SIHANOUKVILLE POISED FOR GROWTH
THE FUTURE OF CAMBODIA’S GATEWAY CITY

MARKET UPDATE | H1 2020

CBRE Cambodia
Part of the CBRE affiliate network
INTRODUCTION

Preah Sihanouk – Cambodia’s dominant coastal province – is positioned for future growth as the country’s principal gateway onto the 21st Century Maritime Silk Road and global trade routes.

Preah Sihanouk’s rapid development has been the cause of significant discussion and speculation since the province emerged as a focus for Chinese investment in mid-2017. Following the Cambodian government’s ban on online gaming and the subsequent Covid-19 pandemic, the pace of development has slowed dramatically.

Now Sihanoukville is gearing up for another significant development push, fuelled by strong investment into infrastructure, a number of large scale projects and a resurgent optimism about the province’s future.

This market update from CBRE Cambodia’s research team seeks to set-out the current situation and present a roadmap for sustainable growth and development.

KEY TAKEAWAYS

• Preah Sihanouk is well positioned geographically to take advantage of opportunities emerging as a result of the agglomeration of transport, trade and investment.

• There exist a variety of relatively untapped opportunities in the commercial and alternatives space which are likely to emerge as the economy and investor markets diversify.

• Recent infrastructure and service improvements, together with improved regulation of the built environment and gaming industry present an improved possibility of sustainable growth moving forward.

• Careful stewardship and strategic planning are needed to ensure the province’s potential is harnessed and delivers broad based benefits.

At present, Sihanoukville is home to more than 90 casinos, a host of hotels, condominium developments, retail projects and industrial parks. Development of the city continues, albeit at a slower pace than witnessed during the height of the construction boom in 2018 and early 2019.

This pause for breath has allowed time for the authorities to re-organise and rehabilitate much of the province’s road and service infrastructure, as well as introduce additional provision to enhance the province’s capacity. Urban planning is also taking a step forward, with the involvement of Chinese city planners from Shenzhen.

Sihanoukville sits at the cross-roads of multiple major infrastructure initiatives, including China’s ambitious One Belt One Road project and the Greater Mekong Sub-region Economic Corridors southern route. The coastal province is also well placed to reach two of the world’s largest sources of tourists; China and India. As such, it is strategically and politically positioned to capture dramatic growth and investment into the future.
CAMBODIA
ECONOMIC DEVELOPMENT
### 10 YEARS OF RAPID PROGRESS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2010</th>
<th>2019</th>
<th>% Change</th>
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</thead>
<tbody>
<tr>
<td>GDP PER CAPITA (USD)</td>
<td>785.5</td>
<td>1,643.1</td>
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<tr>
<td>POPULATION (MILLIONS)</td>
<td>14.3</td>
<td>16.5</td>
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</tr>
<tr>
<td>INTERNATIONAL TOURIST ARRIVALS (MILLIONS)</td>
<td>2.5</td>
<td>6.6</td>
<td>164%</td>
</tr>
<tr>
<td>INTERNATIONAL TOURISM RECEIPTS (USD BILLIONS)</td>
<td>1.8</td>
<td>4.9</td>
<td>172%</td>
</tr>
<tr>
<td>URBAN POPULATION (MILLIONS)</td>
<td>2.9</td>
<td>3.9</td>
<td>34%</td>
</tr>
<tr>
<td>URBANISATION RATE</td>
<td>3.5%</td>
<td>3.2%</td>
<td>-9%</td>
</tr>
<tr>
<td>EXPORTS OF GOODS &amp; SERVICES (USD BILLIONS)</td>
<td>6.1</td>
<td>16.5</td>
<td>170%</td>
</tr>
<tr>
<td>IMPORTS OF GOODS &amp; SERVICES (USD BILLIONS)</td>
<td>6.7</td>
<td>16.9</td>
<td>152%</td>
</tr>
<tr>
<td>FDI NET INFLows (USD BILLIONS)</td>
<td>1.4</td>
<td>3.7</td>
<td>164%</td>
</tr>
<tr>
<td>AVERAGE INTEREST RATE ON USD LOANS</td>
<td>17.2%</td>
<td>7.97%</td>
<td>-54%</td>
</tr>
</tbody>
</table>

Source: World Bank, Ministry of Tourism, National Bank of Cambodia, H1 2020
SUSTAINED GROWTH

Cambodia has enjoyed remarkable success in the consistent delivery of economic growth, which has averaged 8% between 1998 and 2018, only moderating towards 7% in recent years. These results place the kingdom’s economy as one of the sixth fastest growing, globally.

According to the World Bank, the Covid-19 pandemic has precipitated a contraction in GDP, forecast at circa -1% to -1.5% in 2020 before recovering to growth of circa 6% in 2021.

Growth has principally been driven by three economic segments, namely; real estate and construction, garment and footwear manufacturing and tourism. The Cambodian government has been taking steps to diversify the economy, focusing on attracting a wider manufacturing base, deepening the tourism offering and developing the country’s physical, financial and bureaucratic infrastructure.

In recent years, the industrial sector of the economy has been the mainstay of growth, followed by services and agriculture. Increasing efficiency and resiliency, as well as capacity building in each sector is critical for continued future growth at rates similar to those achieved in recent decades.
CAMBODIA’S ECONOMY

INTEGRATION

INFRASTRUCTURE

Cambodia sits on both the 21st Century Maritime Silk Road and the Greater Mekong Sub-region Economic Corridor Southern route, which bi-sect each other at the deep sea port of Sihanoukville. Cambodia’s central position between the larger economies of Vietnam and Thailand mean that it is also likely to see increasing cross border traffic, particularly as the transit of goods becomes faster and more efficient on the back of infrastructure improvements.

Cambodia’s strategic position on these critical infrastructure routes has presented opportunities, including studies for the development of highways from Phnom Penh to Ho Chi Minh City, and ongoing works on a highway between Phnom Penh and Sihanoukville.

TRADE

Cambodia is part of ASEAN and enjoys preferential trade treatment with this bloc. However, recently and in response to Cambodia’s domestic political situation, the European Union moved to partially withdraw Cambodia’s access to the Everything But Arms trade preferences scheme. Cambodia is presently negotiating a Free Trade Agreement with China which is expected to be signed in 2020. Free-trade agreements are also reportedly being pursued with India and South Korea.

TOURISM

Ministry of Tourism forecasts had put Cambodia on track to reach 7 million tourists in 2020, but Covid-19 has set the industry back by circa 3 or 4 years according to opinion from tourism experts. In recent years, Chinese tourists have come to form the principle growth market for Cambodia’s hospitality industry, with 2019 seeing growth in Chinese visitors at 16.7% Y-o-Y and giving this market a 35.7% share.
CAMBODIA’S ECONOMY

DEMOGRAPHIC TRENDS

YOUNG, DYNAMIC POPULATION

The population of the Kingdom of Cambodia is remarkably young, with almost 69% of the 16 million strong population aged less than 35 years old. Such a youthful and vigorous population is able to take advantage of improving education and employment prospects, as well as rapidly fostering new technologies, ways of working and lifestyle trends.

The working age population totals approximately 10.5 million people, or 64% of the population. Unemployment is recorded at low levels, tracking consistently at less than 1%.

Wages have risen consistently, although little data exists to substantiate this. The unionised garment and footwear manufacturing industry is the most visible and has been able to obtain wage increases average 7.6% per annum over the last 5 years, bringing monthly minimum wages in this sector to US$190.

Urbanisation remains at a relatively low level compared to neighbouring countries. The World Bank estimate that only 23.8% of the population is urbanised, compared with 36.6% in Vietnam and 50.7% in Thailand. It is further predicted that by 2050, 36% of Cambodians will be living in cities. This presents a significant opportunity for Cambodia’s urban areas over the coming decades.

Cambodia’s young population presents a range of additional benefits including widespread and rapid adoption of technology, particularly in the form of smart, mobile devices. In 2019, Cambodia’s telecoms regulator recorded 1.26 mobile plan subscriptions per person.

In addition, the country continues to witness innovation in the fintech and banking sectors, a movement towards cashless payments and increasing levels of financial inclusion; with these trends principally being driven by younger generations.

Figure 5: Cambodia’s Demographic Profile (2020e)

Source: The United Nations, 2020
SIHANOUKVILLE OVERVIEW

INTRODUCTION

Preah Sihanouk Province is presently Cambodia’s most developed coastal district. The province, including its islands, measures 2,536 square kilometres, and the provincial capital is Sihanoukville, home to Cambodia’s only deep water port.

Located to the south-west of Cambodia’s capital, Phnom Penh, the province has an extensive peninsula coastline on the Gulf on Thailand, as well as numerous islands.

Preah Sihanouk is understood to be the second most diversified province in Cambodia, after Phnom Penh. Preah Sihanouk’s economy includes a growing base of tourism, gaming, manufacturing, logistics, electricity production and agriculture.

In recent years, Sihanoukville has witnessed rapid development. The pace and scale of change has been dramatic and widespread. Now there is a renewed focus on creating a sustainable future for Cambodia’s gateway city.

As of June 2020, CBRE Cambodia’s research identified more than 402 construction cranes present in Sihanoukville. A substantial proportion of construction appears under resourced and is likely to have stalled, whilst larger projects with solid funding remain active.

Whilst construction has been large in scale and diverse in location, long-term sustainability needs to become a central part of future development planning, not least in order to improve the quality and safety of the urban fabric.
SCALE OF DEVELOPMENT

Figure 7: Satellite Imagery Indicating the Scale of Development in Sihanoukville (2016 vs 2020)

Source: Google Earth
Sihanoukville Autonomous Port is the kingdom’s only deep water seaport and in 2018 it handled more than 5.3 million tons of gross throughput, a 22.08% increase Y-o-Y. Further, TEU’s handled increased to 633,099 in 2019, a 17% increase on 2018.

The existing port infrastructure is capable of handling 700,000 TEUs per year and is understood to be at +90% capacity. The port has undergone consistent expansion since its inception and is due to see significant growth from 2021, when a circa 3 year expansion project is set to commence.

Source: PAS, National Press, Cambodia Airports, 2020

Sihanoukville International Airport (KOS) reported 1.6 million passengers in 2019, including 666,723 foreign arrivals, a 185.5% increase on 2018 and enough to give the airport a 10.1% share of Cambodia’s inbound tourism. Covid-19 has dramatically reduced traffic into the airport, which in the year to May was down by 76.1%. The airport currently reports 11 scheduled destinations from 10 airlines.

The airport is undergoing expansion, including runway lengthening and the addition of a new arrivals terminal. The works will increase capacity to 3.6 million passengers. Further plans indicate an intention to increase capacity to 10 million by 2030.
NEW ROADS

Backed by Chinese concessional loans, the Phnom Penh to Sihanoukville Expressway is a 190 km stretch of new road expected to be completed by 2023 at a cost of US$1.9 billion. Upon completion, journey time between Phnom Penh and Sihanoukville is expected to be 90 minutes, a significant reduction on the current 4.5 hours. At the time of this report, the road is approximately 20% complete.

New road infrastructure connecting National Road 4 and Sihanoukville International Airport with Sihanoukville city via the coast is close to completion. The roads provide rapid connection for car traffic, away from the busy freight route on National Road 4.

INFRASPSTRUCTURE UPGRADES

In late 2019, the Cambodian government announced the allocation of US$294 million for the rehabilitation of 34 roads in Sihanoukville. The project encompasses 84 km of roads and in the city centre includes the development of new pedestrian pavements. At the time of this report the project is understood to be 86% complete.

The works also include the installation of new sewerage and drainage infrastructure and street lighting. Alongside this, a network of more than 500 CCTV cameras has been installed to help control traffic and police the growing city.

Source: National Press, Ministry of Public Works and Transport, 2020
SIHANOUKVILLE OVERVIEW

HOTELS & RESORTS

SUPPLY

CBRE Cambodia identify a total of 6,100 hotel and resort rooms at a 3-star grade and above as present in the Sihanoukville area. Of the current supply, the majority (45%) is of moderate quality and characterised as 3-star grading.

Seven resorts and hotels were identified in the 5-star category and together supply 26% of keys currently available. More than 4,500 5-star keys are presently under development and projected to be delivered before the end of 2022.

Recently opened high-end resorts and hotels include ‘Six Senses Krabey Island’ and ‘Xihu Resort Hotel’.

DEMAND

As the impact of Covid-19 has bitten into Cambodia’s tourism industry, Preah Sihanouk has suffered reductions in visitor numbers, alongside all locations. During the first five months of 2019, Preah Sihanouk attracted almost 850,000 domestic tourists and circa 330,000 foreign visitors. Whereas, during the same period in 2020 domestic visitors fell by 69% and international visitors by 45%.

Hotel rooms rates have reduced as a result; in some cases falling by as much as 75%. Room rates show wide variation, from less than US$30 per night for moderate quality accommodation to almost US$600 per night for luxury resorts. Most five star hotels quote room rates of between US$135 and US$220 per night.

Despite the short-term disruption caused by the pandemic, the prospects for Sihanoukville’s tourism markets appear favourable due to the short travel distance from Mainland China and improving logistical capacity and connectivity.
CASINOS

In recent years, liberal licensing laws and requirements drove a boom in Cambodia’s gaming industry. Sihanoukville is a major location for the sector, with 91 of the total 169 casino licenses having been registered in and around the city. In mid-2019, the government issued a ban on renewals of arcade and online gaming licenses, effectively bringing that side of the sector to an end from late 2019 onwards.

By mid-2020, the Cambodian government had announced new laws aimed at strengthening regulation of the sector and allowing for increased tax revenue capture. It is widely expected that Sihanoukville will be designated as a promoted location for the establishment of integrated resorts and that a favourable, new tax regime will be applied to the industry.

Growth and development the gaming sector has shifted towards the higher-end of the sector as the industry transitions into the new legislative environment. Sihanoukville is well placed to capitalise on this trend due to the presence of a number of large-scale integrated resorts already under development in the city.
CONDOMINIUMS

To date, the Sihanoukville market has witnessed the completion of 9 condominium projects, totalling circa 4,750 units. The majority of units (65%) are considered to be mid-range, whilst so far only one high-end project has completed. During H2 2020, 2,100 additional units are forecast to complete.

Supply growth has been consistently slower than forecast, but has taken off in the first half of 2020 when a number of projects completed. Issues in the construction supply chain caused by Covid-19 have pushed some projected supply into 2021, by the end of which CBRE forecast supply will reach just over 11,000 units, with particular growth in the affordable segment.
CONDOMINIUM PRICING

Condominium units in Sihanoukville indicate a broad range of prices, from a little under US$1,000 per sqm for affordable units to more than $4,100 per sqm for the top-end projects.

Whilst quoting prices remain relatively robust, significant discounting is evident in the market and indicates a widening gap between quoting and achieved prices.

Target buyer groups have principally centred on Chinese nationals. However, in recent months developers have moved towards domestic and other Asian markets as they widen their audience to try to counter the drag caused by Covid-19.

Figure 15: Condominium Quoting Prices by Market Segment Q2 2020 (USD/Sqm, Net Area)

Source: CBRE Cambodia Research, H1 2020
WHilst the online gaming ban and Covid-19 have taken some of the shine from Sihanoukville’s land market, even these considerable headwinds have yet to halt average land prices rising across the city.

Since the initial surge in interest in mid-2017, a rapid increase in land prices has occurred across the city. Average prices for land in the vicinity of the city’s prime beaches increased 117% between H1 2017 and H1 2020, an average increase of circa 30% per annum. Increases have also been witnessed for the commercial heart of the city, and the residential areas, albeit at a steadier trajectory, having seen growth of 58% and 53%, respectively.

The more recent dual headwinds of changing gaming licenses and the worldwide coronavirus pandemic have meant far fewer transactions across the city. This has led to difficulties in price discovery for many buyers, whilst in the majority, sellers have retained a bullish outlook that is predicated on improving infrastructure and a shrinking supply of prime plots in the traditional development locations close to the beach front and downtown districts.

These factors have caused the range of prices to widen across all locations as sellers are unsure how to price their plots and instead take a speculative approach, particularly at the top end of the market.

The residential areas of the city have a larger supply of land and are therefore functioning more like typical land markets, with prices broadly stable or reducing as transaction volumes dwindle.

Figure 16: Quoting Price Ranges for Land by Year and Location (USD/Sqm)
SIHANOUKVILLE OVERVIEW

INDUSTRIAL

Sihanoukville’s industrial market is characterised by a lack of availability and minimal speculative development. The majority of new to market international, manufacturing and logistics businesses seek build-to-suit solutions to ensure the delivery of higher quality premises than are typically available in the secondary market.

A majority of the international businesses choose to locate within one of the province’s 10 Special Economic Zones (SEZs), whilst local businesses are more comfortable operating from standalone premises, often under owner occupation formats.

The most successful SEZ to date is Sihanoukville SEZ (SSEZ) which covers more than 5 sq km of land and houses more than 100 businesses. Six of the ten existing SEZs have only recently been inaugurated and indicates confidence in the province’s future.

Source: CBRE Cambodia Research, H1 2020

Figure 17: Rental Range for Ready Built Factory Units by Location (USD/Sqm/month)

Figure 18: Map of Existing SEZs, Preah Sihanouk

Figure 19: Asking Price Range for Industrial Land in Preah Sihanouk (USD/Sqm)

Source: Google Maps, CBRE Cambodia Research, H1 2020

Source: CBRE Cambodia Research, H1 2020
Preah Sihanouk is blessed with a plethora of natural resources including the 210 sq km Ream National Park, as well as extensive white sand beaches and mangrove forests.

There are a number of islands offshore, including Koh Rong, which is starting to garner attention for the development of infrastructure which will catalyse development in the future.

The natural resources provide the opportunity for the development of diversified tourism offerings, including luxury resorts such as the Six Senses resort at Koh Krabey and Song Saa just off Koh Rong.
## Sihanoukville Overview

### Example on-Going Developments

**Figure 21: Examples of Large Scale Development Projects in Sihanoukville**

<table>
<thead>
<tr>
<th>Project</th>
<th>Developer</th>
<th>Estimated Gross Size</th>
<th>Uses</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prince Tian Xi Wan / Cullinan Bay</strong></td>
<td>Prince Real Estate Group</td>
<td>350,000 sqm</td>
<td>• Retail</td>
<td>Victory Beach</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Hotels</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Luxury Apartments</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Leisure</td>
<td></td>
</tr>
<tr>
<td><strong>Star Bay</strong></td>
<td>Star Bay</td>
<td>500,000+ sqm</td>
<td>• Retail</td>
<td>Sangkat Bei</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Condominiums</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Casino</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Hotels</td>
<td></td>
</tr>
<tr>
<td><strong>Cheerful Bay</strong></td>
<td>Yunnan Jingcheng Group</td>
<td>500,000+ sqm</td>
<td>• Casino</td>
<td>Otres Beach</td>
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<td></td>
<td></td>
<td>• Hotels</td>
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<td>• Leisure</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Condominiums</td>
<td></td>
</tr>
<tr>
<td><strong>Blue Bay</strong></td>
<td>Shu Jian Tian Yu Development</td>
<td>110,000+ sqm</td>
<td>• Casino</td>
<td>Independence Beach</td>
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<td>• Marina</td>
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<td>• Condominiums</td>
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<td></td>
<td></td>
<td></td>
<td>• Retail</td>
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</table>

Source: CBRE Cambodia Research, Realestate.com.kh, Various Media Sources
SIHANOUKVILLE
A PATHWAY TO SUSTAINABLE GROWTH
A ROADMAP FOR SUSTAINABLE GROWTH

A MULTI-PURPOSE SEZ

The Cambodian’s government’s stated intention is to develop Preah Sihanouk province as a multi-purpose Special Economic Zone (SEZ). Notionally, this could include access to enhanced tax incentives, improved options for long-lease real estate ownership and other government support mechanisms.

The model of Shenzhen has been widely lauded as offering a blue-print for Preah Sihanouk’s development and in this vein the government have employed the Urban Planning and Design Institute of Shenzhen to masterplan the province.

At the time of this report that masterplan has not been released. However, it is likely to be based on a core of improved infrastructure access, especially in the form of the new Phnom Penh – Sihanoukville expressway, an expanded airport and greatly improved provincial road connections. These will be needed to support and encourage a broad based economy centred on manufacturing, services, tourism and technology.

Preah Sihanouk faces a variety of hurdles in achieving the stated development goals, not least a lack of capital, trained human resource and development know-how. Whilst infrastructure improvements are underway, major upgrades take time to bring on stream and development capacity will be somewhat limited until such time as these can be completed.

Overall, Sihanoukville is well positioned to leverage the substantial benefits bought by closer integration with the international community, particularly through the Belt and Road Initiative. However, it requires the enactment of a robust framework for urban planning, local community engagement and a competitive and compelling offer to top talent, industry and tourists in order to realise a sustainable path to broad-based growth.

CASE STUDY: GREATER BAY AREA

The Greater Bay Area (GBA) comprises nine Chinese cities including Shenzhen and Guangzhou as well as the special administrative regions of Hong Kong and Macau. The GBA is positioned to become the world’s most prosperous bay economy, and already includes a number of well developed industries and infrastructure nodes.

The Chinese government is keen to propel the area’s development through improved connectivity and integration, which is expected to spill over and result in industrial upgrading. In turn, this will accelerate the flow of talent, logistics, information and capital in the area.

Co-operation between the various cities and regions within the GBA began in 2008 and is supported by central planning and a number of framework agreements between the different localities involved.

A world-class infrastructure blue-print facilitates the flow of people and goods around the GBA. Rail links form the backbone of the transit system and are well integrated and developed, allowing for ease of access across the region.

The provincial administrations have enacted a number of policies to aid integration and attract the top talent needed to enhance the development of its industries. Innovation and enterprise are further encouraged in the areas of technology and finance.

Download Detailed Report

Source: CBRE Research
TARGETTED SUPPORT

URBAN PLANNING

Preah Sihanouk requires a central body with a specific, dedicated focus on ensuring development meets set objectives and facilitates the government’s long-term vision for growth. This authority or regulatory body will be instrumental in ensuring a co-ordinated approach to future projects.

The authority should interpret the province’s masterplan and have the power to control development permissions, as well as assist in the delivery of projects beneficial for the public and environment. It may act as the central point of contact for ensuring local community engagement and inclusion, as well as promoting the province and safeguarding its reputation. Sustainable development objectives will need to be inbuilt as a core foundation alongside strong oversight to ensure accountability.

INFRASTRUCTURE

Promoting connectivity will largely hinge upon external investment and leveraging opportunities from Sihanoukville’s position on the 21st Century Maritime Silk Road.

Integrating Preah Sihanouk with the regional and global economy will require improved connections with the shipping lanes and air-routes, which will involve the continued development of the deep-water port and Sihanoukville International Airport. Alongside this, internal infrastructure, including roads, power, telecoms, water and sewerage will need upgrading in tandem in order to remain ahead of demand.

A clear and robust policy framework for the creation and delivery of public private partnership projects will help give confidence and a route to investment for private companies, but foreign and domestic government assistance will be required in larger amounts.

CASE STUDY: ISKANDAR MALAYSIA

Iskandar Malaysia covers more than 2,200 sq km of Johor State, just north of Singapore on the Malaysian mainland. Geographically, it is ideally positioned to take advantage of the neighbouring Singaporean economy, as well as the busy sea-lanes and air-connectivity present in the vicinity.

The region is overseen by a central body, the Iskandar Regional Development Authority (IRDA), which has responsibility for planning, promoting and realising the Malaysian government’s vision. The IRDA masterplans the region, considering not just the urban fabric, but also social aspects and the development of economic clusters. It is responsible for cultivating investment opportunities and guarding the region’s reputation. The authority also has an oversight role; monitoring progress against plans, enabling supporting developments and co-ordinating approvals.

Iskandar Malaysia utilises technology to monitor the use and operations of the physical environment, from traffic flows to flood management, allowing it to increase efficiency across various infrastructures over time.

A robust framework allowing for clear oversight, easy coordination, minimal government involvement and strategic support and oversight have been critical in the delivery of a number of key growth projects. Attracting and retaining talent and educating the population about the use of technology are also cited as key aspects for the delivery of the Iskandar Malaysia project.
TARGETTED SUPPORT

TOURISM

Improving the quality and ease of connectivity will go some way to driving tourism forward in Sihanoukville. However, a co-ordinated effort to clean up the city’s image, control crime and diversify the tourism offering will also be needed.

Concerted efforts to seek and plan for high-quality tourism related investments, alongside a clear route to the future trajectory and ethos of the province will be important in helping the industry to recover from Covid-19 and move forward into a prosperous future.

Diversification of tourist arrivals to both the domestic market and international markets will ensure improved sustainability even in the face of demand shocks. Improving air connectivity to destinations other than Mainland China will be critical to this and centralised support and careful planning may be needed to achieve this.

Widening the tourism industry to include MICE and resort tourism, and away from a concentrated gaming tourism base will be needed moving forward. Marketing the natural resources of the province, especially its islands and beaches is a possible route to delivering this.

INDUSTRY

Government support is critical in ensuring Preah Sihanouk can compete with regional centres for manufacturing industries. Tax relief, reliable and efficient infrastructure, improved education and a reliable and competitively priced workforce will be needed.

Expansion and deepening of the existing SEZ model can form the backbone of this approach.

SOCIAL INCLUSION

Sihanoukville’s recent construction boom has often been the subject of criticism for its lack of social inclusion, particularly on the behalf of low income, local workers.

Planning for housing and amenities which target the local population and provide an affordable, high-quality living environment that respect cultural practices and enhance educational opportunities will help to produce a more equal and fair society. Often this does not fit with developer’s profit maximising principles and as such requires regulatory support to be delivered.

The investment needed for the delivery of this could perhaps be captured through a more targeted system of development gain taxation, the wider real estate tax system or through the mandatory imposition of obligations on large developers to provide such amenity as part of their project.

FURTHER DIVERSIFICATION

Whilst Preah Sihanouk is relatively well diversified by Cambodian standards, it lags behind other provinces in terms of the depth of some sectors, notably in terms of the current retail offering, professional office spaces, healthcare provision and in terms of the breadth and depth of its education sector.

The deepening of these sectors will be needed in order that the province can attract a wider economic base. In many cases the diversification is already underway through the development of the physical assets necessary to house the industries, particularly in the office and retail segments. However, higher quality healthcare and education provision will be needed to ensure that top talent can be attracted to the province.
CONCLUDING REMARKS

Sihanoukville is ideally positioned to take advantage of a number of positive factors, particularly its geographic position on trade and infrastructure routes and the growth trajectory of Cambodia and the Southeast Asian region. These factors create a fertile environment in which investment opportunities abound. However, in the interests of delivering sustainable development that respects economic growth, social development and environmental protection, these trends require appropriate harnessing and co-ordination.

Overall, it can be seen that the ambitions of the Cambodian government are purposefully directed towards integration and promotion of Sihanoukville as a principle gateway city for foreign investment and global trade. Regulatory controls that improve the quality of the built environment, targeted investment in infrastructure and services and enhanced controls of the gaming industry are all recent steps that are propelling the province in the intended direction. However, Sihanoukville’s reputation still requires significant repositioning and this will take some time to achieve as a number of issues remain to be resolved. The rapid development witnessed in the province since 2017 was clearly unsustainable and a return to this unchecked growth appears to be unlikely given the government’s stated intentions and rhetoric.

Preah Sihanouk’s likely future growth path is well trodden by successful Asian cities and if followed carefully can lead to significant opportunities for growth, development and investment. Considering case studies of where the transformation of a district has occurred previously, CBRE Cambodia identify the formation of a body that is appropriately empowered, knowledgeable and targeted will be key to delivering on the government’s agenda. In order for such an approach to be successful the responsible authority will require robust oversight as well as the intent, ability and resources needed to enhance the urban fabric, deliver societal development and protect and improve the reputation of the province. This would primarily be achieved through the application of appropriate regulatory powers, as well as the ability to co-ordinate stakeholders, direct communication, protect the natural environment and facilitate necessary services for the wider community.

Preah Sihanouk has already shown itself to be a province on the rise, but following a bumpy twelve months where the economy and development have been tested by changes to Cambodia’s gaming laws and headwinds exacerbated by Covid-19, the province now faces a new future. There is hope that with renewed focus and controls, growth can be harnessed appropriately and further development can start to spread benefits across the wider community thereby ensuring sustainable growth that is of benefit to all stakeholders.
“By 2020, the face of Sihanoukville will have dramatically changed, including roads and buildings... Sihanoukville will become an attractive tourism hub, commercial centre, and an engine of Cambodia’s economic growth.”

Cambodian Prime Minister
Samdech Techo Hun Sen
November 2019