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NET TAKE-UP UNCHANGED AMID SLIM VOLUME OF UNITS LAUNCHED

SUMMARY & RECOMMENDATIONS

Despite the limited number of units launched in Q3 2018, the citywide take-up rate remained unmoved.

While we see more legislative efforts slowly taking shape, likely also to regain both buyers and developers' confidence, addressing the overall affordability concern should primarily drive condominium sales at a more sustainable pace going forward.

This should altogether be reinforced with key drivers such as access to financing tools i.e. bank financing with reasonable terms; improvements in the currently onerous car parking regulation; and the full enforcement of Condominium Law into actuality.

	Q3 2018	Full Year 2018	2019–22
 DEMAND	> Demand for low to mid-tier projects remain generally untapped. Developers are hampered by the onerous car parking regulation as well as the high land prices, among others.		
 SUPPLY	0 units	10,553 units	7,863 units
	End Q3/QOQ	End 2018/YOY	End 2022/ Annual Average Growth 2019–22
 TAKE-UP	58%	56%	60%
 RENT	USD 2,558	USD 2,500	USD 2,200

Note: The figures for rent represent USD per sq m per month
 Source: Colliers International Myanmar

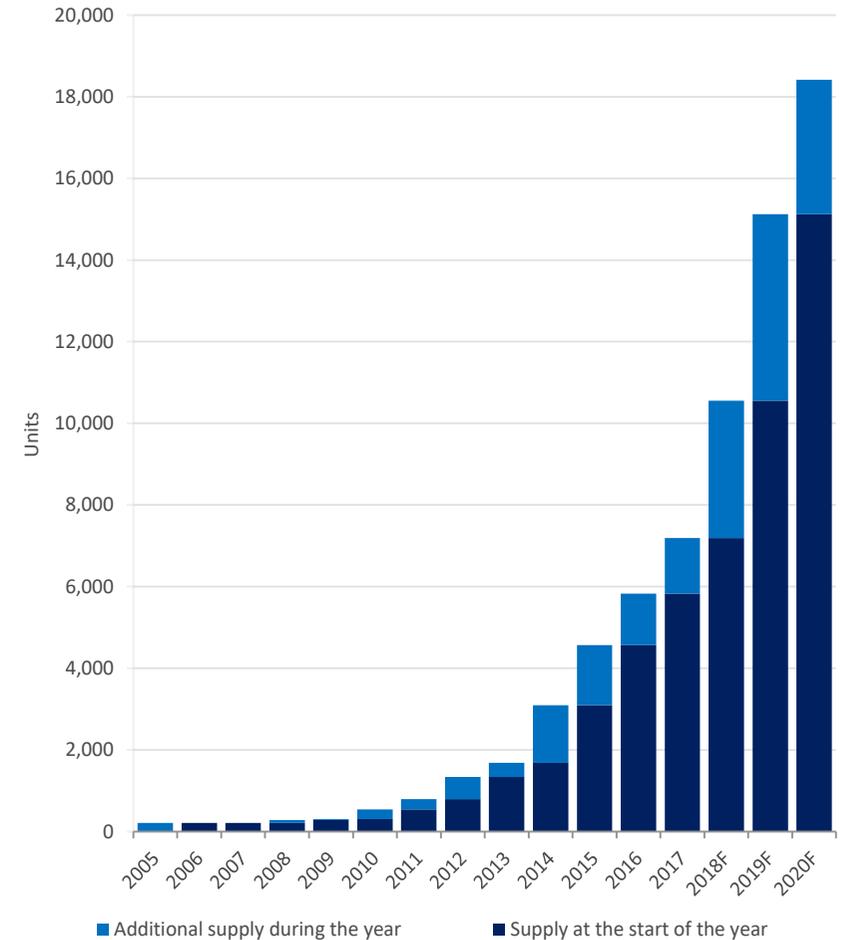
CONSTRUCTION DELAYS EXPECTED TO PERSIST

Over the recent years, the number of project launches has been trailing downward. The units launched started to significantly drop in 2016 with 1,600 – roughly half the figures recorded in each of 2014 and 2015. The number continued to decrease sharply with only 420 units launched as at the end of Q3 2018. The Central Executive Residence by Marga Landmark, the only condominium project that launched this quarter, caused a 2% QOQ upturn in the citywide launch figures.

Meanwhile, no new completions were observed. Golden Parami Condominium in Hlaing Township (Shine Consturction Co.,Ltd.), Kabaraye Executive Residence in Myangone Township (Living Square Co., Ltd.), Paragon Residence in Ahlone Township (Global Resources), Myat Mingalar in Sanchaung Township (Myanmar Seilone Construction Co., Ltd.), Treasure Residence in Bahan Township (AMPS Construction Co., Ltd.), Scott View in Pabedan Township (Mother Land Construction), and UBC Condominium in Thingangyun Township (iGreen Construction Co. Ltd.) were the most recent condominium projects introduced. The supply remained at almost 7,300 units since Q2 2018.

While new supply for the year is expected to reach around 2,970 units, construction delays remain problematic. The lacklustre sales performance could drive the rate of completions to slow down at least within the next two years. Developers' confidence remains dampened, owing to a generally weak sales performance, with many opting to shelve future projects as they reassess possibly more effective strategies. This behavior, in relation to the current standing of the market, has come to be more evident as developers seek for clarity of the Condominium Rules and further implementation of the recently issued Notification 227/2018 (Establishment of Condominium Registration Office) into practice.

FIGURE 1: YANGON CONDOMINIUM SUPPLY STOCK (UNITS)



Source: Colliers International Myanmar

CONDOMINIUM REGISTRARS APPOINTED

For the first time, the Myanmar government is to open new registration offices and assign registrars for condominiums. The Condominium Law and Rules are already in place to assist buyers and sellers; however the local Management Committees such as Regional & State Management Committee and Union Territory Management Committee are yet to be established.

On September 14 2018, the Ministry of Construction issued Notification 227/2018 to set up the Condominium Registration Office. It also appointed Registrars in each Region and State throughout the country. The Registrars will be responsible for registering the purchase of condos and issuing the ownership titles to purchasers, which can then be used as security for finance.

This is welcome news for prospective buyers. According to the government announcement, the registration offices are to be located within the Department of Urban and Housing Development (“DUHD”) offices within each Region and State, with the Deputy Directors of DUHD being named Registrar. Units must be registered by the developer within 30 days of building completion.

The formation of Management Committees is the crucial next step in implementing the new laws, as the committee is responsible for issuing licenses to developers, certifying developments as complying with requirements under the law and ensuring condominium land is collectively owned. To date, no condominium developments have been registered under the law. Currently foreigners are permitted to own units in registered condominium developments, providing not more than 40% of the floor space in any one -development is owned by foreigners.



Overall, while the publication of Condominium Rules has delivered clarity over certain provisions regarding collective and foreign ownership, implementation frameworks must be set in place sooner or later for both developers and buyers to truly benefit from it. Similarly, liberalisation of the banking sector could also have a major impact, opening up financing channels and boosting overall liquidity.

MID-TIER SEGMENT REMAINS THE STRONGEST

As of Q3 2018, the cumulative take-up rate remained the same despite the meager number of units launched. While developers continue to be wary, buyers are similarly becoming more mindful with their purchasing process in view of recent market developments. The market has continually failed to recognise the potential demand for the low to mid-market segments as there remains a large stock of upper-mid to luxury projects - representing close to 85% of all the pre-selling condominiums in Yangon. Future launches under these segments may only exert further downward pressure on the overall sales take-up. Nonetheless, Colliers expects project launches to be limited at least in the succeeding quarters of the year, and this could perhaps facilitate a market recovery from the considerable remaining stock.

The mid-market segment, with an average price of USD 1,352 per sq m continued to perform relatively better than the rest given the 9% QOQ price decrease. The segment registered a cumulative take-up rate of 65.5%, up by 2% QOQ. As for the upper-mid segment, average selling price corrected further downwards, recording a 6% QOQ decline. As of this quarter, such category registered a 56% take-up rate. In contrast, for the high-end and luxury segments, no movements were recorded in both take-up rates and selling prices. Even so, the high-base unit prices, driven by the large unit sizes, have continuously discouraged growth in real demand, being still unreasonable and unaffordable to the majority.

We see that affordability remains a key distress given the general market's modest income along with the lack of financing tools, among others. While we have also observed capable buyers and investors for upscale projects, the inventory is considerably outpacing demand. Given such, few developers are now expanding their mass market as they plan to introduce more low-cost residences. For instance, early on this year, Yoma Land announced that they are planning to expand beyond high-end and luxury properties in a bid to promote home ownership and growth in the country. This includes developing low-cost housing projects, backed by its connection to Yoma Bank and other private banks in the country. This will enable Yoma Land to work closely with the banks in bringing a larger pool of financing options to potential home buyers, helping them to better afford new homes.

We continually advise developers to address issues around affordability by introducing competitively priced products, starting with looking at reasonably priced land. In particular, site selection can be geared towards alternative and accessible development sites in the immediate outskirts of Yangon. Overall, the market is seen to favorably improve in the coming years, on the back of the government's exertions in providing clearer sectoral reforms.

TABLE 2: YANGON PRE-SELLING CONDOMINIUM SALES PRICES

SALES PRICE	MID	UPPER-MID	HIGHEND	LUXURY	CITYWIDE
Average Selling Price (per sq m)	1,352	1,932	2,987	3,471	2,558
Total Contract Price	USD 146,432	USD 258,839	USD 478,085	USD 713,296	USD 335,600.00

Source: Colliers International Myanmar

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