

# Key advantages to using a property management company to manage your Cambodian real estate assets

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*Appointing a skilled property management company can significantly add value to your real estate portfolio while reducing the time and costs spent on having to manage the administrative, legal and technical issues associated with owning them.*

The recent completion of numerous real estate developments in Cambodia over the past few years has given rise to some interesting questions about how and by whom they should be managed. Once a building is completed, the owners must decide on the best method to manage their real estate assets, whether that be by themselves, or by appointing a qualified company as the dedicated property manager.

A property manager is a mandatary (one to whom power is delegated under a mandate to conduct transactions on another's behalf) that can be appointed by the owners for the purposes of managing the day-to-day operations of their real estate assets. It can apply to all types of real estate assets whether they be residential (apartments, condominiums or boreys), commercial (shopping malls, shops, restaurants), offices, industrial facilities, or warehouses.

In Cambodia, property management activities are currently governed by a regulation on the management of business providing valuation services and real estate services. Under this regulation, a property manager must obtain a specific license issued by the Ministry of Economy and Finance in order to lawfully conduct its intended activities.

However, this regulation does not clearly outline the property manager's duties and obligations. We understand that they are provided by the Cambodian

Civil Code as the property management agreement is a mandate.

A property manager has a duty of care, a duty to report, and an obligation to deliver to the principal (i.e. mandator) the funds and other items that it receives in the course of its management activities .

Nonetheless, these provisions of the Civil Code are quite general and not sufficiently detailed to adequately delineate the duties and obligations of the property manager. Careful drafting of the property management agreement is therefore of crucial importance in clarifying the relevant duties and obligations.

The mission and powers of the property manager can be broadly categorised or limited depending on the terms and conditions of the property management agreement.

This will primarily involve the renting of vacant premises. The property manager's knowledge of the local market will help the owners in identifying suitable tenants and to offer leasing of the premises at the appropriate market rental rates. Once the leases are executed, the property manager will manage them. It can also invoice the tenants, collect the rent due, and related service charges or utility bills. It can also be in charge of the termination and/or eviction of the tenants. The property manager may also be in

charge of the maintenance, repair, and upkeep of the real estate assets and common areas (if any).

If damages occur on the premises, the property manager will identify the liability and appoint a company, with the approval of the owner, to repair and remedy such damage to the extent possible. The property manager may also assist the owner with regard to the enforcement of (i) construction warranties granted by the main contractors or builders, (ii) the construction insurance policies and property insurance policies granted by the insurers or (iii) the warranties granted by providers of the equipment or materials.

It is readily apparent that proper cleanliness and maintenance of the properties will prevent them being damaged or falling into states of deterioration or decay. Appointing a property manager can therefore go a long way in terms of preserving the value of real estate assets and reducing the risk of incurring onerous and ongoing repair costs and expenses.

The property manager can also ensure that the condition and standards of the real estate assets stay in full compliance with all applicable health and safety laws and regulations in Cambodia.

Property managers may also appoint third party companies to take charge of the cleaning and security services of the

real estate assets and (where applicable) the common areas.

The mission of the property manager can also include the managing of conflicts or disputes that may arise with neighbours or other third parties in relation to the property being managed.

The main inconvenience of appointing a property manager concerns the payable fees involved. In this respect, the property management agreement must explicitly mention this remuneration. Failing this, the property manager will not be entitled to claim payment of its fees. However, it can claim reimbursement of costs incurred through the performance of its mission.

The appointment of a property manager also has certain advantages from a tax perspective if the real estate is

owned by a company as opposed to an individual. In such a case, the property manager's fees may be deductible from the income generated from renting the real estate assets.

Consequently, appointing a qualified property manager has numerous benefits for those with modest knowledge and experience of the local real estate market and who may have limited legal, technical, or administrative skills when operating in this sector. It will save time and costs for the owners while avoiding stressful situations and unnecessary headaches from the many issues and variables that can arise during the management of their real estate portfolios.

It is also be an ideal solution when the assets have many co-owners such as

condominium complexes or when the owners do not reside in Cambodia and consequently are unable to manage their assets on a day-to-day basis.

In conclusion, appointing a qualified property manager with the requisite experience and systems in place to manage the administrative, legal and technical issues, and equipped with the right resources and contacts, is essential to the efficient and smooth operation of the real estate assets. In light of the highly competitive property environment that now exists in Cambodia due to the number of similar buildings being completed, a property manager will be highly useful in safeguarding the value of the buildings and ensuring that they are being used to their utmost commercial worth and potential.

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## “ABOUT THE AUTHOR”

Charles AMAR has extensive experience on all aspects of real estate law with a particular focus on issues related to real estate investment, project development, construction, and asset management. He regularly advises domestic and foreign clients seeking expert advice and innovative solutions on significant and complex transactions involving property, both developed or at the planning stage. His competence and expertise runs the full gamut of real-estate projects whether they be residential (boreys, condominiums), office space, shopping centres, hotels, warehouses, industrial facilities, or car parking lots.

