Siem Reap Hotel & Branded Residences

June 2023

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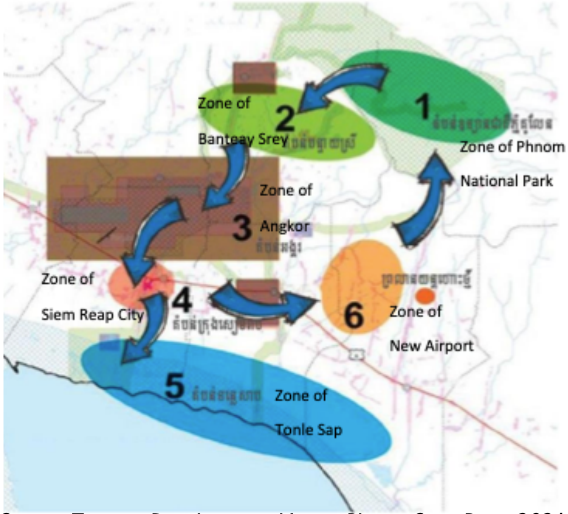
1. Siem Reap: Angkor Wat and Much More

Siem Reap is the name of a northwest province of Cambodia and its provincial capital. It is the second-largest city, after Phnom Penh. Siem Reap's provincial southern border is demarcated by the Tonle Sap Lake.

In modern times, the province is best known as the site of the Khmer Empire and the Angkor Wat temple ruins, a UNESCO World Heritage Site. As the number one reason for tourists visiting Siem Reap and even Cambodia, the Angkor Archaeological Park is a unique, large and appealing international attraction. Its architectural and cultural significance has drawn in travellers who are seeking new adventures or lifetime experiences.

In 2020, a few sites in Siem Reap and the vicinity were added to a list of tentative sites for the World Heritage Site nomination. It includes **Beng Mealea Temple, Koh Ker, the Ancient Site of Mahendraparvata, Preah Khan Kompong Svay and Phnom Kulen National Park**, home to the country's largest reclining Buddha.

More importantly, Cambodia has been a large beneficiary of the trillion-dollar Belt and Road Initiative in recent years. Siem Reap has also seen tremendous infrastructure improvement with road upgrades and the new airport facility.

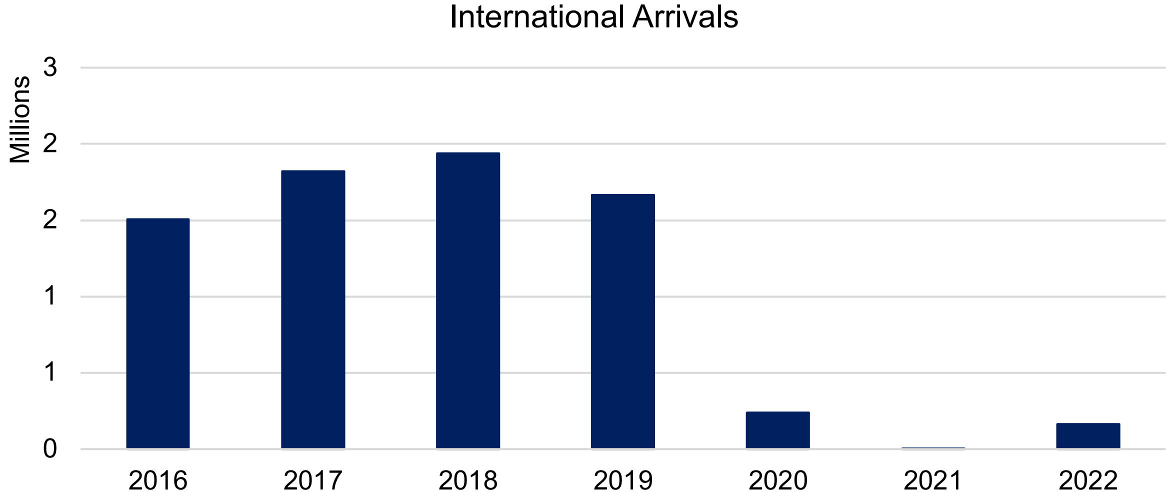


Source: Tourism Development Master Plan in Siem Reap 2021-2035

As Siem Reap is the most important tourist destination in Cambodia, the Royal Government agreed on Tourism Development Master Plan 2021-2035, which aims to establish and develop six priority tourism zones (as illustrated in the map above) to attract tourists for a longer stay. In addition to enhancing visitors' experience of Angkor Wat, notable projects will include increasing the visitation of Phnom Kulen National Park, Banteay Srey and Tonle Sap Lake, introducing new cultural programs in the city centre and creating a modern tourist destination with luxury tourism and high-end residential developments in the east part of Siem Reap, adjoining to the nearby airport.

Siem Reap, Cambodia

2. Siem Reap International Arrivals



Source: Ministry of Tourism Cambodia

The city is located 7 km (4.5 mi) from Siem Reap International Airport, the second-busiest airport in Cambodia after the Phnom Penh International Airport. During 2016-2019, international arrivals grew at an average annual rate of 3.4 percent, a result of increased flight connectivity and marketing effort.

Once international travel was temporarily halted in 2020, arrivals evaporated throughout the pandemic due to strict travel restrictions. In March 2022, the government dropped COVID-19 testing requirements for vaccinated overseas visitors to capture pent-up demand. However, the previous year's rebound was far from pre-pandemic levels and awaited further rebuilding in the travel and tourism industry.

The estimated number of daily flights to Siem Reap was about 50 in the pre-pandemic year. As of Q2 2023, average daily flights to Siem Reap were 12-16 with direct flights from key domestic entry points like Phnom Penh and Sihanoukville and regional hubs as follows:

- Bangkok;
- Singapore;
- Kuala Lumpur;
- Ho Chi Minh City, Hanoi and Da Nang;
- Kunming and Shanghai; and
- Vientiane

Siem Reap is largely served by regional airlines and a major low-cost name like Air Asia. New direct flight additions over the remainder of 2023 are expected to be mainly on regional routes.

- China Southern Airlines resuming direct flight to Guangzhou;
- Vietnam Airlines initiating a new route to Luang Prabang; and
- Lao Airlines restarting Pakse service.

In the foreseeable future, the government plans to replace the existing airport with a newer and larger facility, 60 km east of Siem Reap, to increase passenger handling capacity from 5 up to 7 million a year in the first phase and subsequently 10 million. The project is slated to be completed in Q4 2023. The expansion aims to bridge a capacity gap vs. regional destinations such as Da Nang and Chiang Mai, and also address challenges faced by the current airport. The only runway cannot accommodate large aircrafts and a scope of potential expansion for the existing airport is limited. As it is situated 2 km away from the Angkor archaeological park, major construction works will inevitably impact the temple complex. Indeed, even now aircraft noise is believed to play a part in the deterioration of the historical sites.

3. Top-Tier Hotel Performance

The top-tier hotel market consists of a group of internationally-branded resorts in Siem Reap that historically achieved an average daily rate (ADR) of USD 150 or above. In terms of supply, no rooms were added to the top-tier market after 2017. However, some top-tier resorts were temporarily closed or reduced operations during the pandemic.

Top-tier market demand grew annually from 2017 to 2019 at an average annual growth of 5.0 percent. In 2020, the pandemic stunted global travel and caused demand to fall by 70 percent. Although Cambodia was one of the earliest Asian countries to relax entry rules and reopen its borders, the market demand remained weak through 2022 as most of key source markets were still under various degrees of travel restrictions

Demand showed a gradual recovery as an increasing number of source markets and feeder hubs like Bangkok, Singapore and Kuala Lumpur returned to normalcy. However, the 2022 occupancy was subdued because of limited flights in the first half and the closure of La Résidence d'Angkor, A Belmond Hotel.

The top-tier hotels saw minimal rate growth prior to the onset of Covid-19 outbreak, and then experienced a 28 percent decline in 2021 as they struggled to draw in guests. As demand slowly returned with a large transient mix, on the back of high inflation and the renovations undertaken in the market, ADR in 2022 reached a new peak. Though airlift is taking time to recover, a positive rate sentiment indicates an alternative approach for performance recovery and a long-term potential of high-yielding, experiential travels.

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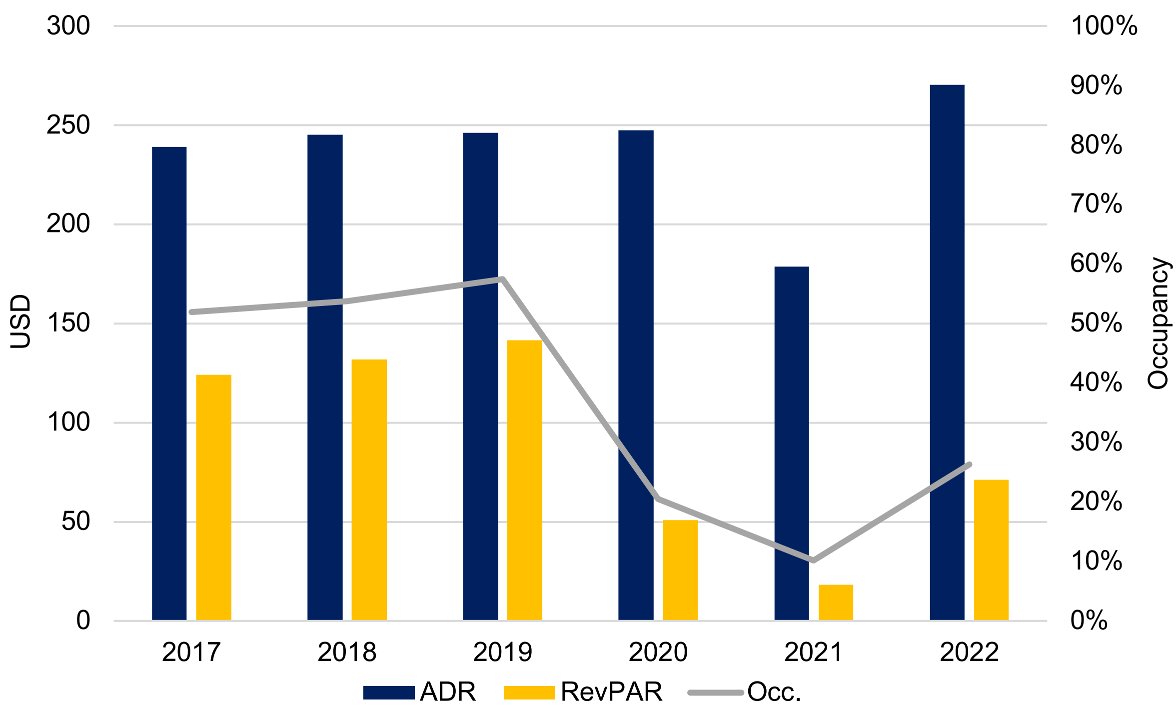
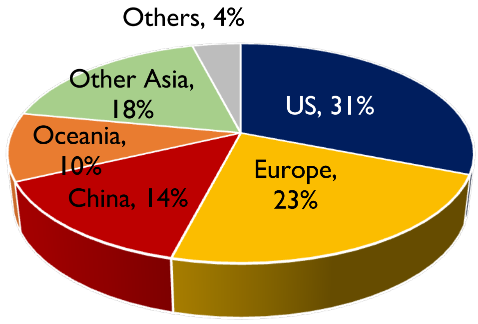


Source: Horwath HTL

4. Nationality Mix



Source: Horwath HTL.

The 2019 demand mix for the top-tier hotel market is a suitable representation of a stable year and has been used in the charts.

The USA contributed nearly one-third and was the largest demand contributor. Hotels with a global presence attracted a large share of this market.

Europe was the second largest, accounting for a quarter of demand. Most travelers came from UK, Germany and France during holidays.

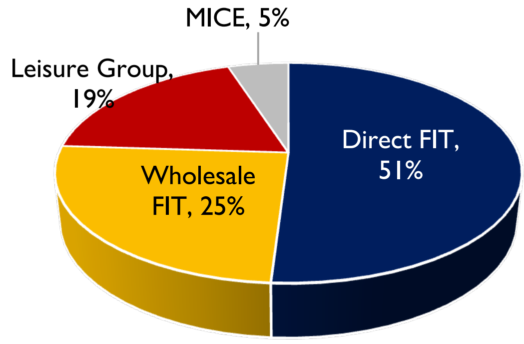
Travelers from USA and Europe were a mix of long-haul visitors and expatriates in Asia Pacific. They were sought after due to a propensity to spend on rooms and ancillary services.

Although **China** dominated the overall Siem Reap and Cambodia, it only captured a fraction of the top-tier hotels. Improved accessibility to China and growing Chinese investment in Cambodia contributed to a surge in Chinese tourists to Siem Reap. However, the top-tier market did not enjoy a boost, as luxury positioning filtered out mass-market tourists.

Other Asia benefited from regional flight connectivity from Singapore, Thailand, Japan and South Korea. An increase in demand from India was observed in the market; however, the lack of direct flights from India remained a hurdle.

Demand from **Oceania** is inconsistent across the market, influenced by sales and marketing plan.

5. Demand Mix



Source: Horwath HTL.

In 2019**, Direct FIT** made up one-half and was the largest contributor due to:

- Siem Reap is internationally known for Angkor Wat, a UNESCO site and one of the world's new 7 wonders.
- Direct FIT travellers appreciate support facilities, such as proximity to a town cen tre and food and beverage facilities.
- The top-tier hotels are run by professional management companies with loyalty systems.

Wholesale FIT constituted the second-largest segment and was booked through intermediaries on wholesaler-based contract rates. Most demand was leisure-driven and sourced from discounted travel packages which included accommodation, flight, local transportation, and destination tie-ups to Phnom Penh or other choices in Southeast Asia such as Thailand and Vietnam.

As **Leisure Group** was one of the lowest-rate segments, only large resorts took tour groups from long haul markets to fill up room nights.

MICE was predominantly a mix of corporate retreats and incentive trips from Singapore, Japan, Australia and Latin America. These groups were in a range of industries, from pharmaceutical and cosmetics to IT. MICE was believed to have a strong growth prospect.

6. Seasonality

Siem Reap has two distinct seasons. A wet season spans from May to October, while a dry season covers the remaining six months. As all top-tier resorts are leisure-driven, seasonality is heavily impacted by the weather and holiday schedules of the key source markets. Late November to early April tends to be a peak period as leisure demand becomes particularly strong during the dry season and various holidays. Travels slow down in the rainy season. Despite inclement weather, July and August pick up summer holidays from countries in the northern hemisphere.

Tour operators and hotel managers believe that the low-season demand has a growth potential.

- Climatic conditions should not be a serious impediment to Angkor visitations, particularly from July to September when the temperature is cooler than in April to June and vegetation is attractively lush; and
- Siem Reap has not concentrated on developing meeting and incentive businesses which are generally open to off-peak travel to international destinations.

Beng Mealea Temple, Koh Ker

7. Average Length of Stay (ALOS)

Siem Reap is typically a part of a travel itinerary to the Indochina region. Since it is regarded as an "add-on" destination, ALOS is consistently about two to three nights regardless of the source markets. As Siem Reap continues to expand a range of tourism offerings and improve support facilities and amenities, coupled with collaborative efforts by Destination Marketing Organizations (DMOs) and hospitality professionals in the market, the ALOS is expected to gradually increase in the future.

The top-tier resorts reported that the majority of guests arrived directly in Siem Reap, typically from Bangkok, Ho Chi Minh City, Singapore, or Kuala Lumpur, rather than entering the country via Phnom Penh and then traveling by domestic flight. This pattern shortened the ALOS for the country but did not necessarily impact Siem Reap.

8. New Supply

Destage or on hold, there is no confirmed new project or ongoing developments in the top-tier market that will complete within the next 5 years.

9. Outlook

The reopening of China and the withdrawal of the Covid-19 outbreak from a public health emergency by the World Health Organization marked a transition back to normal days for the travel and tourism industry. **2023 will be a rebound year.** The top-tier market's occupancy is anticipated to reach approximately 70 percent of the 2019 level. Chinese outbound tourism has not yet recovered to pre-pandemic levels but is expected to rise in the coming months following gradual flight resumption. The short-term recovery for Cambodia will be supported by domestic travelers, western source markets, and South East Asia, such as Thailand and Vietnam. Currently, seat capacity remains a limitation as there is a general lack of airlines of international repute with premium offerings serving Siem Reap. Additionally, La Résidence d'Angkor, A Belmond Hotel, is expected to remain closed through a low season, dragging down the annualized occupancy level.

2024 will be the first full year of the reopening of La Résidence d'Angkor, A Belmond Hotel, and also the first-year operation of the new Siem Reap Angkor International Airport. The top-tier market will fully benefit from successful ramp-up. Without supply additions over the next five years, the market occupancy is expected to continue its spite rumored projects at an early planning climb to a new peak. The market is anticipated to reach **a healthier stabilized occupancy at around 60 percent by 2027**, a slight improvement from the 2019 level. In the foreseeable future, Siem Reap will still experience apparent seasonality while it is attempting to carry out tourism development initiatives to unleash its potential and address some challenges i.e. limited direct full-service flight options and a lack of demand diversity. Moreover, the projected high price point of the resort properties in the top-tier market is expected to limit high demand capture.

Riding a positive rate momentum and the refurbished products, the top-tier hotel market is forecast to drive higher rate growth than what was achieved historically prior to the pandemic. The market's full RevPAR recovery over the next few years is therefore largely contingent on rate performance.


New Siem Reap International Airport, Khmer Times

10. Deep Dive into Siem Reap Hotel Branded Residences

Southeast Asia has been making significant strides in the real estate market, particularly in the rise of hotel-branded residences with international hotel brands such as Aman, Four Seasons, and Banyan Tree. These hotel-branded residences span various segments, ranging from midscale to ultra-luxury. However**, Cambodia is yet to catch up with this trend as such products are still limited in the market.** In recent years, we've observed **several large-scale property development projects in Phnom Penh and Sihanoukville, but Siem Reap has lagged behind**, primarily due to its heavy reliance on tourism and lack of sector diversification.

The **residential market in the city** is comprised of mainly **affordable landed properties**. This is largely attributed to the investment trends leading up to 2017, which saw most funds directed towards boutique hotels and restaurants, leaving larger residential developments on the backburner. The **prime residential properties** are situated around **the hub of Pub Street, Sivutha Boulevard, and along the Siem Reap River.** Properties on the outskirts of Siem Reap are not popular due to their remote locations, which are far from shops, hospitals, and schools. However, the **property market** in Siem Reap is **undergoing transformation** due to **political stability**, the government plans for **a new city in the east of Siem Reap**, the **upcoming international airport**, and **massive improvements to the road network**. These developments are anticipated to broaden the destination's tourism appeal and energize the local economy, thereby **elevating land prices and stimulating growth in the residential market.** Notably, we are witnessing the introduction of an upscale hotel-managed residence (Angkor Grace Residence & Wellness Resort) and mixed-use development projects in the city. Moreover, the residential projects are **diversifying to include more mid-range options** alongside ongoing affordable housing projects.

Angkor Grace Residence & Wellness Resort

Despite the COVID-19 pandemic, the launch of new real estate projects continues, though sales performance remains subdued. **Both local Khmers and buyers from other Asian countries are showing interest, presumably motivated by the discounts currently available**. Cambodian buyers are favoring land investments, while foreigners are typically more attracted to condominiums, largely due to the ease of purchasing these strata-titled condominium developments.

In terms of buyer preferences, the **quality of the property** has surpassed location and price to become **the most crucial consideration**. This change indicates that property buyers in Siem Reap are becoming increasingly discerning and financially literate, especially concerning the prerequisites for property purchasing in the Cambodian market. Currently, **the majority of buyers are looking for second homes or investment opportunities**

11. Buyer's Profile

Breaking down the demand by demographics, the real estate market in Siem Reap is dominated by domestic buyers and seeing significant interest from **foreign buyers**, primarily from **Asian countries**. These include **Mainland China, Taiwan, Singapore, and Hong Kong**, alongside a smaller but noteworthy fraction of buyers from **Japan, South Korea, and Malaysia**. Chinese buyers, forming one of the largest groups, exhibit a preference for properties that present **recurring rental income opportunities** and **potential for significant capital appreciation**. Consequently, they frequently opt for **entry-level properties featuring one or two bedrooms.**

Even as the pandemic continues to impact global mobility, a handful of active investors from regions such as the **United States, Europe, and Australia** have sustained their engagement with the market. The COVID-19 pandemic has brought about discernible changes in **property buyers' behavior** in the Southeast Asian market. Notably, owners of villas now tend to **reside in their properties for extended durations**. This trend has made rental management programs with flexible owner usage days increasingly attractive to **buyers seeking lifestyle properties**.

Purchase decisions are heavily influenced by the recommendations of friends and family among these buyers. Thus, factors such as the range of product offerings, the effectiveness of rental management programs, and the availability of resort-grade amenities play a crucial role in their investment choices.

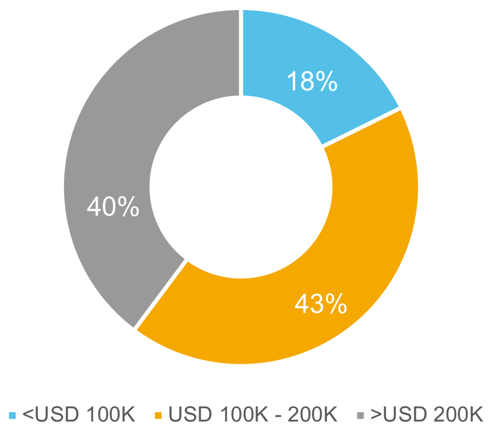
Rose Apple Square

Song Saa Reserve

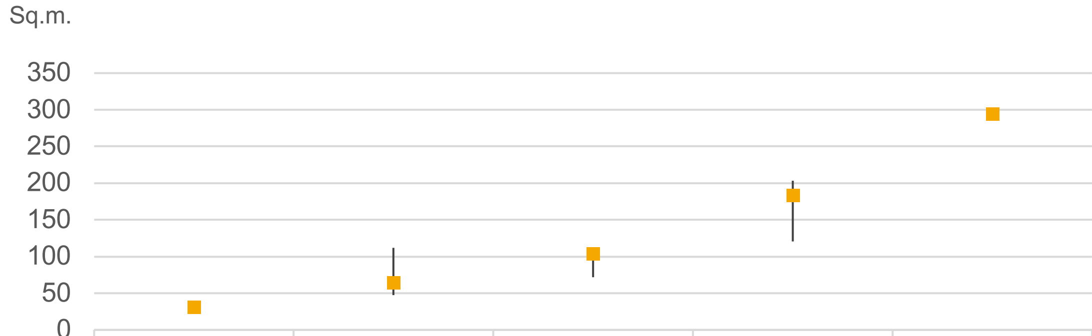
12. Product Characteristics

The following graphs summarize the product characteristics of the mid-range properties, including Angkor Grace Residence & Wellness Resort, Rose Apple Square, Bakong Village, and Sky Park Condo. The **majority** of the units fall within the **price range of USD100,000 to USD200,000**. This is followed by the units priced above USD200,000, which constitute about 40 percent of the total units. Among mid-range properties in Siem Reap, the lowest asking price per square meter was at USD950, while the highest prices touched USD2835. **On average, the asking sales price across all unit types is USD 1,503 per square meter.**

Price Range, Mid-range Properties

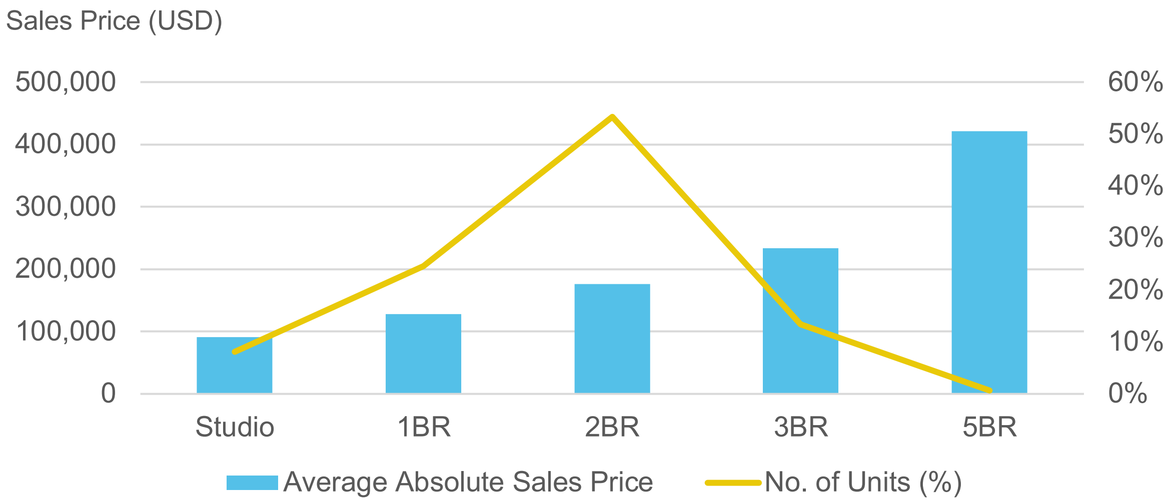


Configuration Mix, Mid-range Properties



	Studio	1BR	2BR	3BR	5BR
Min	32	47	72	121	295
Max	32	112	107	203	295
Average	32	65	104	184	295

Average Sale Price, Mid-range Properties



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C9 Hotelworks is a globally awarded hospitality consultancy recognized as Asia's leading advisor on residential and mixed-use developments, with projects and clients across all markets within Asia Pacific.

With a history spanning over a decade, C9 has worked throughout Asia and in many other locations around the globe from its base in Thailand, delivering independent, strategic advisory services to owners and developer for market studies, feasibility reports, management operator negotiations and asset management.

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About Horwath HTL

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Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

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