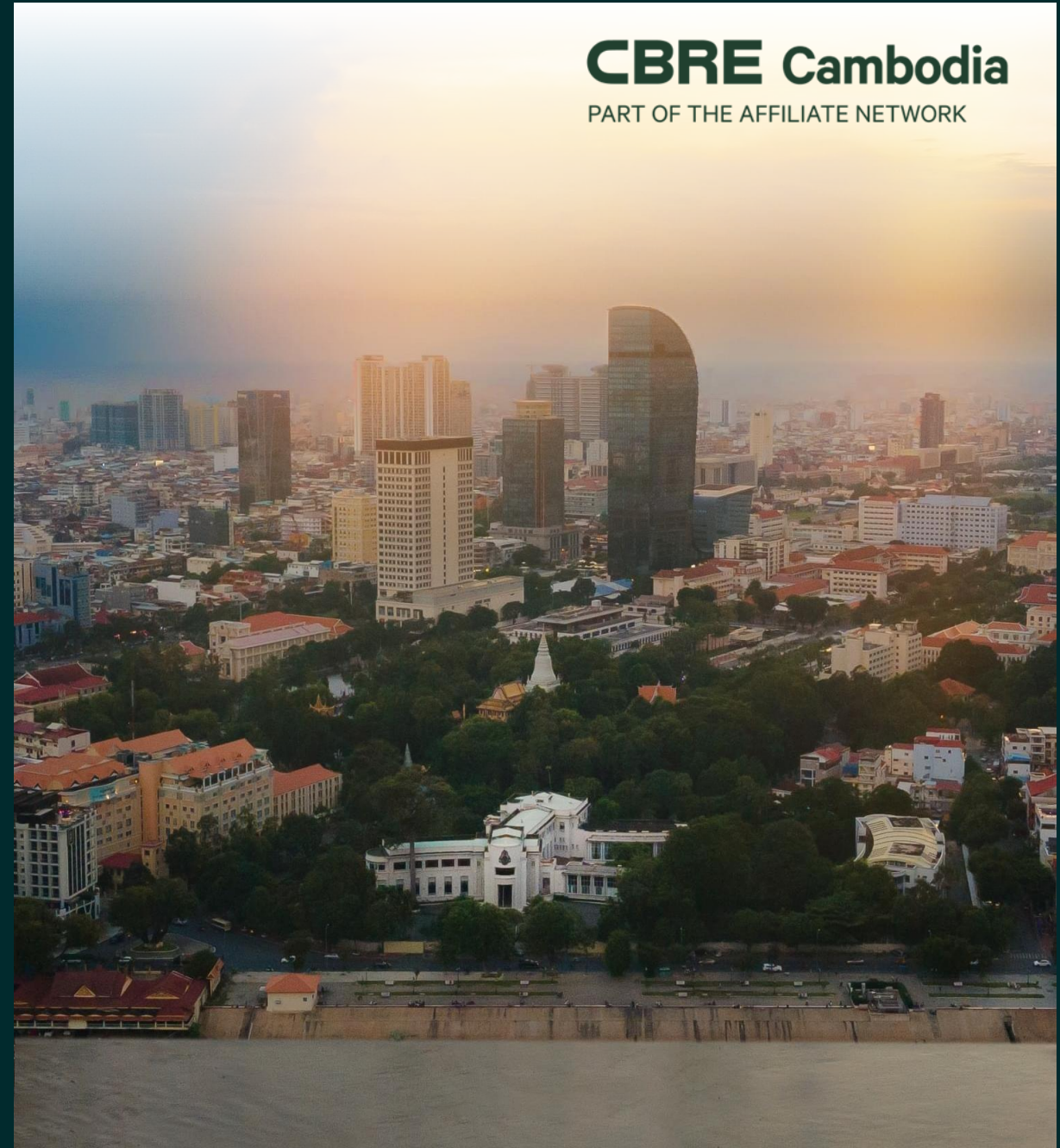
REPORT

CBRE RESEARCH

17 OCTOBER 2024

**CBRE Cambodia**

PART OF THE AFFILIATE NETWORK



# Agenda

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Overview

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Retail

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Office

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Residential

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Q&A



01

# Overview

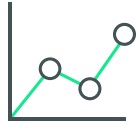
# Key Indicators

## Macroeconomic

2024 - GDP Growth Rate

Y-o-Y

**5.8%**  
Estimated



8 months 2024 - International Tourist Arrivals

Y-o-Y

**4.3M**



8 months 2024 – Approved Investment in Construction

Y-o-Y

**\$2.19B**



### Office

### Retail

### Condominium

### Landed Property

Occupancy Rate



**65.8%**  
Estimated



Q-o-Q

Occupancy Rate



**58.3%**  
Estimated



Q-o-Q

New Supply



**970+**  
Units Launched



Q-o-Q

New Launches



**250+**  
Units



Q-o-Q

Prime Rent



**\$27.0**  
USD/SQM



Q-o-Q

Prime Rent



**\$22.1**  
USD/SQM



Q-o-Q

High-End Sales Price



**\$2,714**  
USD/SQM



Q-o-Q

Single Villa Sale Price



**\$1,177**  
USD/SQM



Q-o-Q

Source: WB, ADB, NBC, CBRE Research

\*Arrow directions indicate H-o-H changes.

# Media headlines



US goes big with first interest rate cut in four years



China's central bank unveils most aggressive stimulus since pandemic



China's Home Sales Jump During Holiday as Cities Offer Perks



Thailand to forge ahead with casino plan



China Developers Offer Deals Betting Home Prices Will Hit Bottom



Hong Kong developers unload apartments at deep discounts

## South China Morning Post

China's top diplomat Wang Yi to push belt and road during visits to Indonesia, Cambodia and Papua New Guinea

China taps 'wolf warrior' diplomat as Cambodia ambassador



Dilapidated building residents in Phnom Penh agree to go

The Gov't Revives USD590 Million in 30 Stalled Projects, Encourages Growth in SHV



Govt denounces illegal property developments, warns investors

5 dead after falling from Phnom Penh building



Land Ministry Unveils Advanced Digital Land Registration System

## THE STRAITSTIMES

Cambodia to launch e-Arrival card for air passengers next month

Phnom Penh Int'l Airport sees spike in passenger traffic



Techo International Airport Gears Up for Test Flights on September 8

## The Phnom Penh Post

Cambodia breaks ground on Funan Techo Canal with 'spectacular' celebration

Factory workers set to receive \$4 raise for 2025



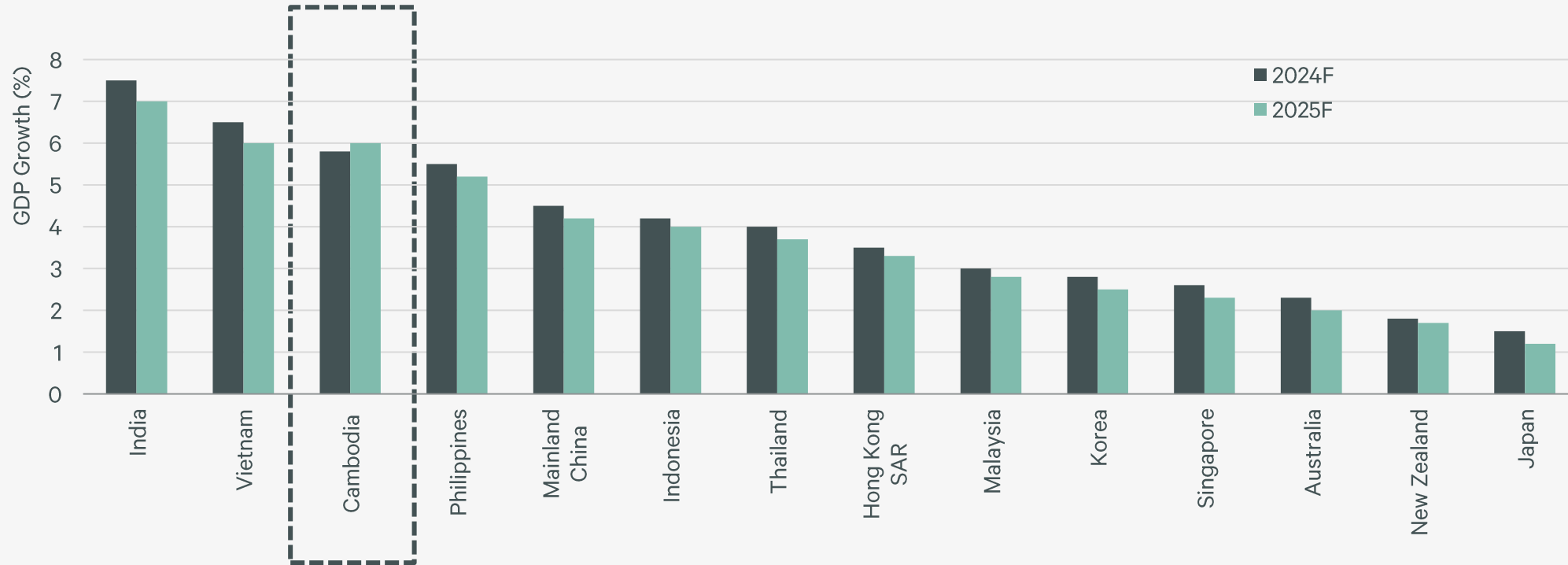
New city decreed in Preah Sihanouk province



Government extends tax breaks to boost real estate market recovery

# Cambodia's GDP growth remains solid

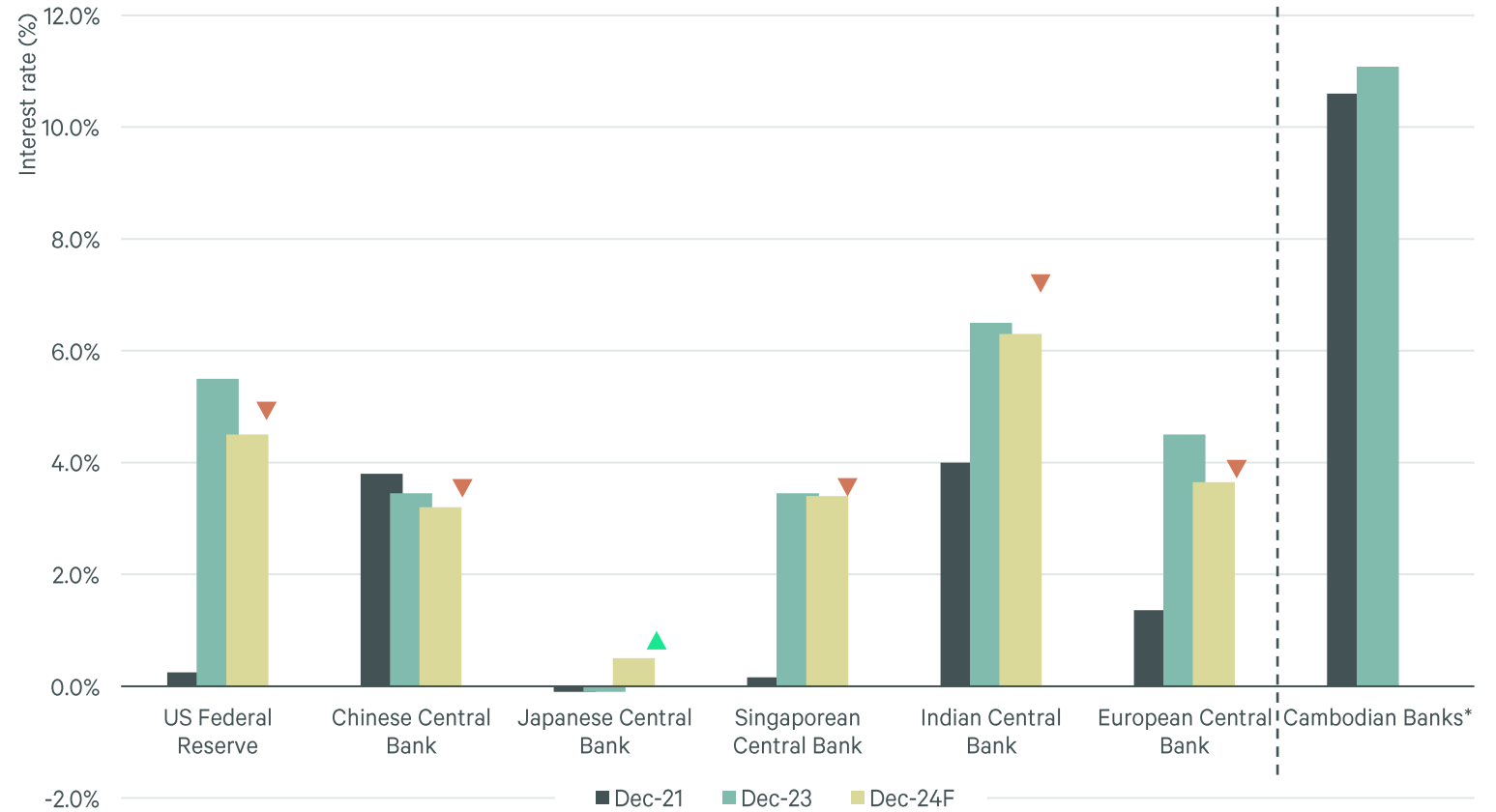
GDP growths for different countries in Asia Pacific (2024F – 2025F)



Source: ADB, CBRE Research, Oxford Economics, Reserve Bank of New Zealand, Q3 2024

# Major central banks are trimming interest rates

Central policy rates and Cambodian banks' rates (%)

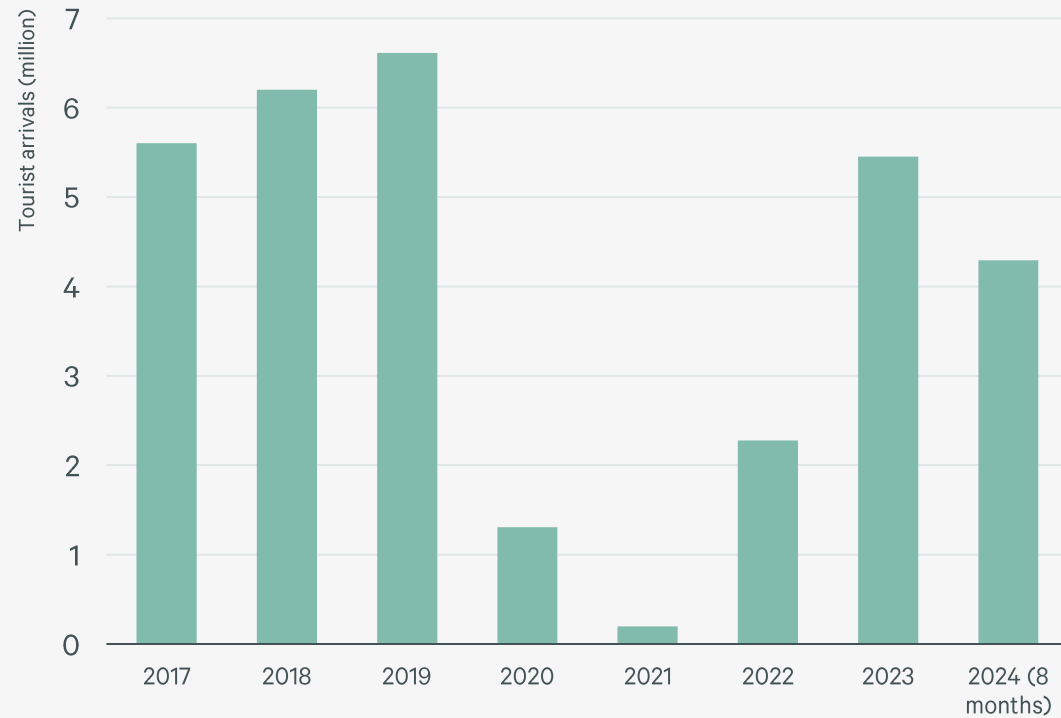


Source: NBC, Global Rates, Macrobond, CBRE Research, Q3 2024

\* Interest rates for loan in USD in bank sector in Cambodia

# Uptick in international tourists, but not a significant increase from China

International tourist arrivals in Cambodia (2017 – August 2024)

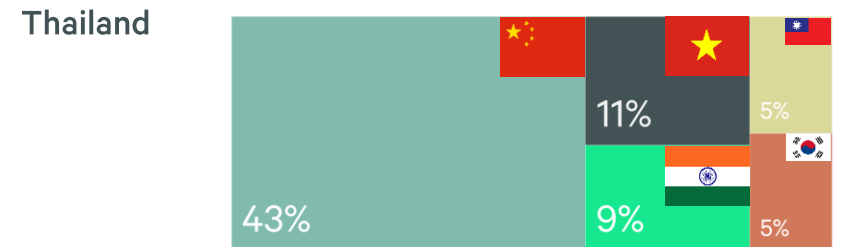
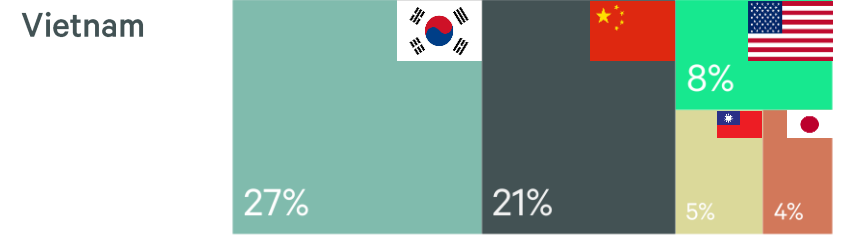
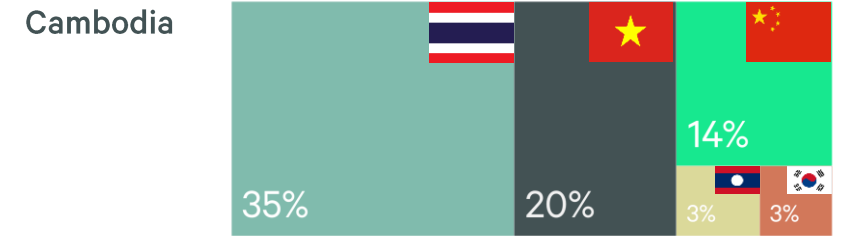


**+ 22.5%**  
Versus 2023

**- 1.6%**  
Versus 2019

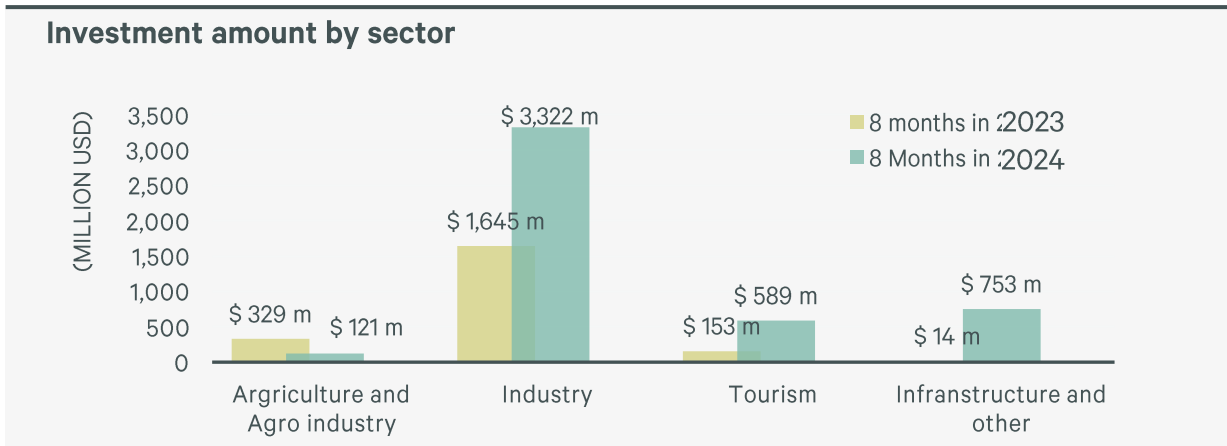
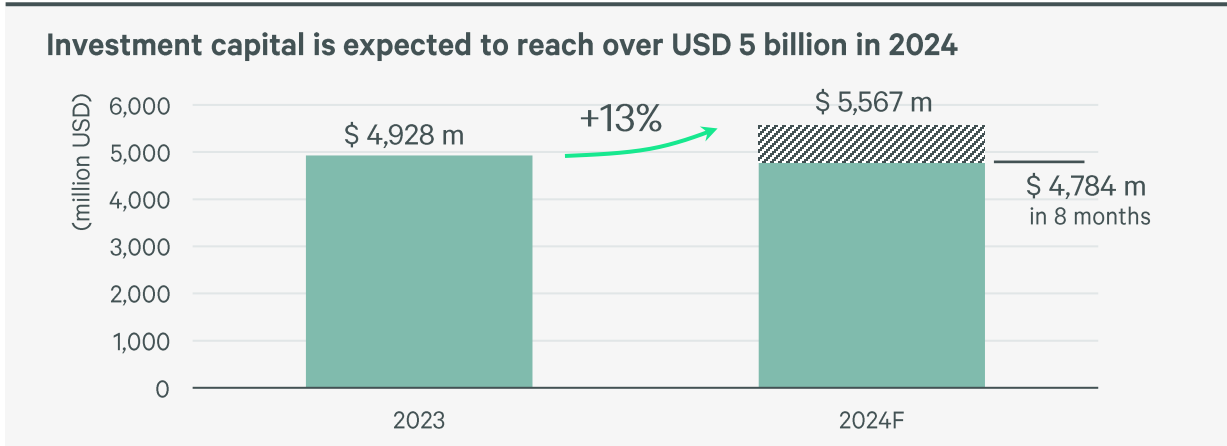
Source: Cambodia's Ministry of Tourism, Vietnam's General Statistics Office, Thailand's Ministry of Tourism and Sports, Q3 2024

Top 5 International tourists by country sources

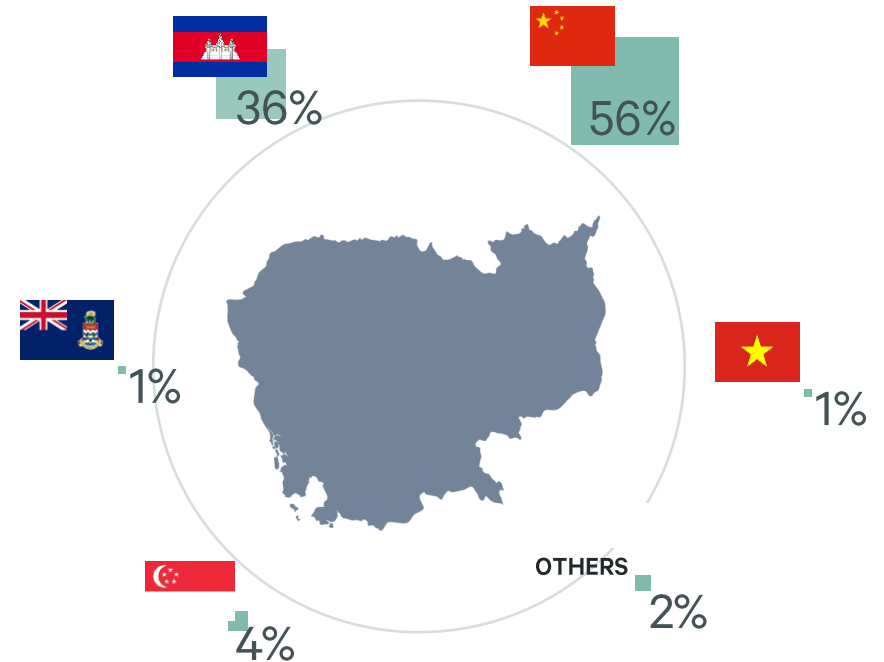




# Growth in investment, primarily in industrial sector



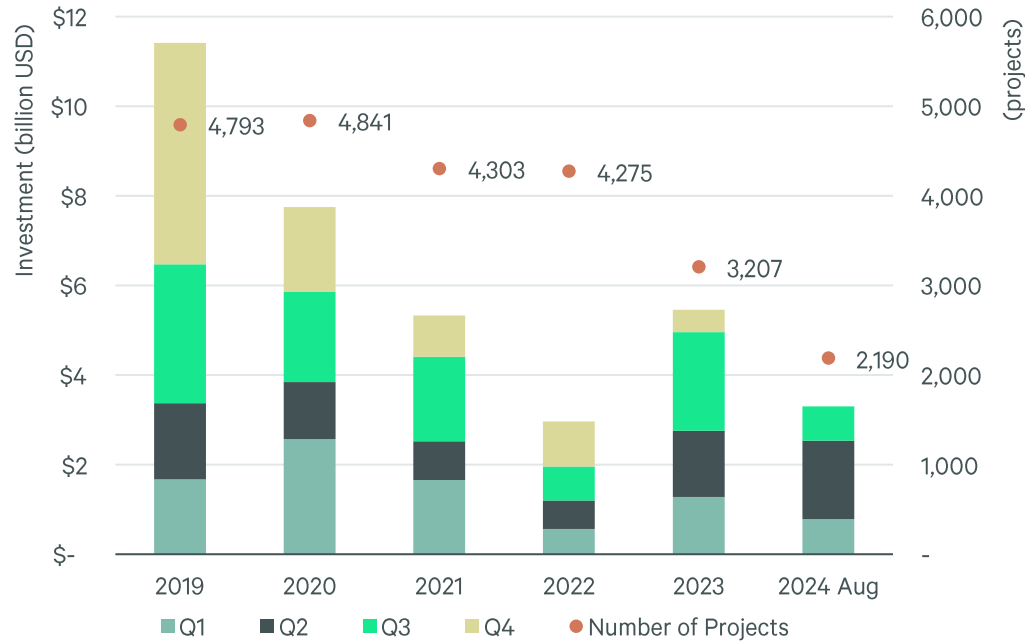
## Majority of the capital are from China and local



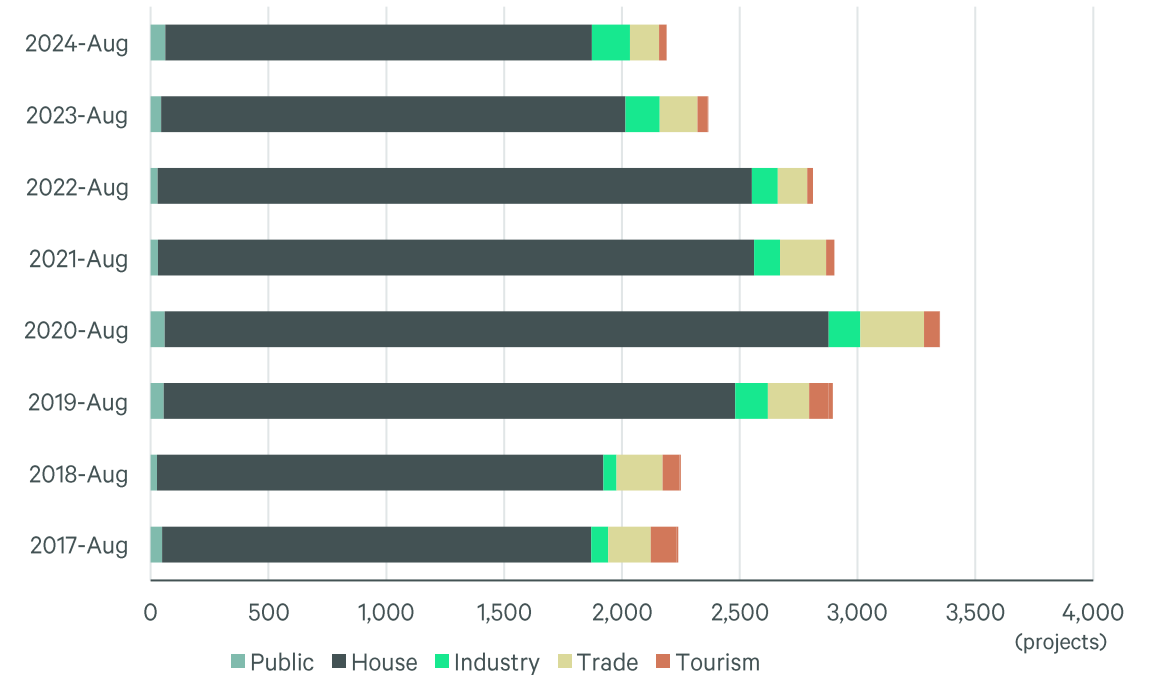
Source: The Council for the Development of Cambodia (CDC), Q3 2024

# Slowdown in construction-related investments

Approved investment value vs number of projects

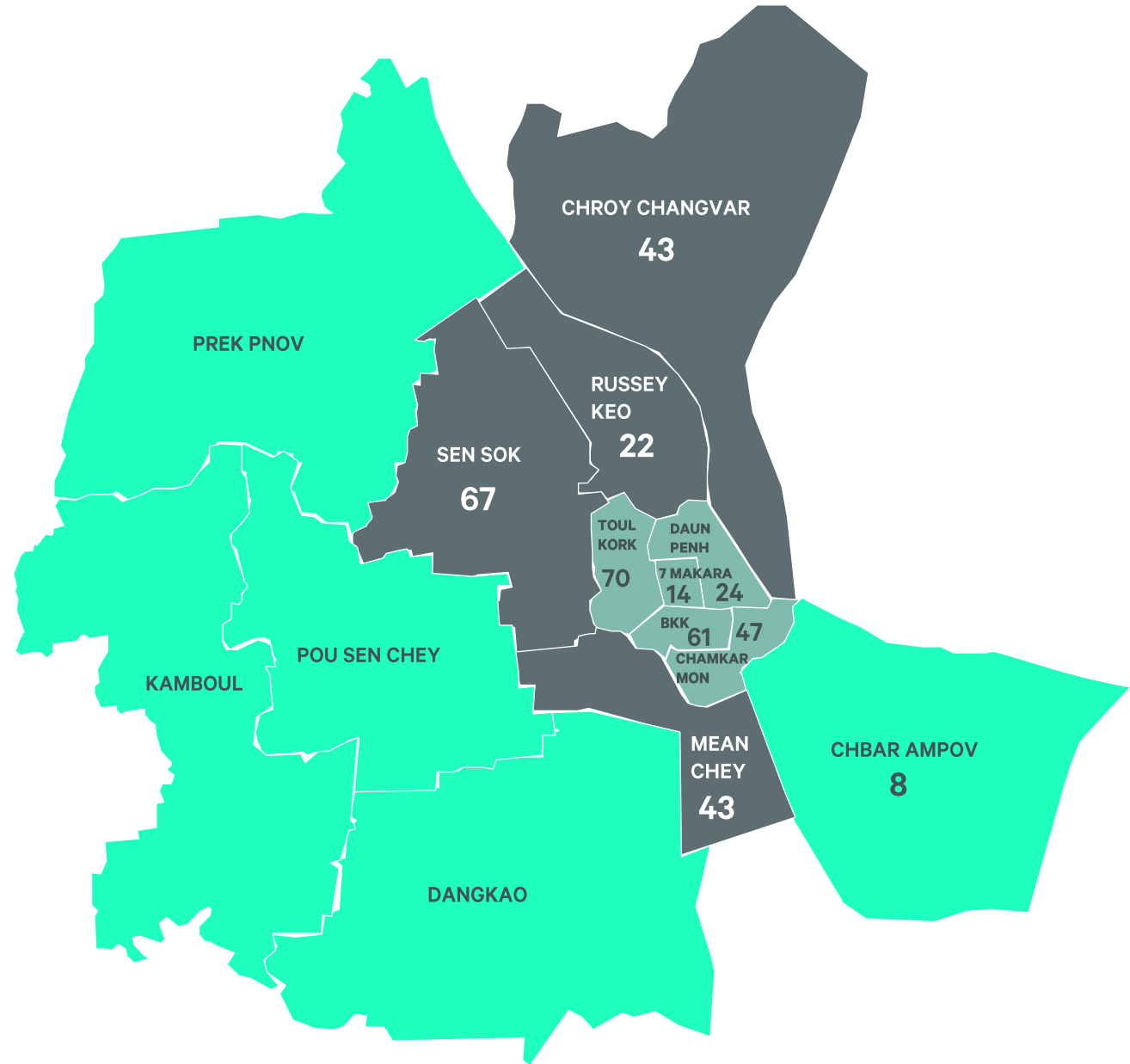
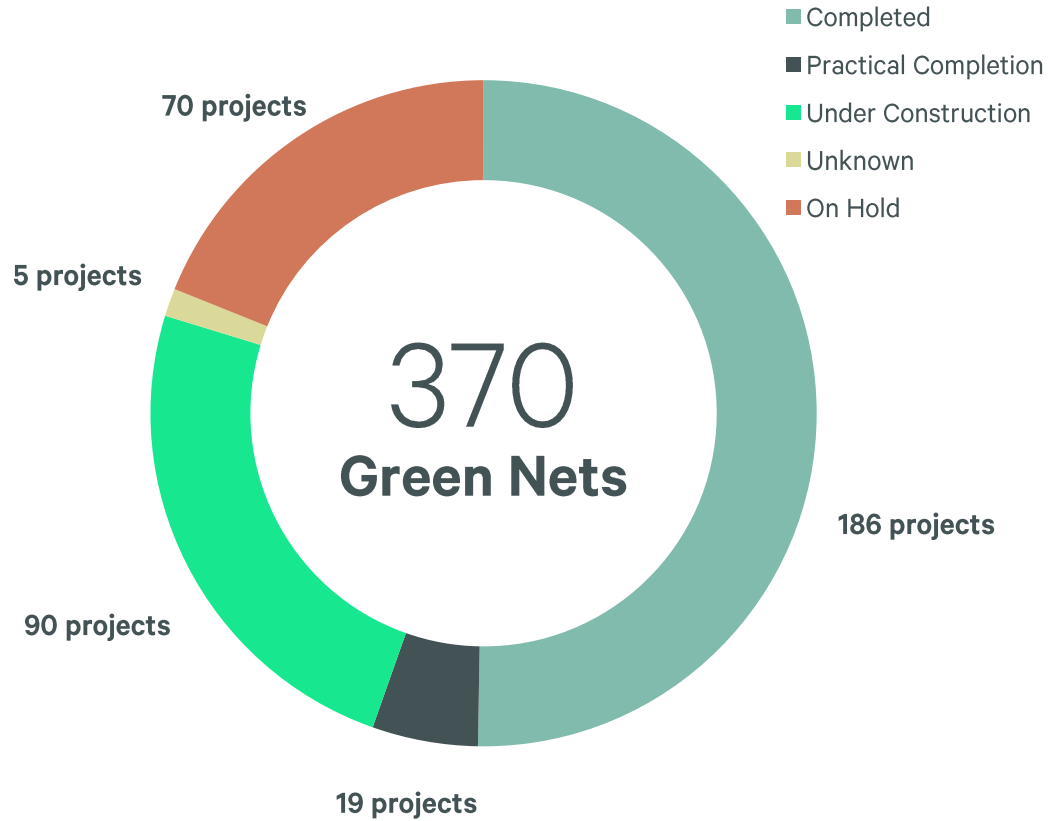


Approved investment projects by sector (8-month Y-o-Y)



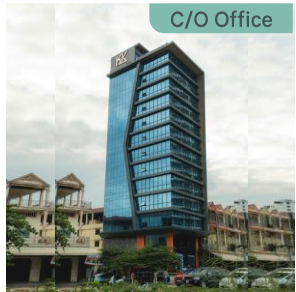
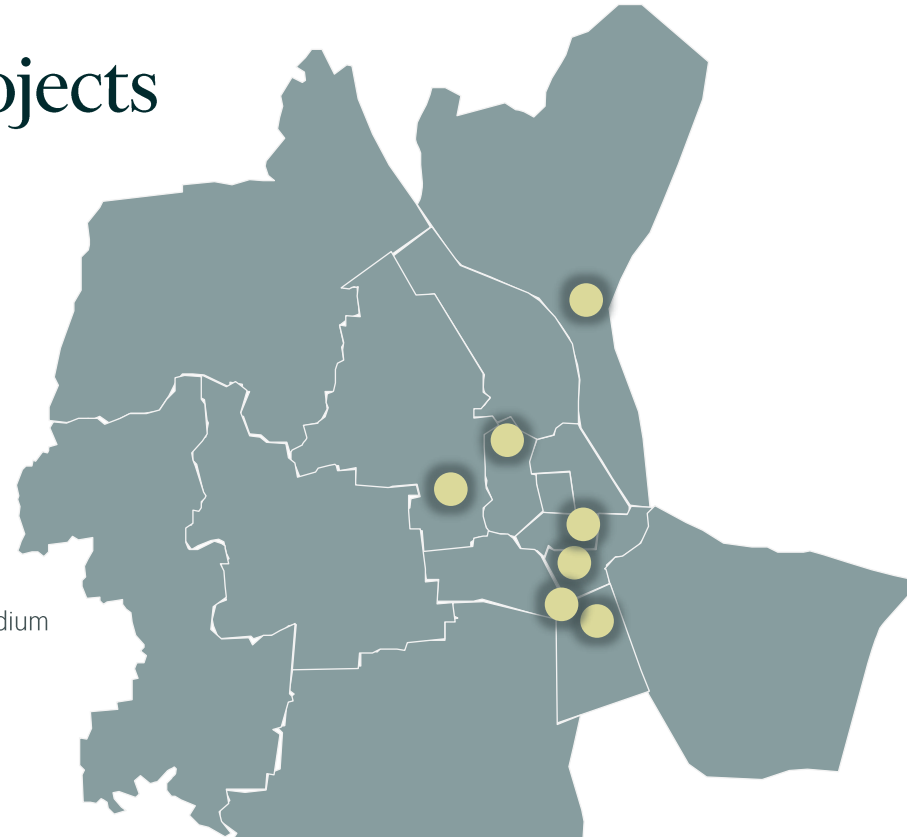
Source: Ministry of Land Management and Urban Planning, Q3 2024

# Green netting updates



Source: CBRE Research, Q3 2024

# New and upcoming projects



## K.L.K Tower

C/O Office  
Grade C  
Completion  
Toul Kork



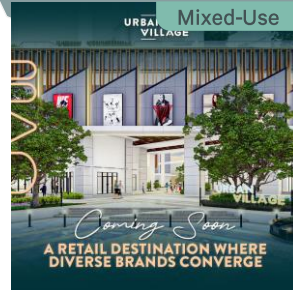
## Booyoung Town

Condominium | Retail Podium  
Mid-range  
Resuming  
Sen Sok



## PH The Star Natural – Phase 2

Landed property  
High-end  
New Launch  
Mean Chey



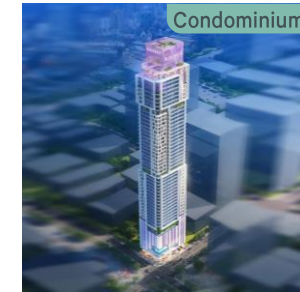
## Urban Village Retail

Retail podium  
-  
Upcoming  
Mean Chey



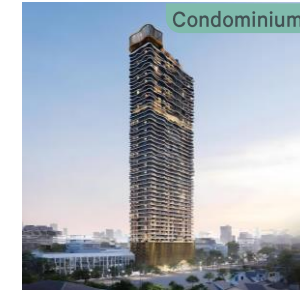
## Borey Chulassa

Landed property  
High-end  
Upcoming  
Chroy Changvar



## Picasso Sky Gemme

Condominium  
Mid-range  
New Launch  
Boeung Keng Kang

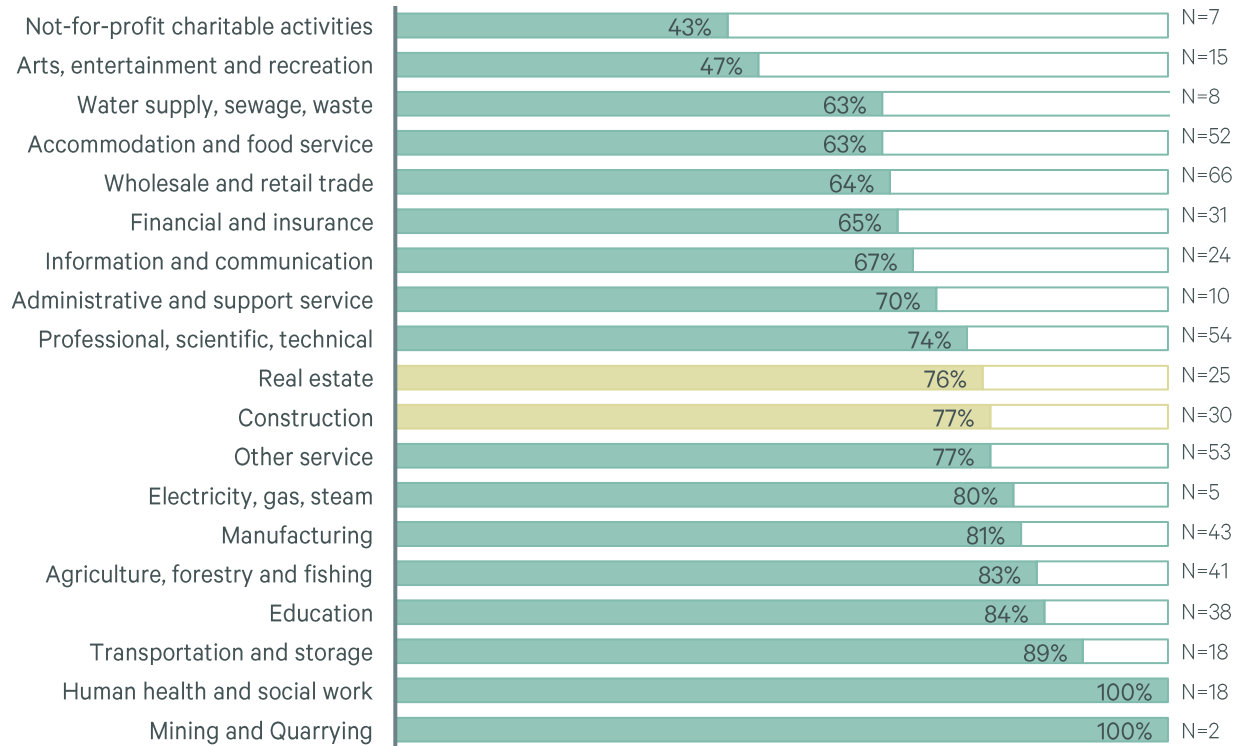


## Time Square 8

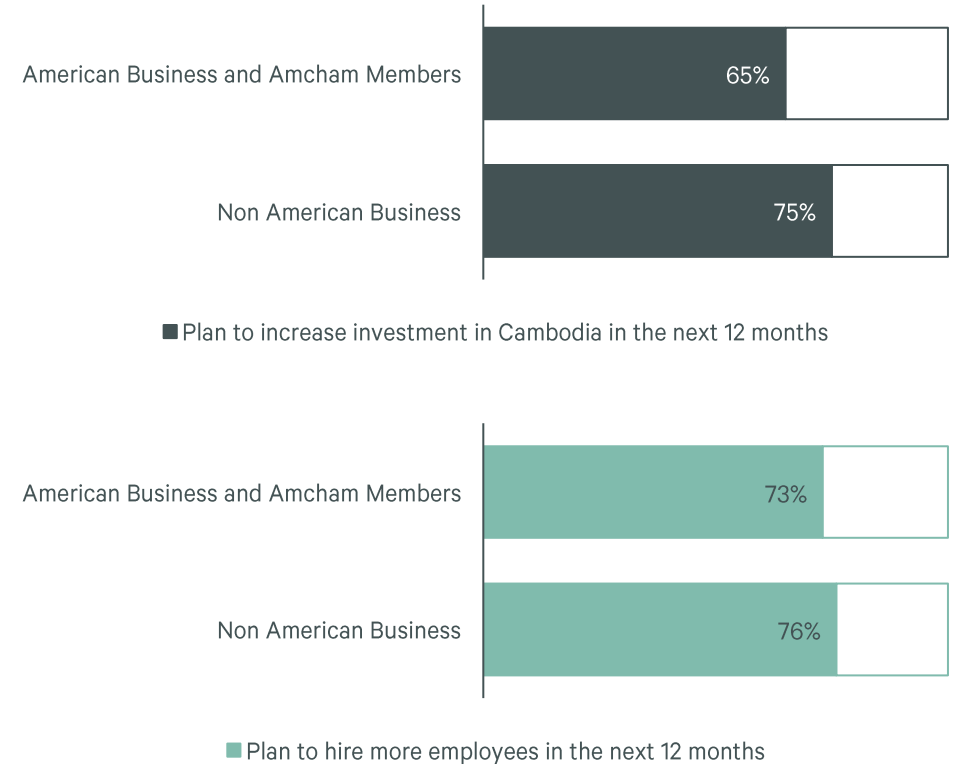
Condominium  
Affordable  
New Launch  
Chamkarmon

# Optimistic expectations toward '24 and '25

## Expectation on income growth comparing 2024 to 2023



## Expectation in increase investment and hiring more employees in the next 12 months



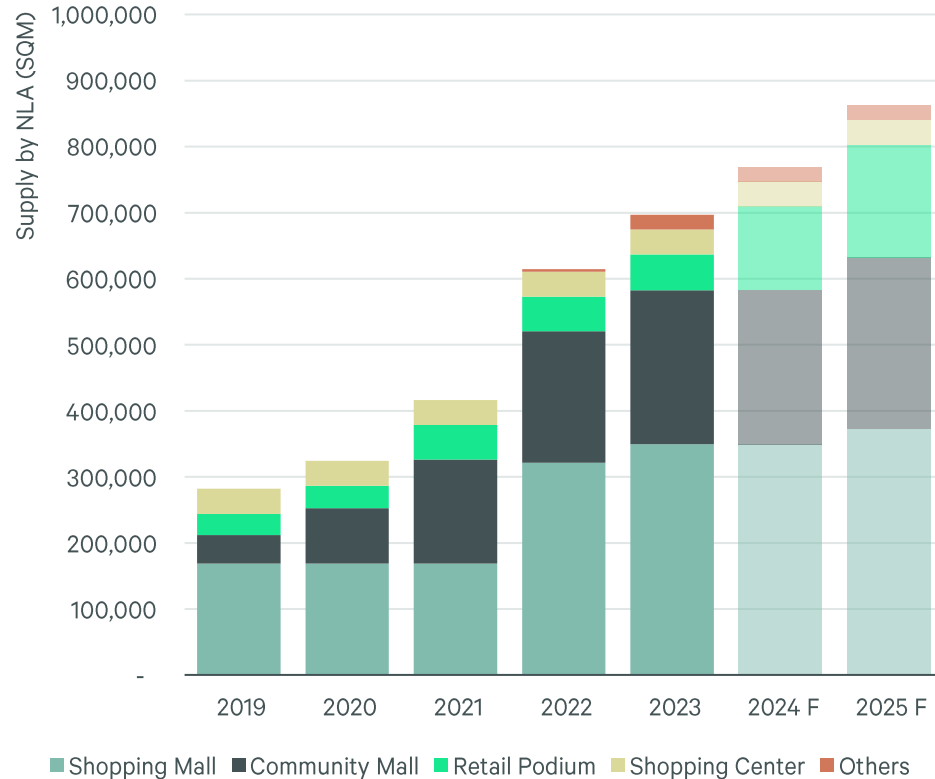
Source: AmCham Cambodia, Q3 2024

02

Retail

# Significant growth in retail podium supply

Phnom Penh retail supply (2019 – 2025F)



Change in 2024 Forecast

**775,000<sup>+</sup> SQM** → **769,000<sup>+</sup> SQM**  
Q2'24 Forecast      Q3'24 Forecast

Change in 2025 Forecast

**855,000<sup>+</sup> SQM** → **862,000<sup>+</sup> SQM**  
Q2'24 Forecast      Q3'24 Forecast



Completed as of Q3 2024

Source: CBRE Research, Q3 2024

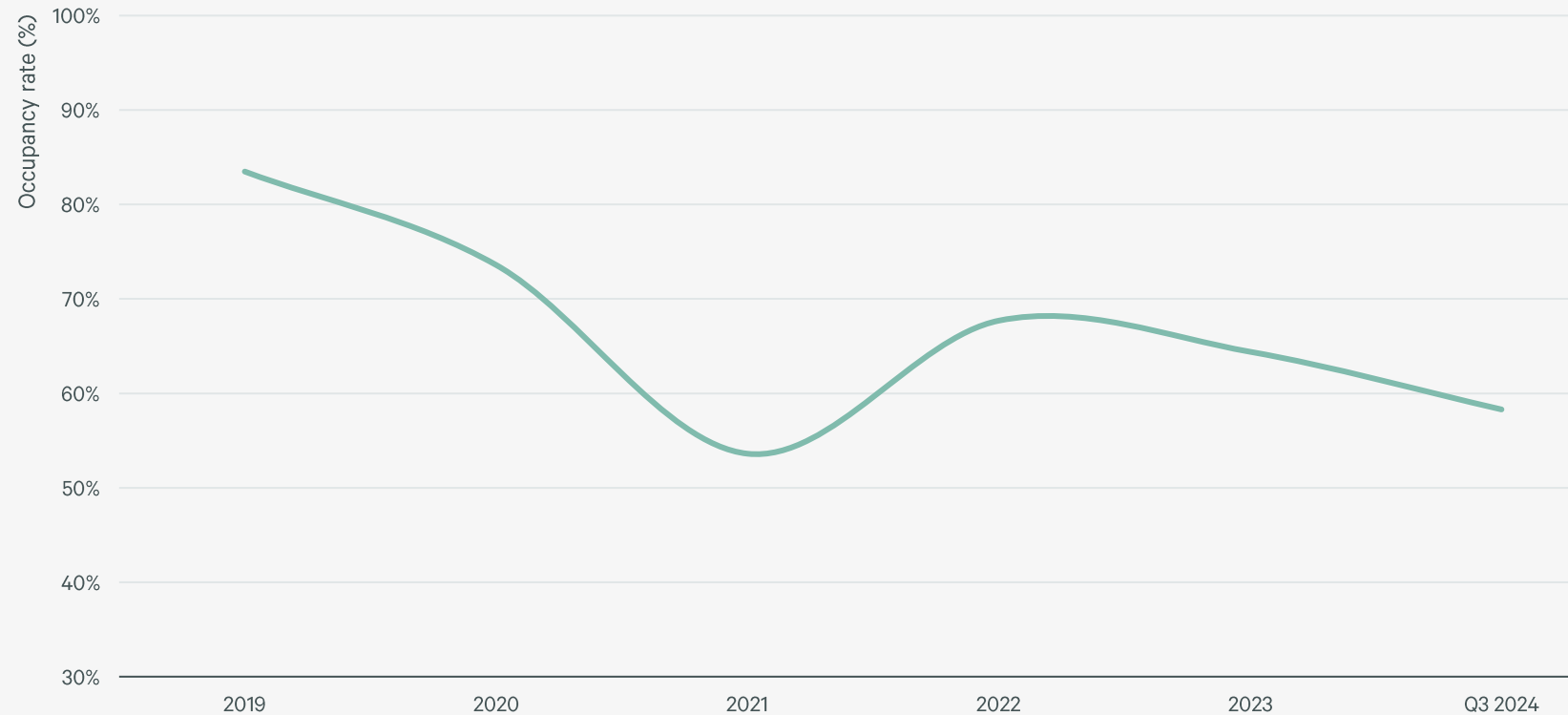
# Retail occupancy continues to slightly drop

Q-o-Q Change



**58.7%** → **58.3%**

Phnom Penh retail occupancy (2019 – Q3 2024)

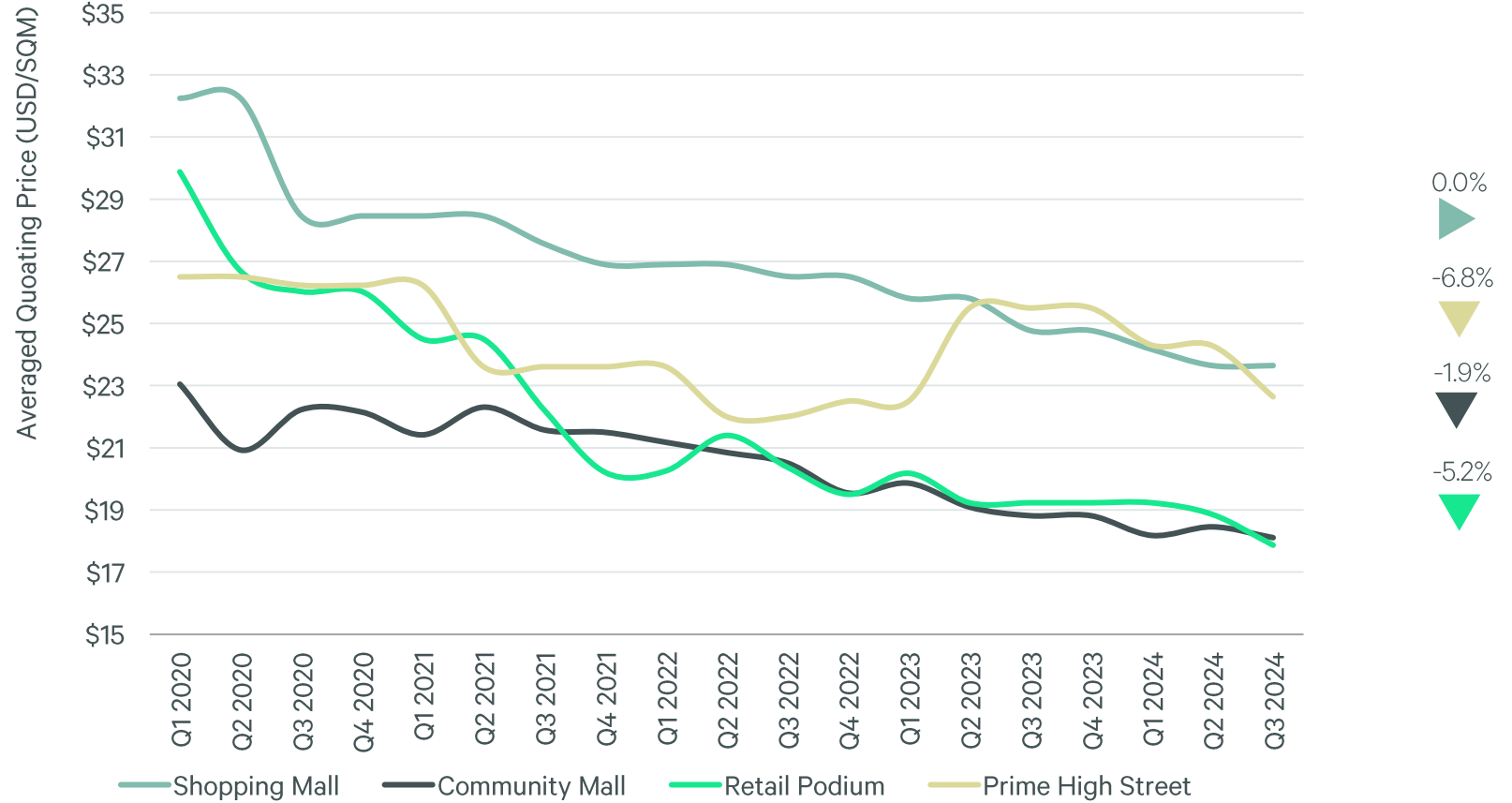


Source: CBRE Research, Q3 2024



# Retail rents have yet to pick-up

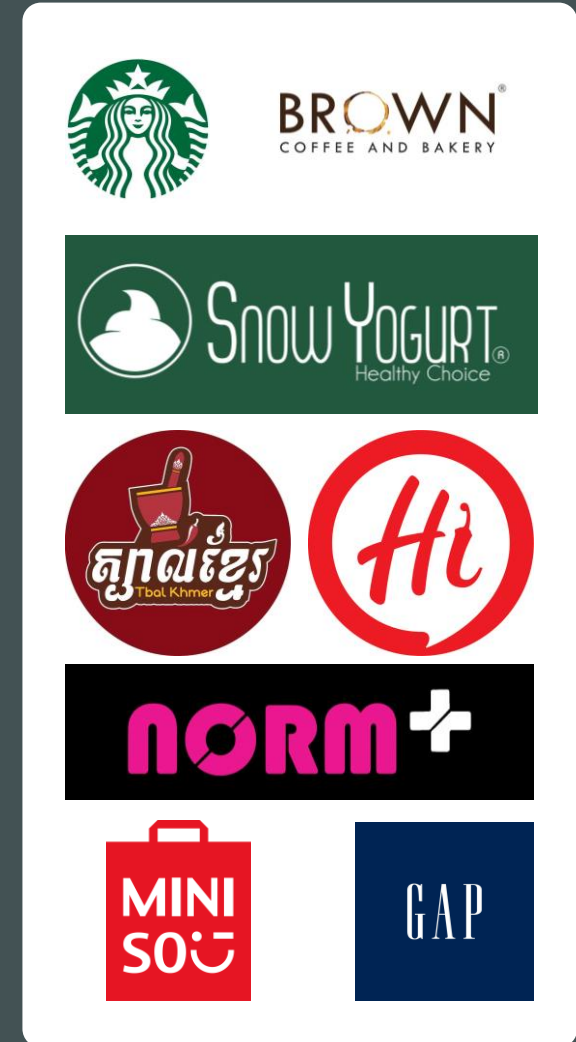
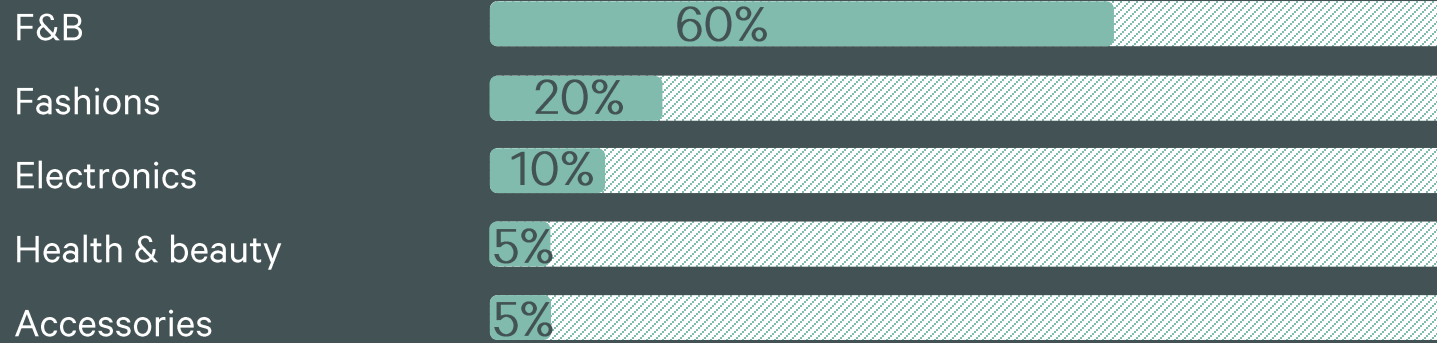
Phnom Penh retail quoting rent (Q1 2020 – Q3 2024)



Source: CBRE Research, Q3 2024

# Retail brand movements

Market shares of branch expansions in Q3 2024 by category



# Retail key trends



## 01 Retail projects become more flexible in space usage

“Retail landlords are adaptable, utilizing spaces for various retail categories and even converting them for office use”

## 02 Concentrating on specific target markets rather than broader mass

“New retail projects are targeting specific groups instead of the mass market as the retail sector matures”

## 03 Landlords diversify their tenant mix

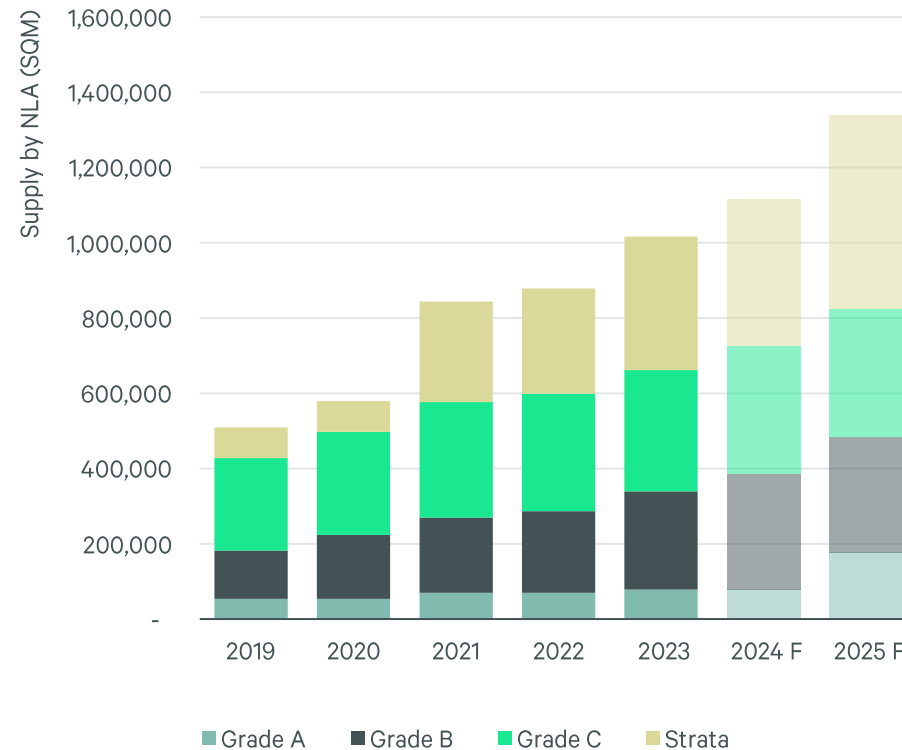
“Landlords are becoming less selective, welcoming more retailers to the mall, which may boost the presence of local brands”

03

Office

# Grade A office space is set to double next year

Phnom Penh office supply (2019 – 2025F)



## Change in 2024 Forecast

**1.21 million SQM** → **1.12 million SQM**  
Q2'24 Forecast      Q3'24 Forecast

## Change in 2025 Forecast

**1.46 million SQM** → **1.34 million SQM**  
Q2'24 Forecast      Q3'24 Forecast



Completed as of Q3 2024

Source: CBRE Research, Q3 2024

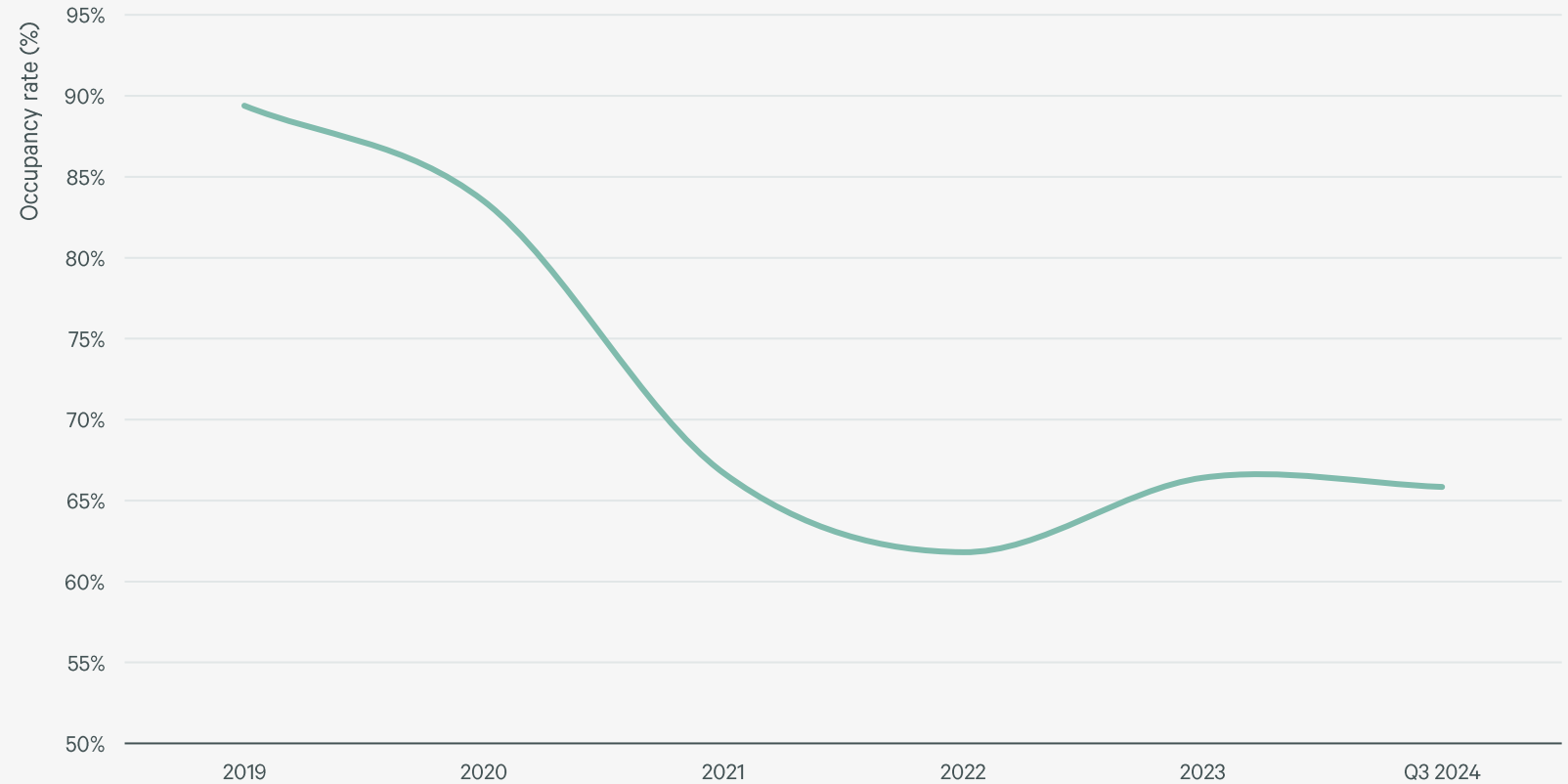
# Slight pick-up in office occupancy

Q-o-Q Change



61.8% → 65.8%

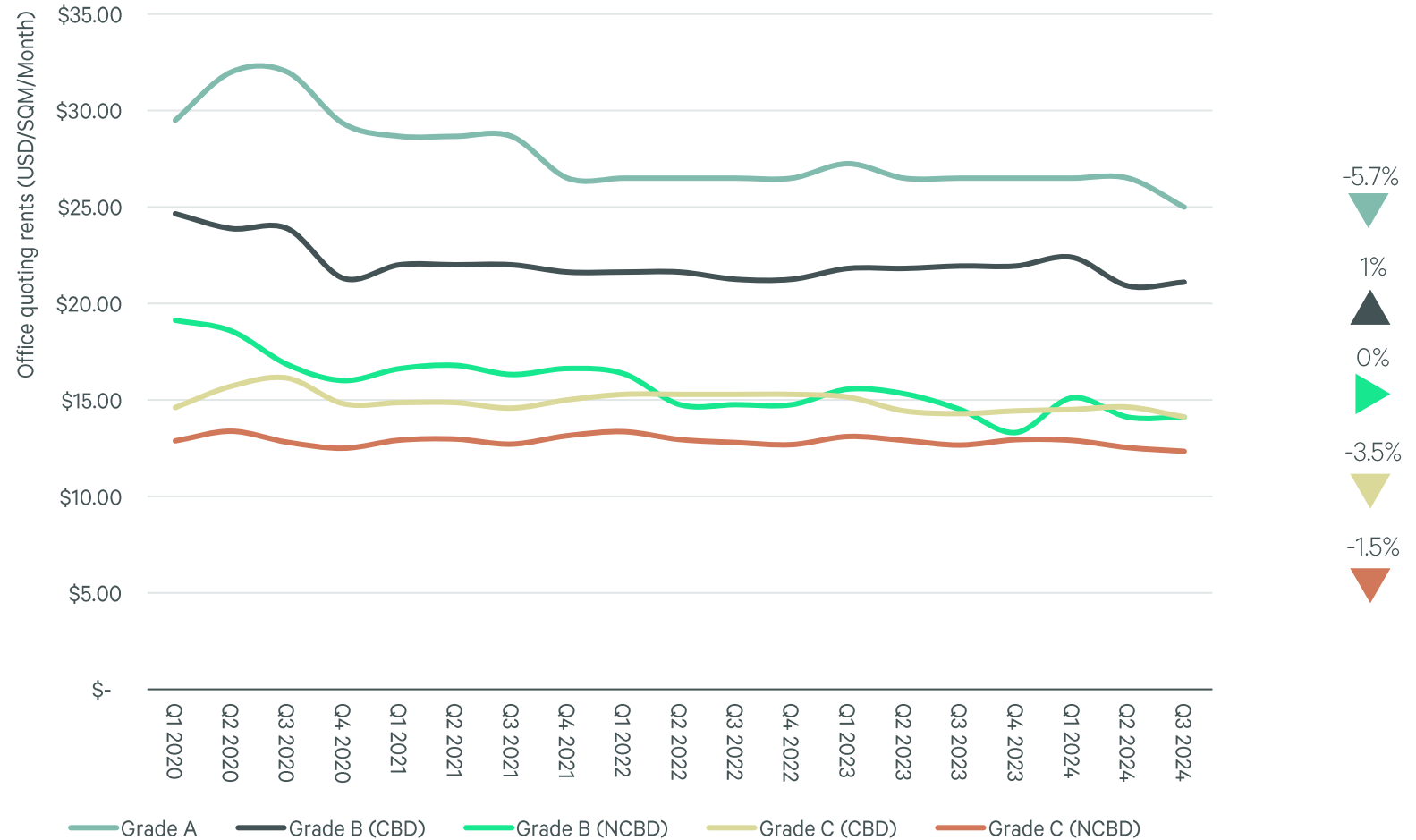
Phnom Penh office occupancy (2019 – Q3 2024)



Source: CBRE Research, Q3 2024

# Moderate decline in office rents

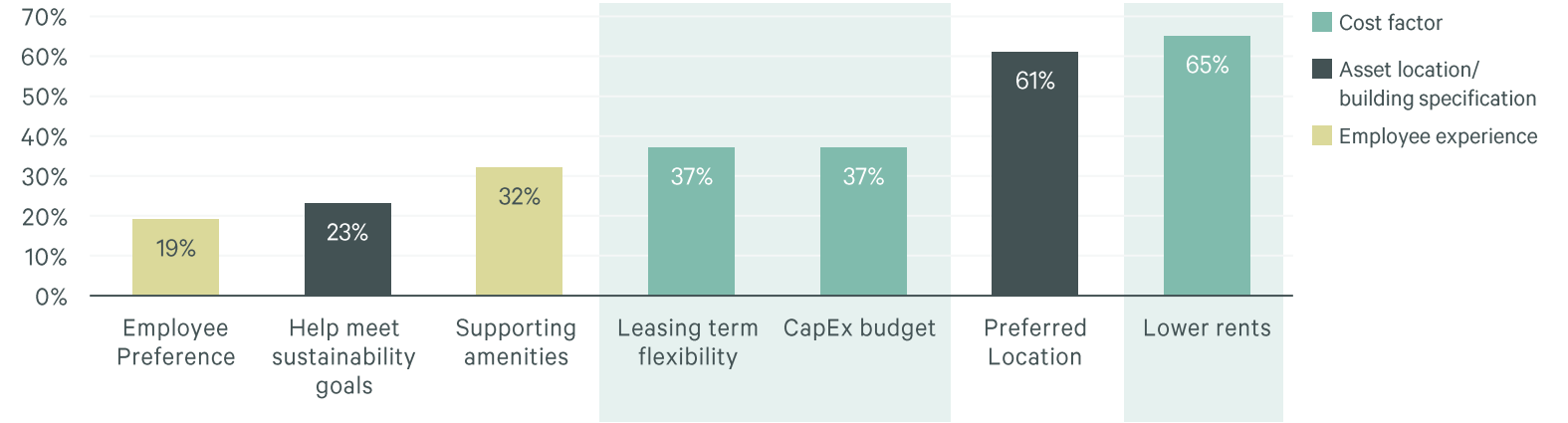
Phnom Penh office rental rate (Q1 2020 – Q3 2024)



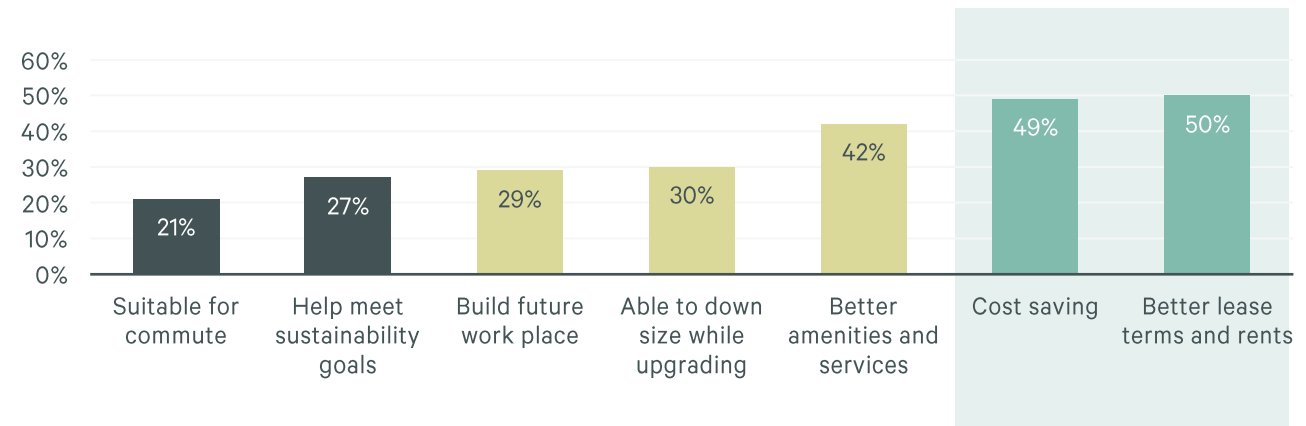
Source: CBRE Research, Q3 2024

# Costs remain the key factors driving renewal and relocation decision

Factors influencing decisions to renew office leases



Factors influencing decisions to relocate to new office



Source: 2024 Asia Pacific Office Occupier Survey, Q3 2024



# Office key trends



## 01 Landlords are offering extra incentive package for tenant retention

“Beyond filling vacancies, landlords are considering renegotiations and support to retain existing tenants”

## 02 No new entry for strata-office

“Since their debut in 2019, no new strata offices have been launched in the past two years”

## 03 Instruction on rent-free clarifies the market practices

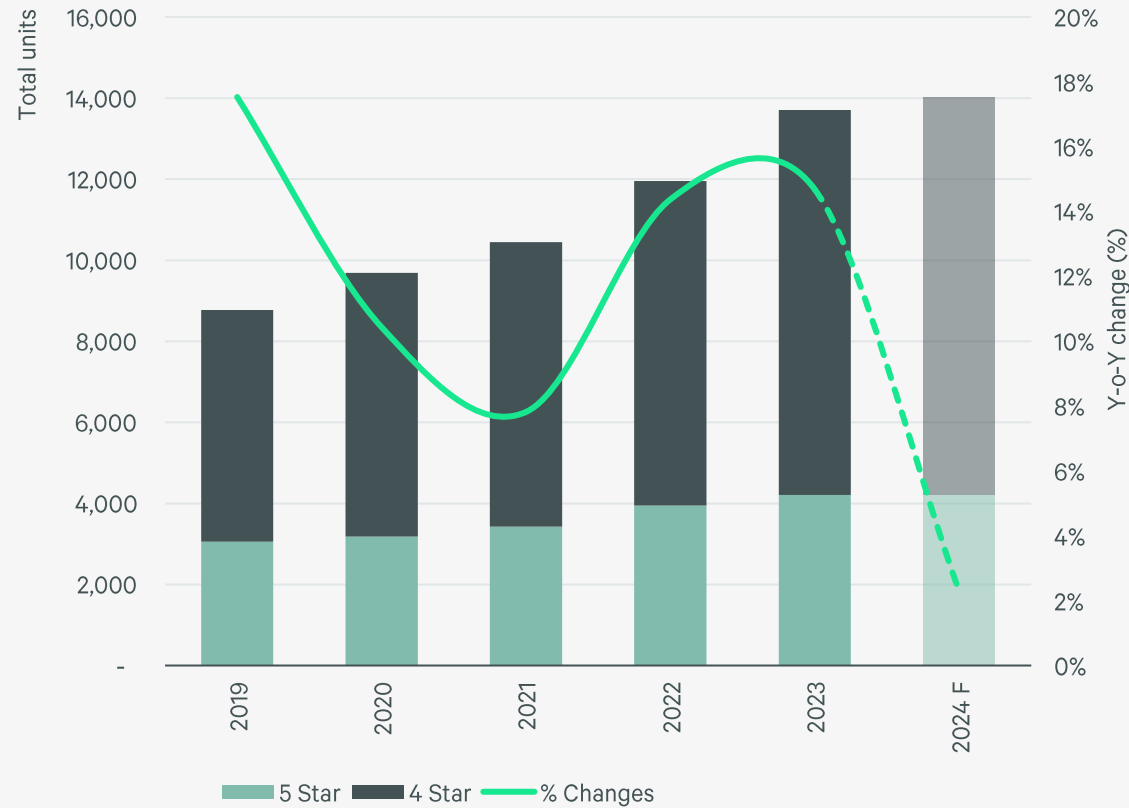
“Lease free periods are limited to 10% of the total lease period according to GDT’s instruction in September 2024”

04

# Hospitality

# Modest increase in the top-tiers hotel supply

Phnom Penh hotel supply (2019 – 2024F)



## 2024 Forecasts

4-Star Hotel

**9,800+** keys

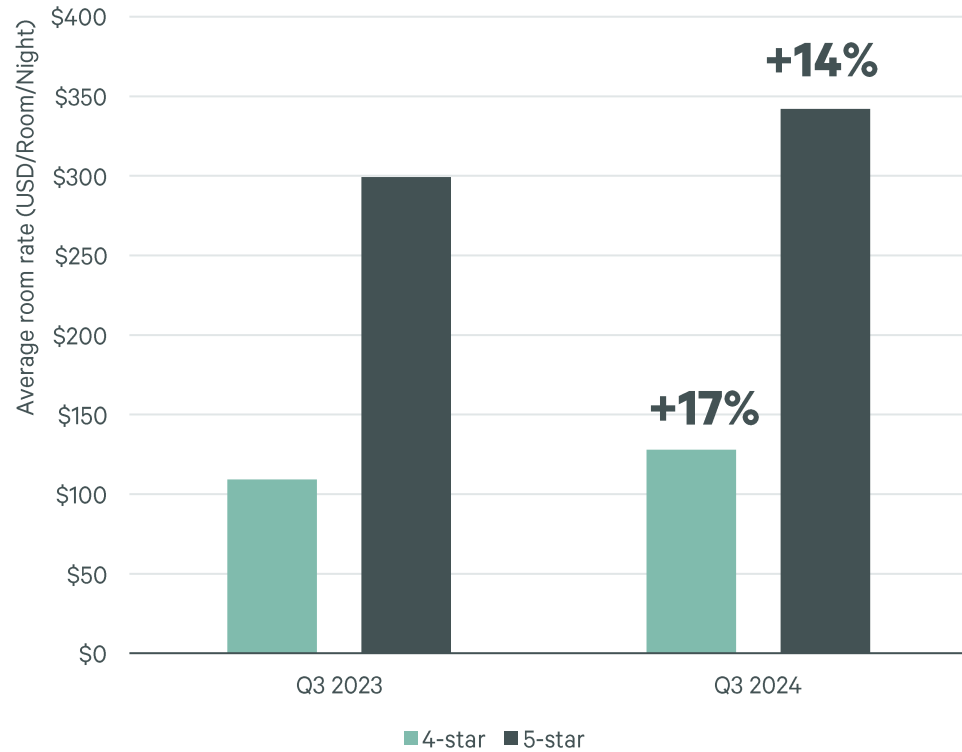
5-Star Hotel

**4,200+** keys

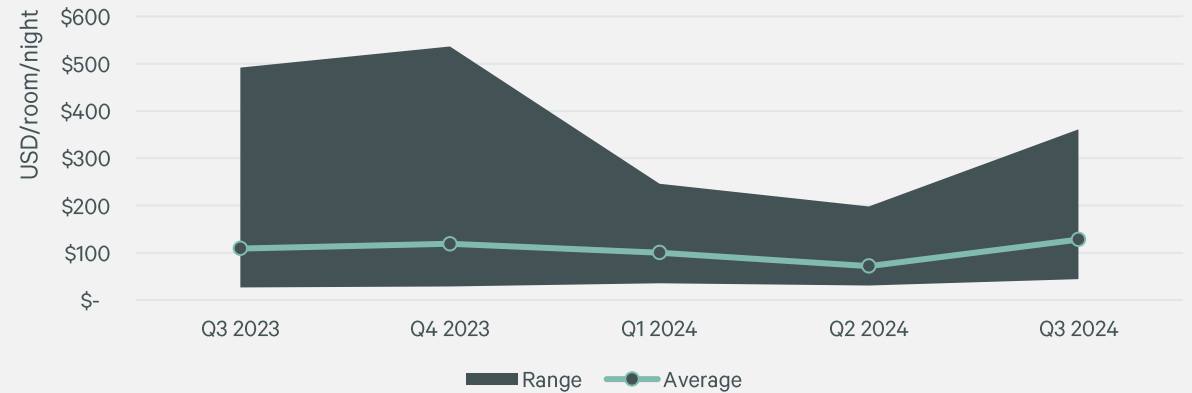
Source: Booking.com, CBRE Research, Q3 2024

# Discounts reduced in hotel stay

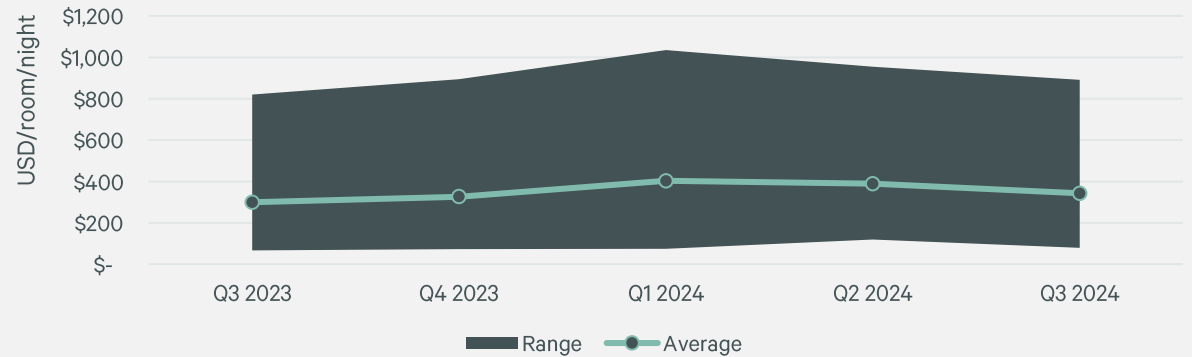
Average room rate by star rating (Q3 2023 vs Q3 2024)



4-star hotel room rates (Q3 2023 – Q3 2024)



5-star hotel room rates (Q3 2023 – Q3 2024)



Source: Booking.com, CBRE Research, Q3 2024

# Hospitality key trends



## 01 Long holidays spur short-term local demand

"Consecutive holidays provide greater flexibility for trip planning, inspiring local travelers to explore more"

## 02 Matured hotels chains are considering to unload the portfolio

"Certain hotel holders are considering to liquidate their portfolios despite being mature in the sector"

## 03 Increase in 'condotels' is influencing the hotel market

"Following a recent wave of condominium completions, the hotel market receives impact from condominiums operating daily stay"

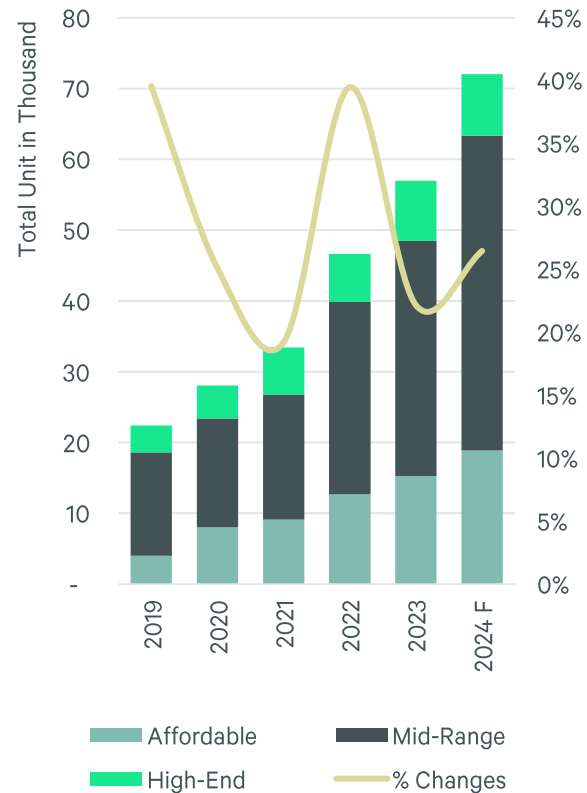
Source: 2024 Asia Pacific Office Occupier Survey, Q3 2024

05

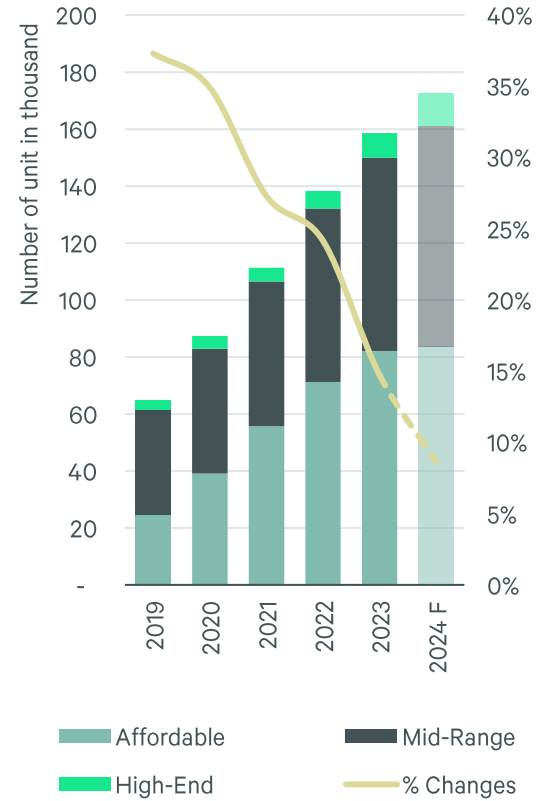
Residential

# Residential market experiences slower completions

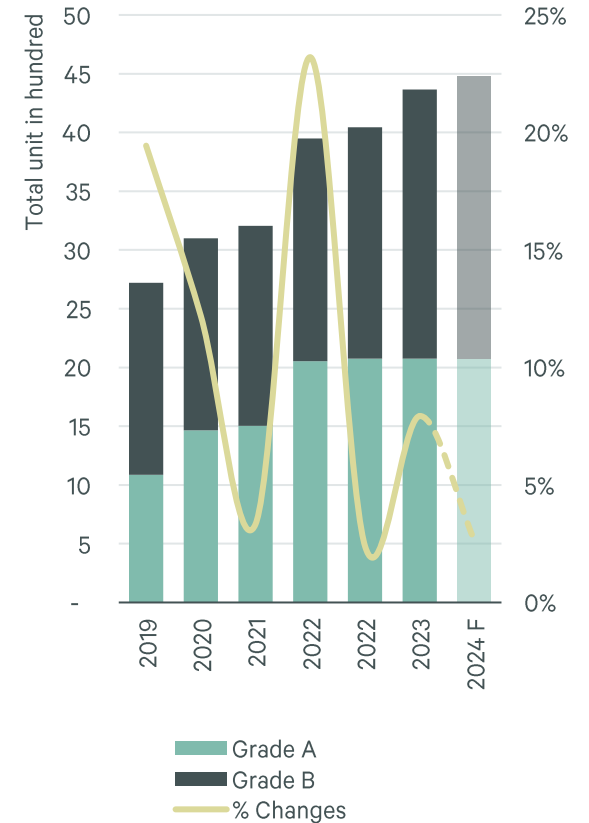
Phnom Penh condominium supply (2019 – 2024F)



Phnom Penh landed property supply (2019 – 2024F)



Phnom Penh serviced apartment supply (2019 – 2024F)

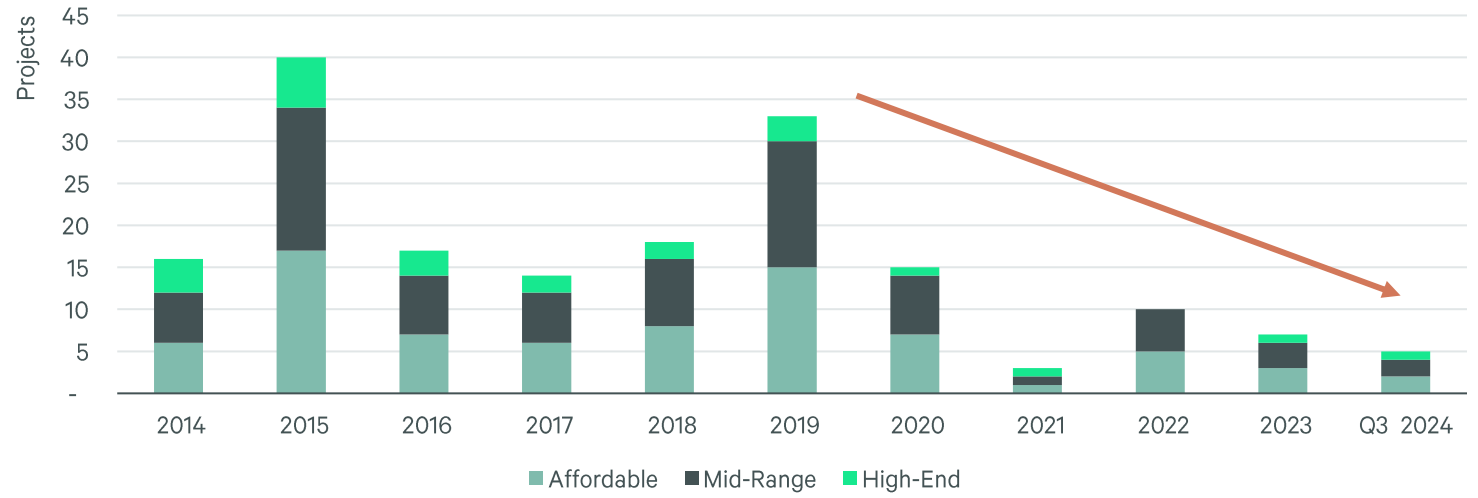


Source: CBRE Research, Q3 2024

# Fewer new launches are expected to slow supply growth

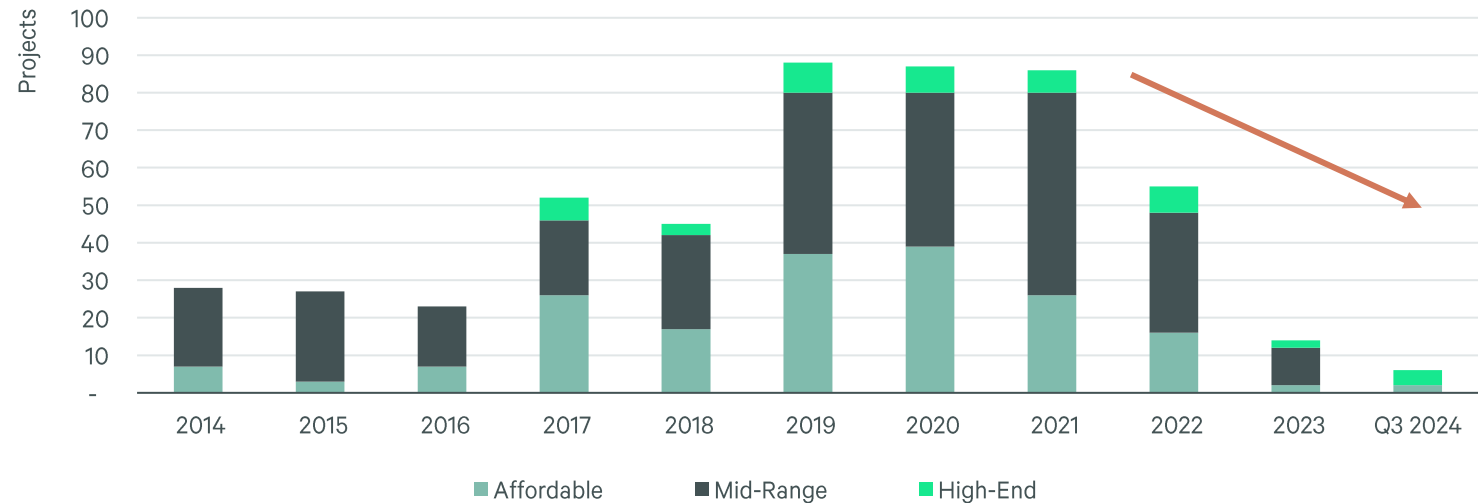
## Condominium

Phnom Penh condominium project launches (2014 – Q3 2024)



## Landed Property

Phnom Penh landed property project launches (2014 – Q3 2024)

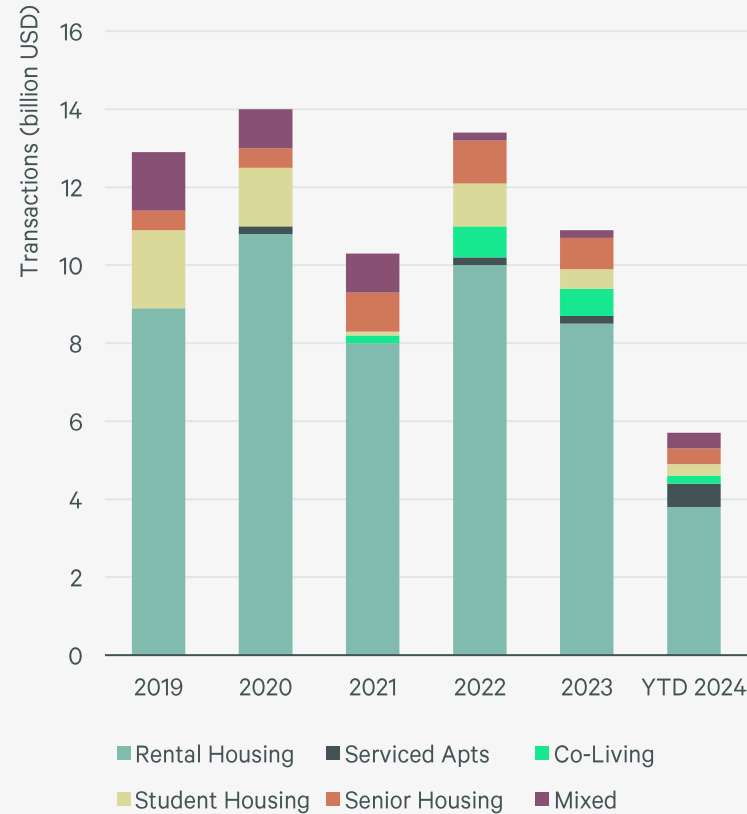


Source: CBRE Research, Q3 2024

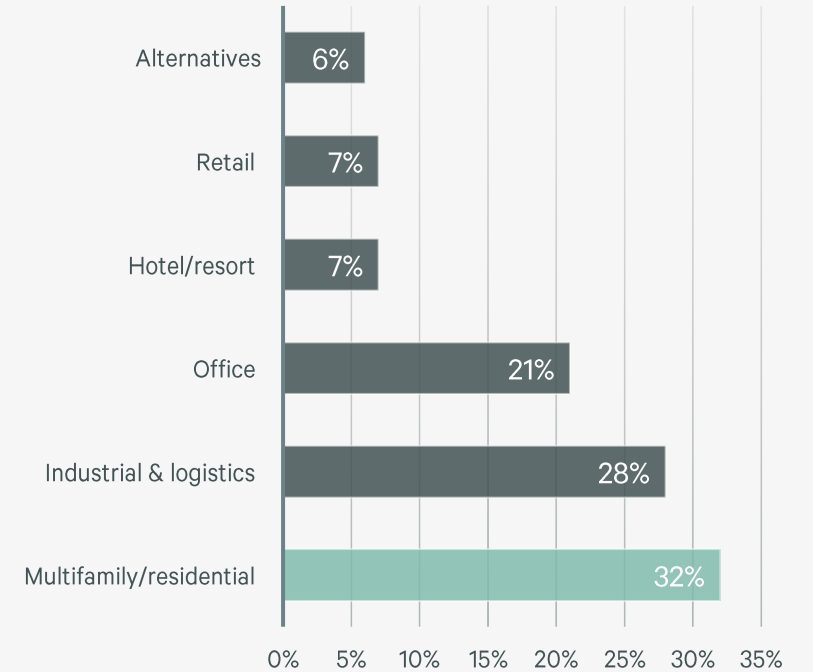


# A surge in regional interest in the residential sector

The traditional rental housing sector dominates living investment activity

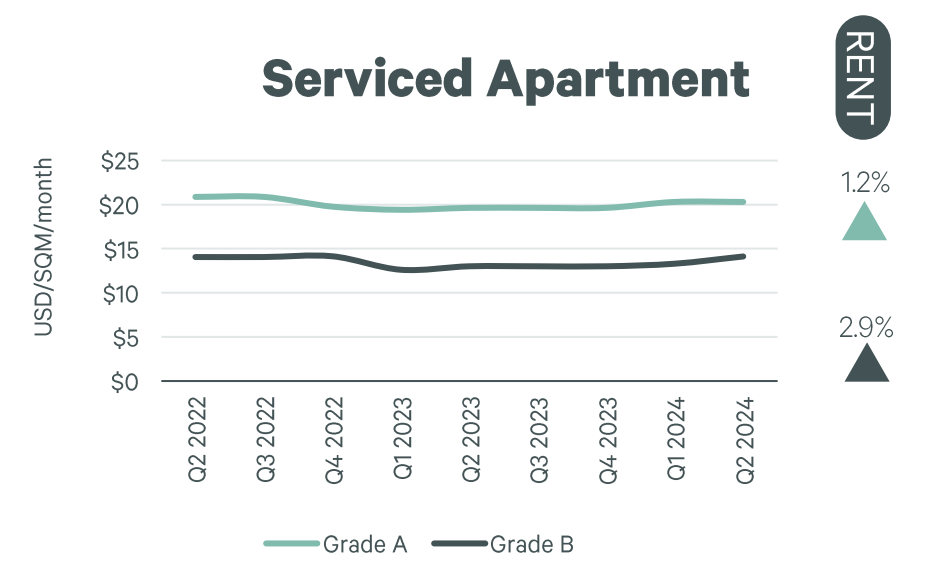
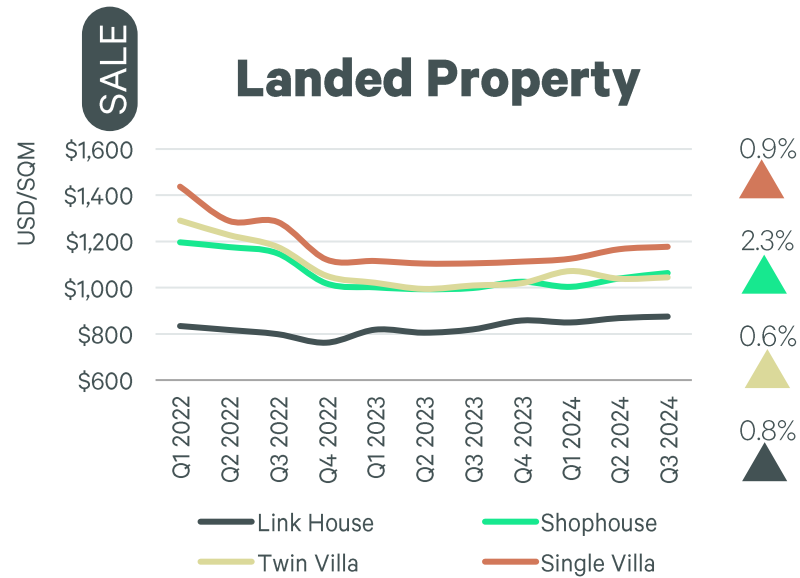
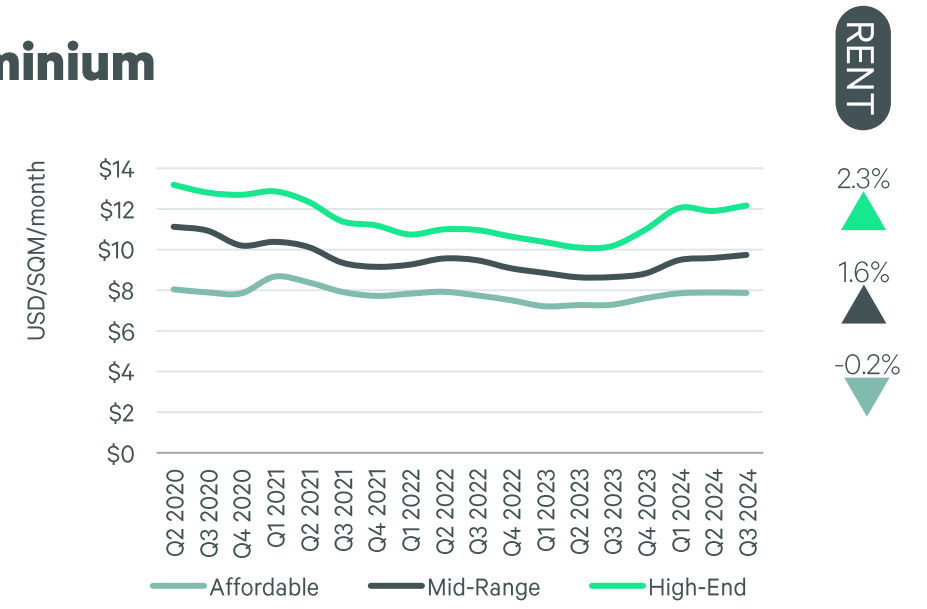
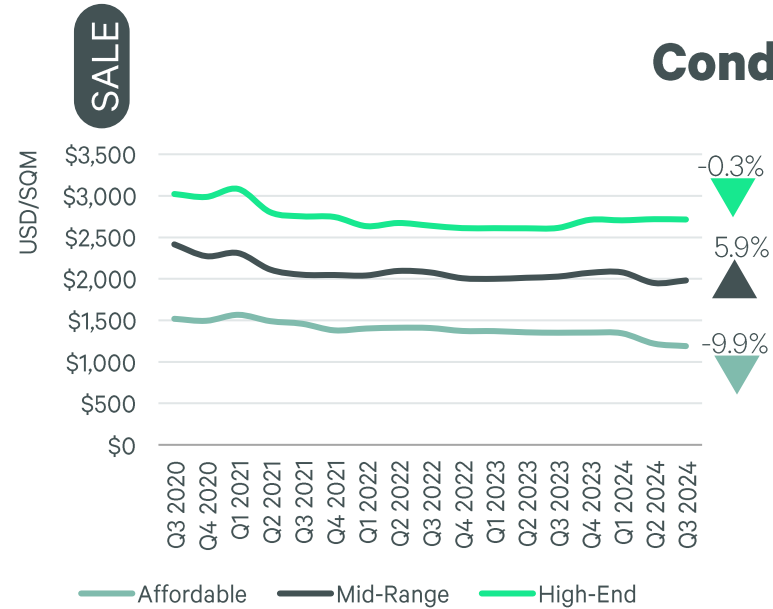


Most preferred commercial real estate sector for investment in Asia Pacific



Source: Investing in Asia Pacific Real Estate, MSCI Real Capital Analytics, CBRE Research, Q3 2024

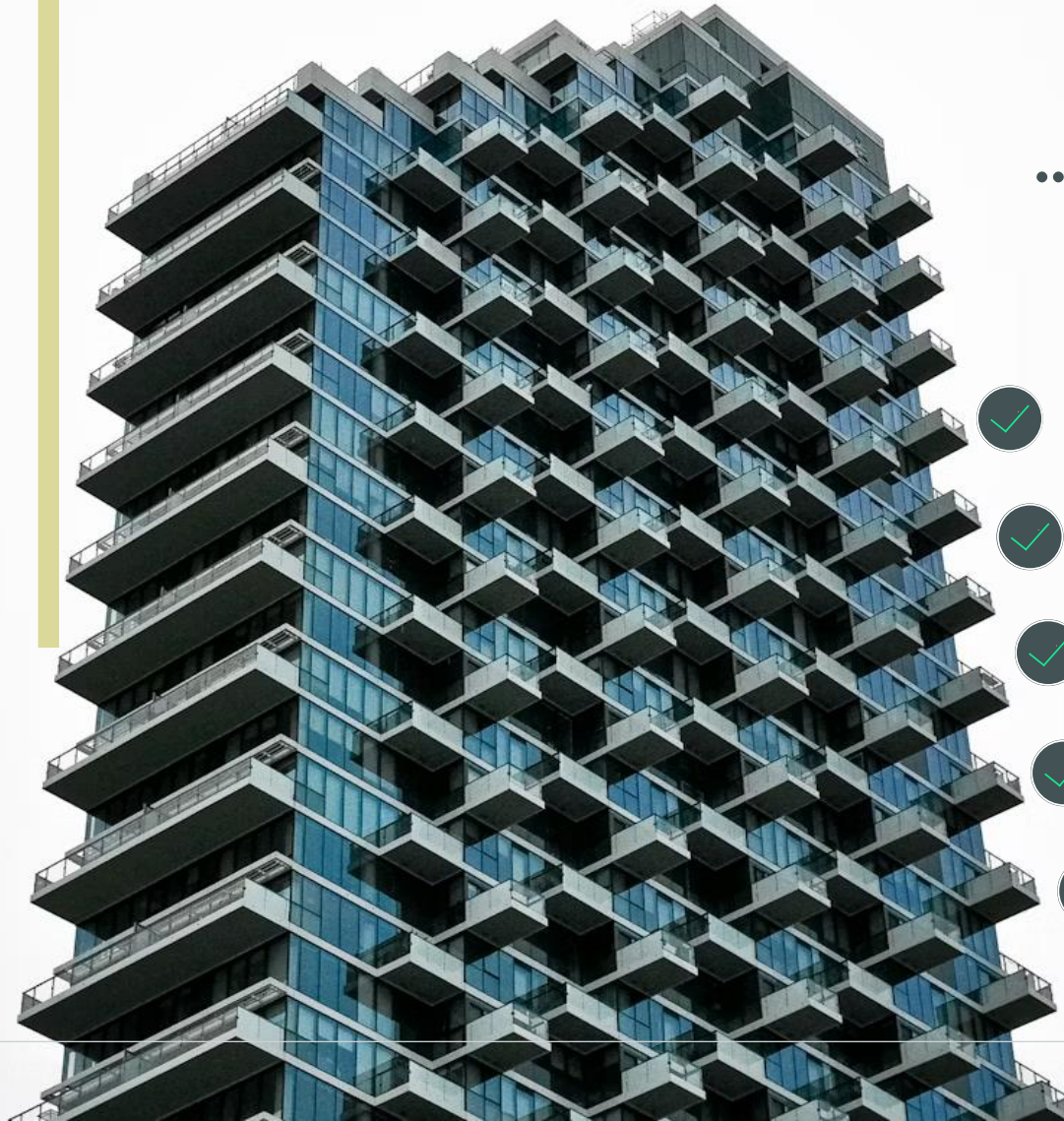
Signs of a gentle recovery in rental demand, but cautions remain



Source: CBRE Research, Q3 2024

# Where else in Southeast Asia?

You could find a condo with...



...price under  
**\$1,500/SQM**

- ✓ In the capital city
- ✓ Within 5km from CBD
- ✓ Freehold ownership
- ✓ Flexible payment terms
- ✓ Over 5% rental yield

# Residential key trends



## 01 Affordable to mid-range positioning remains key

“New launches in the affordable and mid-range segments have shown notable absorption rates compared to high-end developments”

## 02 Picking up in residential inquiries and transactions

“Increasing number of residential inquiries, both buy and rent, indicating responsiveness to price adjustments over recent quarters”

## 03 Developers are offering lower interest rates and flexible payment terms

“Landed property developers are presenting even more aggressive offers, featuring larger discounts, lower interest rates, and longer terms, especially for completed units”

# For more publications and updates

## CBRE Cambodia Research Center



Visiting our research center through CBRE Cambodia's website to get the most recent updates and trends in various real estate sectors.

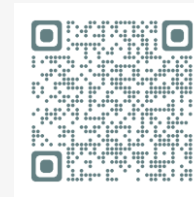


**CBRE Cambodia Research Center**

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REPORT

CBRE RESEARCH

17 October 2024



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