

# VTRUST Quarterly

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## Property Market Reviews - 4th Quarter of 2013

### Key Indicators

#### Office Market - Phnom Penh

- ◆ Total Supply (4thQ, 2013) : 191,000 sqm
- ◆ Supply Projection (2014) : 225,000 sqm

#### Apartment Market

- ◆ Total Supply (4thQ, 2013) : 175 buildings
- ◆ Total Units (4thQ, 2013) : 3,400 units
- ◆ Supply Projection (2014) : 200 buildings
- ◆ Supply Projection (2014) : 4,000 units

### Serviced Offices

#### Demand

The demand of serviced office space remained flat in the fourth quarter of 2013, and the rental transactions and inquiries have faced a similar situation. The main factors contributing to stable demand of serviced office space were tensions before, during and after the national election when the need of new offices and office expansion was limited.

companies as well as some other companies were looking for new offices and expansions of their current offices. However, there are not many rental transactions being made during this time. Experts believe by early 2014 there will be an increase of the demand of office space and that will be supported by the increase of registrations of both local and foreign companies.

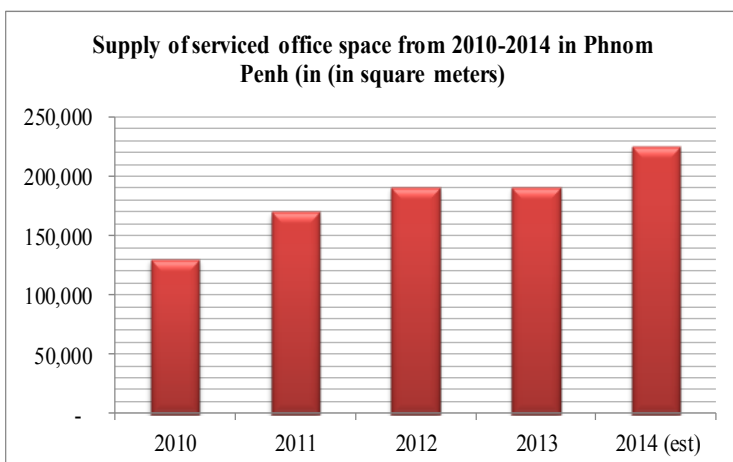
#### Grading

Serviced office space grading is expected to reach international standard by the next coming years as companies are looking to improve their statuses and images. Grade "A" office space features the highest quality and is believed to reach international standard. Grade "B" office space becomes more popular and its vacancy rate is higher among the other grades thanks to its prices and acceptable quality. Rental growth rate of grade "C" office space starts to decrease because the well-being of businesses forces them to upgrade their professional statuses and images.

### Serviced Apartments

#### Supply

By the fourth quarter of 2013, the supply of new serviced apartment buildings increased by 10 in number, adding to current total supply up to 175 buildings whereby it produces a total of approximately 3400 units. The increase of the supply was in response to the expectation of an increase of foreign expats by next year. Most of new serviced apartment buildings are located in the areas of Boeng Keng Kang, Prampir Makara, Toul Kork, Daun Penh, and Chamkarmon.



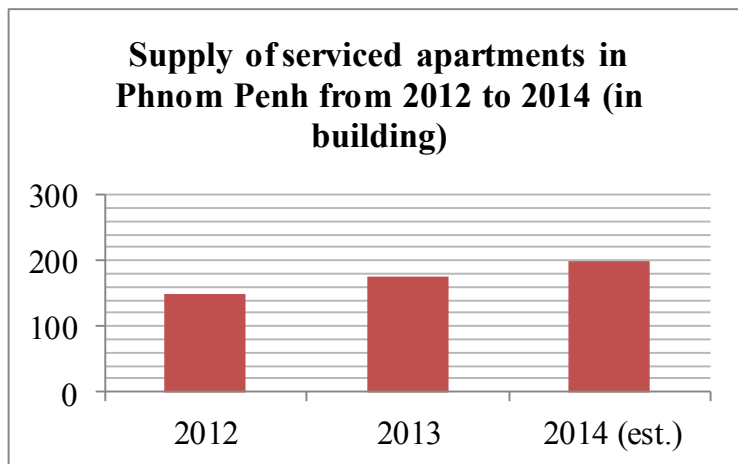
During the last two months of 2013 there was a good sign of growth of demand as some new registered

Vtrust previously recorded in early 2013 that the estimated number of new apartment building would be 42 buildings in 2014, adding to the total existing supply

of 150 buildings. The new entrances are usually serviced apartments with no brands and run by families. Branded serviced apartment buildings that are run by property management firms represent approximately 30% of the total serviced apartments in Phnom Penh.

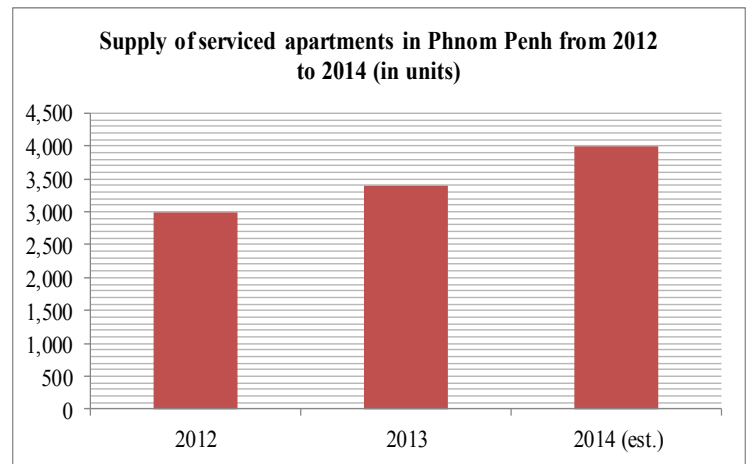
### Demand

The demand of serviced apartments by the fourth quarter of 2013 has decreased slightly if compared to the first and second quarters of 2013. The slight decrease was believed by experts to have associated with the disruptions before, during and after the national election when economic situation was tight – such as bank deposits dropped, bank withdrawals rose, release of bank loans dropped, and flow of new foreign expats was low than it was usual. However, the last two months of the fourth quarter of 2013 saw a good sign of recovery.



### Occupancy

There was a slight decrease of occupancy rates in serviced apartments immediately after the national election made late August until November of 2013. The rate of the occupancy in the third and fourth quarter of 2013 was recorded at 80%, down from an average of 90% in the first half of 2013.



Tenants tend to rent their apartment units in a short period, usually one to three months, shorter if compared to the other years when the contracts were at least six months. The experience is said by the experts to have a connection with the market competition and plenty of tenants' choices that result from a recent growth of serviced apartments. Thanks to plenty of choices, tenants are believed to test the renting with short-term contracts in order to experience the differences and then choose the places that suit their need. Experts also believe the uncertainty during the post-election situation could make tenants feel insecure with long-term contracts of the renting.

### Outlook

Serviced apartment is one of the important drivers of real estate industry, though approximately 70% of the serviced apartments are family-run with relatively poor marketing and management and heavily reliant on real estate agents in term of selling and renting of the properties. Supply of serviced apartments has grown quickly and it is expected to continue to grow by the next few coming years, as a total of approximately 200 serviced apartment buildings consisting of approximately 4,000 units will be in services by 2014.

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### About the Report

This report was prepared by VTRUST's research and consulting team and authored by Mr. Hoem Seiha with the contribution and consultation from Mr. Chrek Soknim, Deputy Director of VTRUST Property Co., Ltd.

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