

Retail Offerings Call for Repositioning

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Yangon's retail landscape concluded Q1 2018 with a positive beat. Occupancy managed to stay within the 90% range whereas rental levels remained at a stable rate. While 2019-2020 supply figures appear meagre, this should pose encouragement for developers to pursue new projects and position their future offerings by adopting global standard practices. Prospects for large-scale shopping centres remain vibrant. The same goes for lifestyle-oriented projects featuring both entertainment and recreational activities, catering to the city's increasing young population and the changing consumer spending behaviour.

Forecast at a glance



Demand

Demand for modern shopping centres is seen to remain robust. We continually see positive prospects for lifestyle-oriented centres offering unique attractions.



Supply

Retail stock grew by 5% YOY on the back of a growing economy and expanding demographics. Colliers expects almost 71,000 sq m (764,237 sq ft) of leasable area for the remaining quarters this year.



Occupancy Rate

Citywide occupancy drifted downwards to 93% mark given the substantial supply introduced in Q1 2018. However, we expect the number to rebound and likely to remain at healthy levels, at least in the medium term.



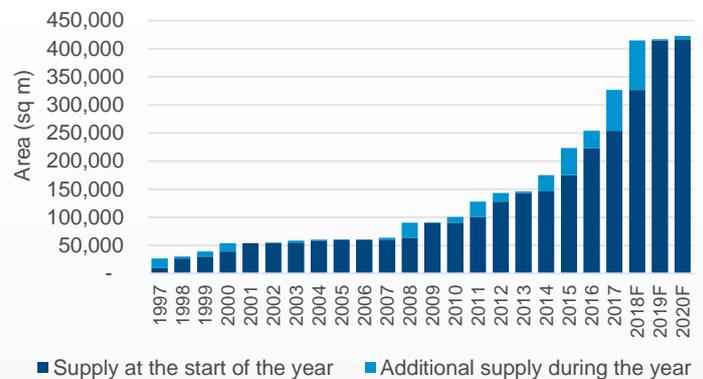
Rent

Colliers expects rental rates to gradually increase in the next two to three years especially as future supply is limited after 2018.

Record Surge in Supply Expected in 2018

As of Q1 2018, Yangon's total retail stock grew by 16,000 sq m (172,223 sq ft) of leasable area, a 5% increase YOY. This rise in supply was driven by the completion of four new developments, half of which are supporting retail components (Golden City Retail by Golden Land Real Estate Development Co., and Nature Link Co.,Ltd., and Min Ye Kyaw Swar Tower by Crown Advanced Construction Co., Ltd) located in the Inner City Zone; while the other two are shopping malls (Super One by Super One Co., Ltd., and Ocean Super Centre by City Mart Holdings Co. Ltd.) situated in the Outer City Zone. The supporting retail projects collectively represent more than 10,500 sq m (113,021 sq ft) of leasable space whereas shopping centres brought in only 38% of the overall added stock.

Yangon Retail Supply Stock (Gross Leasable Area)



Source: Colliers International Myanmar

Nonetheless, Colliers expects substantial new completions in 2018. In fact, nearly 75% of the overall future supply are slated to complete this year, totaling close to 71,000 sq m (764,237 sq ft) of leasable area - a new record high. Looking closely, Colliers observed that all future projects this year represent the same retail categories as in Q1 2018. The supporting retail category represents the smaller share of future supply this year. Space @ Yankin by Crown Roofing Co., Ltd., Golden Link by Htike Sin Co., Ltd, The One Shopping Mall by Creation Myanmar Groups of Company Limited, and Secretariat Retail by Anawmar Art Group are some of these integrated supporting retail components that will deliver more than 7,000 sq m (75,347 sq ft) of leasable area.

Dominating the pipeline are the shopping mall projects. Spring Line by Shwe Oak Khai Construction Co., Ltd., Yadanar Mall by Crown Advanced Construction Co., Ltd., Fortune Plaza (Phase 1) by Excellent Fortune Development Group, Kantharyar Shopping Mall by Asia Myanmar Shining Star Investment Co., Ltd., and Harmony Square by Marga Landmark are the shopping centres set to complete this year, collectively representing more than 65,500 sq m (705,036 sq ft) of additional space. Looking ahead, additional stock in the next two years is meagre. Colliers sees this as a green light for developers to pursue new and better projects as well as modernise offerings to align with Yangon's changing consumer behaviour.

Proper Product Positioning Necessary

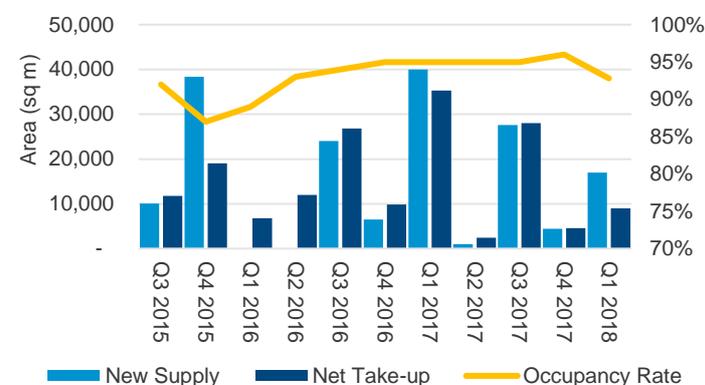
Regionally, various trends are now taking shape driving malls to change their identity given the overall changing consumer preferences. Moreover, it has been observed that shopping malls in ASEAN countries have shifted their meaning and focus over the years – now creating more favourable gathering places, and encouraging better social cohesion. Given the adverse weather conditions and increasing urban congestion, some large-scale retail centres have in fact been branded as the “new public parks” with emphasis on open spaces and offerings that successfully entice higher foot traffic. While the concept remains new in Yangon, it is however slowly materialising.

Over the past years, Colliers has witnessed significant progress in the local retail scene. Going forward, we encourage developers to continually adopt new global concepts which capitalise on the city's increasing young population and on the improving spending confidence especially from the lower-middle to middle-income buyers. We strongly advise developers to position their retail projects along these key factors: (i) differentiation of consumer offerings with a focus on experience. Developers should start incorporating value-added elements and attractions (movie theatres, playgrounds, theme parks, spas, fitness clubs, arts centres, bars, concerts, etc.) that attempt to

recast the concept of new urbanism; (ii) increasing efficiency of the current mall base through tenant mix diversification. With brands becoming broadly repetitive across Yangon malls, we continuously advise retailers to create a well-curated tenancy mix. We also suggest introducing more mid-tier brands fit for the population's modest income level; and lastly, (iii) the exploration of new formats and commercial real estate opportunities. Besides location being a key consideration for malls, a differentiated design and structure (e.g. higher ceilings, water features installations, indoor pocket gardens, curtain layout designs, clerestories, etc.) is increasingly as important. Looking ahead, developers must no longer envision themselves as just professionals who convert ideas from blueprints to real property, but instead as customer-facing providers of a modern retail experience.

Healthy Occupancy to Persist

Yangon Retail Net Take-up & Occupancy Rate



Source: Colliers International Myanmar

Given the volume of stock delivered in Q1 2018, the occupancy rate declined marginally, however remained above 90%. The anticipated hike in supply in 2018 is projected to exert a downward pressure on occupancy for the forthcoming quarters. However, strong pre-commitment rates should retain the number at an all-time high. Meanwhile, the average rental rate remained at the USD 32 per sq m per month level. Colliers expects further introduction of higher quality projects to support premium rents in the near to medium term, to be capped in moderation in the next two to three years as competition among landlords may start to increase.

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