

FEARLESS FORECAST

2018

PRESENTED BY MARC TOWNSEND,
CHAIRMAN, CBRE CAMBODIA

30 JANUARY 2018

CBRE | Cambodia

Part of the CBRE affiliate network

The background features a complex, low-poly geometric pattern in various shades of teal and green. The shapes are interconnected, creating a sense of depth and movement. The overall aesthetic is modern and professional.

ECONOMIC OVERVIEW

TOP STORIES DURING THE LAST 12 MONTHS



Cambodian airports up passenger volume by 25%



Angkor Wat Voted World's Top Tourism Site in TripAdvisor Awards



XINHUANET

Spotlight: China key partner for Cambodia in infrastructure development: Cambodian officials



China's big money trumps U.S. influence in Cambodia



Cambodian Garment and Footwear Workers to Get Minimum Wage Hike by 2018

INQUIRER.NET

Siem Reap to construct new international airport next year

THE STRAITS TIMES

Cambodia plans to build one of world's biggest airports



Koh Kong airport confirmed to begin construction in early 2018



What the belt and road project means for Cambodia



XINHUANET

Chinese firm wins bid to upgrade, maintain national road in Cambodia



Vann Molyvann, Architect Who Molded Cambodia's Capital, Dies at 90

The New York Times

China Signs New Aid Agreements With Cambodia



Rising middle classes set to snap up mid-range properties

CAMBODIA DASHBOARD

Economic Indicators	2012	2013	2014	2015	2016	2017F	2018F
GDP (Bn USD)	14.1	15.3	16.7	18.2	20.2	21.6	23.1
GDP Growth (%)	7.3	7.4	7.1	7.0	7.0	6.8	6.9
GDP Per Capita (USD)	973	1,042	1,135	1,216	1,301	1391	1487
Inflation (%)	2.9	2.9	3.9	3.0	3.5	2.9	3.2
No. of Foreign Tourist Arrivals (Million)	3.6	4.2	4.5	4.8	5.0	5.6	N/A

Source: National Bank of Cambodia, Ministry of Economy and Finance, Asian Development Bank & World Bank

Banking and Finance	2015 H1	2015 H2	2016 H1	2016 H2	2017 H1	2017 H2
KHR/USD (Official)	4,098	4,050	4,084	4,037	4,086	4,039
1-Year USD Lending rate (%)*	11.35	11.35	11.50	11.50	11.50	11.50
1-Year USD Deposit rate (%)*	4.30	4.30	4.25	4.25	4.25	4.35

* Average rate of Acleda, UCB, Canadia, Vattanac, Maybank, Bank of China, CIMB & ABA

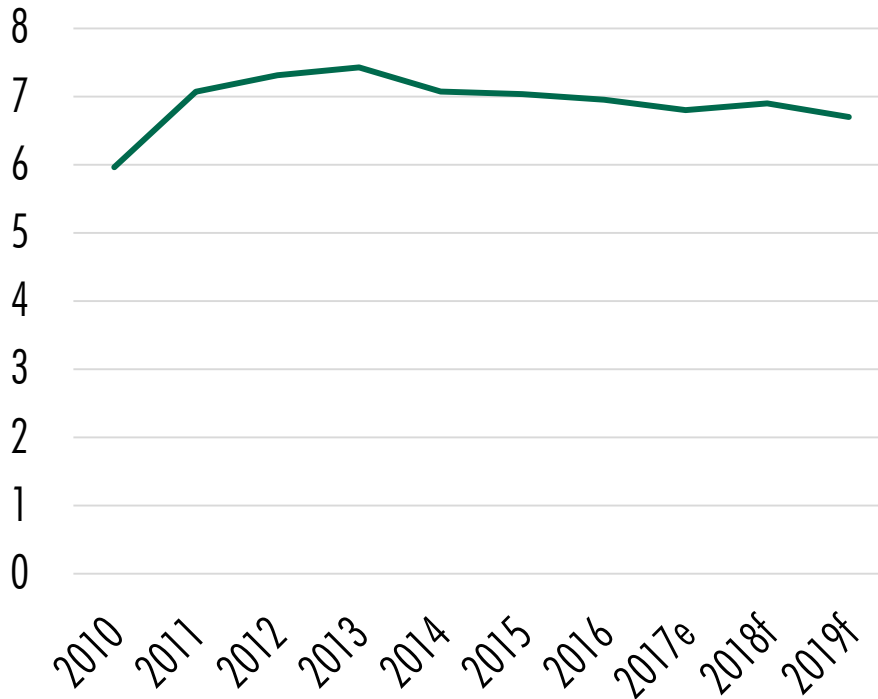
Source: National Bank of Cambodia & CBRE Research

Real Estate Indicators	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Prime Condo Price (USD/SQM)	3,195	3,180	3,190	3,131	3,108	3,126	3,168	3,212
Prime Office Rent (USD/SQM/Month)	22.67	22.85	22.85	22.38	22.2	25.4	25.4	25.4

Source: CBRE Research, Q4 2017

CAMBODIA GDP

Cambodia Real GDP Growth



Source: World Bank

Bangkok Post

Cambodia economy to grow at 6.9% this year: Central bank



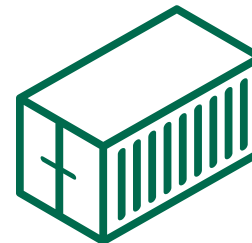
Tourism:
5.6m / +11.8% Y-o-Y



Construction:
US\$6.8Bn / +22%



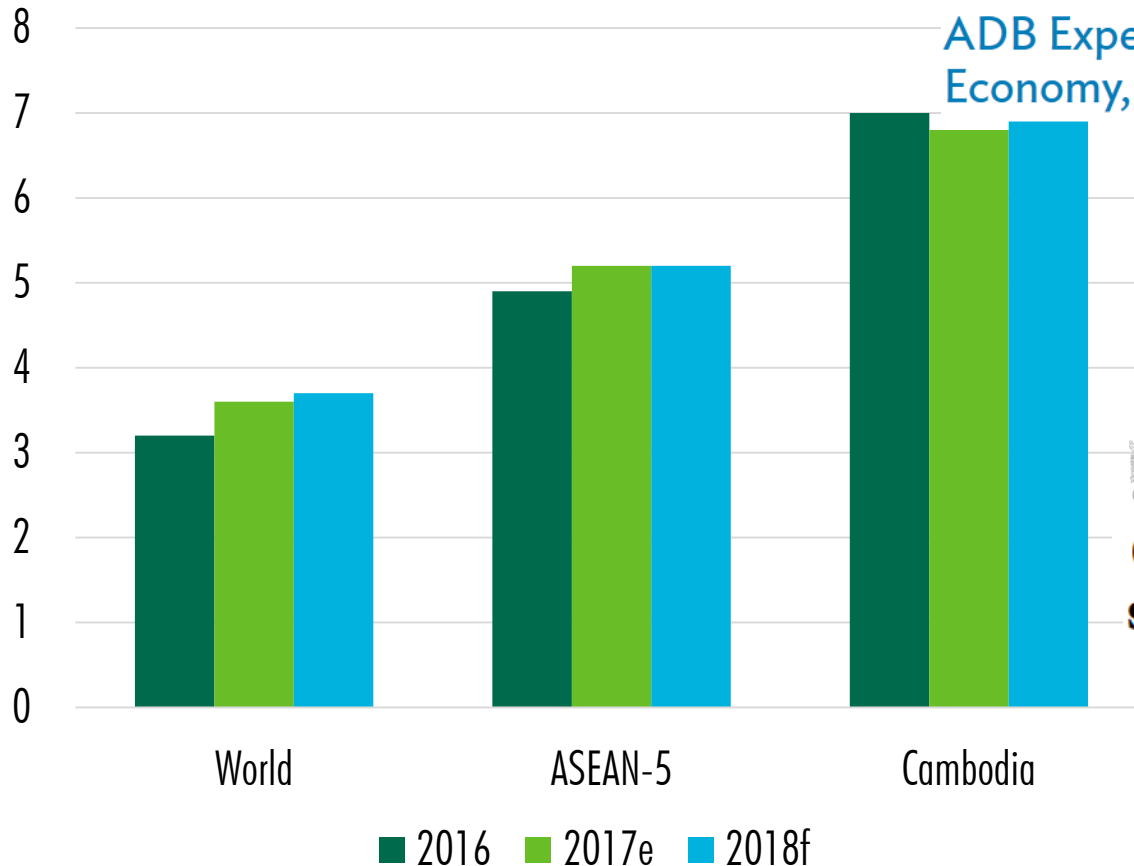
Manufacturing:
115 new factories



Exports:
US\$9.55Bn / +19%

GDP GROWTH – WORLD VS. ASEAN-5 VS. CAMBODIA

GDP Growth – World vs. ASEAN-5 vs. Cambodia



ADB Expects Robust Growth for Cambodia's Economy, Retains Forecast for 2017 and 2018

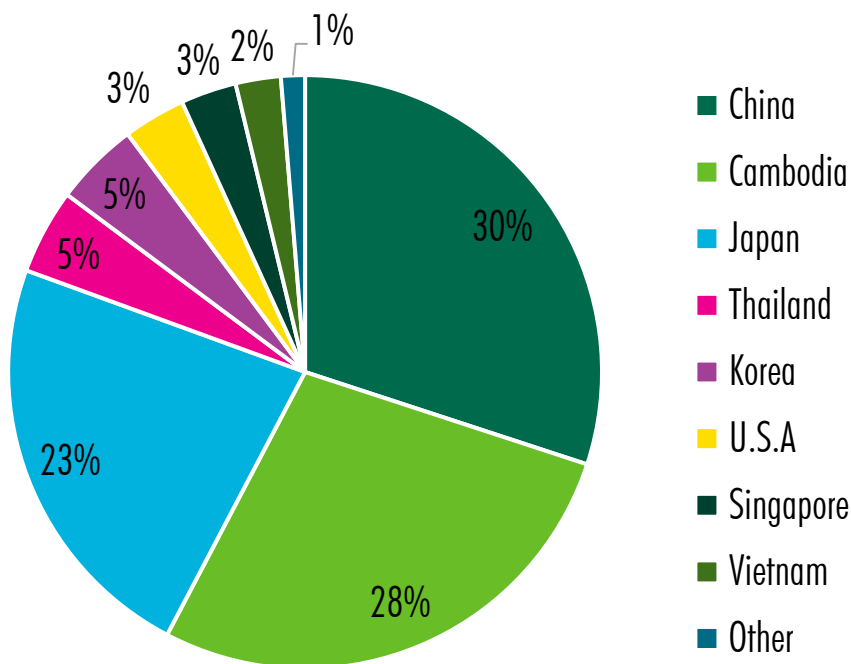
The Phnom Penh Post

Cambodia to sustain strong growth: World Bank

Source: World Bank / NBC

CAMBODIA INVESTMENT BY COUNTRY

Investment by Country in 2016



Source: The Council of Development of Cambodia

The New York Times

Cambodia Finds New Target for Real Estate: Chinese Investors



XINHUANET

Cambodia attracts over 333 mln USD investment from ASEAN in 2017



China accounts for 27% of fixed-asset investment



Key agreements signed with China on expressway, airport

Chinese company injecting \$700m in new project

CAMBODIA KEY FUTURE INFRASTRUCTURE PROJECTS



China key partner for Cambodia in infrastructure development: Cambodian officials

Japan Provides Loans, Grants for Infrastructure

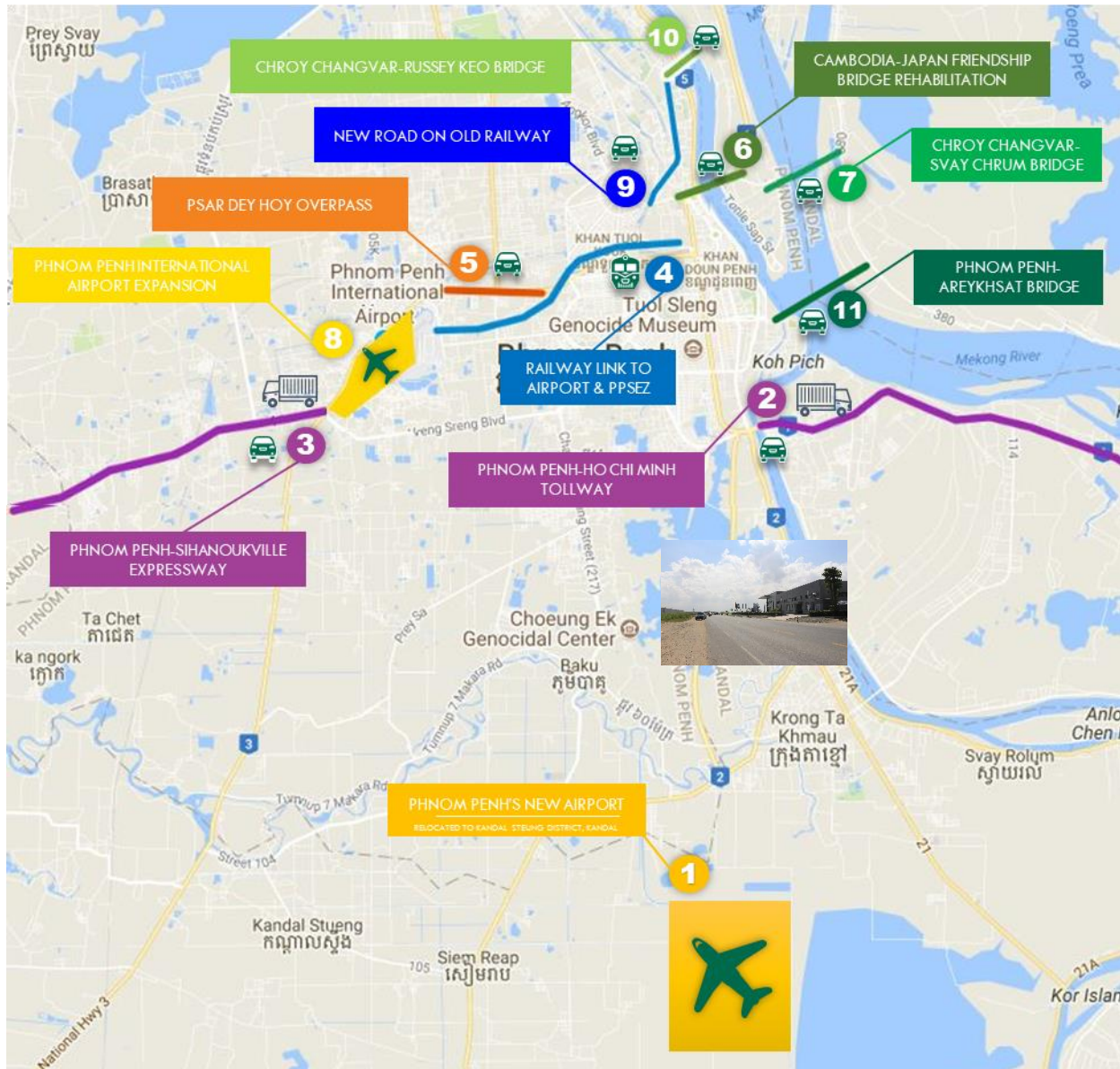


ADB signs \$180M in loans to Cambodia

- 1 PHNOM PENH BANGKOK RAILWAY LINK**
LINKING PHNOM PENH AND BANGKOK VIA POIPEY CITY
- 2 NATIONAL ROAD 4 EXPANSION**
ADDS AN ADDITIONAL 2 LANES, 135KM LONG
- 3 PHNOM PENH – HO CHI MINH TOLLWAY**
CONNECTS PHNOM PENH TO HO CHI MINH CITY VIA BAVET

- A PHNOM PENH CLASS 4F AIRPORT PLANNED**
- B SIEM REAP NEW AIRPORT PLANNED**
- C KOH KONG NEW AIRPORT PLANNED**
- SIHANOUKVILLE EXPANSION OF EXISTING PORT**
- D PHNOM PENH EXISTING AIRPORT UPGRADES**
- E SIEM REAP EXISTING AIRPORT UPGRADES**
- F SIHANOUKVILLE EXISTING AIRPORT UPGRADES**
- KAMPOT NEW FERRY TERMINAL**

PHNOM PENH KEY FUTURE INFRASTRUCTURE PROJECTS





PHNOM PENH LAND AND INVESTMENT MARKET

PHNOM PENH LAND & INVESTMENT – 2017 KEY POINTS

1

Significant investment sale
Phnom Penh Tower sold to Prince Real Estate Group



2

Central districts experienced slower price growth: ~5% - 8% Y-o-Y
Most secondary districts saw sustained growth: ~0% - 17% Y-o-Y

3

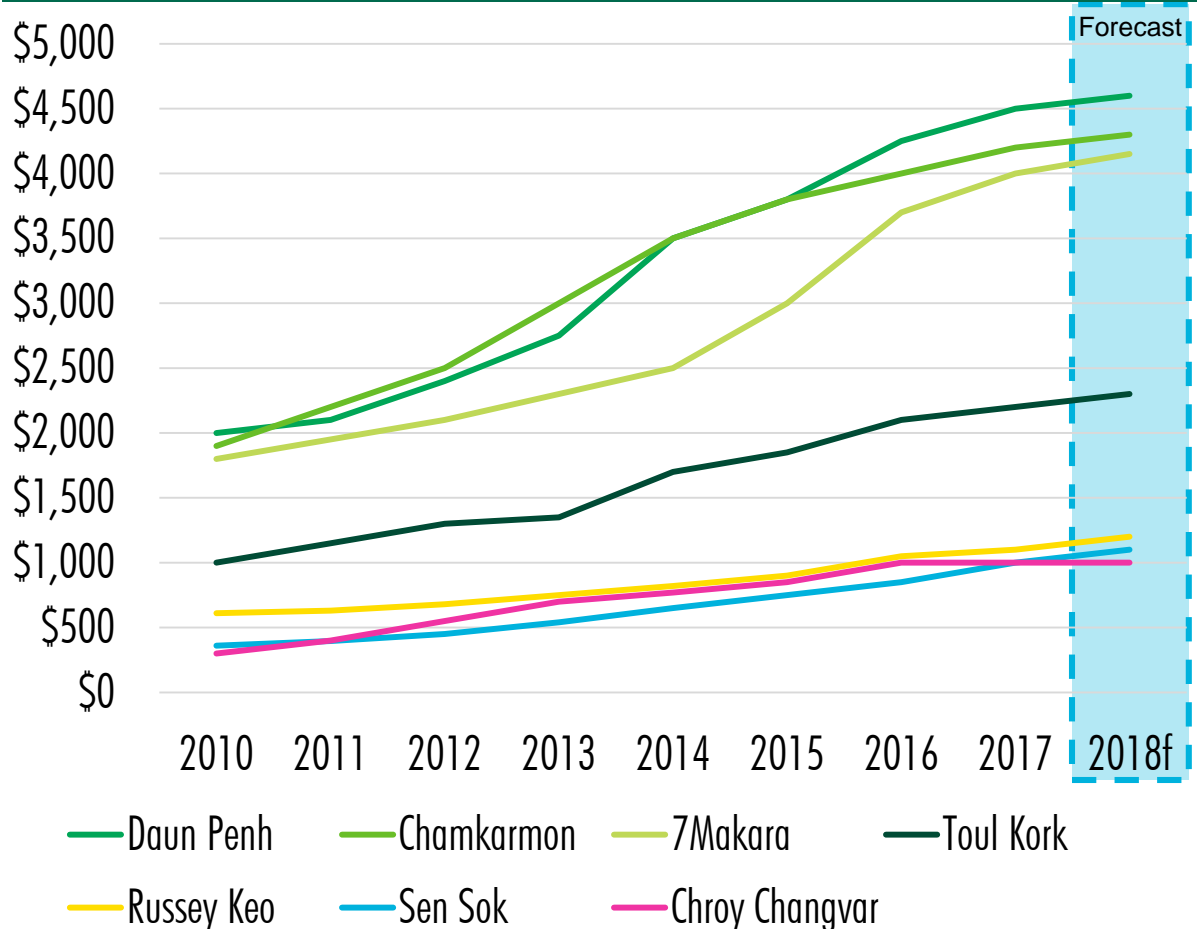
Increased volume of transactions in H2 2017

4

Record level of approved investment into construction:
US\$6.8Bn

PHNOM PENH LAND PRICES - PRINCIPLE DISTRICTS

Phnom Penh Land Value (USD/SQM) (2010 – 2018f)

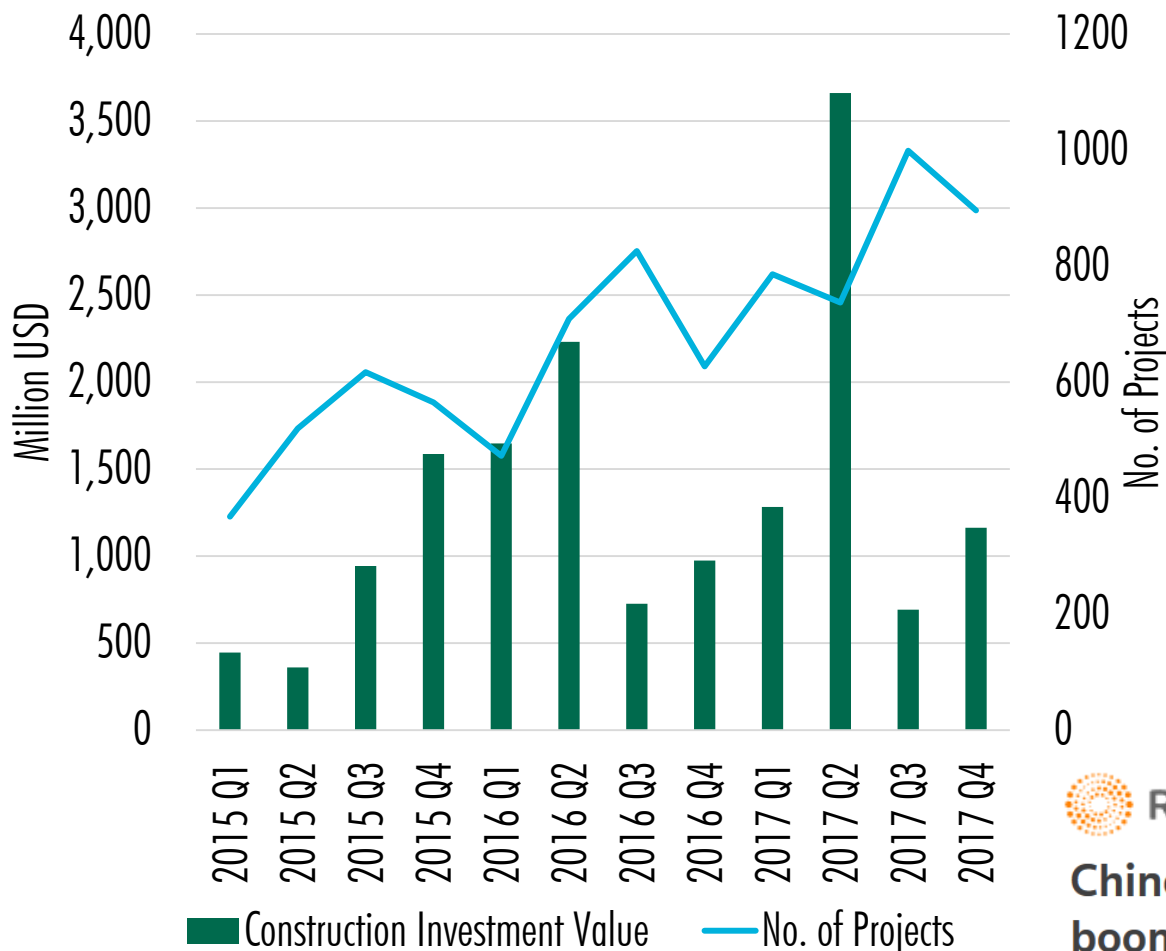


**Average:
+6.6%
y-o-y**

Source: CBRE Research, Q4 2017

CAMBODIA CONSTRUCTION INVESTMENT

Approved Investment Into Construction by Value and Number of Projects (Q1 2015 – Q4 2017)



US\$6.8Bn

**3,418
Projects**

+22%



Chinese demand drives construction boom in Cambodia

Source: MLMUPC, Q4 2017

BCI DATA – ONGOING PROJECTS

Cambodia	Phnom Penh	Siem Reap	Sihanoukville
Residential	148	9	2
Office	19	0	0
Retail	19	5	1
Hotels	23	5	1
Total	209	19	4

Regional Comparison	Phnom Penh, Cambodia	Vientiane, Laos	Yangon, Myanmar
Residential	148	12	836
Office	19	9	65
Retail	19	1	56
Hotels	23	8	43
Total	209	30	1,000

Source: CBRE Cambodia / BCI Data, Q4 2017

PHNOM PENH LAND & INVESTMENT – 2018 FORECAST

1

Central districts – price growth will remain muted
Secondary districts – continuation of substantial increases

2

Southern districts – price speculation on the back of the new airport announcement

3

Strong growth in Chinese investment with a number of large projects announced in H1 2018

4

Demand for income bearing assets be substantial but supply will remain limited

The background is a dark teal color with a complex, low-poly geometric pattern. The pattern consists of various triangular and quadrilateral shapes that create a sense of depth and movement, resembling a stylized mountain range or a crystalline structure. The lighting is soft, highlighting the edges of the polygons and creating subtle gradients of teal. In the lower-middle section, the text 'PHNOM PENH RESIDENTIAL MARKET' is displayed in a clean, white, sans-serif font. The text is centered horizontally and stands out prominently against the darker background.

PHNOM PENH RESIDENTIAL MARKET

PHNOM PENH CONDOMINIUM – 2017 KEY POINTS

1

Tenancy rates remained robust in most locations

2

The market showed divergence – focus on high-end & affordable sectors affected prices

3

The volume of launches was low & focused on secondary districts

4

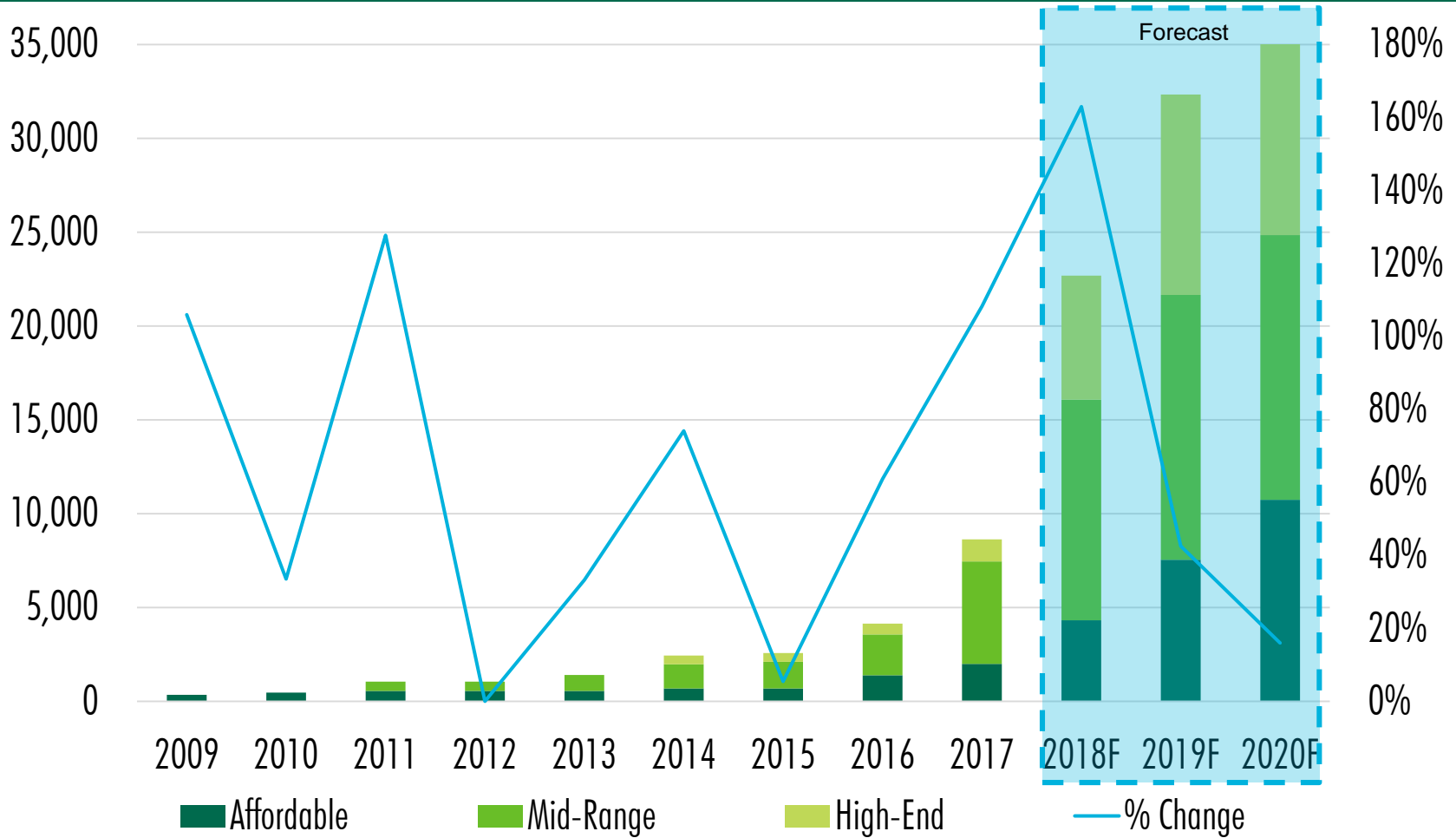
Total supply reached 8,600 units by Q4; 107% increase y-o-y

Northern BKK1 – Residential Focus



PHNOM PENH CONDOMINIUM SUPPLY

Supply by Grade & Annual % Increase



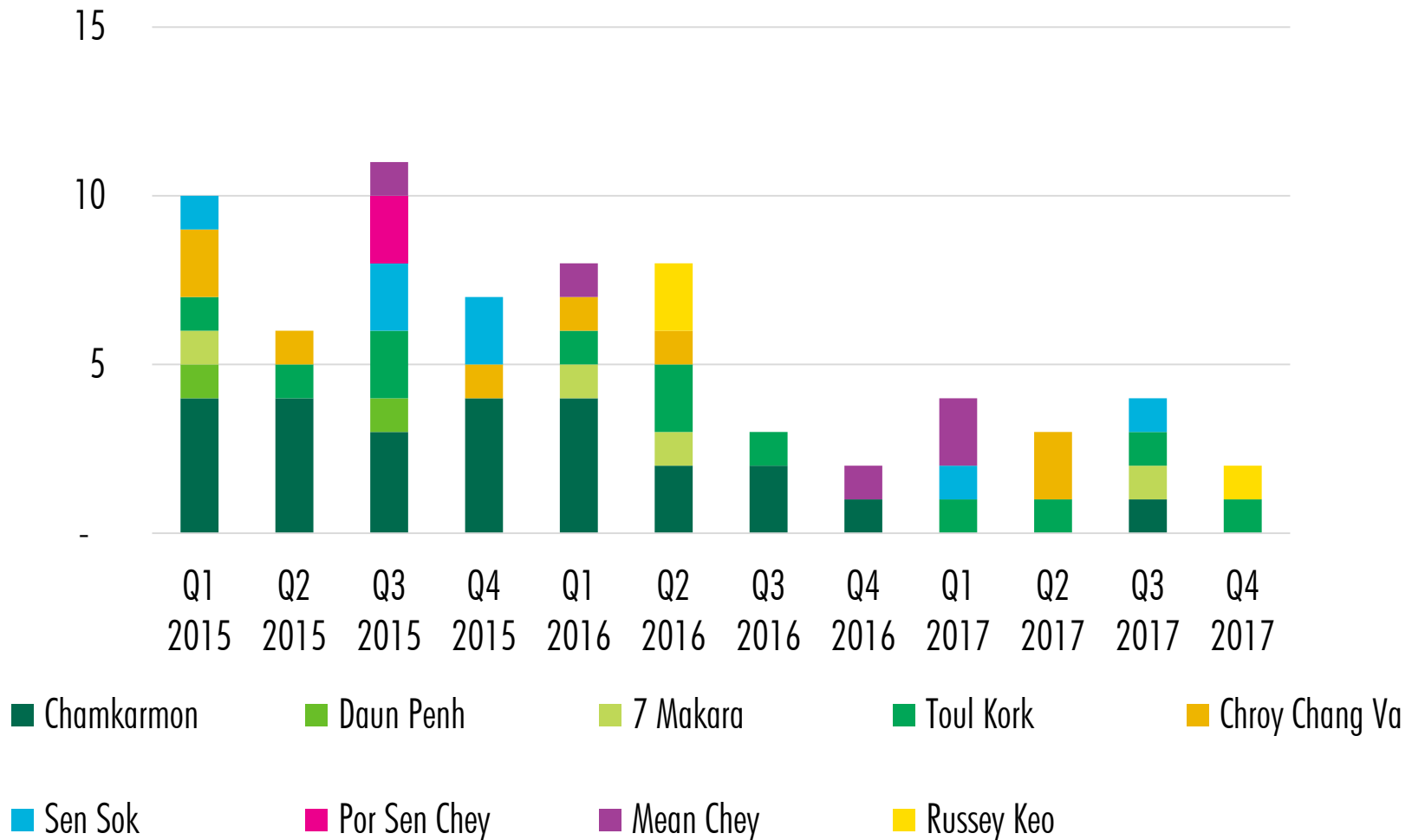
Sector Descriptor: (based on Net Internal Area)

Affordable: <\$1,500 per sqm
Mid-Range: \$1,500 >> \$3,000 per sqm
High-end: >\$3,000 per sqm

Source: CBRE Research, Q4 2017

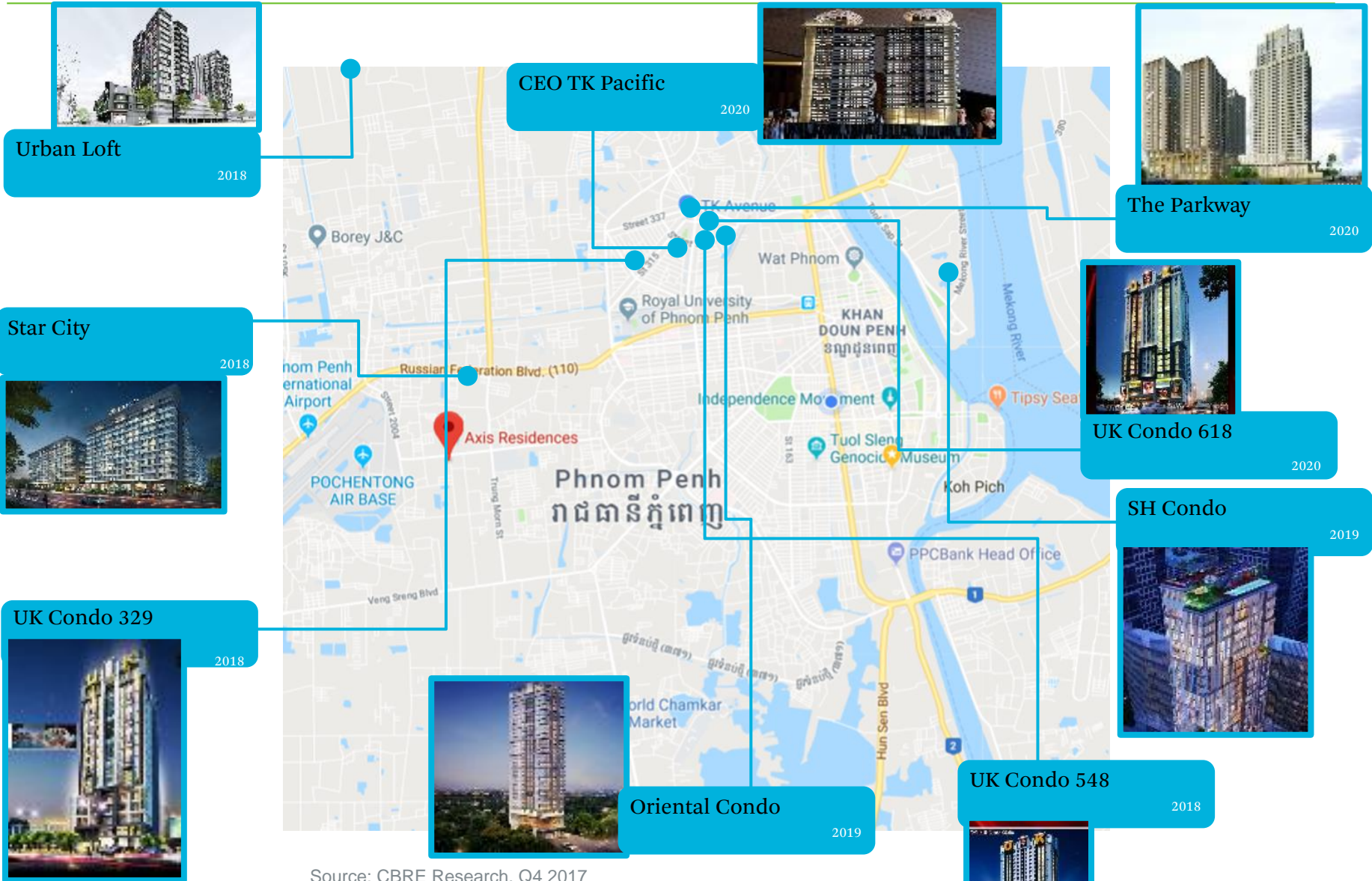
PHNOM PENH CONDOMINIUM SUPPLY

No. of New Launches



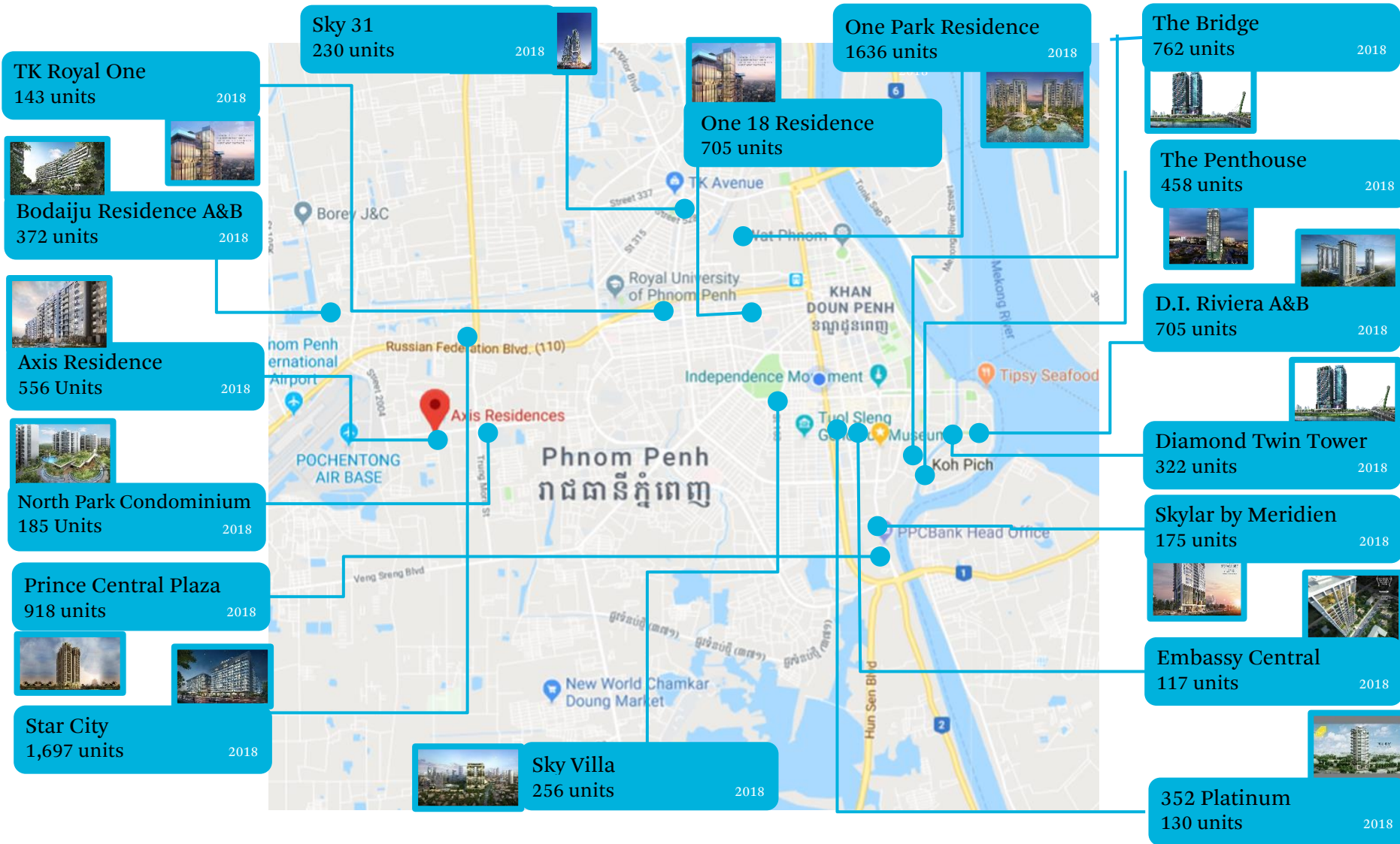
Source: CBRE Research, Q4 2017

PHNOM PENH KEY CONDOMINIUM PROJECTS LAUNCHED IN 2017



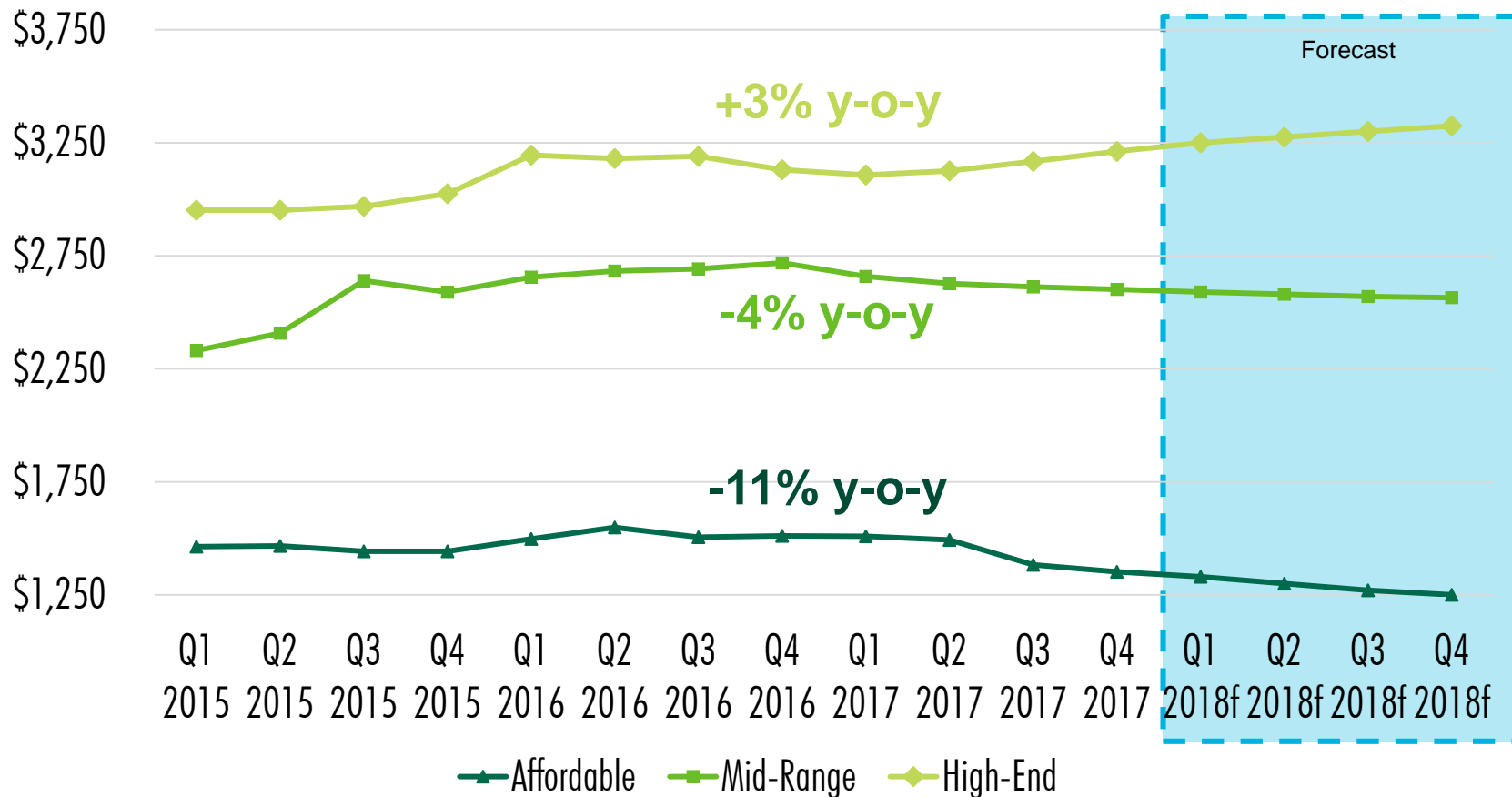
Source: CBRE Research, Q4 2017

SELECTED CONDOMINIUM SUPPLY TO BE COMPLETED IN 2018



PHNOM PENH CONDOMINIUM PRICES

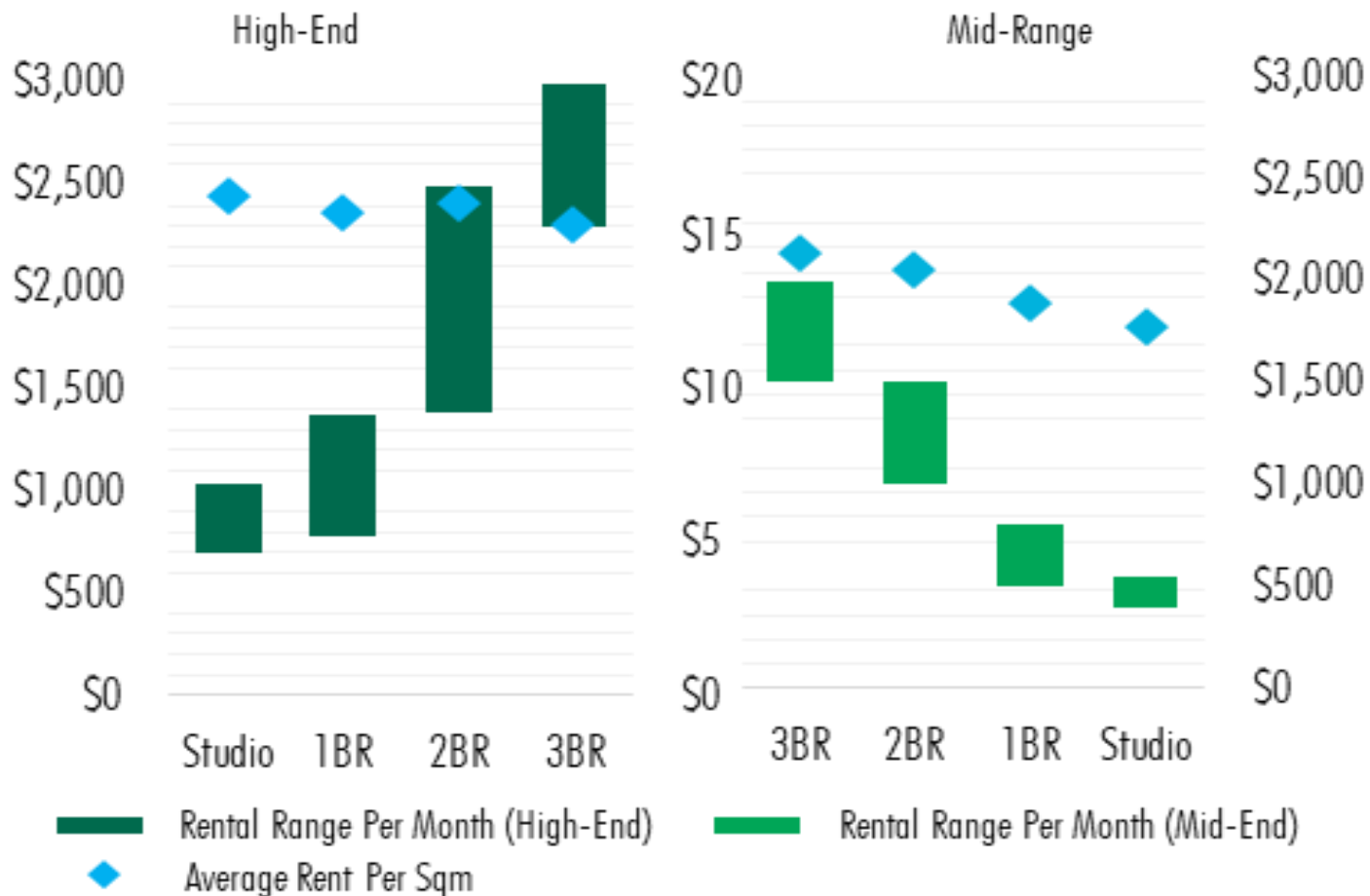
Average Price Per Sqm of Phnom Penh Condominiums
(Q1 2015-Q4 2017)



Source: CBRE Research, Q4 2017

PHNOM PENH CONDOMINIUM RENTS

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



Gross Rental Yield:
5-7%

Source: CBRE Research, Q4 2017

PHNOM PENH CONDOMINIUM – 2018 FORECAST

1

Oversupply will be seen in some locations but not widespread

2

Rents will face downward pressure in some locations

3

Market divergence will continue with the high-end and affordable sectors being a focus for new launches

4

New launches will be dominated by a small number of large scale Chinese projects in secondary locations



The background is a dark teal color with a complex, low-poly geometric pattern. The pattern consists of various triangular and quadrilateral shapes that create a sense of depth and movement, resembling a stylized mountain range or a crystalline structure. The lighting is soft, highlighting the edges of the polygons and creating subtle gradients of teal. In the lower-left quadrant, the text 'PHNOM PENH OFFICE MARKET' is displayed in a clean, white, sans-serif font. The text is centered horizontally within its area and stands out prominently against the darker background.

PHNOM PENH OFFICE MARKET

PHNOM PENH OFFICE – 2017 KEY POINTS

1

Occupancy reached its highest level since early 2009



2

Rents improved for Grade B buildings outside of the CBD

3

Grade A made substantial gains in occupancy rate

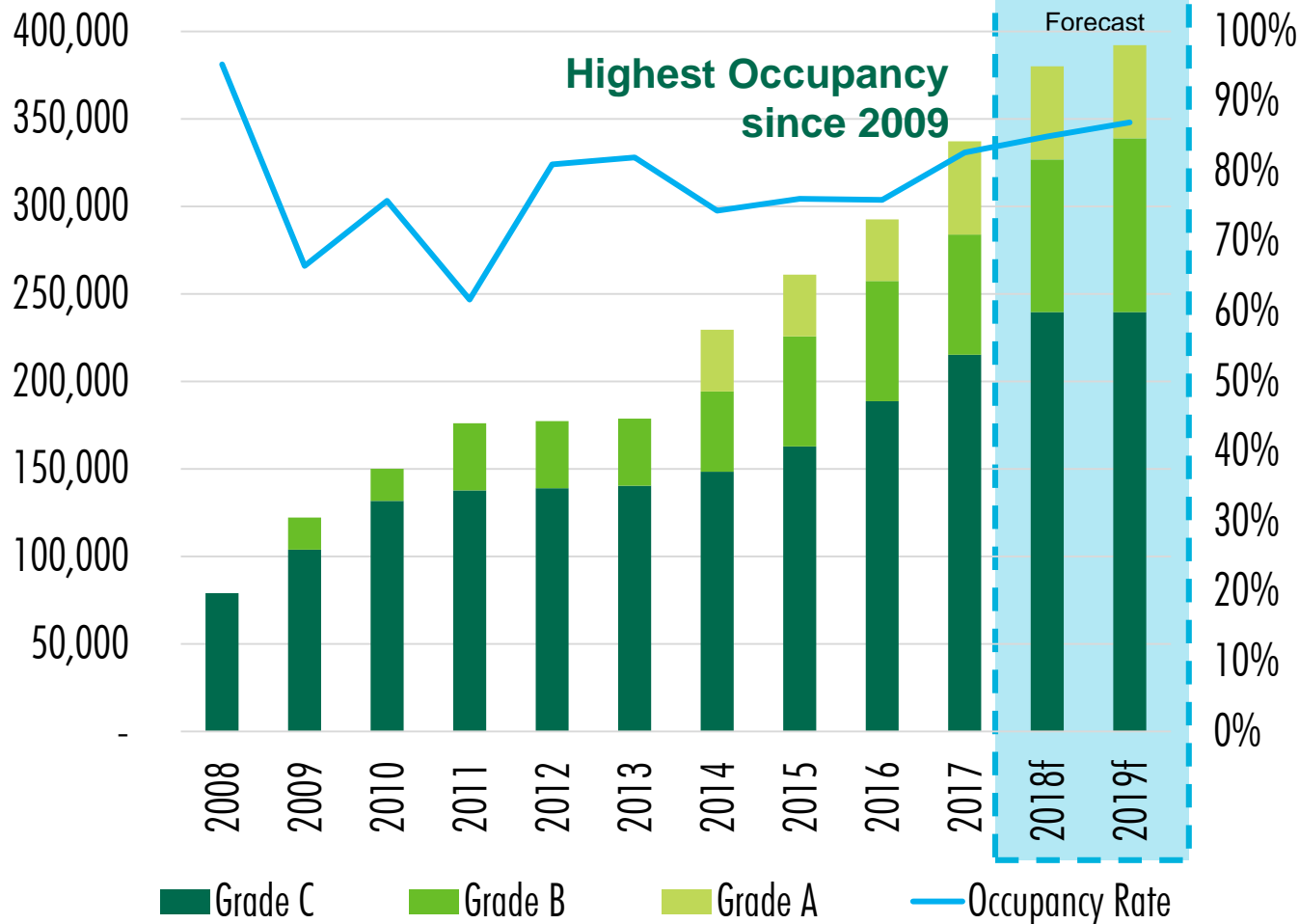


4

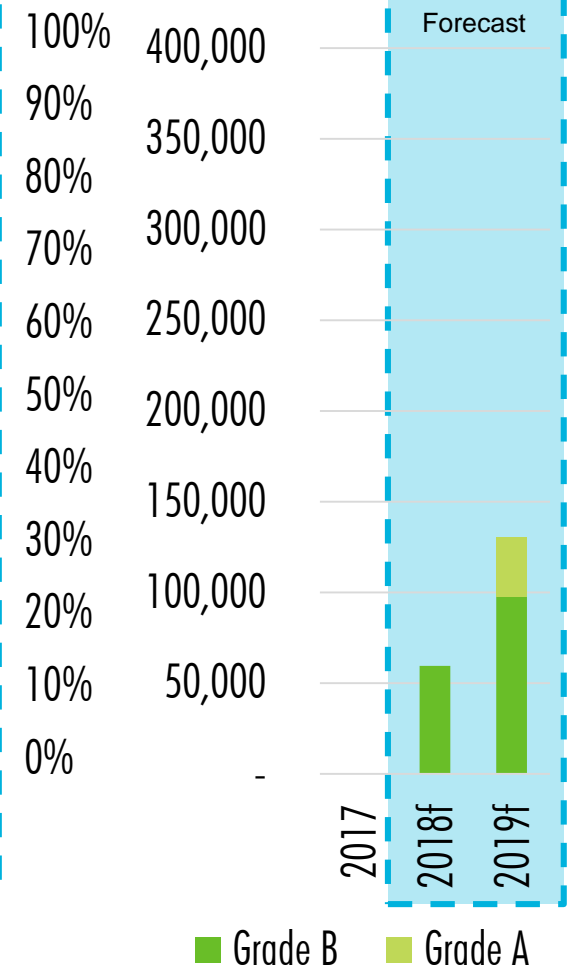
Space was absorbed by Chinese tenants and expanding companies already present in the city

PHNOM PENH OFFICE SUPPLY

Centrally Owned - Office Supply by Grade (Sqm) & Occupancy Rate (%) (2008- 2019f)



Strata-title - Office Supply by Grade (Sqm) (2017- 2019f)



Source: CBRE Research, Q4 2017

NEW OFFICE SUPPLY – COMPLETED DURING 2017

City Tower (B)
5,820sqm | 62%



H Silver (C)
3,507sqm | 46%



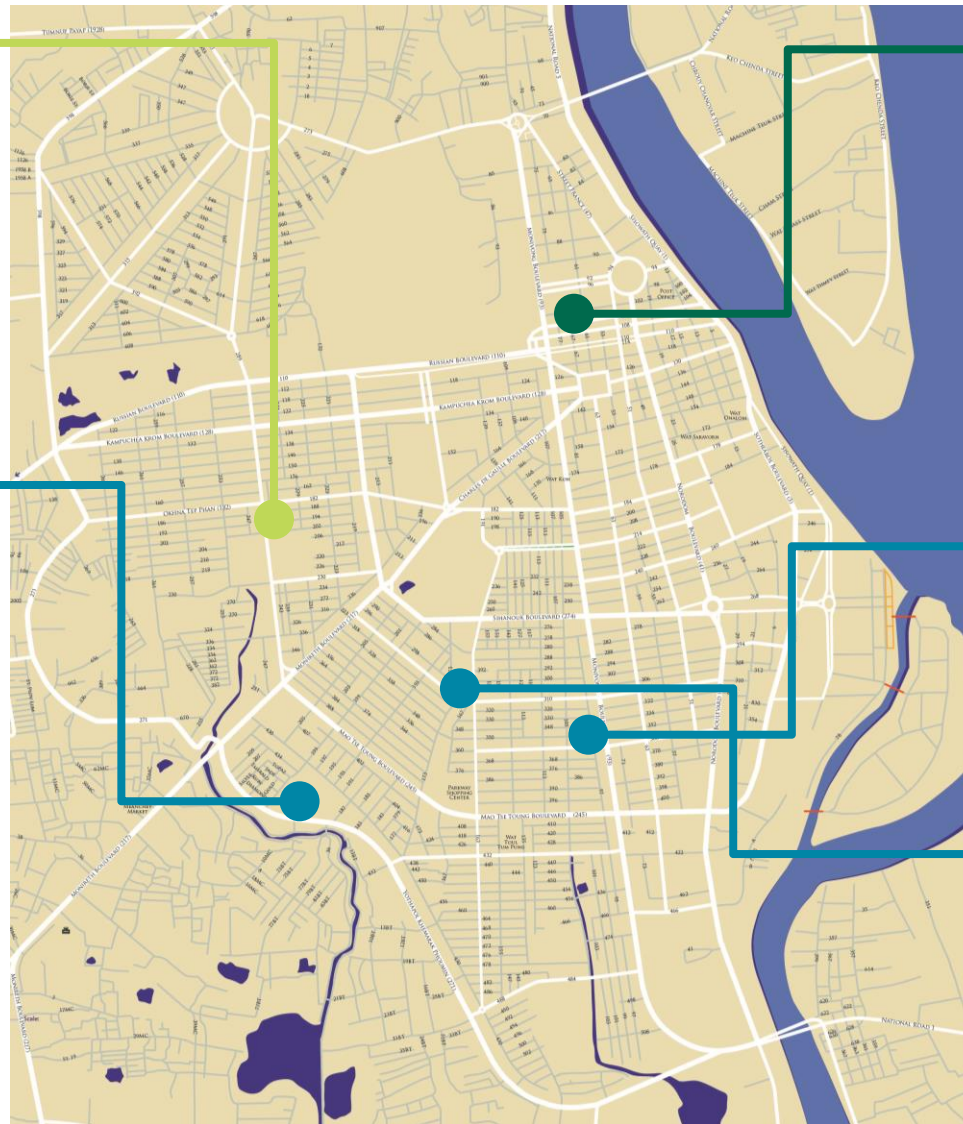
Exchange Square (A)
18,000sqm | 75%



Sokea Centre (C)
11,256sqm | 100%



Legacy (C)
6,000sqm | 66%

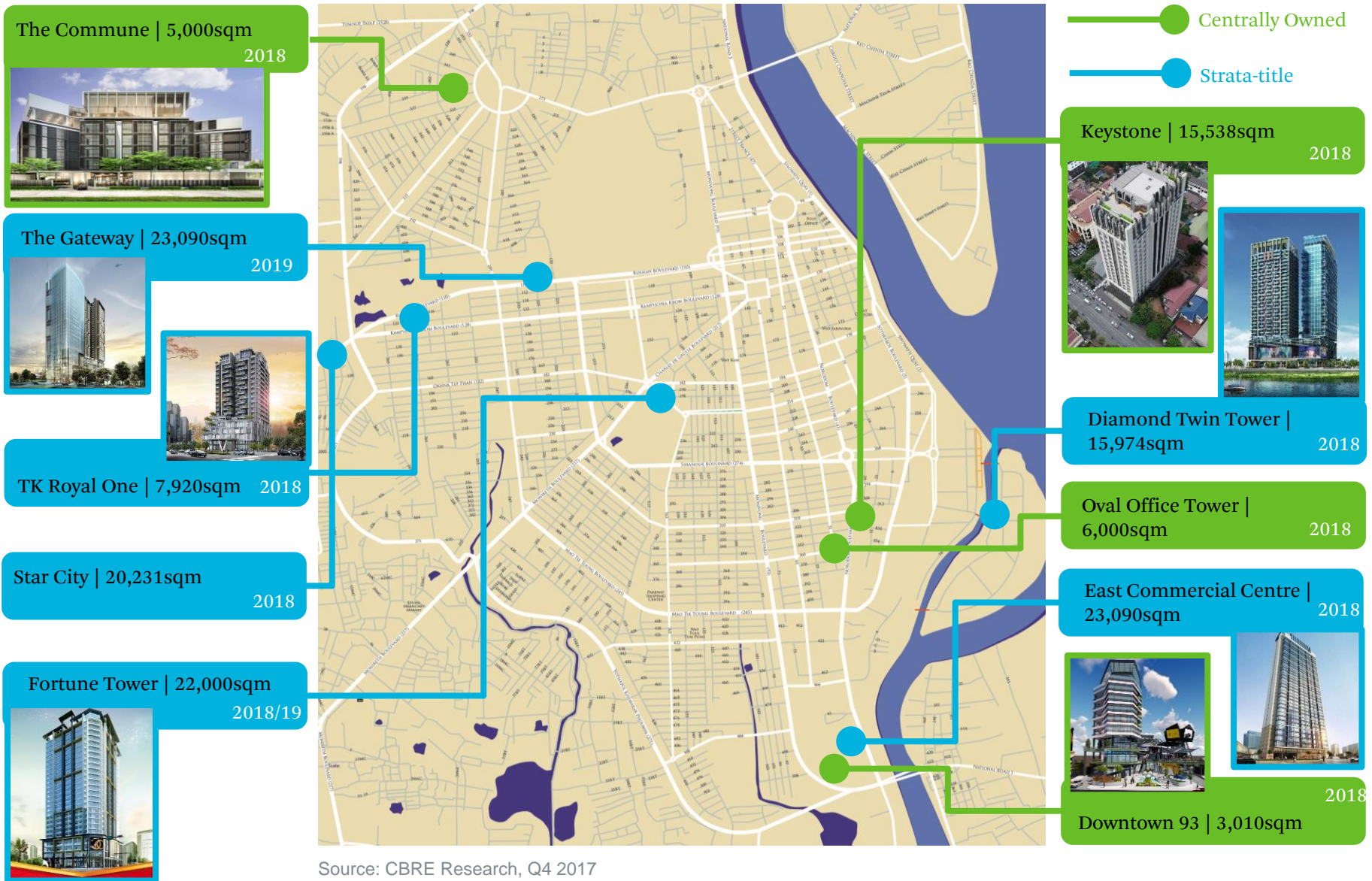


Source: CBRE Research, Q4 2017

Building Name (Grade)
Size (sqm) | Occupancy (Q4)

- Grade A
- Grade B
- Grade C

SELECTED PHNOM PENH OFFICE FUTURE SUPPLY (2018-19F)



PHNOM PENH OFFICE RENTS

Average Quoting Office Rents By Grade and Location (2008- 2017)

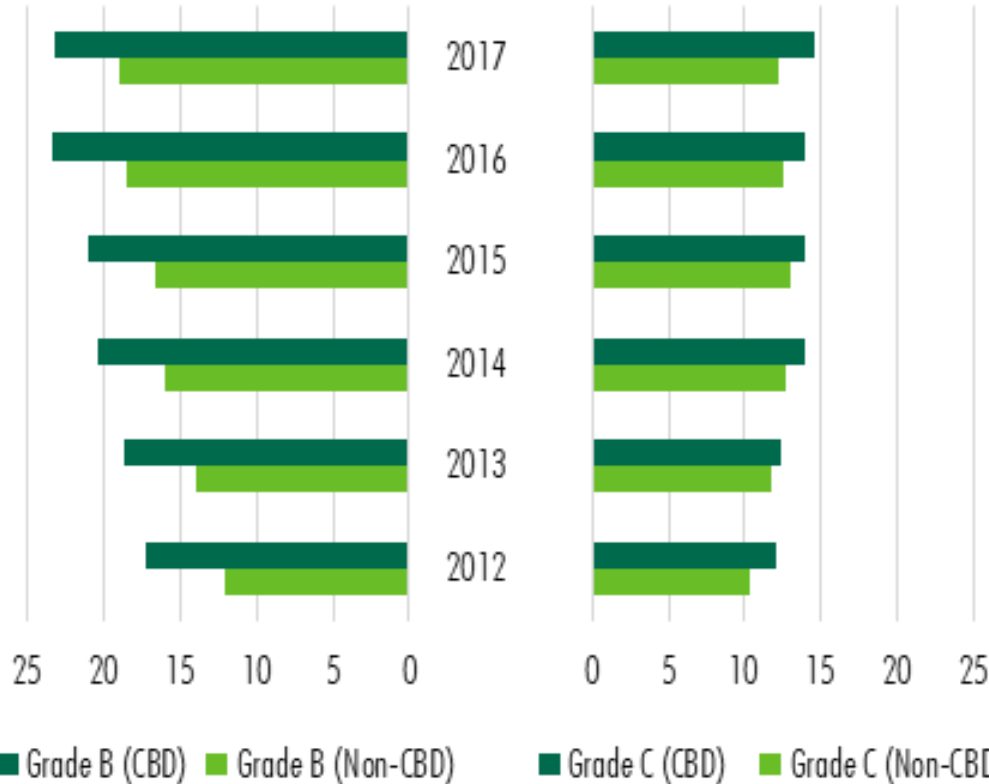
Grade B

\$15 – \$ 26 psm

% Change

CBD: 0%

NCBD: +3%



Grade C

\$9 – \$ 16 psm

% Change

CBD: +4%

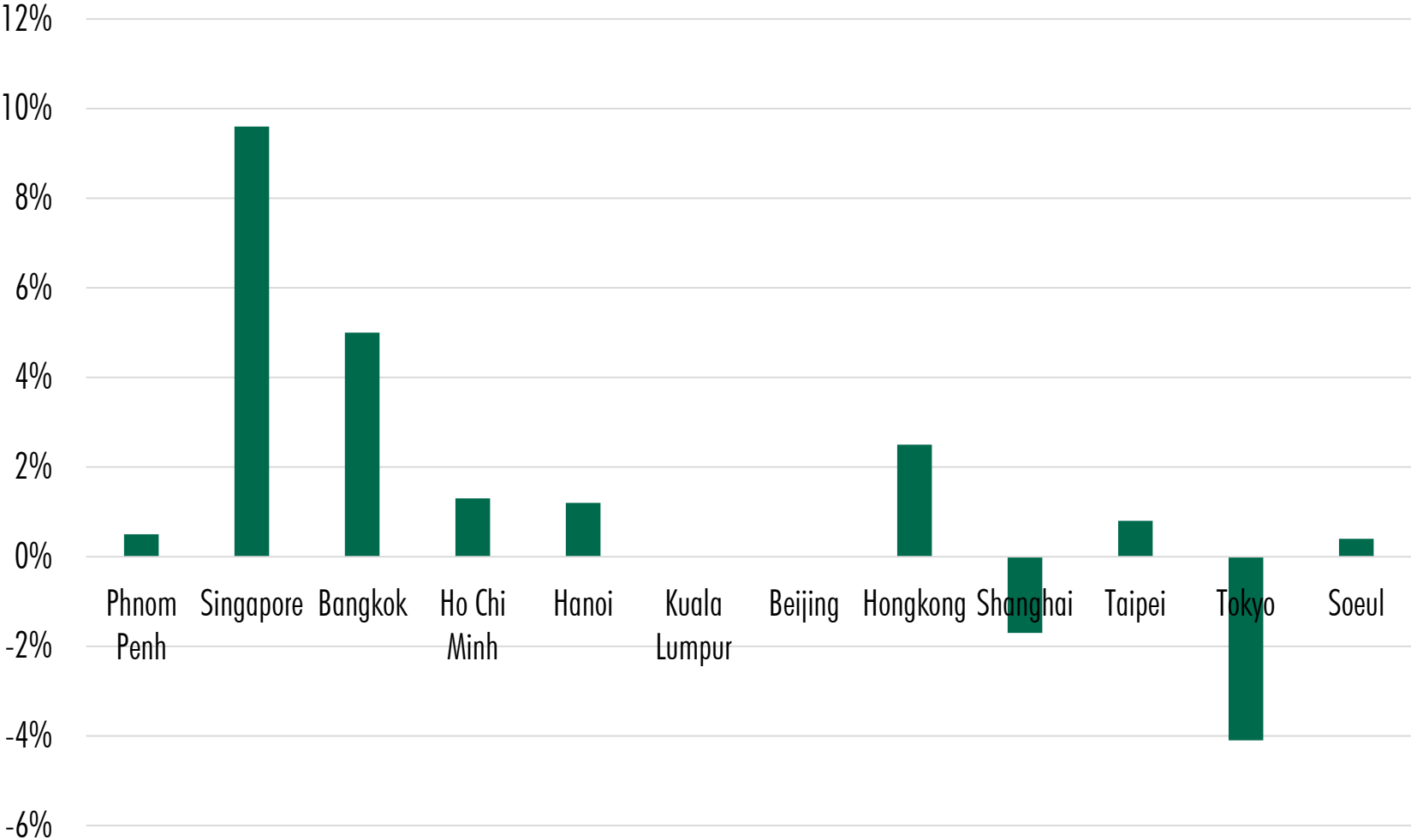
NCBD: -3%

Avg. Change: +1% y-o-y

Source: CBRE Research, Q4 2017

FORECAST OFFICE RENTAL GROWTH 2018

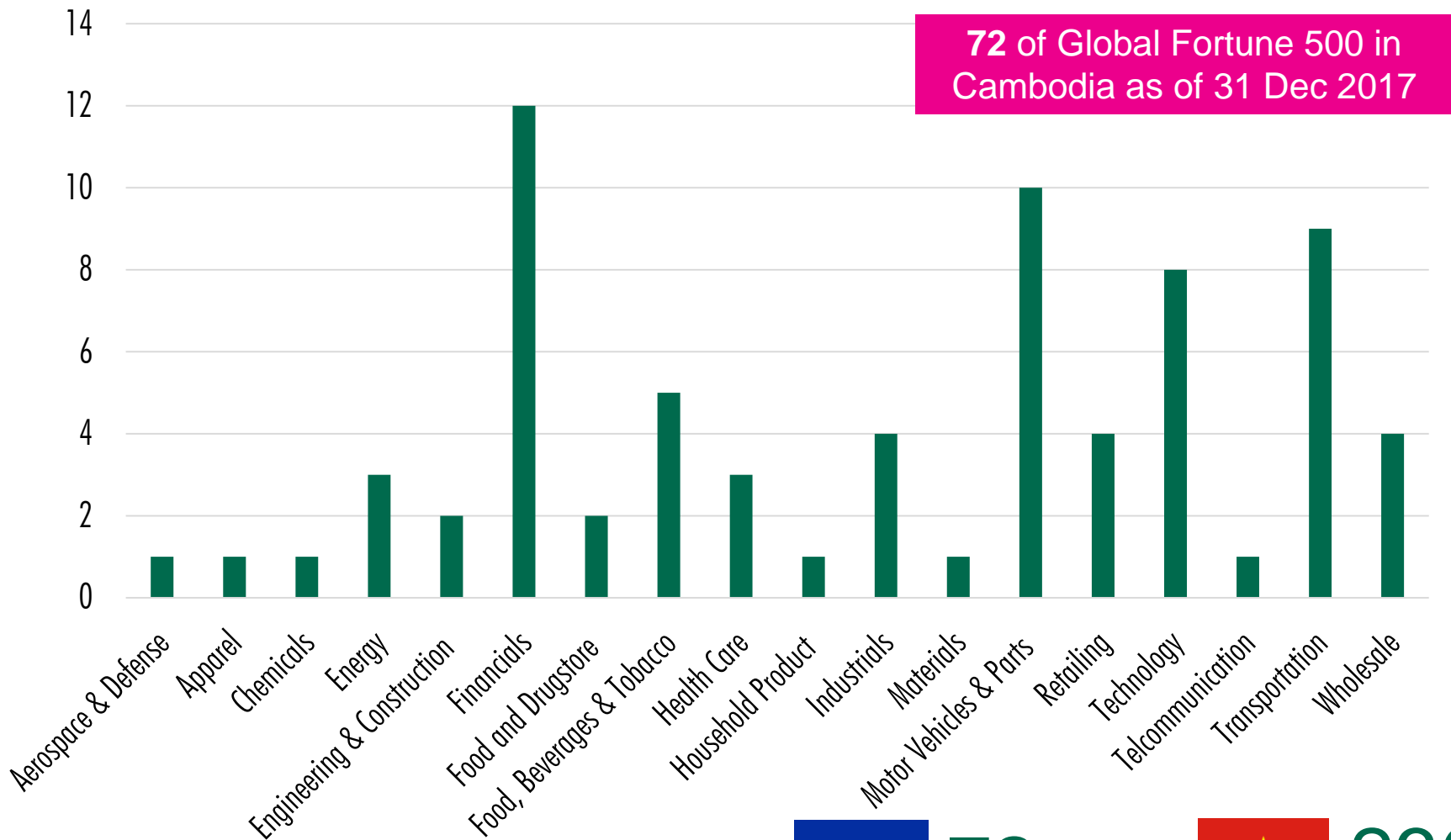
Forecast Prime Office Rental Growth – Regional Comparisons



Source: CBRE Research, Q4 2017

GLOBAL FORTUNE 500 IN CAMBODIA

Number of Global Fortune 500 in Cambodia by Sectors



Source: CBRE Research, Q4 2017



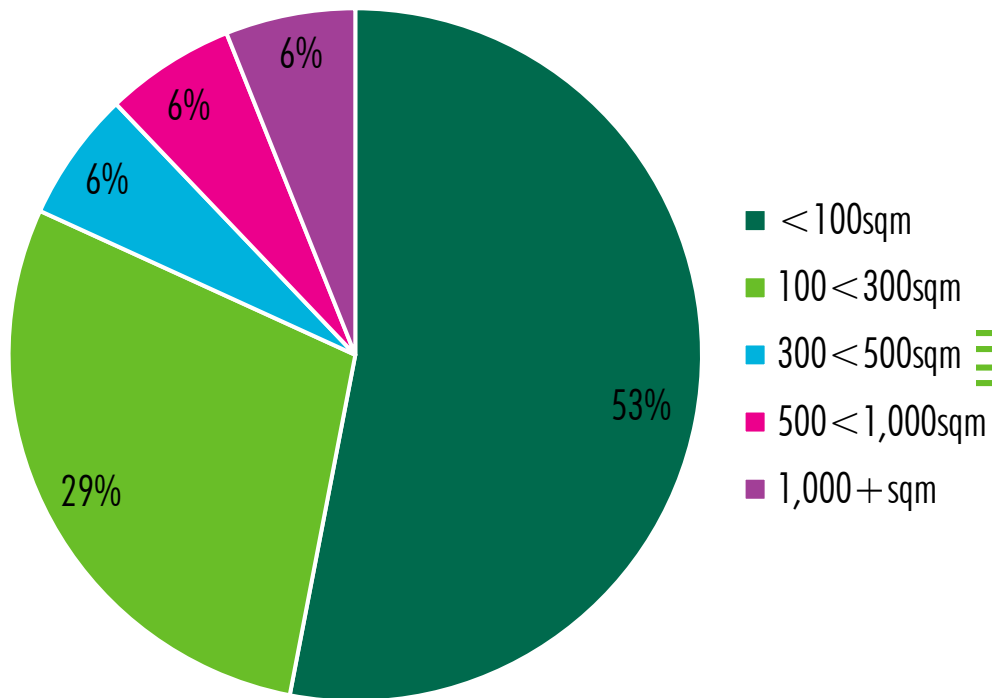
72 vs.



230

PHNOM PENH OFFICE DEMAND

Office Enquiries by Size & Top Industries (2016)



Banking & Finance



Logistics



Insurance & Securities



Accountancy

Source: CBRE Research, Q4 2017



PHNOM PENH OFFICE – 2018 FORECAST

1

Occupancy will improve further for centrally owned properties

2

Strata-title developments delivered for the first time. Occupancy in this sector will be limited by significant competition.

3

Co-working will take off with the introduction of international operators



4

Quoting rents across all Grades will be stable

The background is a dark teal color with a complex, low-poly geometric pattern. The pattern consists of various triangular and quadrilateral shapes that create a sense of depth and movement, resembling a stylized mountain range or a crystalline structure. The lighting is soft, highlighting the edges of the polygons and creating subtle gradients of teal. In the lower-left quadrant, the text 'PHNOM PENH RETAIL MARKET' is displayed in a clean, white, sans-serif font. The text is centered horizontally within its area and stands out prominently against the darker background.

PHNOM PENH RETAIL MARKET

PHNOM PENH RETAIL – 2017 KEY POINTS

1

New supply was minimal, with only Exchange Square delivering new stock to the market

2

E-payment solutions have changed customer behavior

SOUTHEAST ASIA
GLOBE
Alibaba Expansion

Jack Ma's Alipay agrees partnership with Cambodia's PiPay

 Pi Pay.

3

Project launches focused on Community Malls, spearheaded by local developers

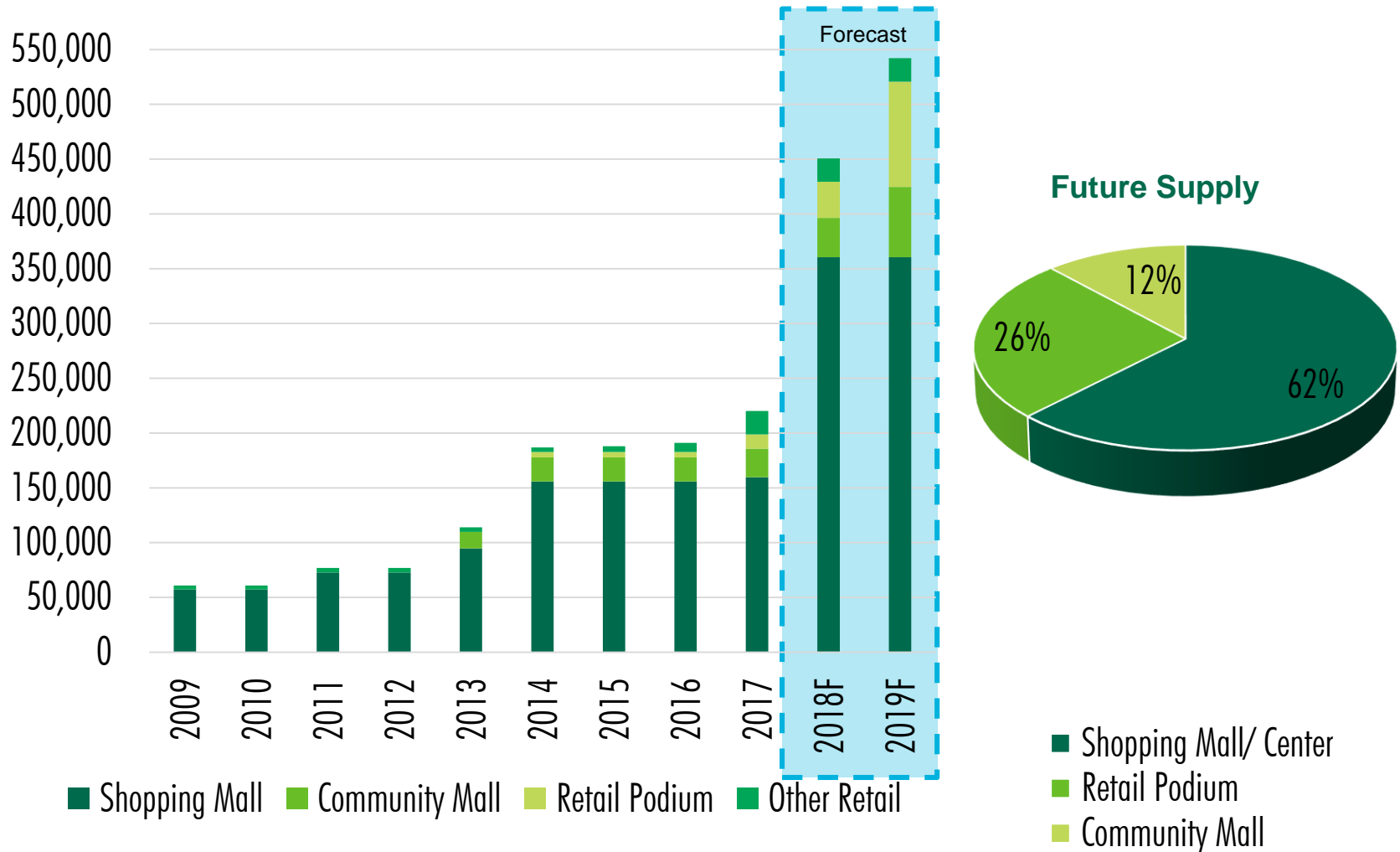


4

24 new foreign retailers entered Phnom Penh in 2017.

PHNOM PENH RETAIL SUPPLY

Retail Supply By Type SQM (2009 – 2019F)



Source: CBRE Research, Q4 2017

SELECTED FUTURE RETAIL SUPPLY (2018-2020F)

AEON (2) Sen Sok | 70,500 sqm
2018



Noro Mall | 10,000 sqm
2018



- Community Mall
- Shopping Mall
- Retail Podium

MiDTOWN Mall | 5,000 sqm
2018



The Bridge | 20,000 sqm
2018



Orkide The Royal Mall | 30,000 sqm
2019/20



Tropic Mall | 7,000 sqm
2019

Parkson Phnom Penh City Centre | 70,200 sqm
2018



Diamond Plaza | 12,000 sqm
2019



Eco Mall | 50,000 sqm
2019

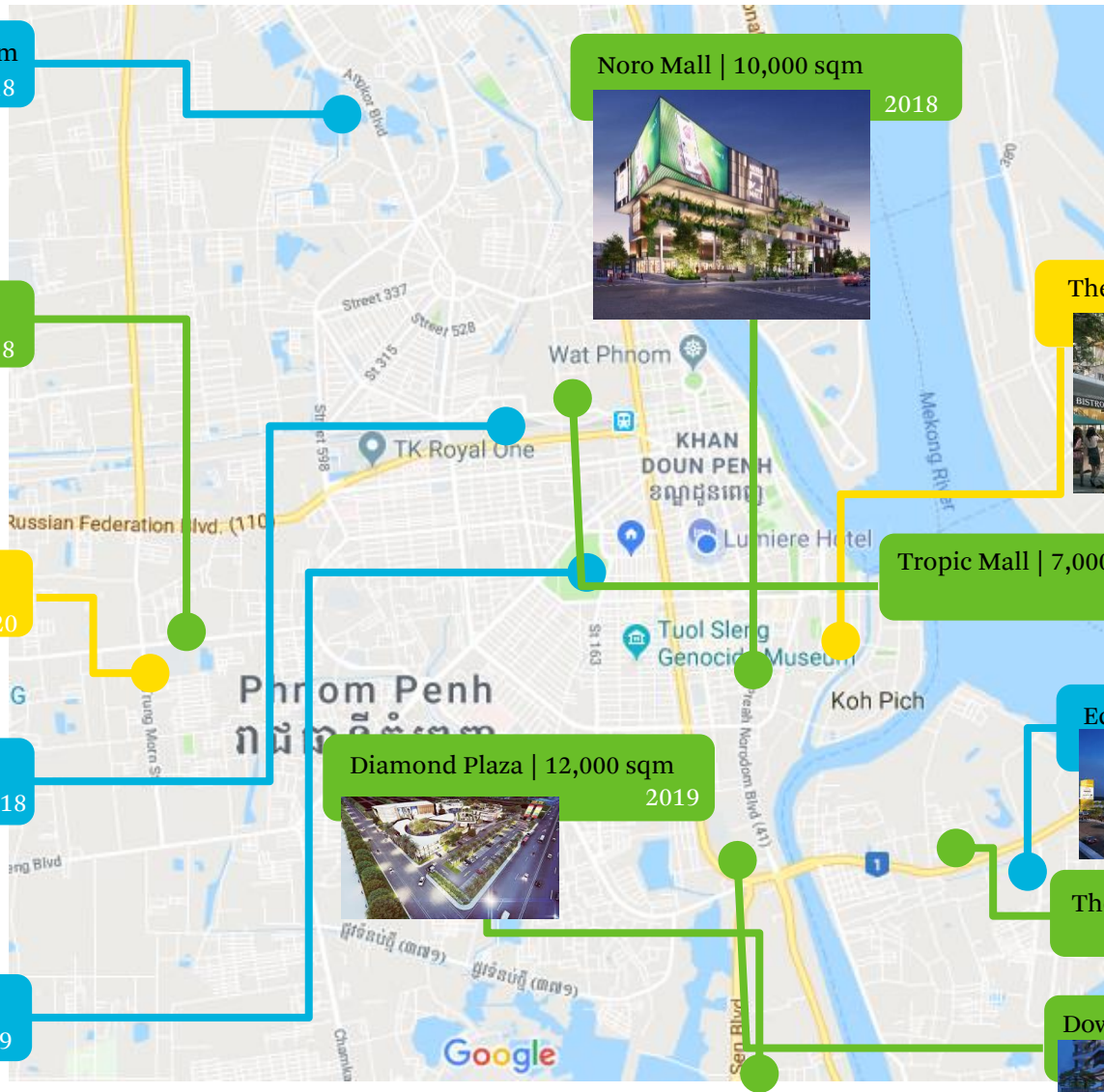


Olympia Plaza | 60,000 sqm
2018/19



The Park | 10,000 sqm
2018

Downtown 93 | 3,800 sqm
2018



Source: Google Maps, CBRE Research, Q4 2017

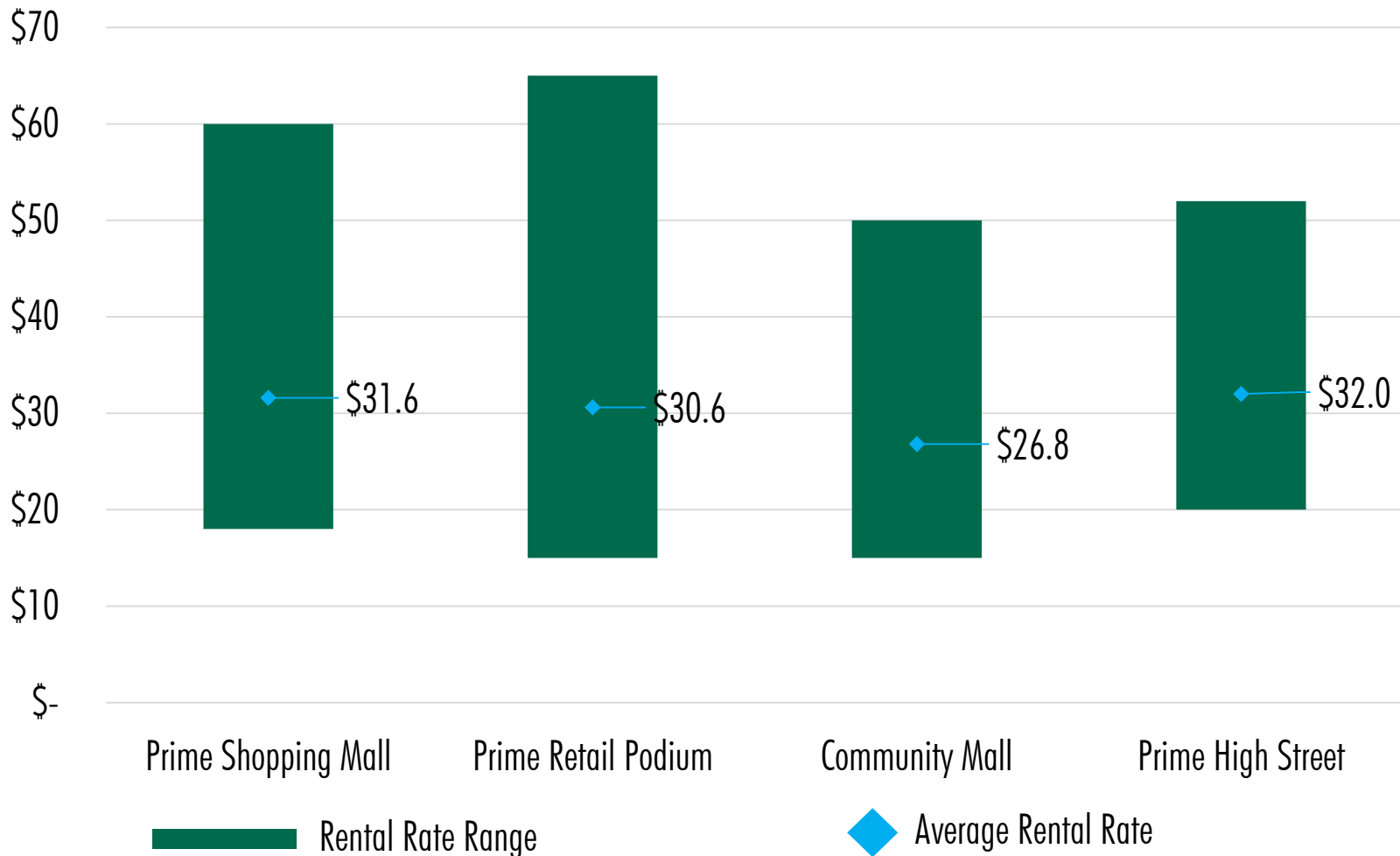
NEW RETAIL ENTRANTS – REGIONAL COMPARISON

New Retail Entrants in 2017 – Regional Comparison



PHNOM PENH RETAIL RENTS

Average Quoting Retail Rents By Type (USD/SQM)

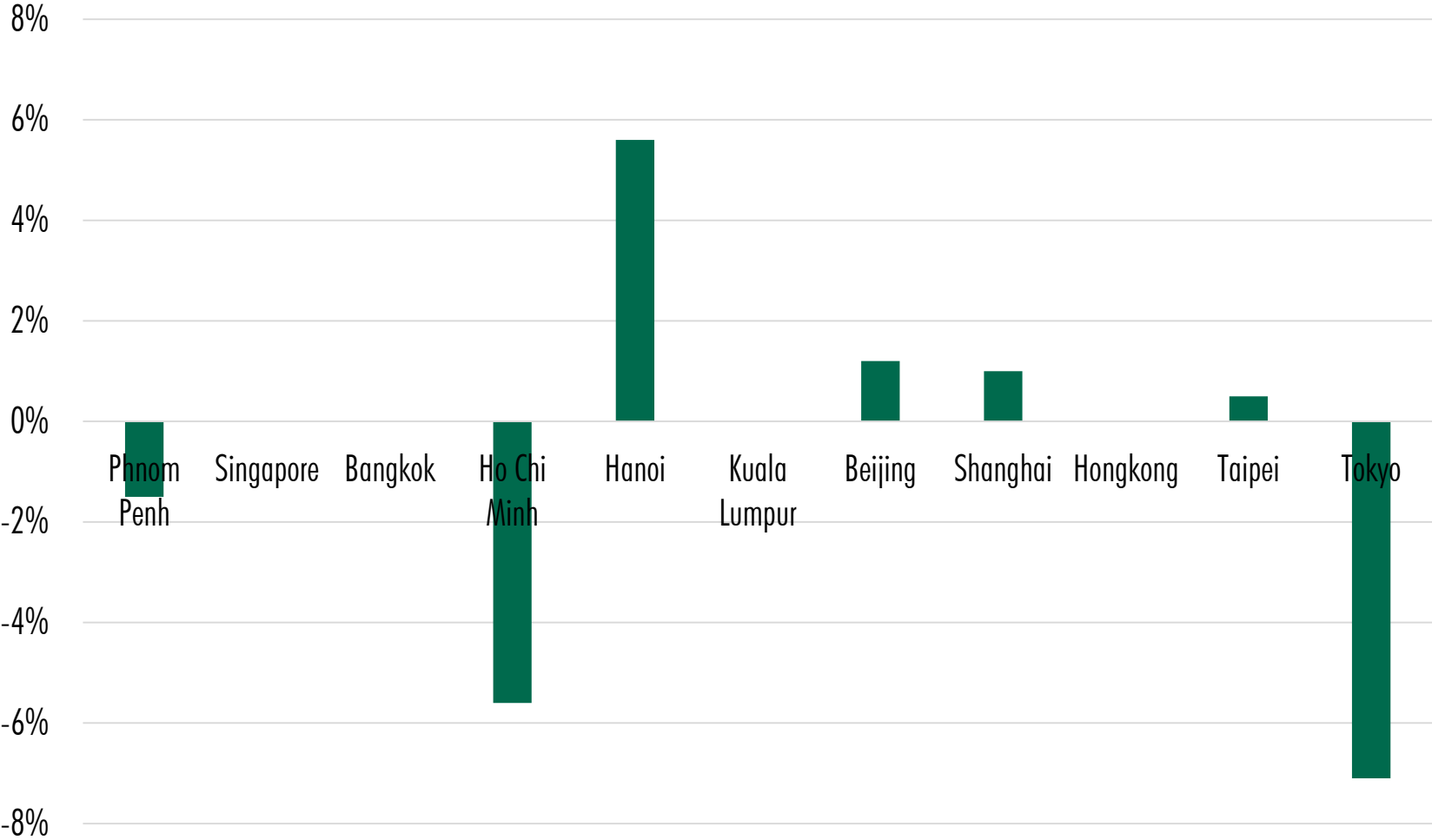


Source: CBRE Research, Q4 2017

CBRE CAMBODIA

FORECAST RETAIL RENTAL GROWTH 2018

Forecast Retail Rental Growth – Regional Comparisons



Source: CBRE Research, Q4 2017

PHNOM PENH RETAIL– 2018 FORECAST

1

More Thai and Japanese retail brands will enter the market

2

E-commerce and Fin-Tech innovations will shape consumer demand, with discounts and promotions more widely used

3

International Mall Developer/Operators will launch projects in the city

4

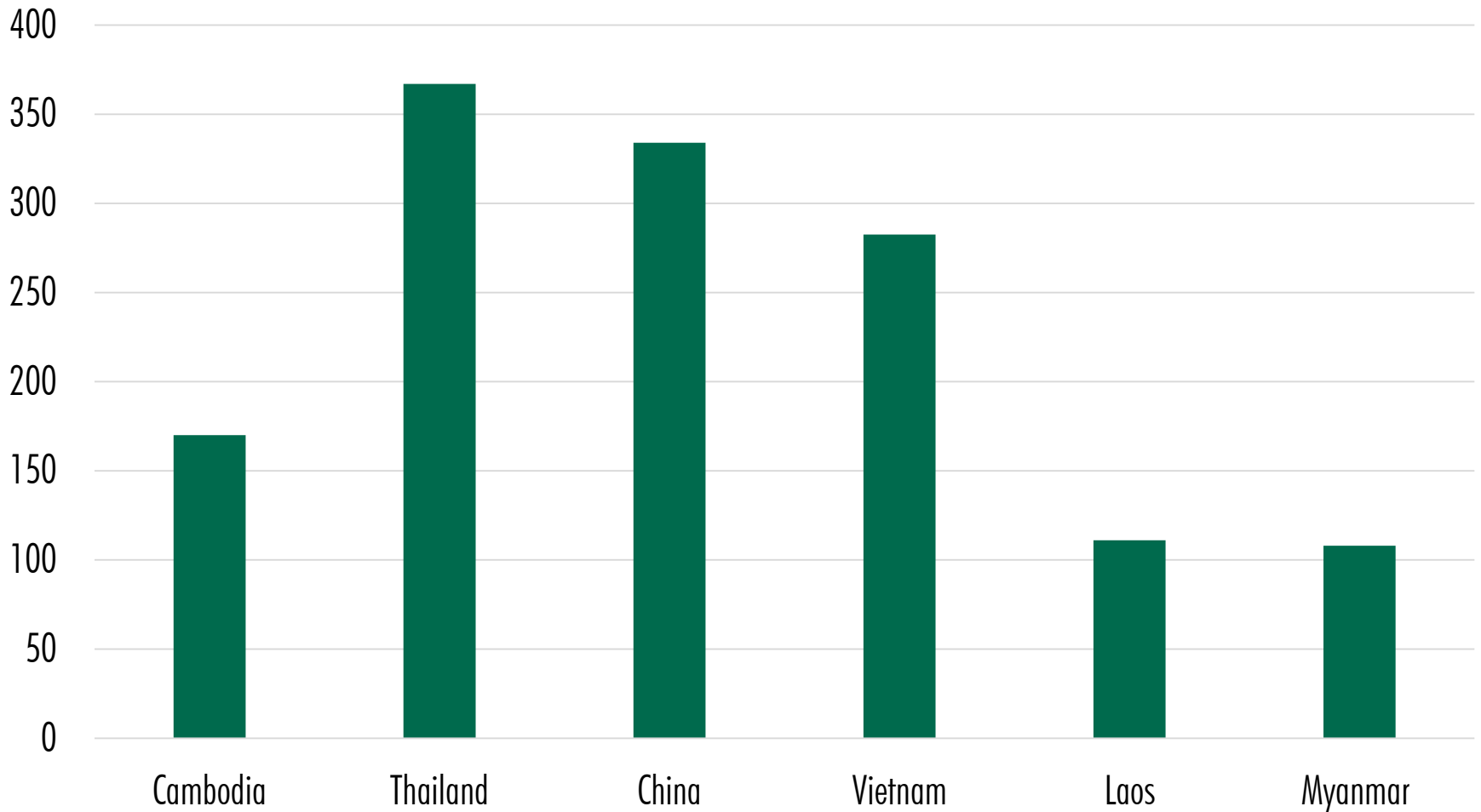
The Community Mall trend will continue, largely in support of new residential developments

The image features a dark teal background with a complex, low-poly geometric pattern of interconnected triangles and polygons. The pattern is rendered in various shades of teal, creating a sense of depth and movement. The text 'INDUSTRIAL MARKET' is positioned in the lower-left quadrant of the image.

INDUSTRIAL MARKET

MINIMUM WAGES – REGIONAL COMPARISONS

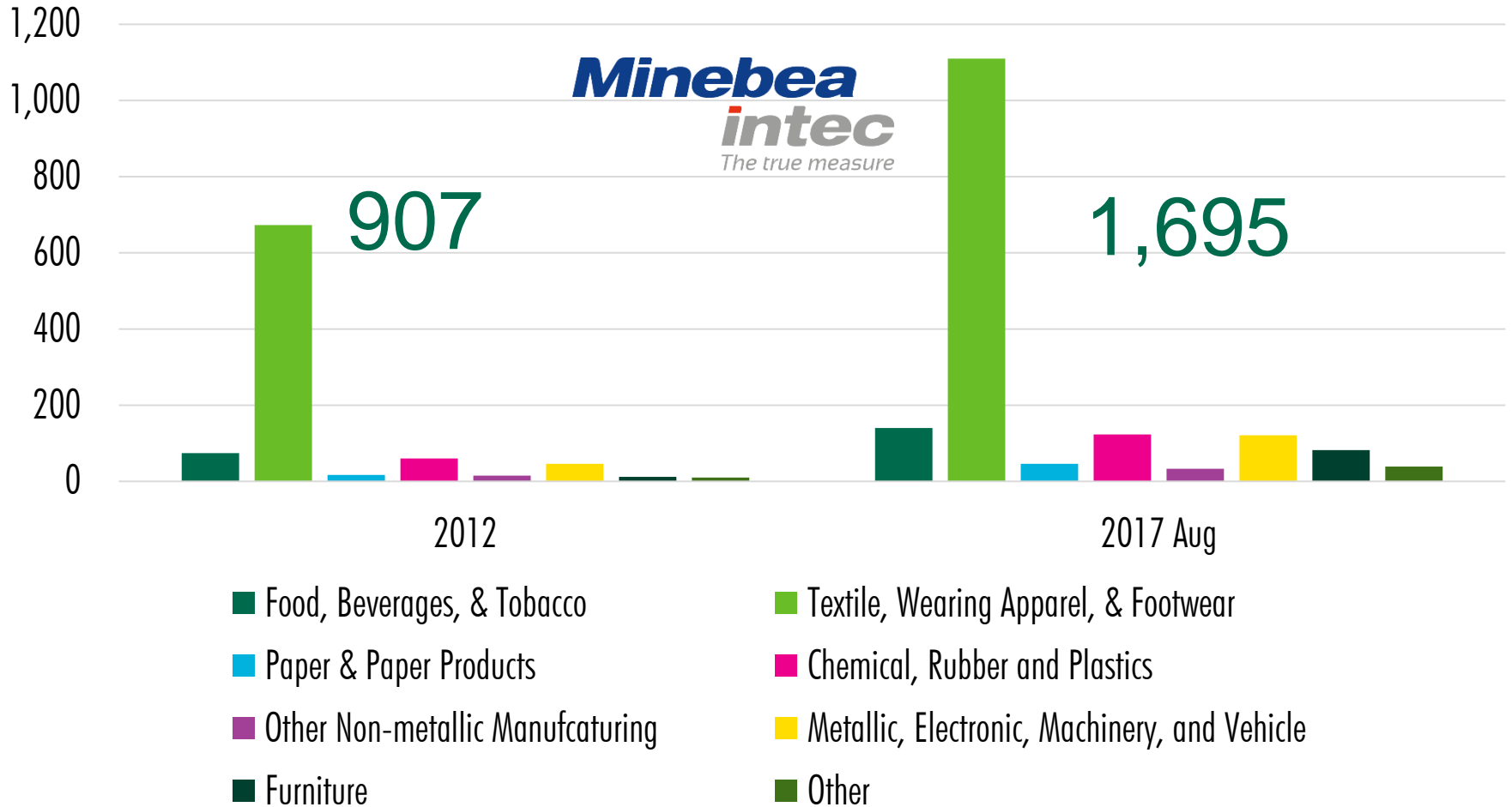
Minimum Wages – Regional Comparisons (USD/Month)



Source: CBRE Research

CAMBODIA'S INDUSTRY DIVERSIFYING

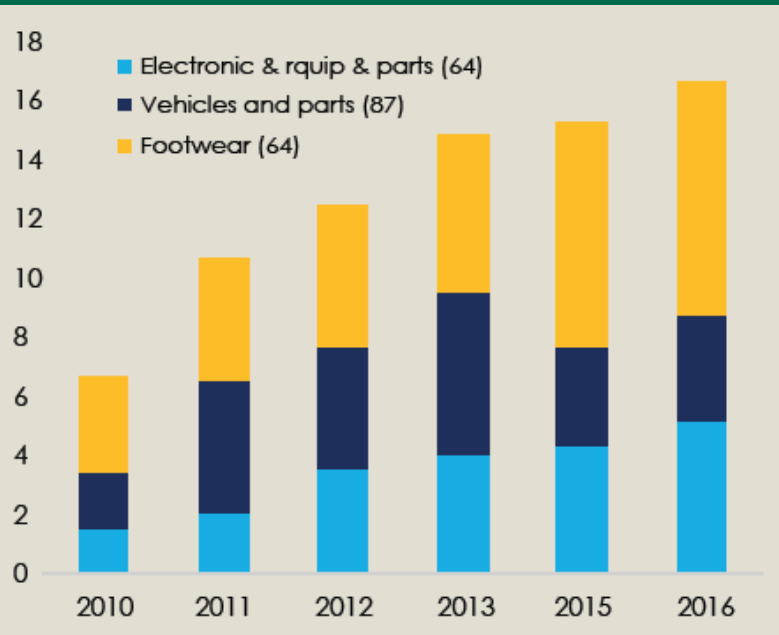
Number of Manufacturers in Cambodia (2012 vs. 2017)



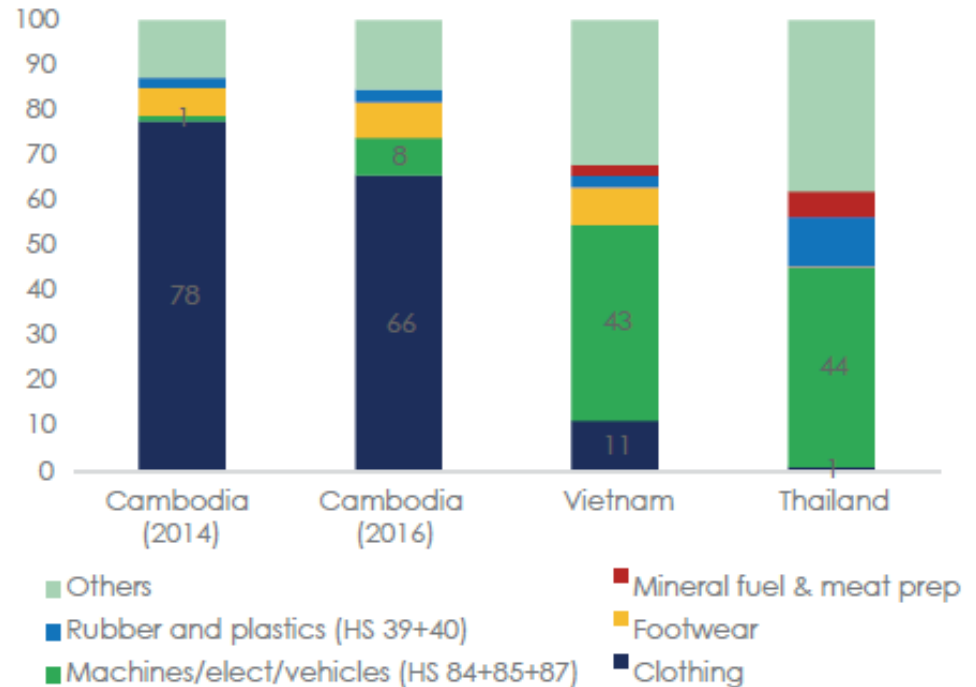
Source: World Bank, Cambodia Economic Update Oct 2017 / Cambodian Authorities

CAMBODIA'S EXPORT PRODUCT DIVERSIFICATION

% of Total Merchandise Exports



Export Diversification – Regional Comparisons

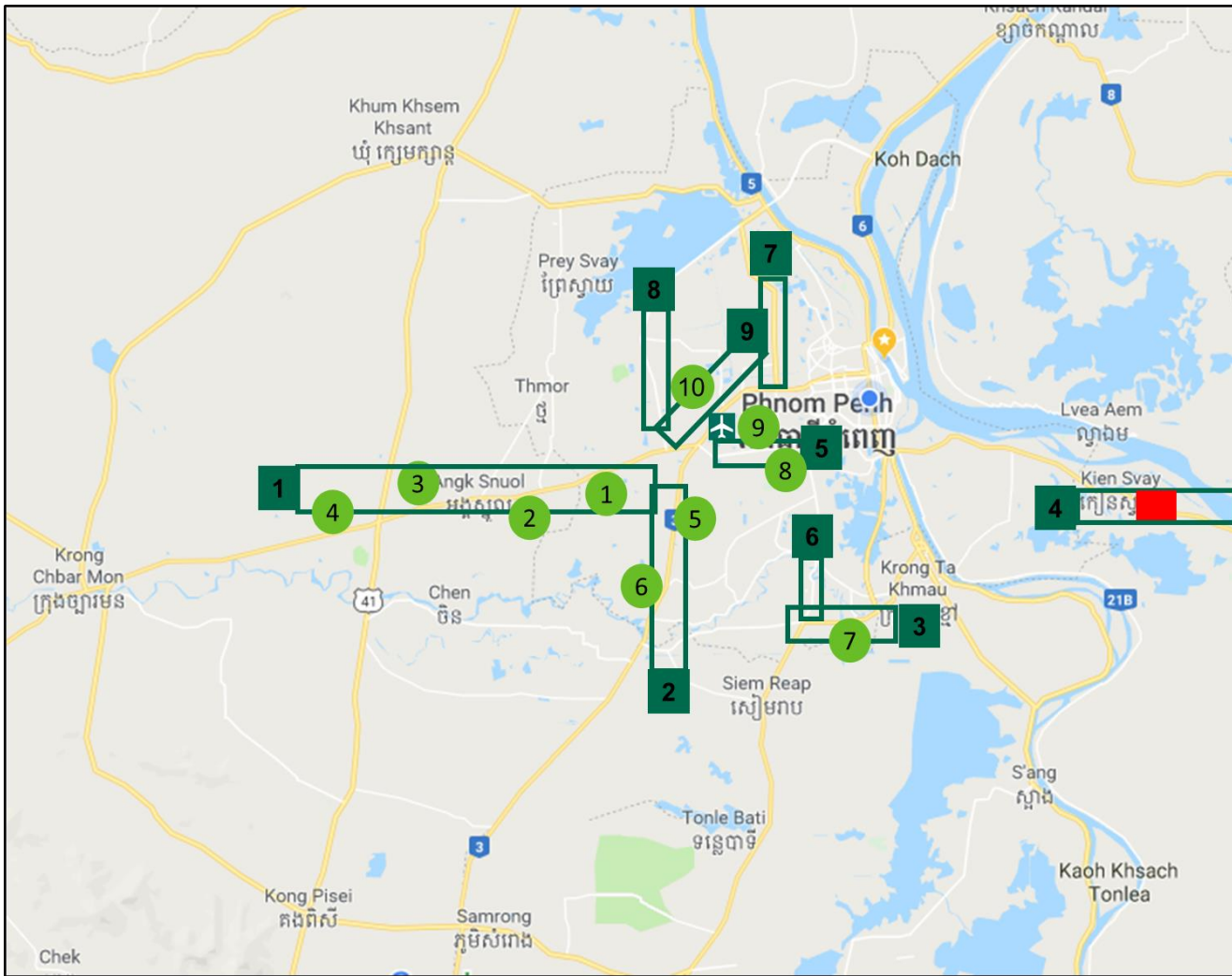


Source: World Bank, Cambodia Economic Update Oct 2017 / Cambodian Author



Walmart to Buy More Apparel, Luggage from Cambodian Manufacturers

PHNOM PENH INDUSTRIAL LOCATIONS



Phnom Penh Autonomous Port

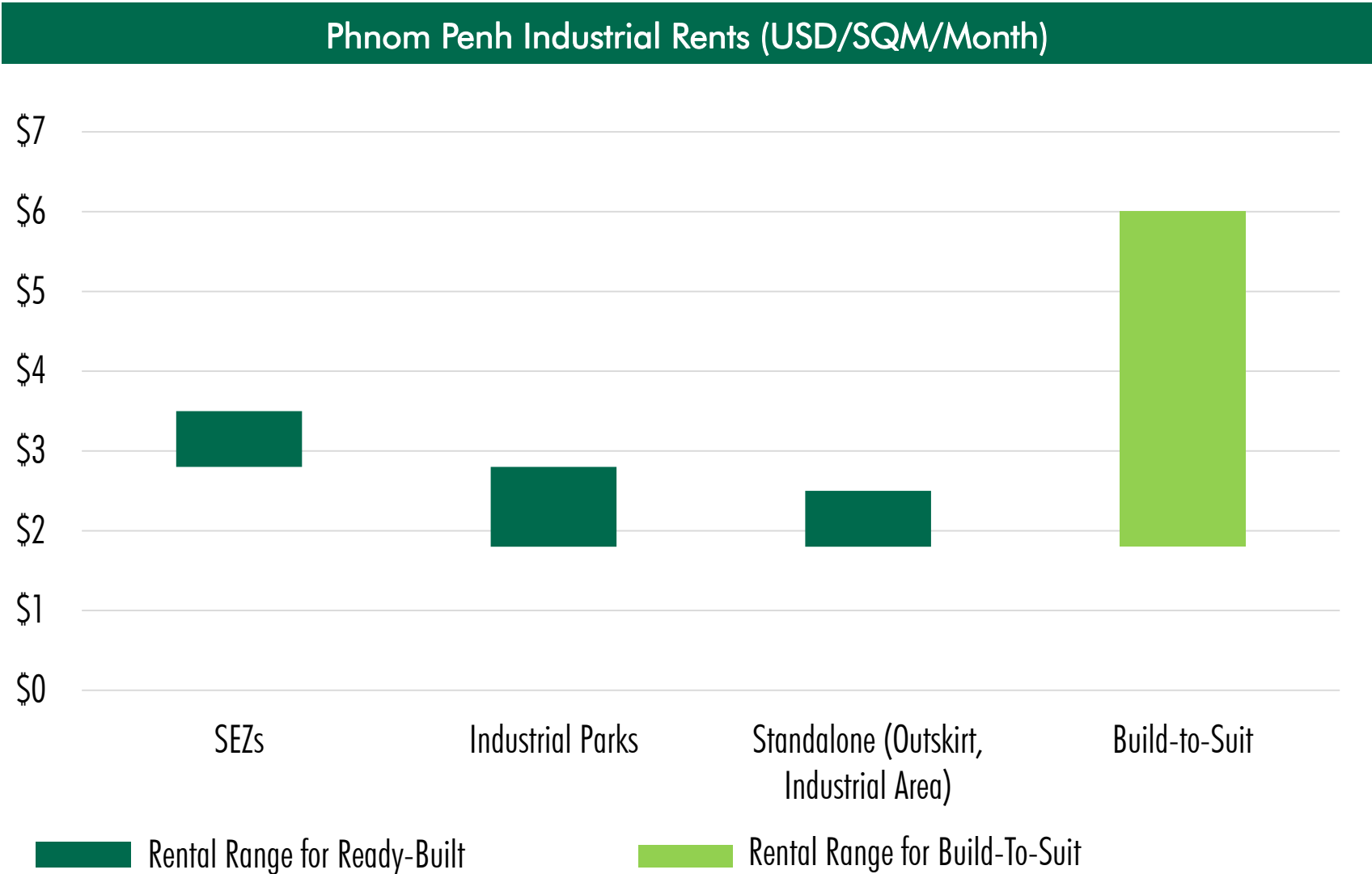
SEZs & Industrial Zones

- 1 Phnom Penh SEZ
- 2 Chhun Hong Industrial Park
- 3 QM Industrial Park
- 4 Y-Seven Industrial Park
- 5 Jin Feng Gung Industrial Park
- 6 Vattanac 2 Industrial Park
- 7 Kerry Worldbridge SEZ
- 8 Vattanac 1 Industrial Park
- 9 Canadia Industrial Park
- 10 Industrial Zone

Industrial Areas

- 1 National Highway 4
- 2 National Highway 3
- 3 National Highway 2
- 4 National Highway 1
- 5 Veng Sreng Street
- 6 Chamkardoung Blvd.
- 7 Hanoi Street
- 8 Kob Srov Street
- 9 Por Chen Tong area

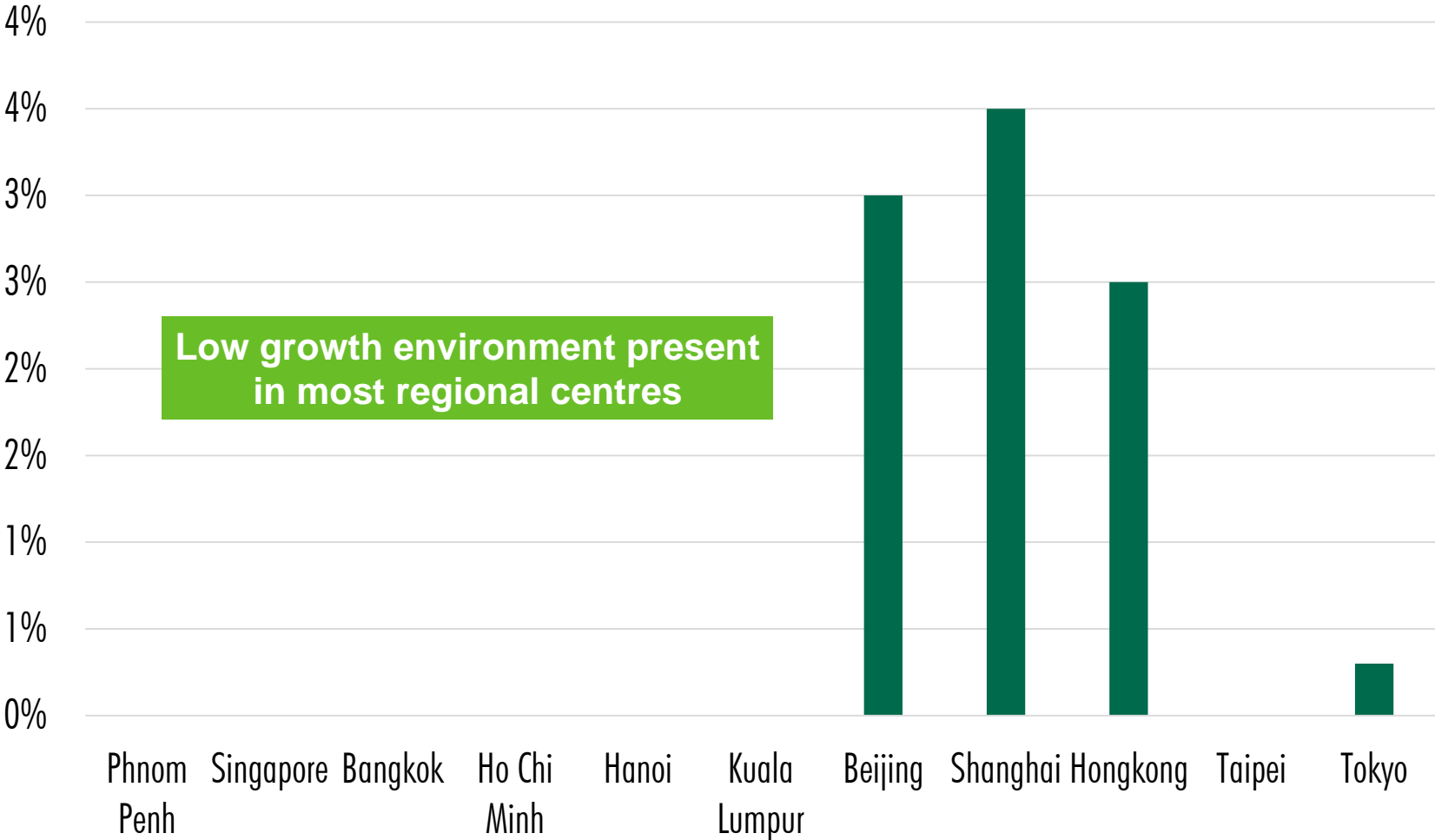
PHNOM PENH INDUSTRIAL RENTS



Source: CBRE Research, Q4 2017

FORECAST INDUSTRIAL RENTAL GROWTH 2018

Forecast Industrial Rental Growth – Regional Comparisons



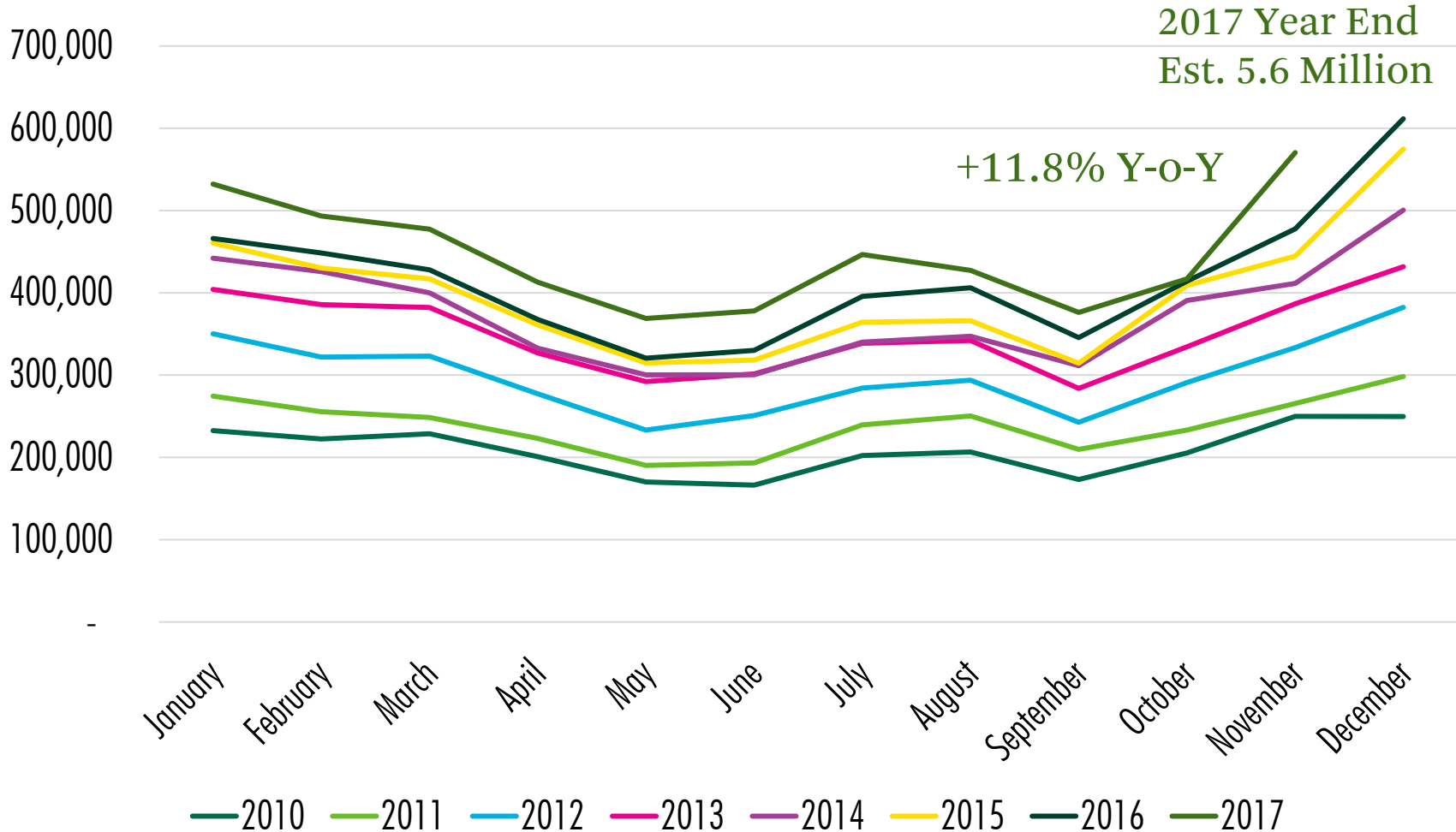
Source: CBRE Research, Q4 2017



CAMBODIA HOTEL MARKET

TOURIST ARRIVALS - CAMBODIA

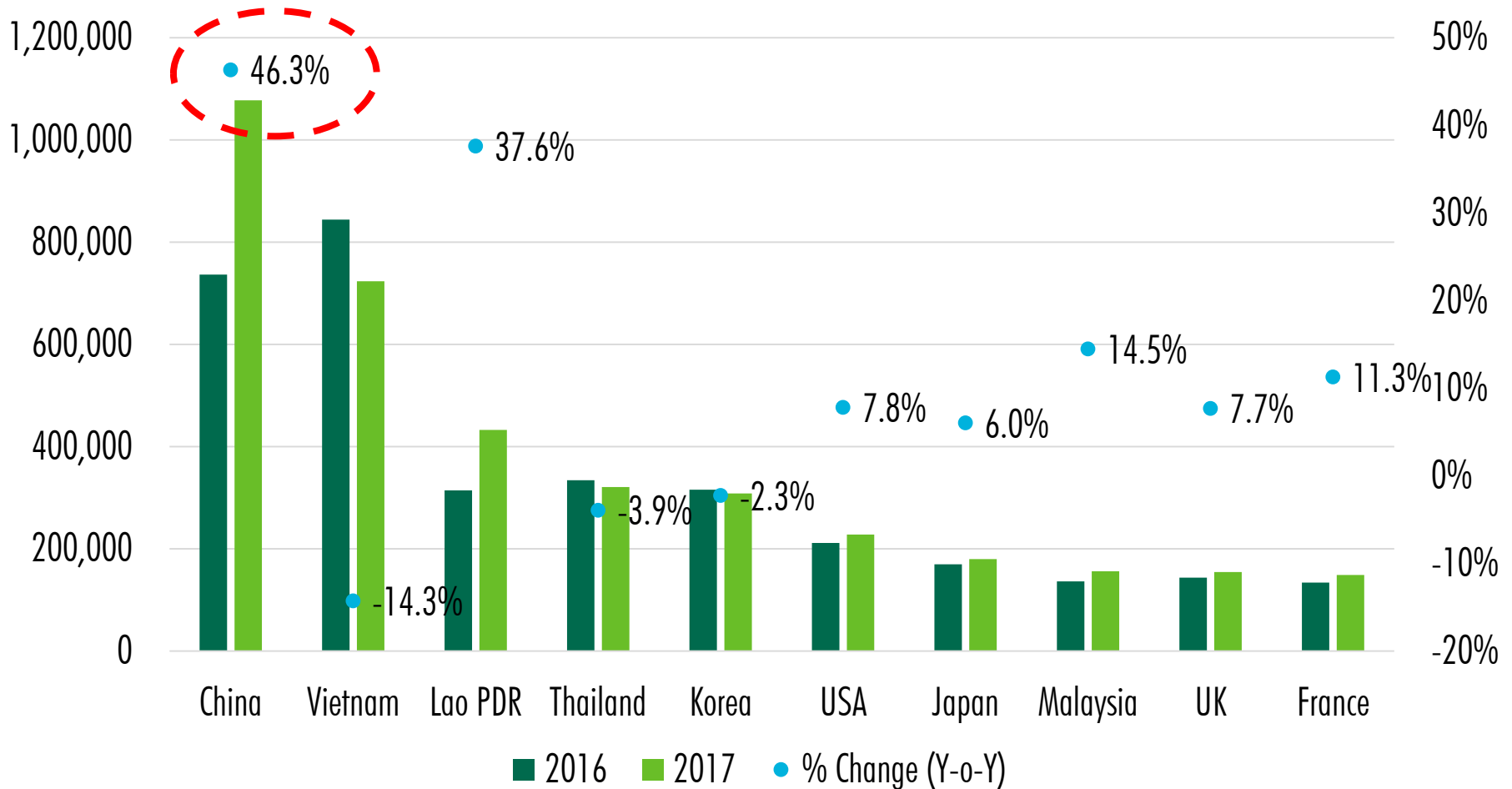
No. of Foreign Tourist Arrivals to Cambodia



Source: Ministry of Tourism, CBRE Cambodia

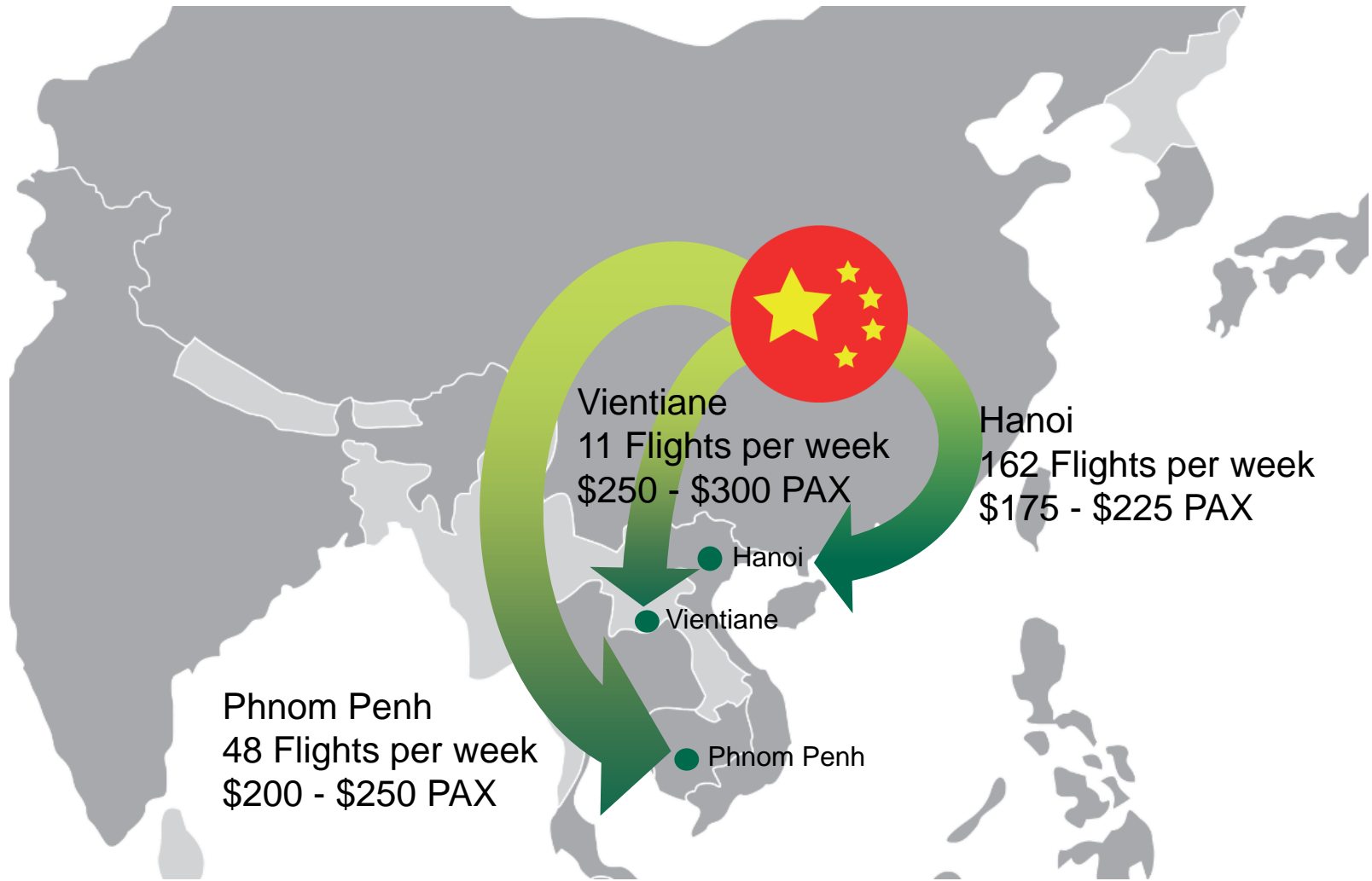
TOURIST ARRIVALS - CAMBODIA

No. of Tourist Arrivals by Nationality

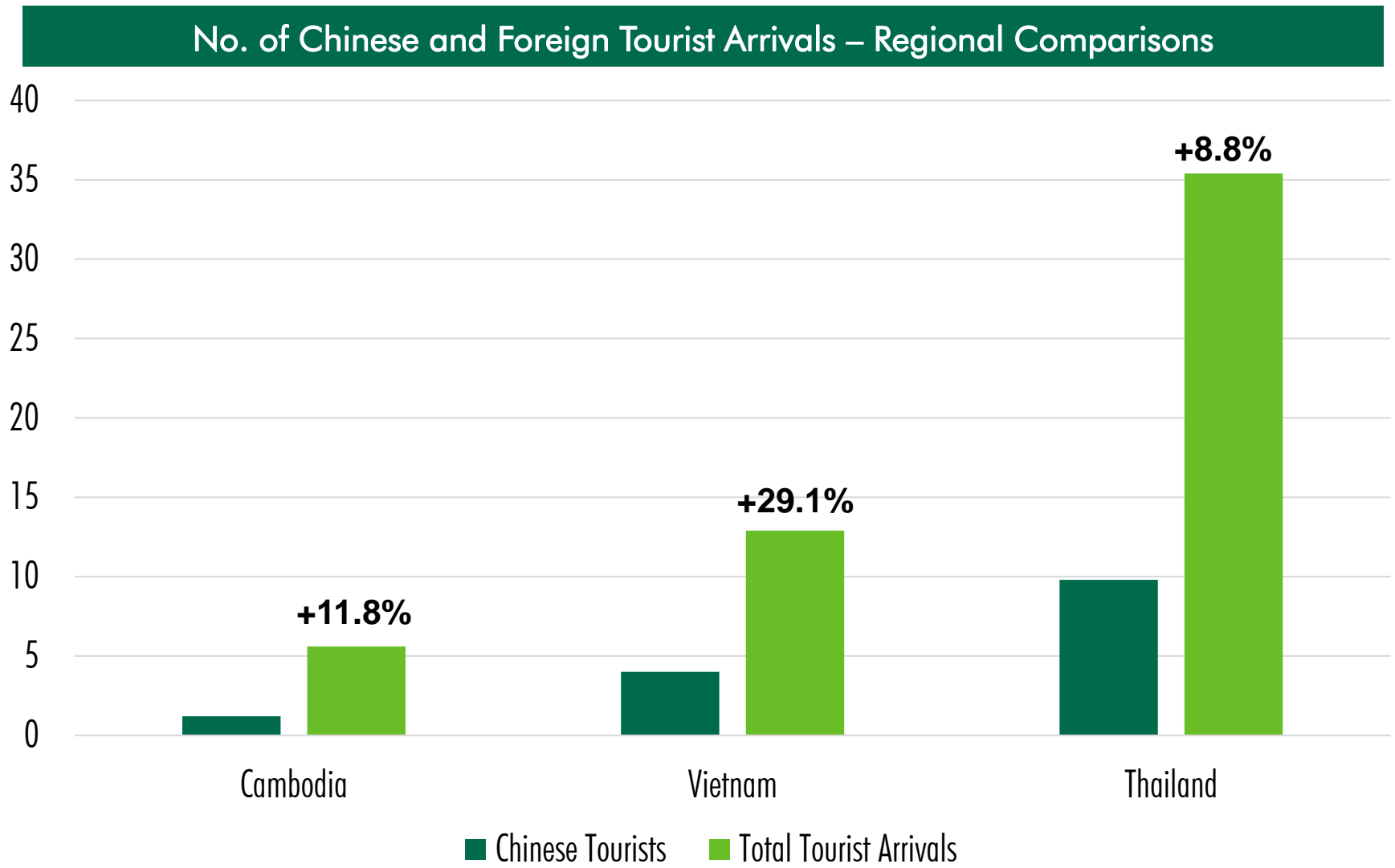


Source: Ministry of Tourism, CBRE Cambodia
 Note: Figures for the 11 months January - November

DIRECT FLIGHTS FROM CHINESE CITIES (WEEKLY)



FOREIGN TOURIST ARRIVALS – REGIONAL COMPARISONS



Source: CBRE Research, Various Sources

TOURIST DESTINATIONS



PHNOM PENH

2016: 2,445,830

2017: 2,710,208

Y-o-Y Change: +10.8%



SIEM REAP

2016: 1,954,708

2017: 2,190,063

Y-o-Y Change: +12%



COASTAL AREA

2016: 574,985

2017: 673,244

Y-o-Y Change: +17.1%



CAMBODIAN OUTBOUND TOURISTS:

2016: 1,306,393

2017: 1,612,525

Y-o-Y Change: +23.4%

Source: Ministry of Tourism, CBRE Cambodia
Note: Figures for the 11 months from January to November

HOSPITALITY EVENING

Greetings from CBRE Cambodia,

You are invited to you join us for an evening seminar focused on trends in the tourism and hospitality sector across the Asia Pacific region, with particular focus on emerging markets and their impacts on development and hotel investment.



MR. ROBERT MCINTOSH

EXECUTIVE DIRECTOR, Valuation Services, Investment & Market Advisory, CBRE Hotels Asia Pacific

Robert McIntosh has over 25 years' experience in the regions hospitality industry, and is widely recognized as an expert consultant, valuer and broker across the Asia Pacific Hotel and leisure market.



01 February 2018 | 6:00PM - 9:00PM

Raffles Hotel Le Royal

92 Rukhak Vithei Daun Penh, Sangkat Wat Phnom, Phnom Penh

To reserve your place, please RSVP to Mr. Sonic

sonic.sovuth@cbre.com

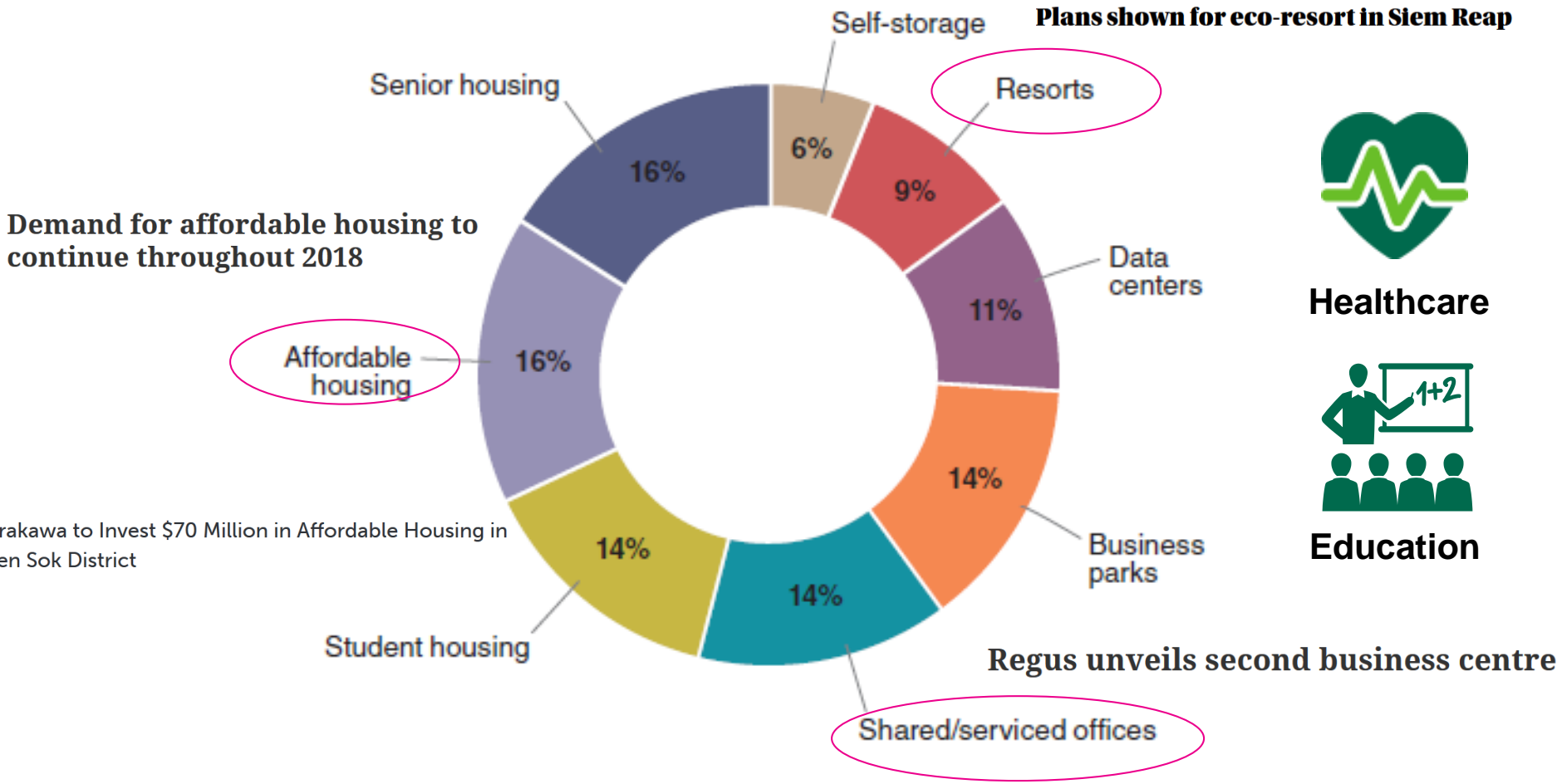
+855 95 777 982 or +855 23 964 099



ALTERNATIVE INVESTMENTS

ALTERNATIVE INVESTMENT STRATEGIES

Niche Sectors in Which Investors Are Now Active or Plan to be Active (Asia Pacific)



Source: PWC, Emerging Trends in Real Estate Asia Pacific 2018 survey

Co-Working Spaces in Demand as Alternative to Rising Rent



FEARLESS FORECAST 2018

Substantial levels of new supply across all sectors

Chinese interest in the Cambodian property & tourist market continues unabated

Domestic politics takes centre stage in the run up to the general election, dampening demand from international investors, with the exception of China

Strata-title offices are delivered to the market for the first time

Localisation & Internationalisation at the same time

Coastal areas receive more column inches than Siem Reap



Real estate marketing hits new heights as developers battle competition

Realestate.com.kh receives AUD \$2.25 million investment, one of the largest tech investment in Cambodia's history

Gold Tower 42 will get finished (in 2019)

Phnom Penh becomes weekend boutique hotel heaven

Retailers fill up new malls with F&B

Cambodia's first ice-skating team dazzles at the Winter Olympics



Cambodia's first ice skating team chases Winter Olympic dream

THE STRAITS TIMES

Cambodians skate over imperfections





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