

Preliminary Findings of Land Price Survey in Phnom Penh, 4th Quarter, 2013

Introduction

Appraisers rely heavily on insightful information about property market, especially land prices. However, there were no previous data that could be most reliable indicators for appraisers to do their jobs. Appraisers use conventional techniques to assess the property especially land values of their clients. These techniques involves the process of land price comparison with the nearby land market, building value inclusion and depreciation. Sometimes, the evaluations could lead to disagreements between the clients and the appraisers themselves due to a lack of available information about land prices to support the evaluation reports.

Objectives

The survey is aimed primarily to find out the average market prices of the land and property in Phnom Penh. The survey is aimed also to find out about demand of land and housing market in the next few years, selling behaviors and market perceptions among property sellers, determinants of the price setting of the properties, and average commission fees.

Survey Methodology

Sampling

The survey was conducted with a sample size of 660 correspondents who are selling their properties throughout Phnom Penh's nine districts (khan) and 96 communes (sangkat). Each sangkat was selected averagely 8 property sellers for the survey. Some of the targeted areas, however, came up with limited survey sample sizes, while others exceeded the number of the targeted samples.

The samples were chosen based on locating, random and

chain sampling techniques in order to generate more reliable data of the land prices. Ten percent of the samples were real estate agents, while 90% of the samples were non real estate agents.

Detailed information regarding the samples are not currently available in that the data entry is under process and will be shown in the official release during January of 2014.

Information Collections

Collections of samples were conducted by field searches for land sales in all districts (khan) and communes (sangkat) in Phnom Penh. Survey team of ten persons searched for signs of land sales and recorded telephone numbers and then made calls for the interview appointments. When the correspondents were not available for the meet ups, survey team asked for permission to talk on phone.

Information is collected by both in-person and phone-interviews with the samples. Due to constraints pertaining to in-person interviews, phone-interviews were mainly conducted to collect data from the property sellers. By phone-interviews, survey team faced several challenges receiving accurate information because phone-calls produced some interruptions such as weak sound, unclear messages, and less friendly conversations.

Data Analyses

Statistical analysis software Epi Info 7 was used to enter and analyze the collected data. Microsoft Excel 7 was additionally used to generate graphs, tables and charts. Although Epi Info is primarily used in epidemiology in health sciences, Epi Info 7 has a more advanced package ideal for advanced and complex statistical analyses with additional capacity to conduct mapping, create questionnaires, take online survey, and use as many other functions.

Market Review

Land Prices

Land prices in Phnom Penh have been reported throughout various media and other real estate and consulting agencies. The prices are often accessed by evaluating the current and nearby land prices being asked by the sellers and limited to the generalization of the prices. In Phnom Penh, the distribution of land prices is

uneven, and so land market values are high in certain areas such Boeng Keng Kang areas, Khan Prampir Makara, Khan Toul Kork, Khan Daun Penh and Khan Chamkamon, where they are considered the commercial hubs of Phnom Penh. In some areas where they are less

important in economy and business, the prices are lower starting from US\$100 to US\$500 per square meter. The prices are considerably low in the outskirts of Phnom Penh. The prices in these areas rank from US\$10 to US\$100 per square meter.

Sitha, I (2013) has given a range of land prices in Boeng Keng Kang areas stratified by main streets and substreets. The areas start with a minimum of US\$1,000 to a maximum of US\$5,000 per square meter. The average price is US\$3,000 per square meter. In Boeng Keng Kang I, on main streets, the average price of the land is \$4,000 per square meter. However, on substreets in the same area the average price is \$3,150 per square meter. In Boeng Keng Kang II on main streets, the average price is US\$3,250 per square meter, while on substreets the average price was US\$1,360 per square meter. In Boeng Keng Kang III on main streets, the average is US\$2,750, while on substreets the average price is US\$1,250 per square meter.

Preliminary Findings of the Land Price Survey

Land Prices - Survey Results

The whole survey is slated for the release in January, 2014. The preliminary findings of the survey that takes a snapshot on land prices specifically in Boeng Keng Kang areas show that the market prices of the land in Boeng Keng Kang areas start from a minimum of US\$1,000 per square meter to a maximum of US\$5,800 per square meter. The average price of the land in Boeng Keng Kang areas was around US\$2,400 per square meter.

The survey findings also indicate that the average price of the land in Boeng Keng Kang I was US\$3,300 per square meter. The minimum price of the land in the area was US\$1,300, while the maximum price was US\$5,800 per square meter. In Boeng Keng Kang II, the average

price was US\$2,100 per square meter. The minimum price was US\$1,000 per square meter, while the maximum price was US\$3,800 per square meter. In Boeng Keng Kang III, the average price was US\$2,000 per square meter. The minimum price was US\$1,100 per square meter, while the maximum price was US\$2,600 per square meter.

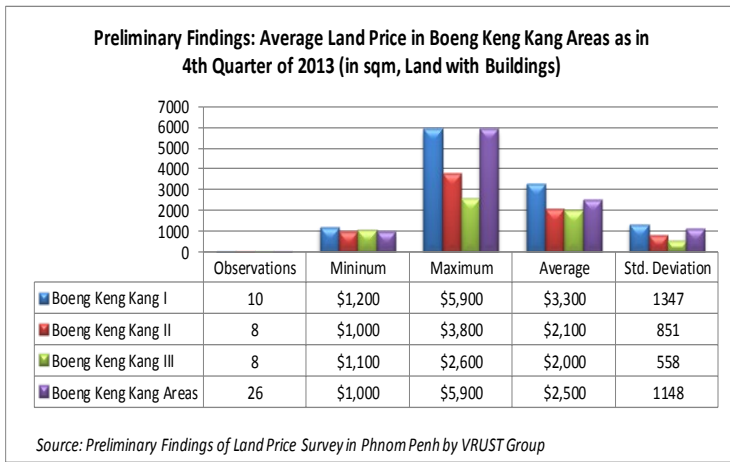
The major determinants that affect land prices were associated with the existence, sizes and types of the buildings on the land, characteristics of the locations, sizes of the land, and occupations of the sellers (real estate or non-real estate). The existence and sizes of the buildings located on the land could determine the prices of the land. Among the sample pieces of land chosen for the survey, all of them contained a building. The buildings, dependent on its conditions and types, add values to the land. Locations and features of the land are also the main determinants of the land prices.

The buildings on the land affect the land prices. The case from Boeng Keng Kang III shows that the buildings averagely shared up to 15% of the gross prices of the

Average Land Prices in Boeng Keng Kang Areas (4th Quarter, 2013)

	On Main Street			On Substreet		
	Minimum	Maximum	Average	Minimum	Maximum	Average
BKK I	\$3,000	\$5,000	\$4,000	\$2,500	\$3,500	\$3,150
BKK II	\$3,000	\$3,000	\$3,250	\$1,000	\$1,600	\$1,360
BKK III	\$2,500	\$3,000	\$2,750	\$1,000	\$1,500	\$1,250

Source: Q4-2013 Land Price Report by In Sitha, VTRUST Realty

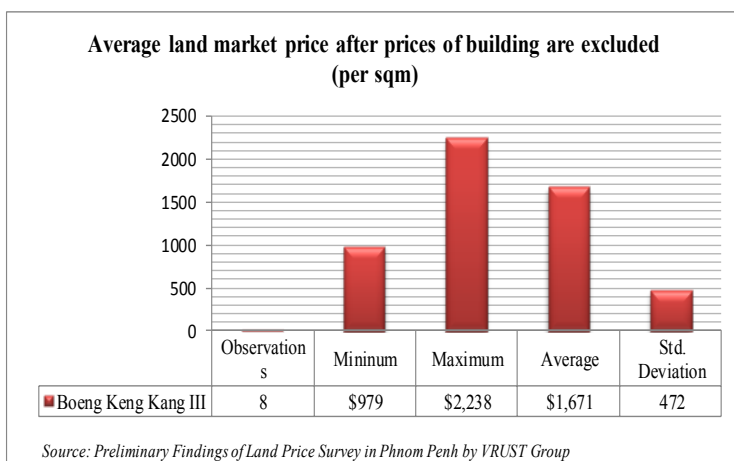


land. The minimum price percentage the building shared was 7% of the gross land prices, while the maximum was 24% of the gross land prices.

However, the sizes of the effects of the building prices on the land depend on the types of the buildings, their built-up areas, and floor levels. If the buildings are simply kind of flats, the buildings contribute a slight increase to the gross land prices. However, if the buildings are kind of

The percentage of the building prices that contributed to the gross land prices					
Areas	Obs	Min	Max	Avg	Std. Dev
Boeng Keng Kang III	8	7%	24%	15%	5

apartments or condominiums, the buildings then contribute a huge increase to the gross land prices. Study the example of a piece of land with an apartment building with a built-up area of 770 square meter and 7 storeys. The total building size was then 5390 square meter. The average price of the building per square meter was evaluated at US\$500 per square meter. Then this



apartment building would be placed at the value of approximately US\$2,695,000 that added up to the total price of the land. The total asking price of the land was US\$4,500,000 (which was \$5,900 per square meter). The actual price of the land would then be reduced by US\$1,805,000, representing only 40% of the gross land price. The average price of the land would then be US\$2,300 per square meter.

A case of land in Boeng Keng Kang I	
Gross Price of Land	\$4,500,000
Land Size	770 sqm
Gross Price of Land /Sqm	\$5,844
Built-Up Area (sqm)	770 sqm
Building Type	Apartment
Storey Level	7
Total Built-Up Area (sqm)	5,390 sqm
Total Building Price	\$2,695,000
Actual Land Price	\$1,805,000
Actual Land Price (per sqm)	\$2,344
Percentage of Building Price	60%

Limitations

This survey has several limitations due to constraints in conducting field surveys and collecting data because the survey took a large sample size throughout Phnom Penh. Though almost all the selected samples chosen for the survey were cooperative to respond to the questionnaires, most of the correspondents were not able to meet the field survey team and preferred phone calls for the surveys instead. Through phone-calls, however, it was unable to see the land and buildings, difficult to get information, and interrupted with surroundings during the calls.

Concerning the data analyses and building price evaluations, there are some limitations that could possibly contribute to a slight bias to the findings of the average prices of land. In the net land price assessment techniques, prices of the buildings are excluded in order to assess the actual prices of the land. Through this technique, it was intended to find out the proximity of the actual land prices by building-price exclusion calculations. The limitation pertaining to the building-price assessments is that the buildings, though they were classified for different sets of prices, were not seen but merely assessed by the surveyors from the distance and this could lead to a slight bias to their actual sizes, locations, or conditions. Techniques of depreciation of the buildings, furthermore, were not used to assess the building prices

because of unknown information regarding the materials, ages and conditions of the buildings.

Further, techniques to assess the values of investment opportunity and the return of investment the land and building contributes compared to interest rate of the land and building that could add up to the overall land prices were not used in this analysis due to limited information about the land subjects being studied.

Conclusion

There were no previous land price surveys in Cambodia. This survey, therefore, could be a big asset to real estate industry. Prices of land were merely assessed by techniques of comparison and calculation by property appraisers in order to find out the approximate prices of the properties.

Through the comparison between the existing reports about land prices and other literature, the preliminary findings of the average land prices in Boeng Keng Kang areas are in concord with other prices reported by VTRUST Realty and local media.

VTRUST's land price survey is a part of property information believed to be reliable to some extent and not intended to be 100% accurate in all cases. The findings revealed in the report have to be made in comparison with other existing reports on land prices to produce a more reliable source of information. Though the land price survey findings could be a big contribution to the real estate industry, further surveys, researches and analyses are recommended for a more accurate and reliable information on land pricing in Phnom Penh.

About the Survey Team

Advisory Leaders

Advisory leaders provided technical support and advices on the whole survey project, including questionnaires, sampling, survey locations, and provisions of discussion on the analyzed data. Advisory leaders include:

Mr. Kuy Vat, CEO of VTRUST Group

Mr. Kuy Mao, CEO of VTRUST Realty Co. Ltd.

Mr. Chrek Soknim, Deputy Director at VTRUST Property Co. Ltd.

Mr. Chit Uys Stevexo, CEO of VTRUST Appraisal Co. Ltd.

Mr. In Sitha, Managing Director, VTRUST Realty Co. Ltd.

Author

Mr. Hoem Seiha, PR and Media Relations Advisor, VTRUST Group, was responsible for the whole survey, including planning of the survey project, sampling, designing questionnaires, controlling data entry, making data analyses, and writing of the survey reports.

Suggested Readings

Sitha, I. (2013). Q4-2013 Land Price Report. VTRUST Realty

Seiha, H. (2013). VTRUST Quarterly. Vol. 1, Issue 1.

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Photo Gallery: Men of VTRUST



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