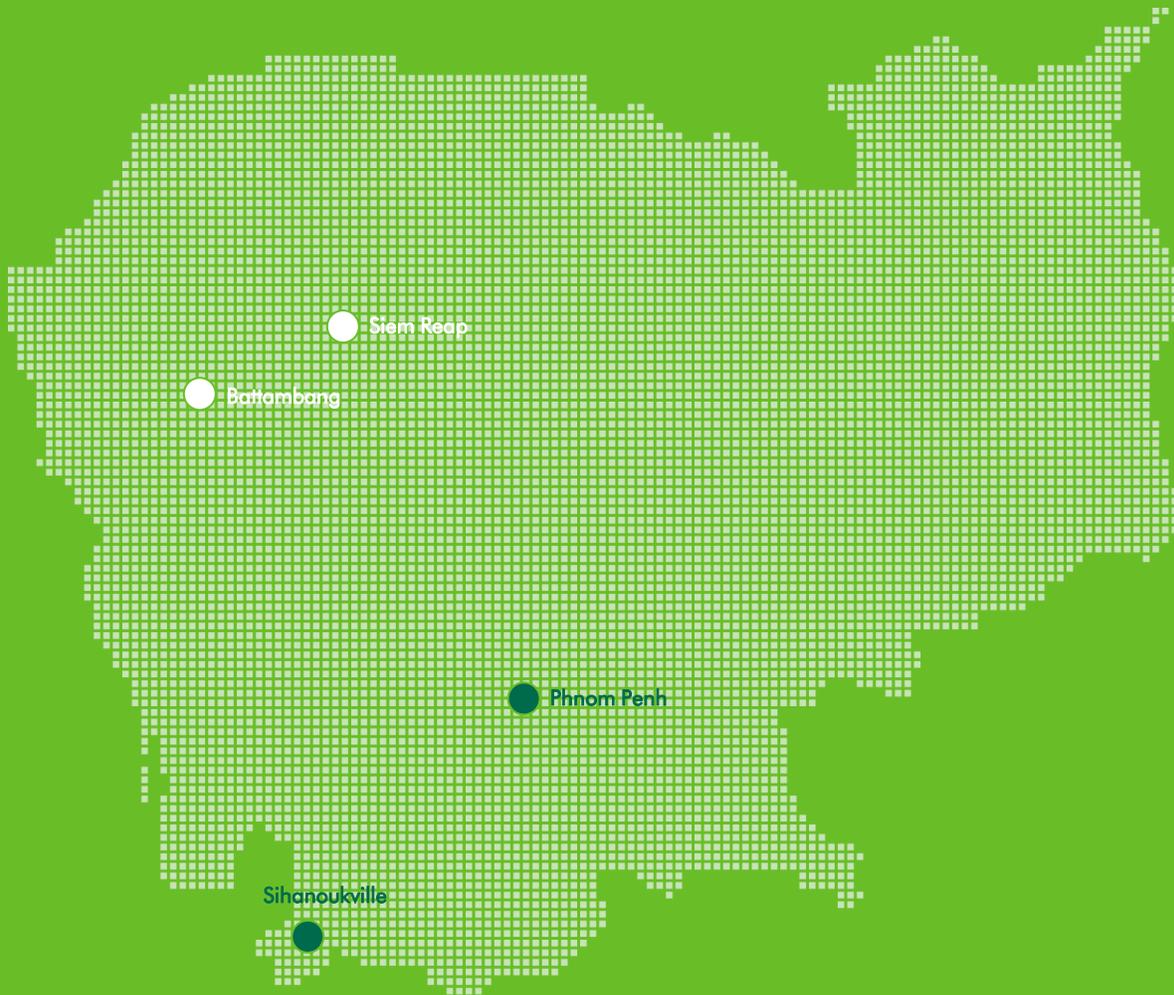


- FIRST TIER CITIES
- SECOND TIER CITIES



## MARKET STRENGTHS

TRANSPARENCY



LOW

INVESTMENT LIQUIDITY



MEDIUM

LEGAL PROTECTION



LOW

FOREIGN INVESTOR RESTRICTIONS



LOW

## MAJOR PLAYERS

DOMESTIC



Institutions



Corporations



Private Investors



Property Companies



Property Funds

FOREIGN



Corporations



Private Investors



Property Companies



Property Funds



Institutions

## MOST INVESTED ASSETS



Residential



Office



Industrial



Retail



Hotel

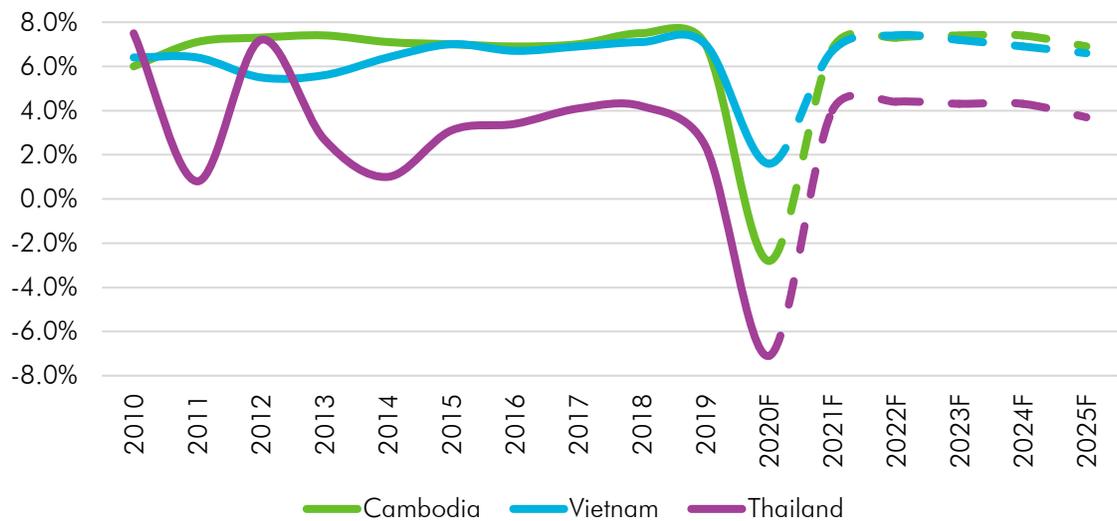
# CAMBODIA

## NATIONAL STATISTICS

Cambodia	2019	2020	2021 (f)
Total Population (millions)	16.5	16.7	16.9
GDP (billions USD)	25.9	27.2	29.0
GDP Growth (real, y-o-y)	7.1%	-1.9%	5.2%
GDP Per Capita (USD)	1,679	1,683	1,771
Foreign Exchange Reserves (billions USD)	5,093	5,093	5,459
Inflation Rate (Average Consumer Price)	3.3%	2.8%	3.1%
Foreign Tourist Arrivals (millions)	6.7	1.3	3.5

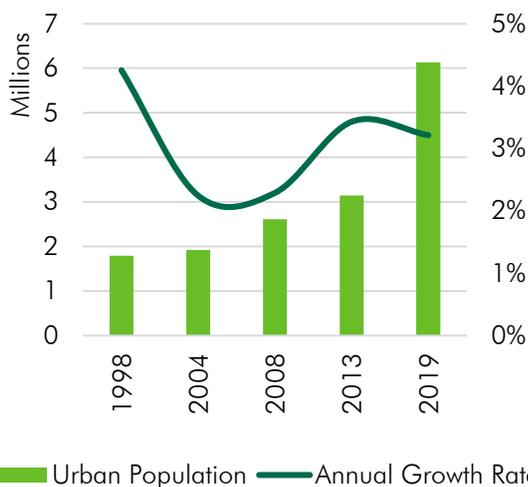
Source: World Bank, UN, ADB, NBC, MEF, MoC

## REGIONAL COMPARISON OF GDP CAGR



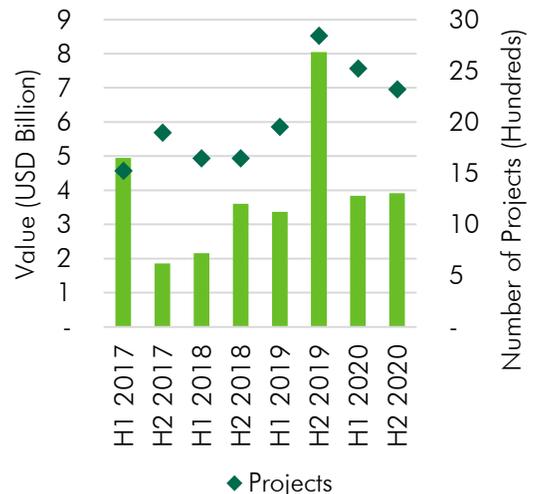
Source: IMF

## URBAN POPULATION & GROWTH RATE



Source: Ministry of Planning

## VALUE & NUMBER OF APPROVED CONTRUSTRUCTION PROJECTS



Source: Ministry of Land Management, Urban Planning and Construction

## TYPICAL LEASING TERMS

Rent quotation	US\$/sqm/month; quoted on net internal area including columns or gross area
Lease term	Offices: 2 years   Retail: 3 years
Frequency of payment	Monthly in advance
Incentives	Rent Free Fit-out Period: Determined by the amount of space leased, the cost and the lease term. Currently 1 week to 3 months
Deposit	Usually, one month per year of lease term, to a maximum of 6 months
Rent reviews	Negotiable; can incorporate maximum rent increase on renewal
Renewals	No statutory rights
Right to sublet	No, except to group companies & for standalone buildings on long-term leases.
Breaks	Rarely applied
Fit-out	Tenant pays
Agent fee	8.5% - 17% payable by landlord ( <i>tenants representative's fees payable by tenant</i> )

## TYPICAL SALE AND PURCHASE TERMS

Price quotation	US\$/sqm
Agent fee	1.5% - 15% of the transacted value, payable by the seller ( <i>buyer representative's fees payable by purchaser</i> )
Legal fee	Varies (each party bears their own costs)
Tax on transaction	Purchaser liable for property transfer tax (4%) and VAT. Property tax is payable annually by owner/landlord. VAT is not payable for Land.
Loan terms	Typically 10-15 year loans with 60-70% LTV
Borrowing rate	6% - 11%
Mode of payment	Monthly installments

## LAND SYSTEM

### Types of land use tenure

During the Khmer Rouge period from 1975-1979 the land title system was completely abolished, and all records of previous land titles were destroyed. The land title system was not re-introduced until 1992 when the Land Law was passed, enabling people who had lived on the same piece of land for 5 years to qualify for title. The Land Law was replaced in 2001 by a more comprehensive statutory tool. Currently, land in Cambodia is either owned privately or by the State but not all land is registered as the land system remains under-developed. Investors seeking to purchase land must check whether a proper land title exists.

There are two types of land titles, namely soft title and hard title. Soft title refers to a title where a property is registered at the local municipal level, as such it cannot be used as collateral for bank loans; whilst hard title refers to a title issued at the national government level and which can be used as collateral for bank loans. Hard title is the most secure form of ownership as registration has indefeasible title. Hard titles are common in urban locations but less so in rural areas. Private ownership is permissible for all types of land but the full ownership is restricted to Cambodian citizens or companies with at least 51% of shareholdings being of Cambodian nationality. A more robust form of hard title, the LMAP title, has been developed and is replacing traditional hard title certificates. LMAP titles include GPS co-ordinates for land plots to ensure improved accuracy.

### Land sales system

Land title issues and disputes are not uncommon in Cambodia, although this situation has improved markedly in the urban centers where LMAP Hard-titles are now the default. Therefore, checking the land title is of paramount importance. Transactions occurring under all forms of title accrue a 4% transfer tax charged by the Cadastral Office.

The Land Law 2001 divided land into three main categories; State Property, Private Property and Collective Property. State Property is further sub-categorised into State Public and State Private. Under the Land Law 2001, State Property cannot be sold but may be leased for less than 15 years without any change in land use. Private Property may be sold or leased by the government in accordance with the law.

### Land use

Land development in Cambodia must comply with the Law on Land Management, Urbanisation and Construction and the sub-decree on Construction. Land owners or property owners must obtain a construction permit from the government before commencing work on a development project. Developments with a built area of more than 3,000 square meters located within view of historic temples require approval from the National Committee for Urbanisation Affairs and Construction. Construction must begin within one year after the permit is issued, although one extension is allowed.

### Property ownership

For strata-titled ownership, Cambodia allows ownership rights over private units of co-owned buildings for domestic and foreign investors. However, foreign investors are not allowed to own ground floor or underground floors of co-owned buildings and are limited to owning up to 70% of the property. Such restrictions are not applicable to buildings located in Special Economic Zones where long leaseholds of up to 50 years can be issued.

## FOREIGN INVESTMENT

### Foreign ownership restrictions

Foreign investors are not allowed to acquire land in Cambodia, as this is a right reserved solely for Cambodian citizens. However, foreign investors can acquire control of land in Cambodia and a number of common structures are applied to achieve this. Traditionally the most common approach has been to establish a land holding company, which will include at least a 51% share owned by a Cambodian citizen or company. Foreign investors can also own land in Cambodia under the long-lease structure. The maximum lease term is restricted to 50 years, as determined by the civil code established in December 2011. The Lease Structure system allows foreign investors to lease property if the property is properly registered with a Land Title Certificate. Trust structures are also developing in Cambodia to facilitate ownership of land and other assets by foreign investors.

### Incentives to foreign investors

The Cambodian government provides tax incentives to Qualified Investment Projects (QIPs) in manufacturing, infrastructure, agricultural and research and development fields to attract foreign direct investment. The government also provides investment incentives to projects in Special Economic Zones for zone developers and zone investors. However, there are no specific incentives for real estate investment. The Council for Development of Cambodia is the government agency responsible for promoting foreign investment in Cambodia.

### Currency control

None.

## **PROPERTY TAXES**

### **Taxation on owners**

#### **Property Tax**

Property tax is levied at 0.1% of 80% of the property's assessed value over KHR 100 million (US\$25,000). It is payable by the property owner annually. The property value is assessed by the Government authorities.

#### **Unused Land Tax**

For unused land, a tax of 2% is levied on the assessed value determined by the Government authorities for the Valuation of Unused Land. The tax may be paid annually or may be levied at time of transfer with back taxes assessed since the last payment.

#### **Withholding Tax**

A withholding tax of 10% is levied on rental income derived from both movable and immovable residential property and 14% for non-residential property.

### **Taxation on transfer**

#### **Property Transfer Tax**

Property transfer tax is levied at 4% on either the value recorded in the transfer documents or as assessed property value determined by the government for the transfer of both Hard and Soft Land Titles, payable by the purchaser. The transfer tax is applicable when transferring the ownership.

#### **Profit Tax**

Profit tax is levied at 20% on profit realised on the net income from a sale of property and is payable by corporate vendors. *Capital gains do not apply to private individuals, but a draft law has been put forward to change this and it is expected Capital gains will start to apply from early 2022.*

#### **Value Added Tax**

Value Added Tax is levied at 10% on the sale of buildings. *Applicable to VAT registered vendors only. VAT is not applied to the sale of land.*

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