

APARTMENT 2014

REPORT OF APARTMENT MARKET IN PHNOM PENH



A PUBLICATION FROM



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EXECUTIVE SUMMARY

The study of serviced apartments has found that there are 374 apartment buildings, both graded serviced apartments (about 48% with the number of 180 buildings) and non-graded apartments (about 52% with the number of 194 buildings). The number of all apartment units supplied to the market today is unknown, while the study reveals that there are about 3,500 graded serviced apartment units. The average apartment has about 20 units. The smallest apartment has about 2 units, while the largest apartment has about 110 units. Despite the growing market, the vacant rate in the first half of 2014 is 16%. Slightly over a half of the apartment owners plan to build new apartments in the next few years.

APARTMENT MARKET BRIEF

Serviced apartment market in Phnom Penh has grown quickly since the last three years, as driven by a great influx of foreign expatriates who come for work in the Capital. The large number of these expats gives rise to a high demand on high-class and long-term accommodations such as serviced apartments and condos. At the current time, it is estimated that about 47,000 to 50,000 foreigners, representing about 68% of all foreigners who are working in Cambodia, reside in Phnom Penh. Serviced apartments absorb the majority of these expatriates.

GRADED SERVICED APARTMENTS

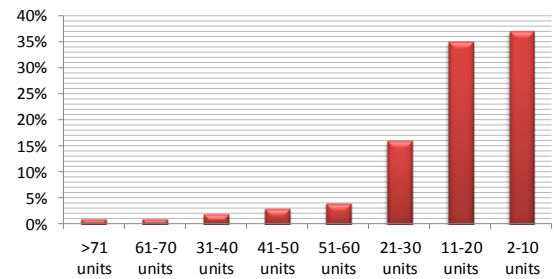
Graded serviced apartments are referred to low-class to luxurious rental apartments with additional services such as cleaning, laundry, customer support, security, Internet, and other amenities. Graded serviced apartments are so-called as grade A, grade B, and grade C apartments.

As of second quarter of 2014, the supply of graded serviced apartments has reached 180 buildings with about 3,500 serviced apartment units. The growth rate of this supply in the first half of 2014 is 3% based on the figure of 2013 until the second quarter of 2014. About 3% of graded serviced apartment projects are still under construction processes, 2% of them are complete but not yet in service, and other 3% are without operations at the moment. In sum, only 92% of the total projects are in service as in second quarter of 2014.

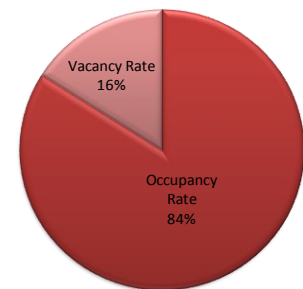
NON-GRADED APARTMENTS

Non-graded apartments are referred to rental apartments, with five to fewer than 30 units, which are below serviced apartment standard. These apartments are family-scaled and run as family businesses without proper management and marketing. The majority of tenants of these apartments are low-budget foreigners and a small number of local tenants.

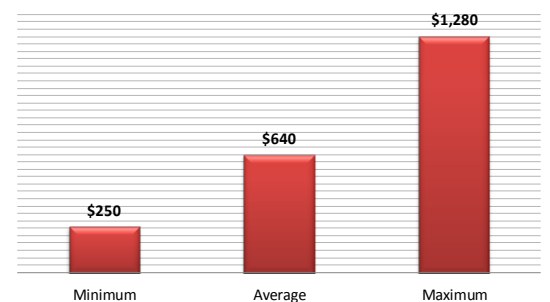
Apartment Scales (in number of units)



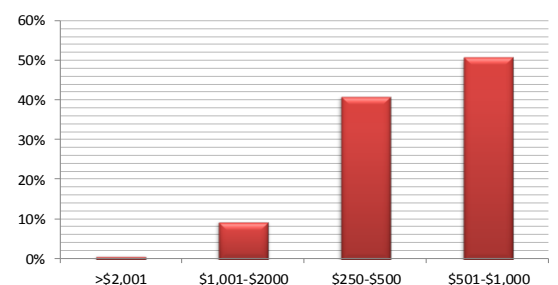
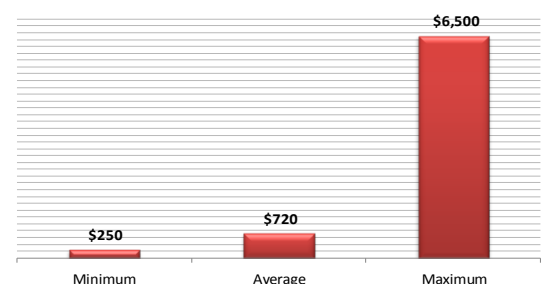
Occupancy & Vacant Rates



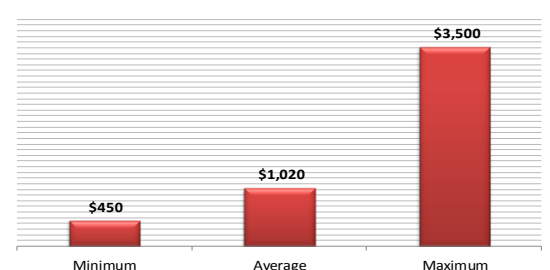
Studio - Monthly Average Rental Price



One Bedroom - Monthly Average Rental Price



Two Bedroom - Monthly Average Rental Price



Currently, the supply of non-graded apartments has reached 194 buildings. The number of these apartment units supplied to the market is unknown at the moment.

RESEARCH METHODS

A comprehensive survey on 180 individual serviced apartments was conducted in the second quarter of 2014 to collect raw information regarding building specifications, along with number and types of units, vacancies, rental prices, sizes, and other critical information centering on the industry. The survey covered important districts such as Prampir Makara, Chamkarmon, Chruoy Changva, Daun Penh, Reusei Koev, and Tuol Kork.

STUDY RESULTS

The study has found that apartment market has grown so quickly since the last three years, as the majority of the apartment establishments have existed very recently. According to the survey, 47% of the well-graded serviced apartments have been established just fewer than three years. This quick growth was a noticeable movement of supplying apartments to the demanding market, and this was made after the global financial crisis—that could be said to be well from 2010 onwards, when it was reported the overall economy started to be resilient.

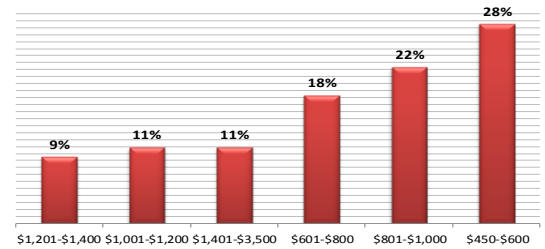
The supply of all apartment units, both graded and non-graded, has now reached 374 apartment establishments. The supply of graded serviced apartment establishments has entered the market with about 180 apartments with roughly 3,500 units in total. The majority of the types of graded serviced apartment units are two-bedroom, representing slightly over 50%, and one-bedroom apartment units represent about 37%. The occupancy of these types of units remains highly demanded among the tenants thanks to their affordable prices and sizes.

APARTMENT SCALES

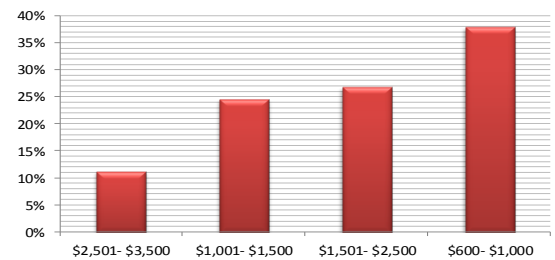
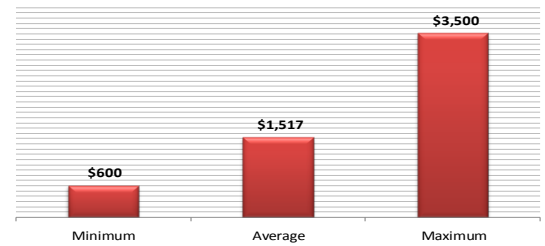
The average scale of apartment is 20-unit apartment. The majority of apartments have an average number of units equal to and fewer than 20. Apartments with this number of units represent 72% of all apartments. For the apartments with 2 to 10 units, it is 37%, while the ones with 11-20 units represent 35%. The apartments with the number of units from 21 to 30 represent about 16%. It remains low in term of large-scale apartments that usually contain more than 31 units.

OCCUPANCY AND VACANT RATES

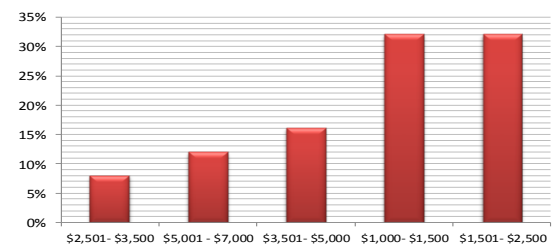
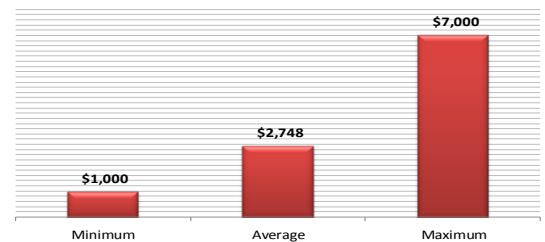
Occupancy rates among apartments in Phnom Penh remain relatively high. The study has found that about 84% of all apartment units were



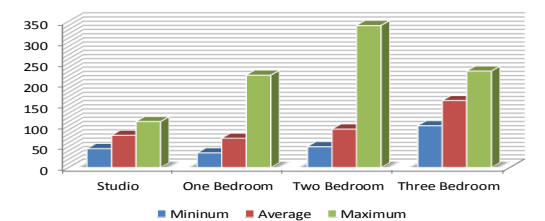
Three Bedroom - Monthly Average Rental Price



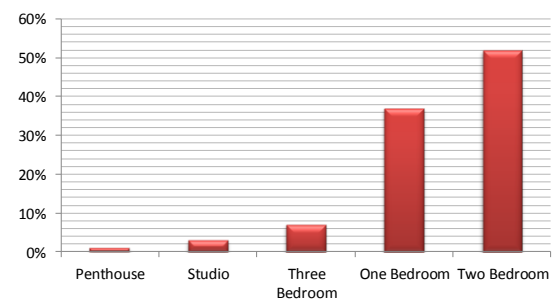
Penthouse - Monthly Average Rental Price



Average Sizes of Apartment Units (in sqm)



Percentage of Types of Apartment Units



occupied in the first half of 2014, while the vacant rate was about 16%. There was only a small percentage of apartments being fully occupied, while some others remained largely vacant— up to 40 units to be filled. The average number of availabilities for apartment market was 5 units.

RENTAL PRICES

The survey has found that the average monthly rental prices of serviced apartments vary according to types of units. For studio rooms, the average monthly rental price is US\$640. The minimum monthly rental price starts at US\$250, while the maximum ends at US\$1,280.

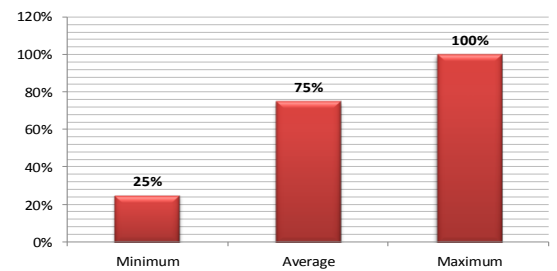
The average monthly rental price of one-bedroom serviced apartment units is US\$720. The minimum monthly rental price starts at US\$250, while the maximum ends at US\$6,500 per month. The rental prices between US\$250 and US\$500 have a percentage of 41%, while ones between US\$501 and US\$1,000 per month represent 51% of price ranges. Rental prices of over US\$1,000 represent only 10% of the price ranges.

Even though there is an abundant supply of two-bedroom apartment units, the average monthly rental price of these units does not go below that of one-bedroom apartment units. The average price for monthly rental is set at US\$1,020. The minimum monthly rental price is US\$450, while the maximum is US\$3,500. That the maximum monthly rental price of two-bedroom goes specifically below that of one-bedroom apartments is determined by some special features such as level of luxury, decoration, complementary additions, or amenities. The majority (50%) of price ranges for monthly rental at two-bedroom apartment units are between US\$450 to US\$1,000. For the range between US\$4,50 and US\$600, it represents 28% of the total price ranges, while that between US\$601 and US\$1,000 is 30%.

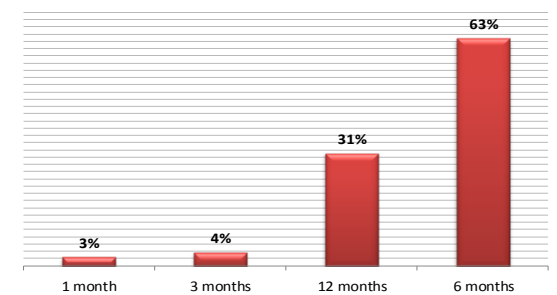
Three-bedroom serviced apartment units have a range of prices between US\$600 and US\$3,500. It is less common with the prices as high as US\$7,000, even though a few luxurious serviced apartments have already offered that range of prices. The average monthly rental price of three-bedroom apartment units, however, is US\$1,520.

Penthouse units of serviced apartments are so few existing in the market, as it represents only 1% of the total units of all types. The average monthly rental price is about US\$2,750. The minimum price starts at US\$1,000, while the maximum price ends at US\$7,000 per month. The common range of prices between US\$1,000 and US\$2,500 represents about 64% of the total price ranges. The price range of over US\$2,500 to US\$3,500 is 8%, while that with over US\$3,500 to

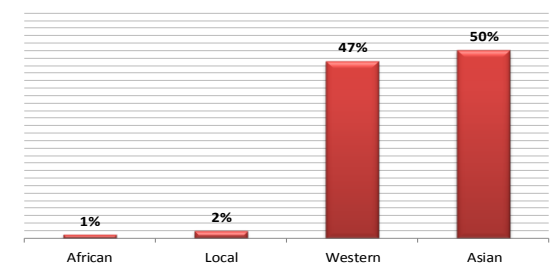
Referral Commission (Contracts >6 months)



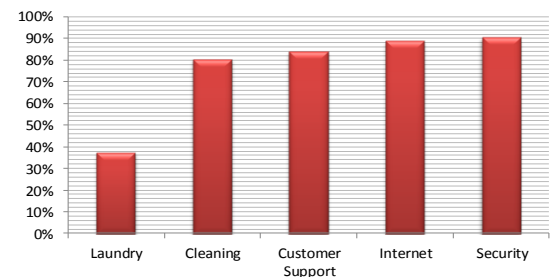
Rental Contract Length (in number of months)



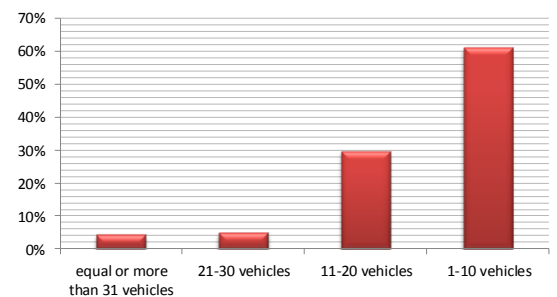
Occupancy Rates by Nationalities of Tenants



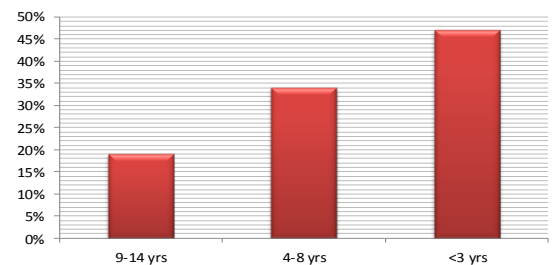
Other Services Offered to Tenants



Parking Lot (in number of vehicles)



Ages of Apartment Buildings



US\$5,000 is 16%. Only 12% is the price range of over US\$5,000.

SIZES OF APARTMENT UNITS

Among the types of apartment units, studio rooms have the smallest sizes. The minimum size of studio room is about 50 sqm, while the maximum is 110 sqm. The average is about 77 sqm.

One-bedroom apartment units have an average size of 70 sqm. The minimum size is about 50 sqm, while the maximum is about 220 sqm.

For two-bedroom units, the average size is 92 sqm. The minimum size starts at 50 sqm. However, the maximum size is as large as 340 sqm.

Three-bedroom apartment units are so few existing just as penthouses. Their average size is 160 sqm. The minimum size of these three-bedroom apartment units is 100 sqm, while the maximum size is 230 sqm.

REFERRAL COMMISSIONS (CONTRACTS >6 MONTHS)

Most of apartments operating in Phnom Penh are run by families and without proper management and marketing. The occupancy of the apartment units depends heavily on brokerage agents. Therefore, the culture of awarding referral commissions becomes common not only in apartment market but in the real estate sector as a whole.

When a referral is given, an average commission is rewarded with 75% (of the first month total payment amount) for a rental contract with the period of longer than 6 months. The smallest commission given in reward to a referral is 25%, while the biggest commission is 100%.

LENGTH OF RENTAL CONTRACTS

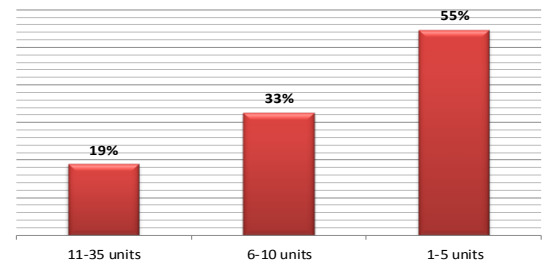
Because of many options available for tenants, lengths of rental contracts have started to become shorter since the last few years. The majority of recent new entries are luxurious apartments that offer more comfort and modern facilities, leading to new trend of shortening rental contracts among tenants to seek for more satisfactory accommodation services before deciding to sign a long term contract.

According to the survey, 63% of tenants offer a rental contract of a half year. About 30% them offer one year rental contract. It is less common for rental period of 3 months or shorter.

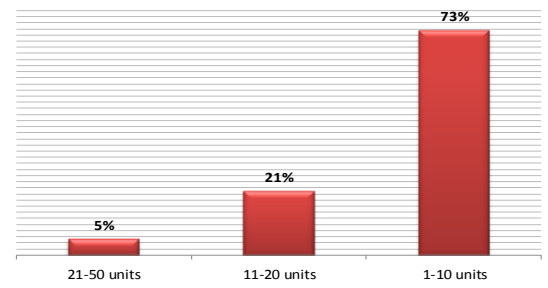
OCCUPANCY RATES BY NATIONALITIES OF TENANTS

The majority of tenants are foreign expatriates. Tenants from Asian countries contribute 50% to the current market, whereas those from Western countries contribute 47% to the total market share. Local tenants represent only 2%, and it is less common for African tenants who represent only 1% of the apartment market.

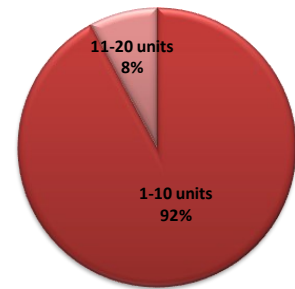
Range of Number of One-Bedroom Units



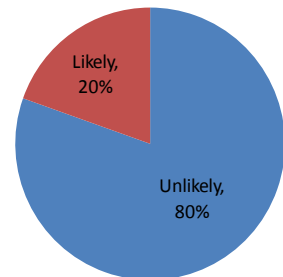
Range of Number of Two-Bedroom Units



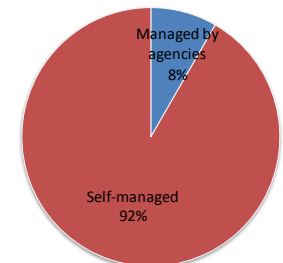
Range of Number of Three-Bedroom Units



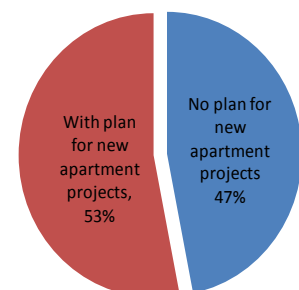
Anticipation of Increasing Rental Price



Management Approaches



Plans for New Apartment Projects



OTHER SERVICES

For serviced apartments, other services are complemented to the tenants for their conveniences and comfort. Such services are laundry, cleaning, security, Internet, and other customer support. However, not all apartments offer those services. In the current market, 90% of all apartments offer free-of-charge security and Internet services in addition to accommodations.

About 84% of the apartments offer customer support (administration and reception). About 80% offer free-of-charge cleaning service, while 37% of the apartments offer charged laundry services.

PARKING AREAS

The majority of apartments, 60%, have parking space that can accommodate about 10 personal vehicles. About 30% of them have parking space able to host 11 to 20 personal vehicles. Five percent of them can accommodate about 20 to 30 personal cars, and only 4% can host more than 30 personal cars.

AGES OF APARTMENT BUILDINGS

The majority of apartment buildings have been established recently. About 47% of the apartment buildings were built fewer than 3 years. 34% of the buildings were older than 4 years and as old as 8 years, while the rest were established about and more than a decade ago.

RENTAL PRICE ANTICIPATION

Driven by the increased rate of inflation every year and the increased operation and management costs, a handful of apartment service providers (20%) are anticipating to increase rental prices, though the percentage of raising the prices is not indicated.

MANAGEMENT APPROACHES

The majority of apartments (92%) are managed by the property owners themselves—that can be both family-run businesses and also major property developers—while 8% of the apartments are managed by property management firms.

CONCLUSION

Serviced apartment market is a key driver of real estate industry, driving many related subsectors such as construction, property management, and brokerage. Speculated by the forthcoming ASEAN Economic Integration, when it is believed to see a great influx of foreign expats on business purposes, about 53% of apartment service providers are planning for new apartment projects, though the number of projects are not indicated. The rest of them have no plan for new apartment projects.

ABOUT VTRUST GROUP

VTRUST, excluding other subsidiaries, has three real estate related companies with different services. VTRUST Property, which specializes on property management, offers graded “B” serviced offices and apartments. VTrust Appraisal, which specializes on evaluations (property and business). VTrust Appraisal is the first authorized company to provide evaluation for IPO purposes. Century 21 VTRUST, an international franchise real estate company specializing residential and commercial brokerages.

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