

Phnom Penh's Real Estate Market Report H1 2023



POINTER

By Pointer's Research & Consultancy Department



Welcome

to Our Very First Phnom Penh's Real Estate Market Report

As our relationship begins, Pointer would like to bring you to discover opportunities of the real estate trends in the hospitality, office, residential & retail developments. We're thrilled to bring you the most up-to-date resources every six months to keep you informed and make your life easier. Our half yearly report will provide key market updates, in-depth analysis and market insights of the current conditions and developments of Phnom Penh.

The property market has been impacted by several unique challenges. Phnom Penh's real estate market is expected to recover in 2023, following improvements seen in 2022, after the government lifted activity restrictions at the end of December 2022, which is anticipated to support economic growth.

Both the commercial and residential real estate markets in Phnom Penh are also expected to experience growth in supply. The market will see new supplies as developers and landed property owners begin to see their development reaching the completion stage.

Changing demographics and urbanization are the two key factors that impact the overall real estate market of Phnom Penh. While the city is experiencing moderate demand for condominiums, the outskirts areas are seeing increased demand for single-family homes in the affordable category. The commercial real estate market has been relatively stable, with steady demand over the past few years with increasing supply coming to the pipeline in the office and retail segments. The changing consumer behavior are expected to continue to impact the commercial real estate market in Cambodia in 2023. For example, retail developers should focus more on creating experiential shopping experiences to attract more customers etc.

Furthermore, Phnom Penh is facing challenges related to its infrastructure development which could limit the potential of the property market. While there have been significant improvements in recent years, we believe there are still gaps that need to be addressed. Properties are particularly sought after if it is due to their proximity to business / education centers. With the growing supply of all asset classes, it is essential for prospective buyers, investors, and occupiers to stay informed about the evolving landscape of property prices in Cambodia, and to make informed decisions based on the prevailing market conditions, to exercise financial discipline and financially prepared in order to achieve the favorable outcomes in the real estate transactions. Property buyers and occupiers should take advantage of the current market conditions given the growth in supply. However, it is crucial to consider consumers' purchasing power may be lower. Property developers or landlords should emphasize the exceptional qualities of their properties to attract any potential buyers and occupiers.

Looking ahead, real estate prices in 2023 are expected to rise, partly due to increased construction material costs and inflation. It is important to consider the impact of current world affairs, financial markets and the global economic landscape and financial uncertainties, all these factors could potentially slow down purchasing activities or affect buying power.

We are excited to welcome you to subscribe to our email community. Throughout the year, we'll be sending you the latest real estate market trends to keep you informed. For any in-depth real estate analysis or real estate queries, you can connect to us anytime.

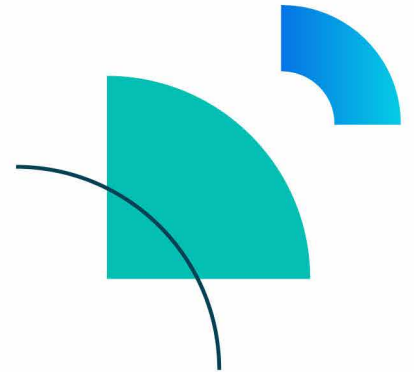
Thank you for being a part of this journey. With Pointer, your dream home, office space, or any other kind of property might be just one click away! We can be your one-stop solution provider for all your concerns.

If you ever have any queries or need any advice, don't hesitate to touch base with us.

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Hospitality Market



H1 2023



By Pointer's Research & Consultancy Department



Hospitality

Supply | Flat

Phnom Penh's hotel supply is still awaiting market conditions during H1 2023. However, several upcoming projects have already been identified. Supply is starting to increase gradually, in response to the improving market condition from H2 2023.

Room Rate | Up

Occupancy rises in H1 2023 thanks to the 2023 Southeast SEA Games and is expected to rise slowly again towards the end of H2 2023.

Vacancy | Down

Room rates are typically adjusted based on occupancy levels.



Key Hotel Completions

				YTD 2023
Property	Location	Number of Rooms	Stars	Completion
Fairfield by Marriott	Toul Kork	356	4	H1 2023
Glow Park Hotel	Daun Penh	66	4	H1 2023



Hotel Projects Under Development

2023

Property	Location	Number of Rooms	Stars	Expected Completion
Novotel Hotel	Boeung Keng Kang	254	5	H2 2023
Shangri-La Hotels and Resorts	Chamkarmon	300	5	H2 2023

2024

Property	Location	Number of Rooms	Stars	Expected Completion
Hilton Hotel	Daun Penh	280	5	Completion Date Rescheduled
KHOM Hotel	Daun Penh	130	5	H2 2024
Planet Hollywood Hotel	Boeung Keng Kang	135	4	H2 2024

After 2025

Property	Location	Number of Rooms	Stars	Expected Completion
Pan Pacific Hotel	Daun Penh	212	5	H1 2026
Vignette Collection	Daun Penh	50	5	H1 2027
Mercure Hotel	Boeung Keng Kang	200	4	H1 2027
Naga 3	Chamkarmon	4,720	5	H1 2029
Hotel at Royal Group Headquarters	Daun Penh	To be Announced	5	To be Announced



Market Overview of Hospitality Developments



The market witnesses no new launches of hotels in Phnom Penh during H1 2023. However, there are several hotel developments reaching the completion stage and are expected to open before the end of 2023. The total supply up to H1 2023 in Phnom Penh is 13,215 hotel rooms, according to the data retrieved from Pointer's database.

It is estimated that 554 new hotel rooms will be completed in the H2 2023, with the majority of the supply being 5-star hotels. A moderate rebound in services, especially the hospitality, trade, and travel sectors, has helped to bring Cambodia back to pre-COVID-19 growth levels, with foreign arrivals accelerating as the country hosts the Southeast Asian Games and ASEAN Para Games in May earlier this year.

Ever since the pandemic broke out, the supply of new rooms in Phnom Penh has significantly decreased. Several hotels decided to close their operation permanently. Furthermore, the hotel pipeline has come to a halt due to declining demand. Apart from the above, several hoteliers

carried out renovations towards the end of the pandemic by completely renovating their hotel establishments whilst temporarily closing them. However, due to the vast amount of room supply in the market, we have not witnessed any hotels undergo renovation just because they intend to be run by new operators.

With the increase in international flights to Phnom Penh, it is certain that tourism in Cambodia will return to normalcy. After all, the hotel supply is still awaiting the market condition - with several upcoming developments having already been identified.

In normal practice, room rates are typically adjusted based on occupancy levels. The number of tourists visiting from abroad is increasing in tandem with the opening of international tourism borders since the end of 2022. The number of tourists who visited in 2022 was the highest since the pandemic began in 2020. Local tourism is also increasing. However, due to the limited number of planes, ticket prices have become more expensive on international flights, and this impacts tourist arrivals significantly.



Our Forecast

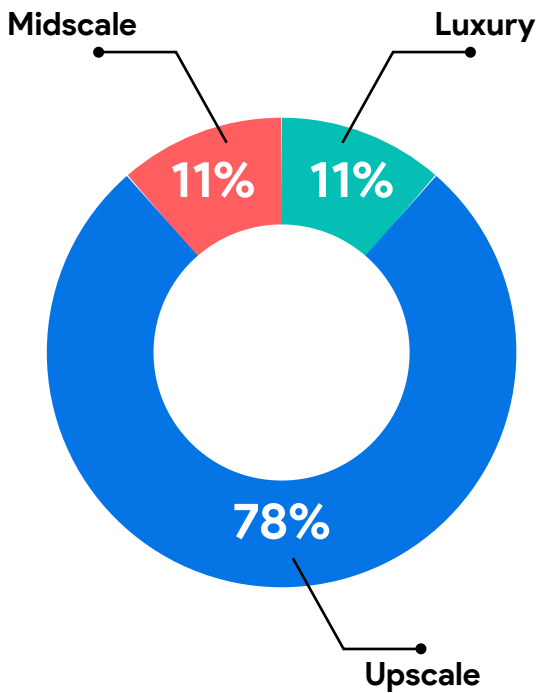
The good news is that some of Cambodia's major markets, such as mainland China have opened their borders; in which Cambodia is expected to receive between 800,000 and 1 million Chinese tourists in 2023, but post-pandemic recovery has been weak on the H1 2023 due to a slow rebound in Chinese investment and tourist visitors to Cambodia.

Travel patterns of foreign visitors vary greatly. The summer holidays in Asia are from June to September, and winter is from December to March. In Australia, the summer holidays are from December to February, and winter is from June to August. Given the fact that most of the tourist arrivals to Cambodia are from Asian countries, most tourists will choose to arrive during the June to September period. However, the wet season runs from May until September, with the heaviest rainfall generally recorded. As a result, the distribution of international tourists to Cambodia over the course of a year is leaning towards the end of the year when the country experiences low rainfall and still enjoys warm temperatures.

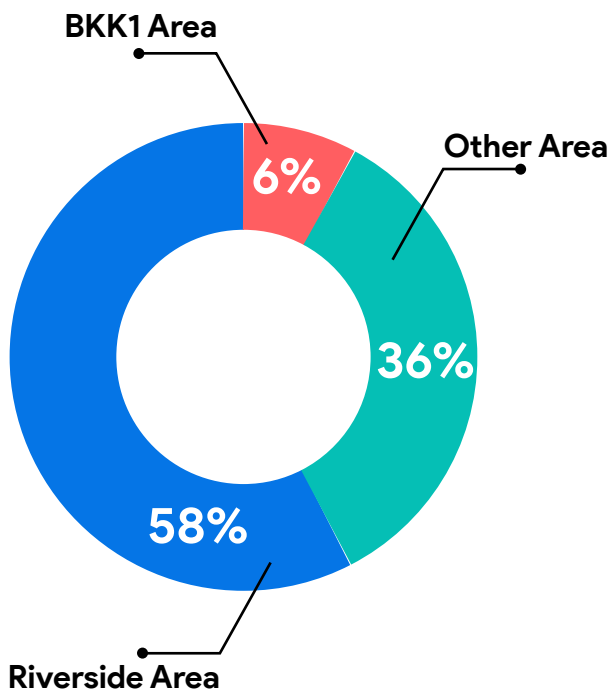
According to data released by the Ministry of Tourism in Cambodia, International tourist arrivals have surged by a whopping 409% in the H1 2023, reaching 2.57 million. This is a significant increase from the **506,762** arrivals recorded in the same period of 2022. The Kingdom also welcomed **10,635** international flights in the H1 2023. Based on the latest forecast, Cambodia will be able to receive up to 5 million international tourists in the full course of 2023, an expected increase of 120% from 2.27 million in 2022. The performance of Phnom Penh's hotels and the condition of tourism on the island has begun to improve as the number of tourists, both domestic and foreign, is steadily increasing. According to the tourism statistic report released by the Ministry of Tourism in Cambodia, Thailand topped the list of international tourist arrivals to Cambodia in H1 2023, followed by Vietnam, China, Laos, and the United States. Meanwhile, the total number of domestic tourists in the H1 of 2023 also surged 75% to around 11.1 million, as compared to the same period in 2022.



Hotels by Segment (H1 2023)

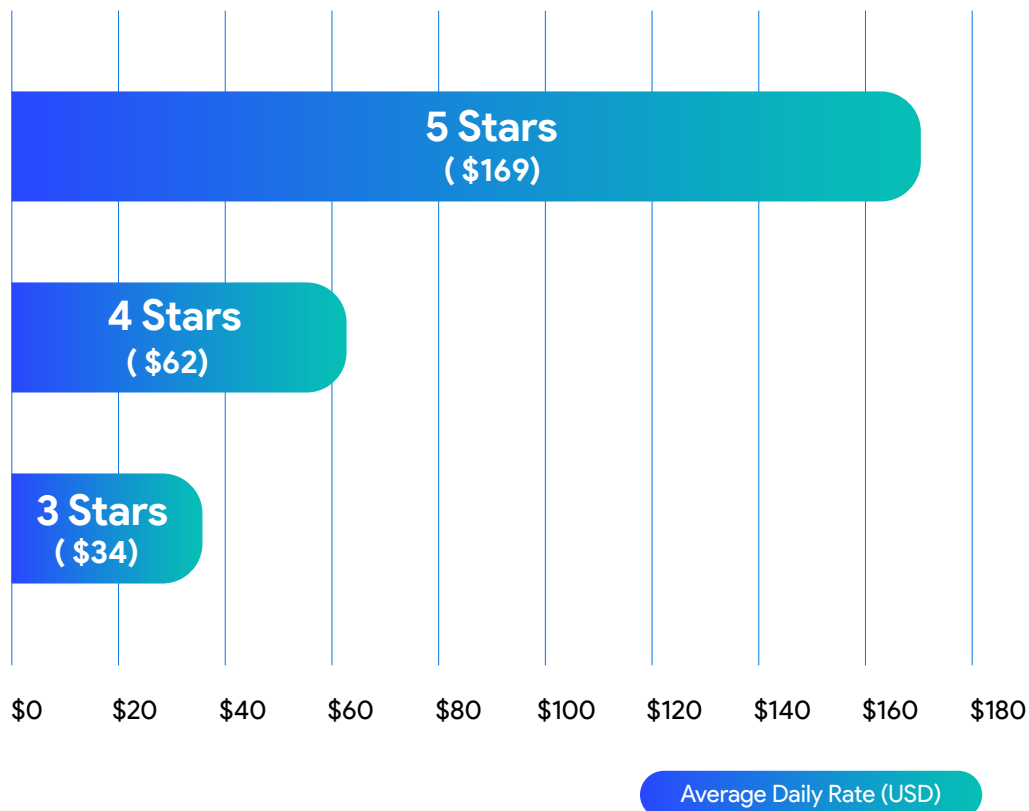


Hotels by Location (H1 2023)



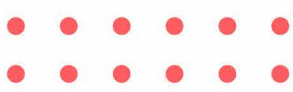
In addition, the return to busy offline activities also helped boost hotel occupancy in Phnom Penh. As of H1 2023, Phnom Penh hotel market continues to significantly recover its performance by the number of international visitors, especially from the 'boutique' hotels. Currently, there are approximately 13,215 keys in Phnom Penh, 11% or 1,410 keys are positioned in the luxury segment (5 Stars Hotel), followed by 78% in the upscale segment (4 Stars Hotel), and 11% in the midscale segment (3 Stars Hotel). Compared to the total number of keys by zone, the riverside and the surrounding area holds the largest portion of keys at 7,667 keys or 58% of the total due to its popularity close to tourist attractions, lifestyle, and other leisure activities. Followed by Boeung Keng Kang 1 with 6% of the total. Viewing from the location of all the hotel establishments, most hotels are in the inner-city area. The majority of new hotels are in 3 different areas, which are the Boeung Keng Kang 1, CBD, and riverside. On the other hand, prices of the worst-affected hospitality segments have shown some signs of stabilization. There is one new hotel project completed from the H1 2023 - Fairfield by Marriott. The hotel is part of the mixed-use Chip Mong Tower development along the Russian Boulevard. Since the hotel opened in the H1 2023, the hotel has accommodated over 6,000 guests including Miss Teen International 2023, SEA Games Athletes and Delegation, international conferences, and various corporate, diplomatic, government & social events etc.

Average Daily Rate by Category (H1 2023)

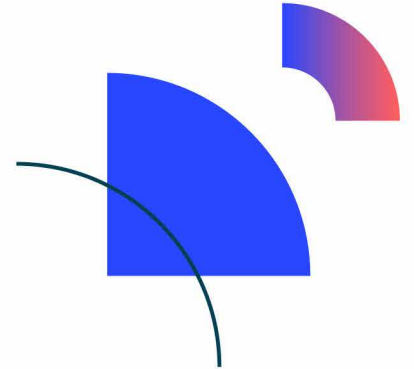


In the H1 of 2023, the average daily rate (ADR) for all hotel classes in Phnom Penh is USD\$63 (USD \$169 for the 5 stars hotel room, USD \$62 for the 4 stars room and USD \$34 for the 3 stars room, respectively), which is one of the most affordable in the region. However, the price has not yet reached its pre-pandemic levels from 2019. Despite this progress, the full recovery of Cambodia's tourism industry, including Phnom Penh, will depend on the return of Chinese tourists which is the main target of tourists for Cambodia.

For the future hotel projects, new market entrants may face some challenges as competition for prime locations / assets is high, amid scarce availability. We recommend a thorough assessment in terms of site selection and property research before understanding their relative advantages and disadvantages.



Office Market



H1 2023



By Pointer's Research & Consultancy Department



Office

Demand | Flat

Demand will stay flat until the 2023 General Election is over with the resumption of the socio-economic activities and business activities to pick up.

Supply | Up

Substantial amount of annual supply, however most of the office spaces are classified as the owner occupied commercial real estate. H1 2023 saw two office development launched in Phnom Penh, and the cumulative supply is expected to grow at a rate of around 5% per year.

Rent | Down

Developers must plan carefully if they intend to raise rents given the excessive supply. The overall average rental rate across all grades as well as districts decreased modestly. The H1 2023 ended with an occupancy rate of 75%. However, rents are expected to rise modestly along with the inflation rates from H2 2023 to 2025.

Vacancy | Up

With the large additional supply, vacancies are expected to rise modestly. However, overall vacancies are expected to go up slightly or remain stable.



Odom Tower: A New Standard for Office Spaces © Pointer



Key Office Development Completions

				YTD 2023
Property	Location	Developer	Gross Area (SQM)	Completion
Chip Mong Tower	Toul Kork	Chip Mong Land	8,777	H1 2023
Samaky Tower	Toul Kork	Suon Chan Nee	10,000	H1 2023
Times Square 3	Toul Kork	Megakim World Corp	17,040	H1 2023



Office Projects Under Development

				2023
Property	Location	Developer	Gross Area (SQM)	Expected Completion
345 Office	Toul Kork	Dysiblings Commercial	7,426	H2 2023
Maline Office Park	Chamkarmon	Maline Office Park	18,430	H2 2023
Maritime Tower	Meanchey	Maritime Group	26,000	H2 2023
Wing Tower	7 Makara	Wing Tower Property Development	To Be Announced	H2 2023

2024

Property	Location	Developer	Gross Area (SQM)	Expected Completion
Hattha Bank Head Office	Meanchey	Hattha Bank	37,000	H1 2024
Chief Tower	Boeung Keng Kang	JS Property International	12,240 (24 floors of office spaces)	H2 2024
Prince Happiness Plaza	Chamkarmon	Prince Real Estate (Cambodia) Group	71,000	H2 2024
Prince Huan Yu Center	Chamkarmon	Prince Huan Yu Real Estate (Cambodia) Group	To Be Announced	H2 2024
UC88 Tower	Boeung Keng Kang	Chhun Sambath Development	21,660 (19 floors of office spaces)	Completion Date Rescheduled

2025

Property	Location	Developer	Gross Area (SQM)	Expected Completion
Foreign Trade Bank of Cambodia (FTB) Tower	7 Makara	FTB & MSNH Investment	77,593	H2 2025
Global Tech Exchange	Daun Penh	Shukaku Inc. & MSQM ZTH	83,000	Completion Date Rescheduled

After 2025

Property	Location	Developer	Gross Area (SQM)	Expected Completion
Norodom Business Center	Daun Penh	TP Moral Group	18,612	H1 2026
Odom Tower	Chamkarmon	ULS Cambodia	43,000	H2 2026
J Trust Royal Bank Tower	Daun Penh	J Trust Royal Bank	To Be Announced	2027
Royal Group Headquarters	Daun Penh	Royal Group	To Be Announced	To Be Announced



Market Overview of Office Developments

Two new developments were launched and broke ground on H1 2023 – namely Royal Group Headquarter and J Trust Royal Bank Head Office. From 2023 to 2025, the cumulative supply is expected to grow at a rate of around 5% per year.

Construction activity continues, albeit at a slow pace. Over 415,961 square meters gross leasable floor area of new supply is currently under construction in Phnom Penh, with 50% of these spaces located in Norodom Boulevard and Preah Monivong Boulevard, expected to be completed between now and 2025.

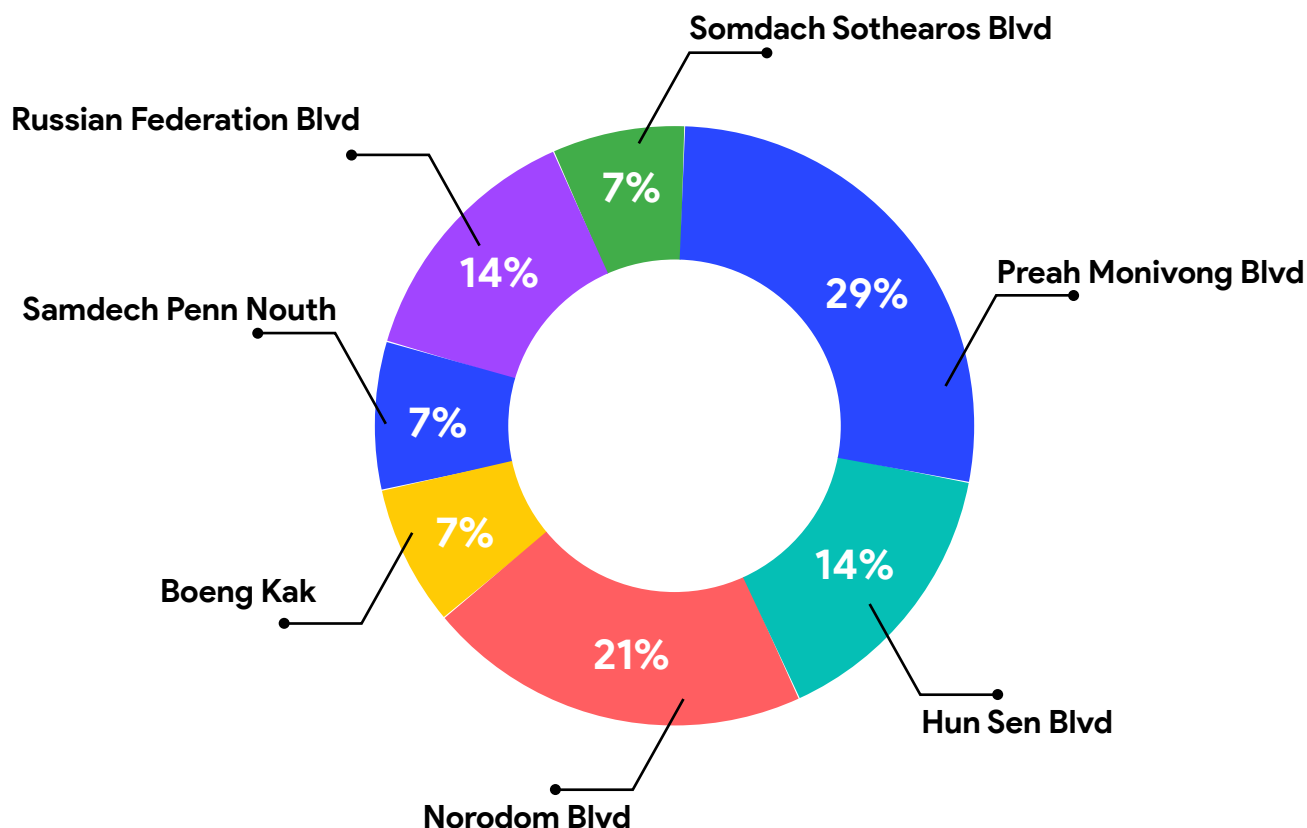
We witnessed the increase in office investment which was caused by a rising inflation forecast and higher building material prices. However, the primary reason for the rising office building supply is due to owner-occupied commercial real estate (OOCRE). Large conglomerates, including Royal Group, and their subsidiaries are creating new office spaces for their own commercial and operating purposes. For example, Royal Group headquarter is located along Norodom Boulevard, and J Trust Royal Bank Head Office at Kramuon Sar Street, and the closed to completion Wing Bank Tower along Monivong Boulevard.

On the other hand, demand for co-working space is also likely to trend upwards. This is an opportunity many developers may have to consider. Eventually, traditional offices may need to revisit their leasing strategies, and develop more competitive offerings to effectively attract tenants.



Odom Tower (Office Spaces) © Pointer

Office Under Construction by Location (H1 2023)



Meanwhile, the headline rental rate for Grade A office buildings on average in the CBD areas remained stable at approximately USD \$28.5 per square meter per month on average (excluding monthly management fees), approximately USD \$16 per square meter per month on average (excluding monthly management fees) for the Grade B office buildings, and approximately USD \$10 per square meter per month on average (excluding monthly management fees) for the Grade C office buildings, respectively. Overall,

given downward market pressures, landlords are continually eager to keep rental levels unchanged in an attempt to either keep the existing tenants, or further attract new tenants and eventually buoy occupancy rates. In fact, many landlords are eager to offer sizeable discounts - especially for largescale occupiers, while they are also willing to make reasonable reductions on renewals for existing tenants. In addition, many tenants are also likely willing to renew their units - albeit to reduced sizes.

Price of Office Space By Segment (H1 2023)



Office Format of Owner-occupied Commercial Real Estate (OOCRE)

Owner-occupied commercial real estate (OOCRE) - This is an arrangement in which the business owns the building or space it occupies for commercial and operating purposes. Business owners may want to consider financing owner-occupied commercial real estate to lessen costs and potential operating constraints. If the owners purchase property for their company, they will serve as their own landlord as well.



Our Forecast



After all, buildings already under construction will be delivered, while new ones will continue to launch in the coming quarters. We continually advise office developers to adopt short-, medium- and long-term strategies to accommodate these shifting market needs.

We expected that there would be more downward pressure in occupancy in the premium office spaces, as supply becomes substantial going forward. As a result, more upward pressure on asking rental rates is expected. In today's tenant market, landlords must remain accommodating and flexible when negotiating with current tenants, or potential new tenants. Overall, their strategies will vary, depending on the occupancy rates of the buildings.

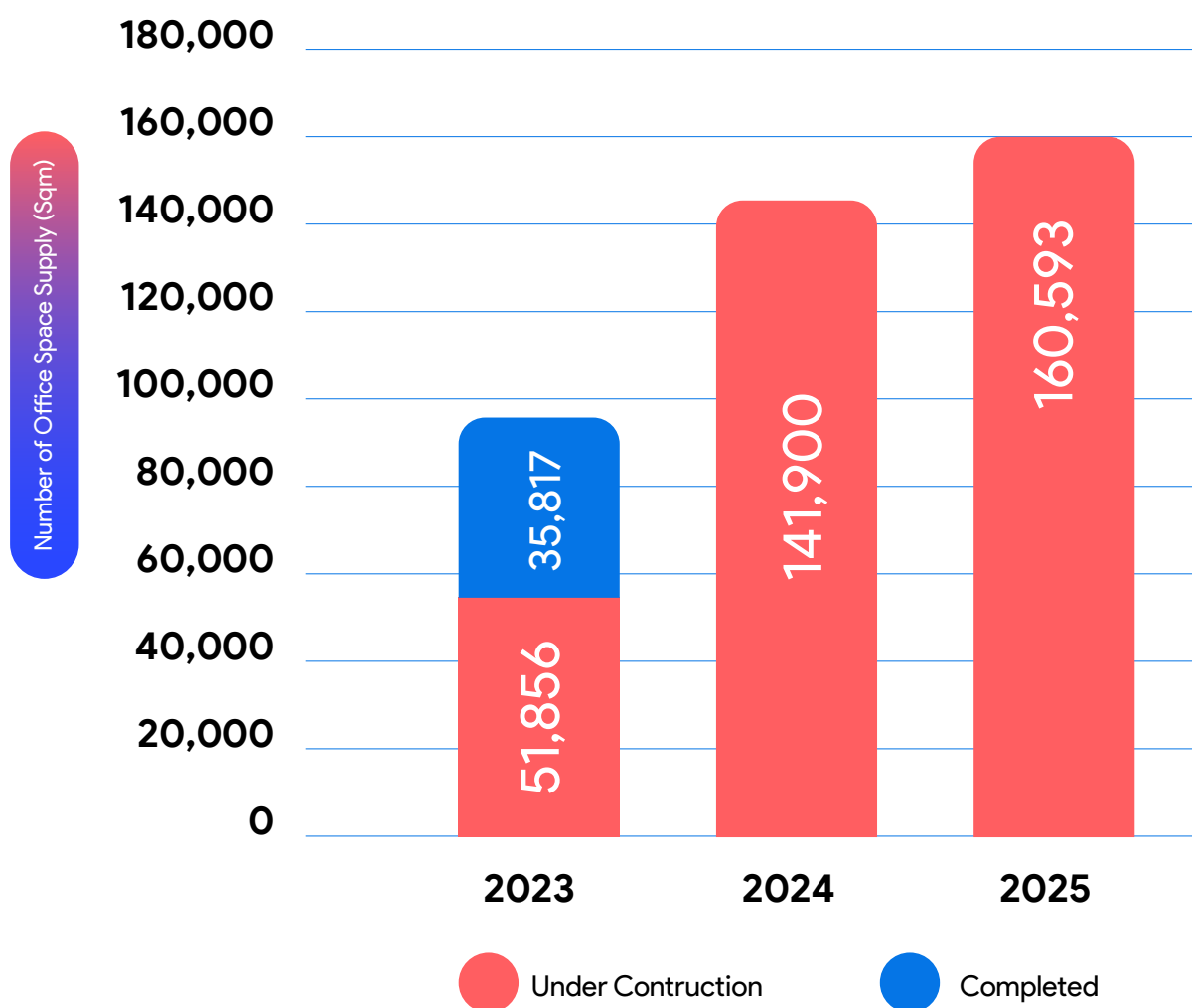
It is worth noting that most of the expected supply will be in the CBD and the extended area – Norodom Boulevard, Russian Boulevard and Phnom Penh City Center (PPCC). Nonetheless, we anticipate a modest growth in average rent for Grade B office spaces in 2023. This calculation

includes some innovative design office buildings, below the premium grade that will be completed in 2023.

With the amount of future supply of office spaces available in the market, more vacant spaces may put landlords, particularly in the newly completed office buildings under more pressure and give tenants more leeway in the negotiation process.

Going forward, competition is likely to continually heighten as the future supply in the pipeline appeared significant. We observe that there are more than 364,105 square meters gross leasable area of both Grade A and Grade B office space underway, anticipated to be completed in the next two to three years. At present, the existing stock remains sizeable. Approximately 12% is located in the outer city area – particularly along the Hun Sen Boulevard; however, 88% of the office space under construction is to be located in the CBD area, these being mostly Grade A office buildings – such as Foreign Trade Bank of Cambodia (FTB) Tower, Global Tech Exchange etc.

Total Office Space Supply by Year (H1 2023)

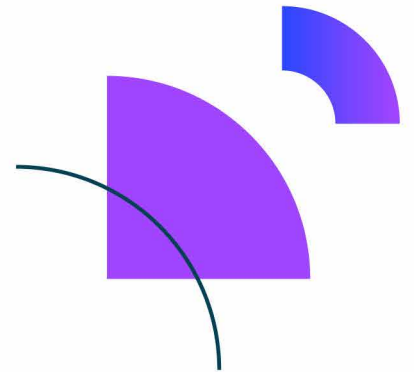


As at the H1 2023, the total office supply in Phnom Penh reached over 800,000 square meters according to Pointer’s database of office spaces available in Phnom Penh. There were three new office buildings completed in H1 2023 alone, collectively representing a total net leasable area (NLA) of 35,817 square meters – 8,777 sqm from Chip Mong Tower, 17,040 sqm from Time Square 3, and 10,000 square meters from Samaky tower respectively. Moreover, the future supply appears to remain significantly sizeable: More than 85,000 square meters in 2023, over 140,000 square meters in 2024, and over 160,000 square meters in 2025 – which could pose tighter competition among landlords going forward. Due to the anticipated over- supply condition, the

originally planned office tower of Prince Huan Yu Center development for example, is re-launched to provide buyers the choice of converting their spaces into either residential or office usage. Furthermore, the increased teleworking tends to reduce demand for office space, although the impact may not be significant.



Residential Market



H1 2023



By Pointer's Research & Consultancy Department



Residential (Borey)

Demand | Down

Modestly priced properties, ranging between USD \$800 to USD \$1,000 per square meter or below USD\$200,000 average total contract price based on the built-up area, appear to receive healthier sales receptions.

Supply | Up

The supply of borey in Phnom Penh continued to increase. We expect the future supply to be significant in a span of three to four years.

Selling Price | Down

The average selling price of borey launched in H1 2023 was approximately USD \$1,350 per sqm. The decrease was mostly driven by the oversupply of projects available in the market.

Vacancy | Up

The average sales take-up slightly declined. Some larger scale developments witnessed rather lower rates driven by the higher inventories. We expect the absorption to improve in the succeeding quarters as demand gradually catches up.



Borey Courtyard, developed by ELT Development © Pointer



Newly Launched Borey Developments

				H1 2023
Property	Location	Developer	Number of Units	Expected Completion
Borey Chankiri 2	Dangkor	Urban Land	490	H1 2025
Borey Mongkul Phnom Penh	Kandal	Borey Mongkul Phnom Penh	1,000	H2 2025
Borey Courtyard	Dangkor	ELT Development	117	H1 2026
Meanchey Residence	Dangkor	Rose Marvel Property Development	400	H1 2026
Palm Springs	Dangkor	LP Residences	208	H1 2026



Landed Properties (Borey)



After being muted from the pandemic crisis in the past three years, we recommend stakeholders of the borey to become more diligent with their site selection processes, and their pricing strategies, and capitalize on emerging development sites especially close to any commercial forms of developments, or infrastructure driven sites. Besides opportunities seen around the above infrastructure driven sites, some developers remain keen with locations surrounding major institutions and commercial centers. This includes areas around educational facilities - especially near universities, as well as commercial trade zones, in particular office hubs, to cut down the travelling time for the people commuting to work on a daily basis.

Going forward, among the launches expected in the second half of 2023, some of the notable developments we anticipate include developments located along the National Number 6; as well as those within the province of Kandal. Specifically, new developments are anticipated to surface in the surrounding neighborhoods of the Hun Sen Boulevard. We expect more developments to emerge around new growing residential areas, while developers are likely to further ramp up their sales activities.



Residential (Condominium)

Demand | Up

We expect the absorption to improve in the succeeding quarters as demand gradually catches up. Demand is up among price-sensitive target markets for affordable condominium units, but sales for the high-end condominium units has been slowed down sharply.

Supply | Up

H1 2023 saw one new condominium project launched in Phnom Penh - J Tower 3, the tallest building in Cambodia once it reached completion, with 77 floors and over 300 meters height.

Selling Price | Flat

The average selling price of condominiums in H1 2023 was approximately USD \$2,000 per square meter regardless of the asset class. Affordable condominium units average to below \$1,500. Mid-range units average USD \$2,200 per square meter whereas luxury ones typically cost USD \$3,000 per square meter. As always, prices vary by location. The only increase was mostly driven by mid-range developments located near the commercial centers which tend to be priced higher.

Rent | Down

Recorded condominium units for rent in Phnom Penh show consistent median rental prices across the spectrum.

Vacancy | Flat

Though it is unlikely that a quick recovery of vacancies will occur, vacancies are expected to decrease modestly due to the limitation of new supply offered in the market.



Leedon Heights® MSQM ZTH



Key Condominium Completions in Phnom Penh

				YTD 2023
Property	Location	Developer	Number of Units	Completion
Agile Sky Residence	Boeung Keng Kang	Agile Naki Property	963	H1 2023
La Cozii TK Condominium	Toul Kork	Sarita Property & Development	79	H1 2023
Park Land Tk Condo	Sen Sok	Chip Mong Land	1,355	H1 2023
Time Square 3	Toul Kork	Megakim World Corp	280	H1 2023
WorldBridge Sport Village	Chroy Changvar	WB Sport Village	1,747	H1 2023



Newly Launched Condominium Development

				H1 2023
Property	Location	Developer	Number of Units	Expected Completion
J Tower 3 Condominium	Chamkarmon	Tanichu Asset Management	360	2028



Condominium Projects Under Developments

				2023
Property	Location	Developer	Number of Units	Expected Completion
One 70	Daun Penh	New Moment Real Estate Development	793	H2 2023
Phnom Penh Galaxy Garden	Sen Sok	Jingdi Group	1,140	H2 2023
W.Condo	Toul Kork	WJP	To be announced	H2 2023

2024

Property	Location	Developer	Number of Units	Expected Completion
La Vista One	Chroy Changvar	Yin Yi Venture	1,750	H1 2024
R&F City Miro	Meanchey	R&F Cambodia	612	H1 2024
Residence H Sen Sok	Sen Sok	Lomnov Than HC	272	H1 2024
Royal Platinum Condominium	Toul Kork	Royal Hong Lai Huat Group	851	H1 2024
The Seven Residence Condominium	Sen Sok	Seven Residence	397	H1 2024
Diamond Bay Garden	Chamkarmon	Diamond Bay Garden	591	H2 2024
Morgan EnMaison	Chroy Changvar	Cam-Jiachuang Real Estate Co.,Ltd	4,840	H2 2024
Prince Happiness Plaza	Chamkarmon	Prince Real Estate (Cambodia) Group	1,780	H2 2024
The Flora Suites	Boeung Keng Kang	The Flora	198	H2 2024
TV Tower One	Russey Keo	LDST Development Cambodia	253	H2 2024
UC 88 Tower	Boeung Keng Kang	Chhun Sambath Development	350	H2 2024
Vue Aston	Chbar Ampov	The Peninsula Capital	895	H2 2024

2025

Property	Location	Developer	Number of Units	Expected Completion
Crown Towers	Sen Sok	Crown Towers	384	H1 2025
Leedon Heights Condominium	Sen Sok	Leedon Heights	1,225	H1 2025
L Tower	Meanchey	L Village Residence	480	H1 2025
Time Square 306	Boeung Keng Kang	Megakim World Corp	350	H1 2025
Urban Village Phase 2	Meanchey	Goldfame Group	1,700	H2 2025
Le Conde BKK1	Boeung Keng Kang	Wangfu International Real Estate Development	1,080	H2 2025

After 2025

Property	Location	Developer	Number of Units	Expected Completion
Morgan Champs-Élysées	Russey Keo	Morganford Investment (Cambodia)	923	2026
Odom Living	Chamkarmon	ULS Cambodia	138	2026

Condominium

In H1 2023, there was one new condominium projects launched, namely J Tower 3. On a half-year, or a yearly basis, the total new launches however declined sharply, but is anticipated to eventually surge after the 2023 Cambodian General Election.

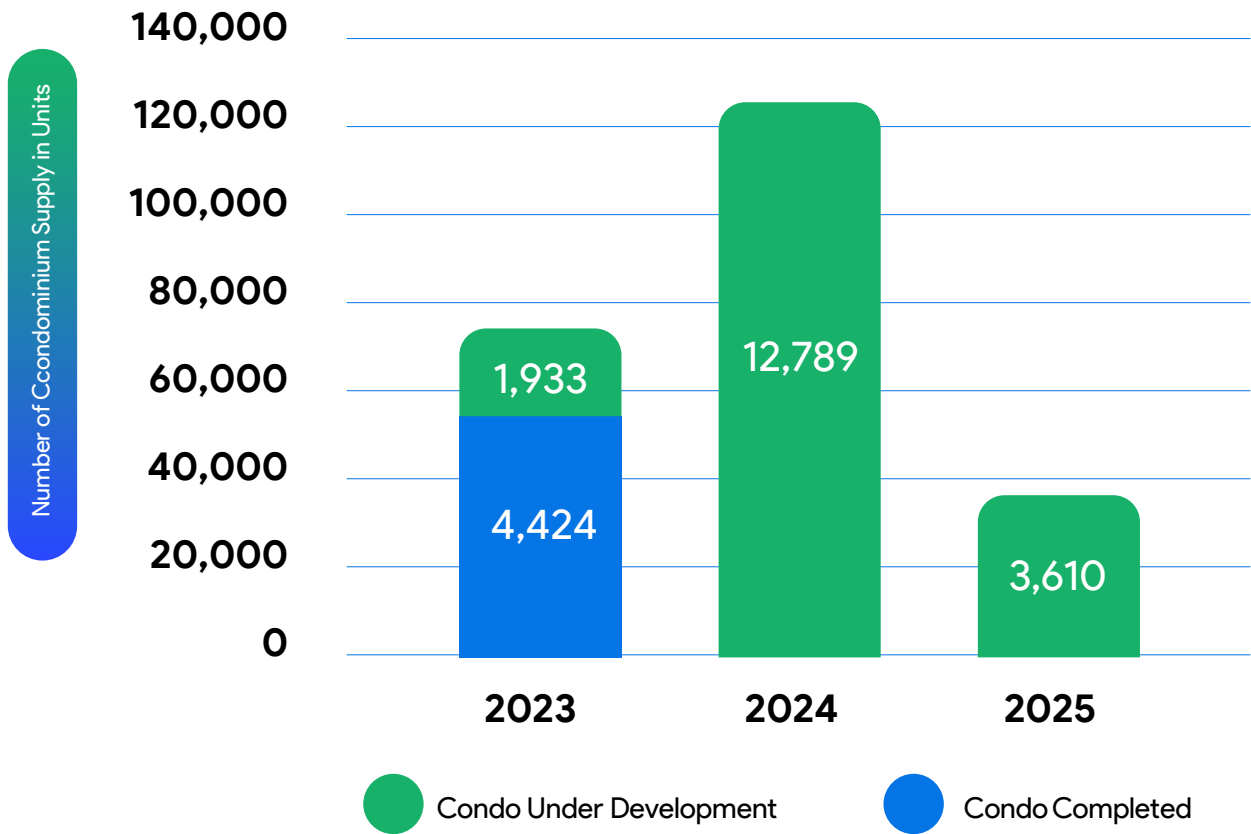
On the other hand, while the market remains domestically driven, we anticipated a fair share of foreign interest, especially buyers from the East Asian countries / European countries are likewise seeming. With a slight improvement of sales performance, we recommend developers to continually revisit their future development offerings to align with current and future demand. This includes a more thorough approach to their site selection process geared around future education / retail areas, as well as further assessments of pricing strategy - based on end-users' needs, but not investment-led demand.

In fact, some have initiated joint venture agreements with hospitality brands, or invited a hospitality brand to operate as part of their mixed-use development. We see this as a strategic move for developers to help enhance their overall project marketability. However, we still recommend a careful reconsideration of the offering, which should reflect demand from the properties' location, and on its overall target market preferences. We have noticed the affordable condominium developments remain noticeably healthy for projects priced between \$1,000 to \$1,500 per square meter or at a range of USD \$30,000 to \$80,000 per unit. These developments have generated more than 50% sales take-up; and even higher for some developments with better locations. In particular, projects such as Time Square 306 recorded an exceptionally high take-up rate of 70%. Developed by Megakim World Corp, the project gained robust sales performance owing to a relatively modest price offering amid convenient accessibility to the F&B and retail establishments.



Meanwhile, while purchases were observed to be predominantly domestic driven, interest among foreign buyers especially from Taiwan, Malaysia and Singapore were also resurfacing. We advised developers to continually observe inbound market trends and assess the purchase patterns among these international investors. This should include designing products that are deemed of high rental potential for the expatriate markets in Phnom Penh, or eventually for secondary market purposes, among many other factors. We retain a more positive outlook for the affordable and mid-range housing developments in Phnom Penh. While market prices and sales volumes were still below the peak of 2018-2019, they had risen steadily above the levels of 2020-2022. Some of the condominium developers were looking to sell condominiums to nationals from their own countries, but this demand has fallen.

Number of Condominiums Supply (H1 2023)



Residential (Serviced Apartment)

Demand | Up

Continuous signs of recovery are becoming more apparent. Demand for serviced apartments is picking up with the increased arrivals of expatriates.

Supply | Flat

H1 2023 saw no new serviced apartment projects launched in Phnom Penh.

Rent | Flat

Some serviced apartments in the market still have relatively low leasing rates compared to other projects, due to fierce competition with the hotel units - the primary competitor of serviced apartments as residential offerings is comparable to one another.

Vacancy | Down

Slightly decreased from the previous year after expat tenants vacated their rental properties.





Key Serviced Apartment Completions

YTD 2023

Property	Location	Developer	Number of Units	Completion
Gold Class Sen Sok Serviced Residence	Sen Sok	Yoon S. K. Construction	96	H1 2023



Serviced Apartments Under Development

2023

Property	Location	Developer	Number of Units	Expected Completion
Capri by Fraser - Phnom Penh	Daun Penh	Fraser Hospitality	88	H2 2023

2025

Property	Location	Developer	Number of Units	Expected Completion
Leedon Serviced Suites	Sen Sok	Leedon Heights	154	H2 2025

After 2025

Property	Location	Developer	Number of Units	Expected Completion
Fraser Residence Sen Sok	Sen Sok	Fraser Hospitality	200	H1 2027
Serviced Apartment at Royal Group Headquarters	Daun Penh	Royal Group	To Be Announced	To Be Announced

Serviced Apartment

Nonetheless, the serviced apartment market in Cambodia is closely tied to foreign direct investment and the arrivals of expats hired by international companies. Whilst the influx of foreign professionals may not be as strong as that compared to the pre-pandemic level, there should still be positive market growth.



Market Overview of Residential Developments

Our analysis foresees tighter financial conditions tend to have a direct impact on residential property prices by making it more expensive for investors to finance new deals or refinance existing loans, thereby lowering investment in this sector.

There was no significant upsurge in the demand for apartments in H1 of 2023. After taking a hit from the pandemic, we witness the market is currently being driven primarily by end-users, as opposed to investors (both local + foreign investors).

In the face of mounting competition, most residential developers are expected to focus on showcasing their ongoing projects and deploying effective sales strategies. In light of the lower number of new developments launched in H1 of 2023, developers have directed their attention towards clearing their unsold units from their ongoing developments. This has led to a modest increase in the average absorption.

It is a different scenario for the affordable housing market where demand continues to stay strong. We believe the under supply of affordable housing in the market will make the sector profitable in the long run, given the economy is on a firm path to recovery.

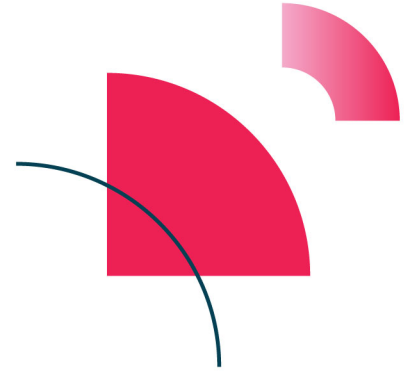


Rose Apple Square © ULS

ROSE APPLE SQUARE



Retail Market



H1 2023



By Pointer's Research & Consultancy Department



Retail

Demand | Up

Retail center activities in the future will continue to be driven by consumption in F&B, health, lifestyle, and household requirements.

Supply | Up

Construction activities have resumed after an extended period of delays. More than 95,560 square meters of new inventory is slated to be completed from now to 2025.

Rent | Up

The increase of shopping activity and sales volume is projected to persist, prompting landlords to gradually regain confidence in the market. Although 2023 is deemed to be a transitional period, overall rental rates of 5% to 6% growth per year, along with the inflation rates are expected from 2023 to 2025.

Vacancy | Up

The disparity between absorption, and the considerable influx of new retail supplies in the coming years, is anticipated to exert pressure on the average occupancy rate. As a result, the overall vacancy rate is expected to remain relatively stable, at approximately 10% for shopping centers, approximately 20% for community malls annually throughout the 2023 - 2025 timeframe.





Key Retail Development Completions

YTD 2023

Property	Location	Developer	Gross Area (SQM)	Completion
AP Plaza	Daun Penh	Spring CJW Development & Parkway Group	4,068	H1 2023
The Ground Market	Chbar Ampov	TDB Projects	10,000	H1 2023



Retail Project Under Development

2023

Property	Location	Developer	Gross Area (SQM)	Expected Completion
60M Community Mall	Meanchey	60m Mall	13,187	H2 2023
Chip Mong Tower Mall	Toul Kork	Chip Mong Retail	4,950	H2 2023
Sokha Plaza Mall	Daun Penh	Sokha Group	2,000	H2 2023
The Peak Shoppes	Chamkarmon	Oxley Worldbridge (Cambodia)	39,000	H2 2023

2024

Property	Location	Developer	Gross Area (SQM)	Expected Completion
Mean Chey Avenue	Meanchey	Mean Chey Avenue	25,110	H1 2024
Prince Huan Yu Center	Chamkarmon	Prince Huan Yu Real Estate (Cambodia) Group	7,000	H1 2024

				2025
Property	Location	Developer	Gross Area (SQM)	Expected Completion
Prince Happiness Plaza	Chamkarmon	Prince Real Estate (Cambodia) Group	To be Announced	H1 2025
Urban Village Phase 2 Mall	Meanchey	Goldfame Group	To be Announced	H1 2025
Global Tech Exchange Mall	Daun Penh	Shukaku Inc & MSQM ZTH	8,000	H2 2025

				After 2025
Property	Location	Developer	Gross Area (SQM)	Expected Completion
Odom Tower Mall	Chamkarmon	Urban Living Solution	9,500	2026
Royal Group Headquarters	Daun Penh	Royal Group	To Be Announced	To Be Announced

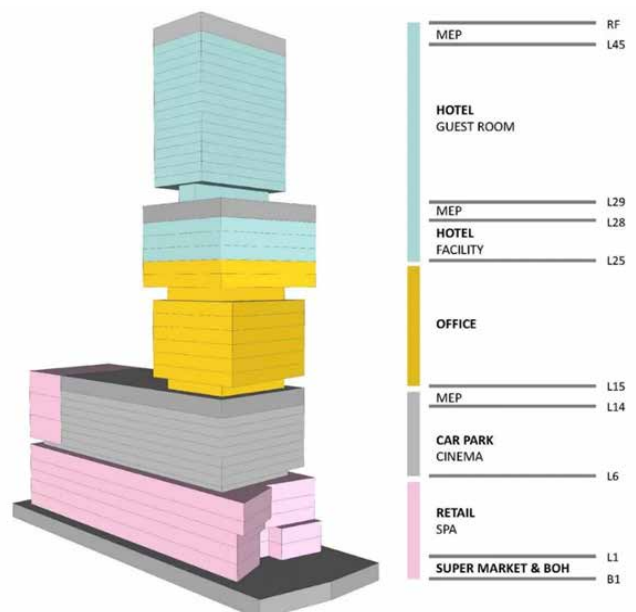


Market Overview of Retail Developments

With the presence of numerous unoccupied spaces from the community malls, we suggested tenants can reap maximum benefits, by meticulously selecting the shopping mall criteria that align with their business objectives. At one end, the disparity between absorption and the considerable influx of new retail supply in Phnom Penh, especially in 2023 and 2024, is anticipated to exert pressure on the average occupancy rate. As a result, the overall vacancy rate is expected to remain relatively stable at around 15% annually according to our projection, throughout the 2023 to 2025 timeframe.

Despite the evolving retail landscape, leasing activity within shopping malls continues to be dominated by well-known F&B and fashion retailers. In a noteworthy development, more fast-food chains have set their sights on opening outlets in Phnom Penh's shopping malls, spurred by the success of a Chinese fast-food brand Kungfu Kitchen for example in recent years. Previously, most of the F&B retailers had favored standalone outlets over shopping mall locations due to high rentals. On the other hand, e-commerce can adversely affect the price of retail real estate as consumers shop online. So far, the impact remains minimal.

During Q1 2023, the average rental rates of retail spaces of the shopping centers in Phnom Penh, and the retail spaces at the community malls / shopping centers were recorded at USD \$18 and USD \$25, respectively. In comparison to previous years, the average rent in Phnom Penh remained relatively stable. At the same time, we have witnessed the retail market showing signs of recovery.



To remain competitive, major developers such as local conglomerate Chip Mong Group and Japanese-owned AEON Malls have either completed, or broken ground on several developments along the Hun Sen Boulevard to capture the growing market of suburban residents. Phnom Penh's retail market showed signs of gradual recovery during H1 2023, driven by improving demand from domestic consumers from the middle to higher income brackets. Two new retail supplies have been added to the market during this period – Ground Market and AP Plaza with over 14,068 square meters of retail space. Average asking rent for retail stood at USD \$22 per square meter per month in H1 2023.

There are 4 new retail developments expected to release to the public during the second half of 2023, from Chip Mong Tower Retail Podium, The Peak Shoppes, Sokha Plaza and 60M Community Mall will bring 59,137 square meters of retail space to the market. In the spotlight is “The Peak Shoppes”, an integrated mixed-use development with 4 levels of luxury retails, filled with world-renowned Swiss watches luxury brands such as Baume & Mercier, Breitling, Omega & Rado etc. operated by the Thakral Group.

Retail Format of Hypermarket

Despite facing competition from e-commerce retailers and smaller specialized stores, we believed hypermarkets have proven to be resilient due to their competitive pricing, and extensive product range, as well as their larger physical presence which can cover a combinations of retail offerings. We see hypermarket as an alternative of shopping centers in the coming years, particularly for those strategically repositioned as destination venues, by dedicating a larger portion of space to amenities such as banking, cafes, play areas and restaurants etc. which led to an enhanced shopping experience for their customers. On April this year, Overseas Cambodian Investment Corporation (OCIC) and Thai hypermarket chain BIG C, both signed a Strategic Partnership Agreement to develop the chain's first hypermarket at Chroy Changvar Satellite City in Phnom Penh. This hypermarket

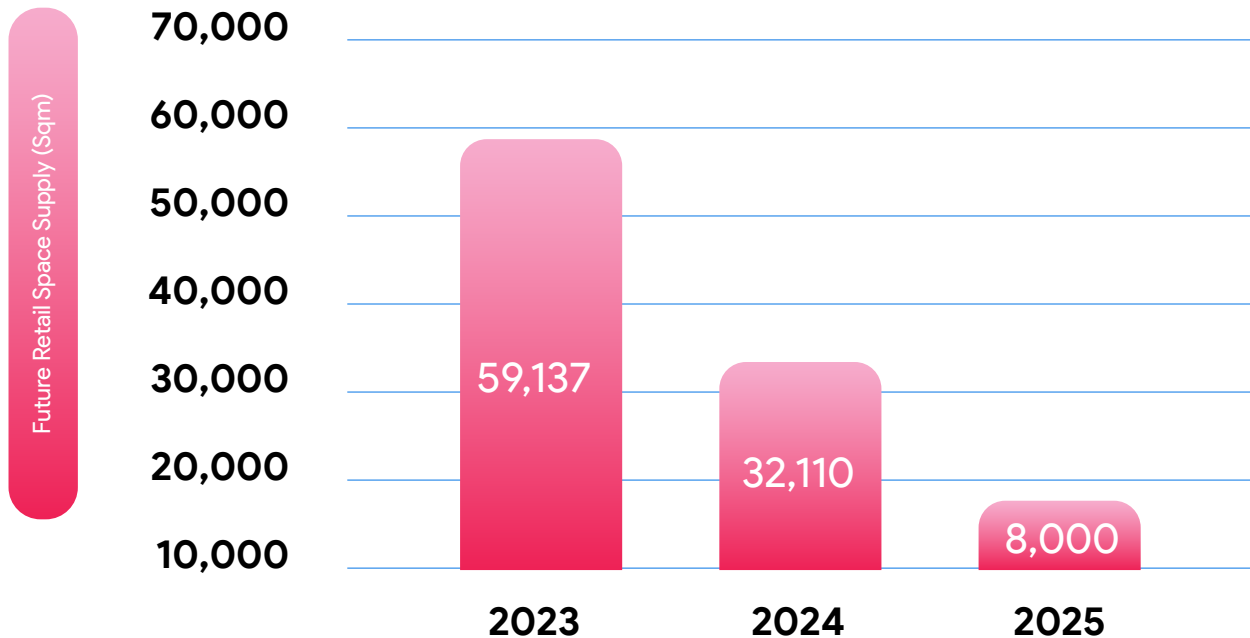
will be Big C's second one in Cambodia after the first hypermarket in Poipet, which will occupy a 2.7-hectare property at Sovann Machha roundabout next to OCIC's latest commercial development, Sovann Machha. It is expected this new hypermarket in Chroy Changvar could be opened before the next Khmer New Year in 2024.

New Entrants to the Market

In May 2023, Zara from Spain, operated by MAP (PT Mitra Adiperkasa Indonesia) opened its first store in Phnom Penh. Meanwhile, Italian house's legendary Dolce & Gabbana Beauty, and Italian fashion brand Etro, is in the midst of establishing its retail presence in Phnom Penh at the premium Vattanac Capital Mall. While lacking in market size, affordable to mid-range international brands are drawn to Cambodia by the perceived spending power of growing middle-class consumers, their desire to try new things and their lifestyle aspirations.



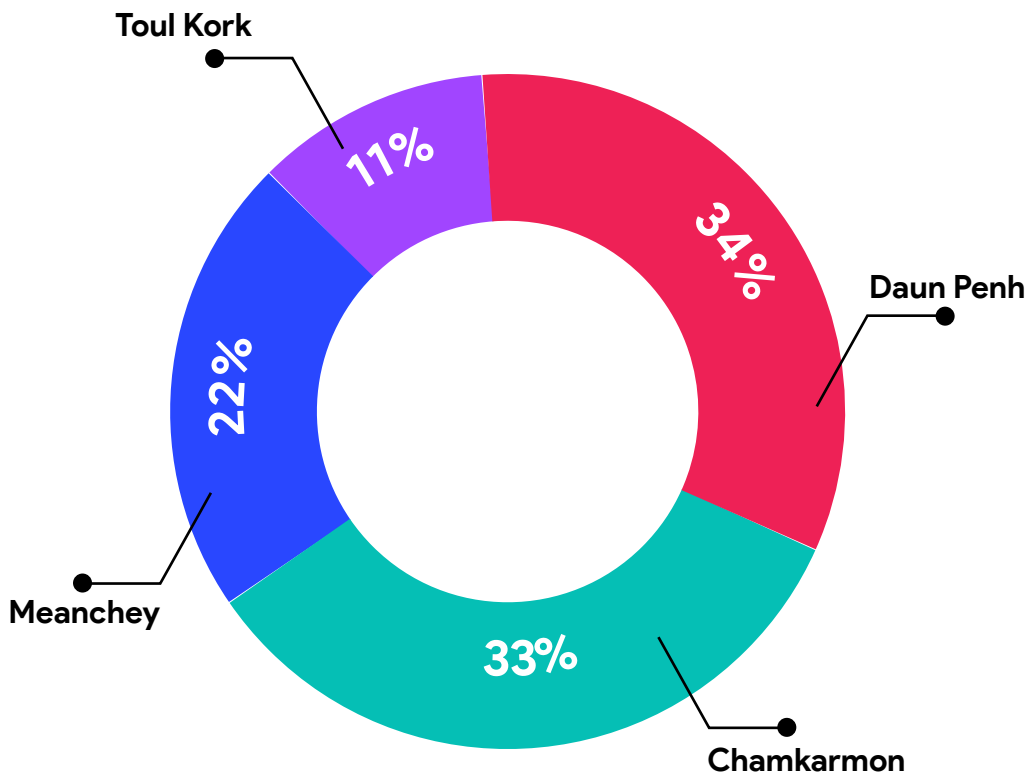
Future Retail Spaces Supply by Year (H1 2023)



Looking forward, Phnom Penh's retail market is expected to recover over the course of 2023. Retail leasing demand is expected to gradually pick up, and rental values are forecasted to grow in the coming 6 to 12 months. Overall traffic within the shopping centers is expected to noticeably improve, supported by a growing domestic customer base, and new retail brands entering. Retail project expansions are expected to proceed, a total of 108,747 square meters of retail spaces coming to the market - currently under

construction and scheduled to be launched into the Central Retail District (CRD) market between 2023 and 2025 which 59,137 square meters will be completed by 2023, 32,110 square meters by 2024 and 8,000 square meters by 2025. Despite the retail market's expected recovery, rising inflation rates are still significant concerns that could dampen consumer purchasing power and affect the overall retail market. As a result, Cambodian consumers remain cautious amid financial uncertainty.

New Retail Spaces Under Construction by Location (H1 2023)



According to the latest data available before we published our market report, Cambodia Consumer Price Index (CPI) growth was measured at 1.1 % YoY in April 2023, compared with a rate of 0.7 % in the previous month. The total retail supply in Phnom Penh increased to more than 500,000 square meters according to Pointer's database. In H1 2023, 11 new malls, a total of more than 108,747 square meters of net lettable retail area was under construction, while 59,137 square meters of retail space is expected to be completed in 2023.

Six new retail developments are expected to be completed in the entire year of 2023: 60M Community Mall, AP Plaza, Chip Mong Tower, Sokha Plaza, The Ground Market and The Peak Shoppes. We see that retail business competition is expected to be more intense throughout 2023, particularly among larger retail developers who plan to expand branches to new locations and explore more innovative offline formats. Looking forward, we believe that retail spending in 2023

is expected to grow faster when compared to 2022, particularly because of the recovery in the economy.

During the previous periods of low activities, many retail centers installed new experiences to capture the eventual return of visitors. These included altering their tenant mix to focus more on lifestyle and upgrade to F&B offerings. We predict that Phnom Penh's prime retail sector will continue to see more retail centers being built and opened throughout the coming years. The fight for footfall has increased the competition in the retail sector. Unfortunately, not every well-established retail center can attract visitors. There are many external factors to be considered if a retail center can turn successful. Due to the intense competition in the retail spaces available, this will ultimately lead to increasingly well-targeted shopping experiences for visitors and will see the sector become even more vibrant and mature.

Grading of Hotel in Cambodia

Criteria	5 Star Hotel	4 Star Hotel	3 Star Hotel
Level of Services	World-class Service	Quality, Style, Comfort	Mid-scale, Convenience Plus Comfort
In Addition to the Basic Services	24 Hour Room Service, Concierge Service, Door-man Service and Valet, Personal Care Products	Bath Robe and Slippers, Cosmetic Products, Mini-bar, or Beverage Service etc.	Additional Pillows and Blankets on Demand, Dressing Mirror, Hairdryer, Luggage Service Telephone in Room etc.
Amenities	Extensive	Extensive	Optional
Conference Room	Mandatory	Mandatory	Optional
En-suited Bathroom	Fully Equipped	Both Bath and Fixed Shower	Fully Equipped
Hotel Class	Ultimate Luxury	Refined	Distinguished
Laundry Service	Provided	Provided	Optional
Minimum Size of Bedroom Excluding Bathroom	Minimum 20 sqm	Minimum 15 sqm	Any Size
Ownership and Affiliations	Chain Hotel	Chain / Independent Owner Hotel	Chain / Independent Owner Hotel
Physical Attributes	Sophistication and Comfort with Extraordinary Physical Attributes	Stylish with Upscale Physical Attributes	Multifaceted with Enhanced Physical Attributes
Public Area	Luxurious Public Area	Well-Appointed Public Areas	Well-Appointed Public Areas
Reception Opened	24 Hours	24 Hours, or 14 to 18 Hours	14 to 18 Hours
Restaurant or Dining Room	Open to Residents and Non-Residents. High Quality Menu and Wine List	Open to Residents and Non-Residents. Dining Area is available in a Designated Eating Area	Opened to Residents and Non-Residents
Safe Keeping / In Room Safe	Provided	Provided	Provided
Hospitality	Meticulous Personalized Service, Impeccable Standards of Excellence	High Degree of Hospitality and Attention to Detail	Guest Comforts
Staff	Smartly and Professionally Presented. Guests are Greeted at the Hotel Entrance	Professional, Uniformed Staff	Smartly and Professionally Presented

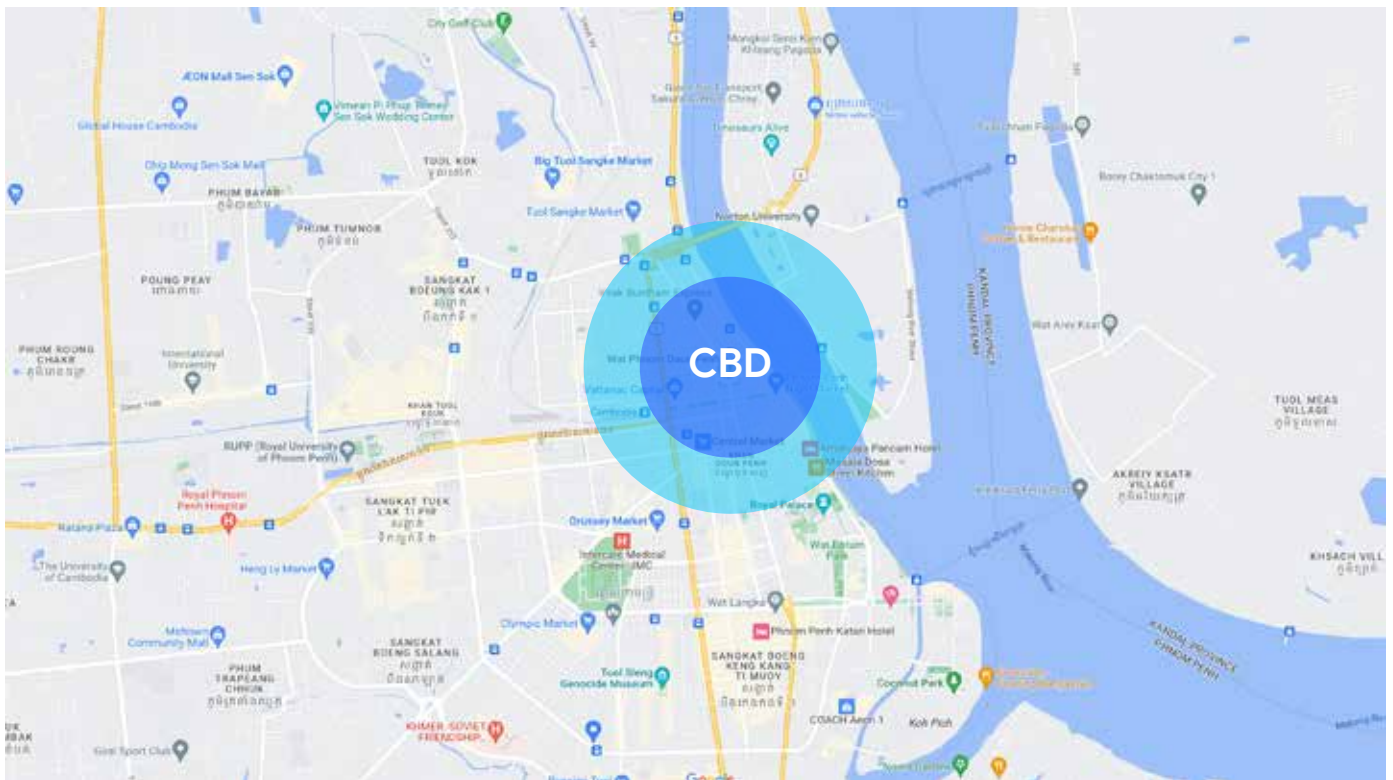
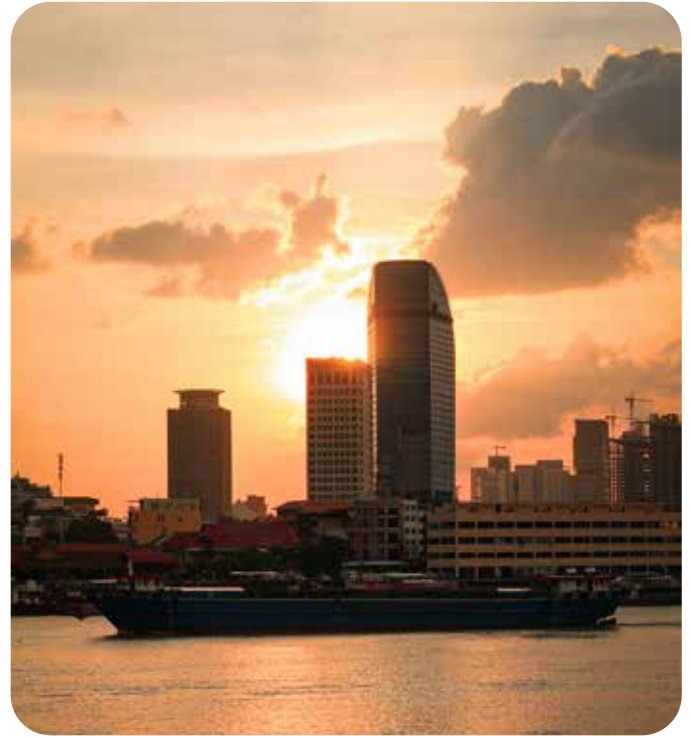
Grading of Office Building in Cambodia

Criteria	Grade A	Grade B	Grade C
Leasing Rates	Approximately \$25 to \$32	Approximately \$12 to \$20	Approximately \$8 to \$12
Location	CBD	Mostly Central / Suburban	Any Location
Tenants Type	High-profile Multinational Firms	Any	Any
Airconditioning System	Centralised	Centralised or Split	Any
Architecture	Attractive Façade with Flagship Design	Generally Attractive, or Simple Design	Good Quality Design
Building Intelligence	High-quality Building Automation System	Direct Digital Control	Electronic Control
Building Safety System	Highly Adequate	Acceptable to Highly Adequate	Acceptable
Building Security	24h Access with Card Key	24h Access with Card Key	24h Access with Card Key
Column Design	Mostly Column Free	Mostly Column Free	Any
Floor Plate	Generally above 1,000 sqm per floor	Generally above 600 sqm per floor	Any Size
Floor to Ceiling Height	Minimum 2.7 meters with Suspended Ceilings	Minimum 2.5 meters with Suspended Ceilings	Any Height
LEED Certification	Strictly follow the Guidelines	Any	Any
Lifted Waiting Interval	Less than 25 seconds	Less than 30 seconds	Less than 35 seconds
Load Capacity	25 watt per sqm	15 watt per sqm	10 watt per sqm
Parking	Sufficient Private and Public parking	Optional	Optional
Property Management	Best Management Practices	Well Maintained with minimal required standards	Any
Raised Floor	Required	Optional	Optional
Serviced Lift	At least One dedicated Serviced Lift	Optional	Optional
Stand-by Power	Full Power for all Essential Services and Ventilation	Full Power for all Essential Services and Ventilation	Optional

Central Business District (CBD)

While there are no official distinctions on the boundary of Phnom Penh CBD, the de facto areas considered CBDs are Phnom Penh's major thoroughfares - part of Monivong Boulevard, Norodom Boulevard and Russian Boulevard, Phnom Penh City Center (PPCC). These are the areas towering buildings where banks, big multinational corporations, financial institutions, law firms and government offices are located. Similarly, we can classify the area within 1 km radius of 'Wat Phnom' as the core CBD of Phnom Penh, and 2 km radius of 'Wat Phnom' as the outside CBD of Phnom Penh.

Below is the rough area of the "core" and the "outer core" areas of Phnom Penh's CBD.



Secondary Business District (SBD)

We defined the term secondary business district in areas with the highest concentration of office buildings outside the CBD area. These are 1) Hun Sen Boulevard, 2) Mao Tse Tung Boulevard.

Landed Properties (Borey)

The word “Borey” originally meant a town or city, although it now refers to the gated communities. These are a collection of landed homes of varying types and sizes, all securely located in a gated community. These residential developments are popular among local Cambodians, often the first choice of most Cambodian property seekers, especially those with families. With the growing middle class, demand for these “borey” properties have only increased and will likely continue to do so in the coming years.



Outskirt of Phnom Penh

Outer districts of Phnom Penh, increasingly become popular among locals, and communities of expatriates as residential choices - Chbar Ampov, Chroy Changvar, Dangkao, Kamboul, Meanchey, Por Sen Chey, Prek Pnov, Russey Keo, Sen Sok etc. offer significantly better quality of living conditions, given that infrastructure for basic necessities such as electricity, water and internet connection are now available in most of these areas, with further improvements on these utilities being realized.

Condominium

Condominium is a large property divided into single units for the purpose of sale, and the unit is privately managed by the individual or landlord of the property with the help of a property management company. Condominiums are cheaper than landed property and make a great purchase for first-time homeowners, and most condominiums have a wide range of amenities that include a fitness center, meeting room, swimming pool etc. Thus, the residents need not move out of their complex in search of these amenities.

One of the most unique features of condominium in Cambodia is that they are located close to popular education / retail facilities. Thus, the owners benefit from great connectivity, and have access to the several forms of entertainment prevalent in the locality. Most of the parking spaces of the condominiums in Cambodia are considered limited common areas without sole ownership, and their ownership is maintained by the condominium management, in which the extra charges will apply towards the property management company's service providers.



Condo The Star Polaris © Pointer

Serviced Apartment

A serviced apartment is typically a fully furnished apartment, available for both short-term and long-term rents and providing amenities for daily use, housekeeping and a range of other services, and offer facilities much like a traditional hotel but with convenience and privacy. The serviced apartments in Cambodia are typically has more square meters than a traditional hotel room, and substantially cheaper than a hotel room when staying for a longer period of time.

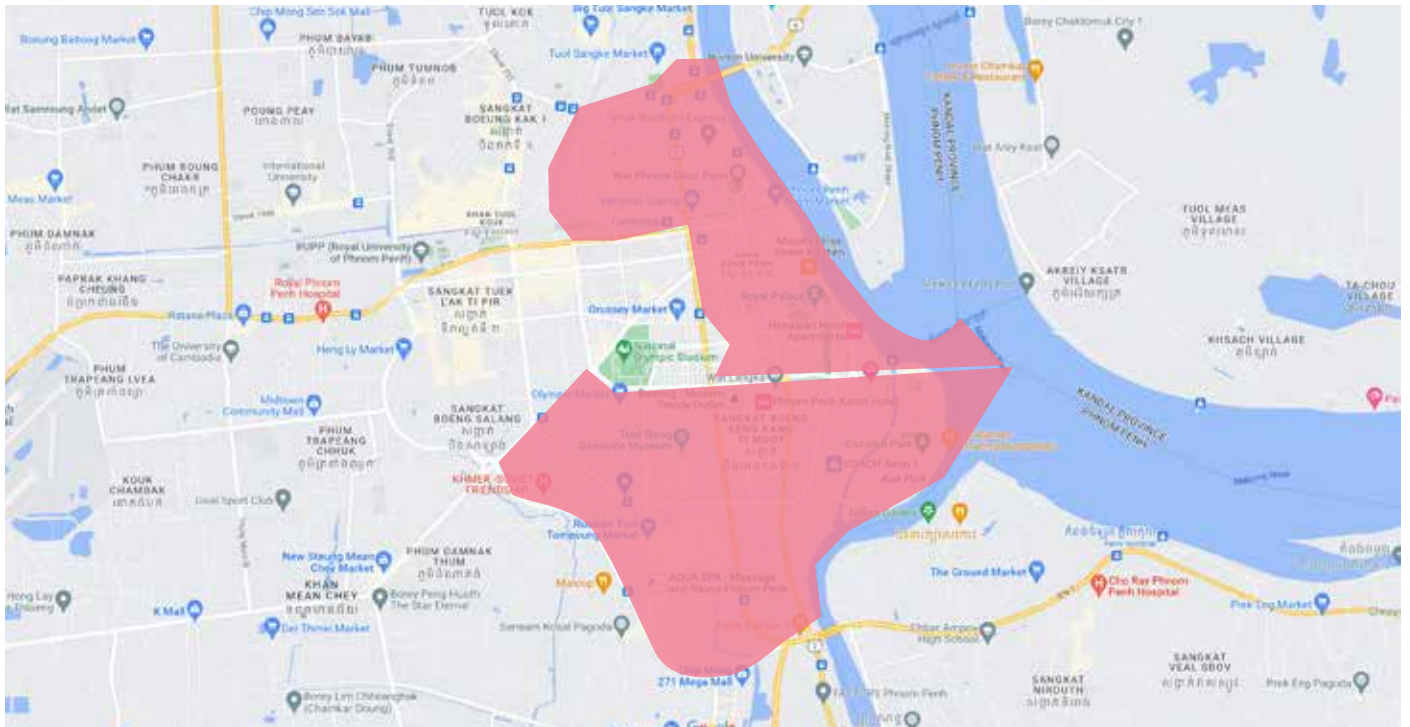
The common features of a service apartment in Cambodia (some, or all included within the rental price)

- 2 to 3 times cleaning services
- Access to helpline
- All utilities included (Electricity / Water etc.)
- Bathroom with shower and washing machine.
- Bed linen and towels
- Centrally located, or very good connections to major office buildings.
- Equipped kitchen (such as cooking utensils, cutlery, dishwasher, electric kettle, fridge, microwave, oven etc.)
- Living Area with TV
- Other amenities to get the tenant started in their temporary home, usually include cleaning tools, hairdryer, hand soap, iron and ironing board, laundry rack, shampoo and conditioner, toilet paper, vacuum cleaner
- Restaurants and supermarkets nearby
- Self-contained apartment units within a residential building

Central Retail District (CRD)

The major districts (Khan) with the most commercial activities in Phnom Penh are Daun Penh and Chamkarmorn and Boeung Keng Kang, as these three areas have the most iconic, and must-see tourist attractions in the city. This is also where you will find the Mekong River, as well as the best nightlife in the city along with a vast amount of retail centers, restaurants, which offer

various shopping and dining options. It has the highest concentration of commercial and other leisure establishments such as high-end bars, restaurants, diverse types of retail shops and shopping centers that offer branded goods and services.



Community Mall

Community Mall refers to a group of independently owned retail stores, which typically ranges from approximately 10,000 to 30,000 square meters of gross leasable area, or 15 to 50 shops in number. The community retail centers in Cambodia will commonly include general merchandise or convenience-oriented merchandise – such as a branch of a supermarket, a few specialty stores, a bank, a pharmacy and variety of restaurants, as well as some professional offices catering to the neighborhood needs.



Shopping Center

Shopping Center refers to a major retail shopping complex serving a distinct geographic area, offering various brands, products or services (including clothes, electronic, food, jewelry, household items, toys etc.) where people looking to shop have all the options under one roof. It has many shops, and companies can lease these shops for setting up their own stores. Shopping centers in Cambodia generally have a variety of shops surrounding an open-air concourse reserved for pedestrian traffic which typically ranges from approximately more than 30,000 square meters of gross leasable area, or more than 50 shops in number. The prices of merchandise may vary store by store. For example, store selling branded items maybe more expensive than a store that sells general merchandise. In addition, shopping centers in Cambodia also house food courts, movie theaters and play areas to attract more crowds.





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