

YANGON | SERVICED APARTMENT

Q1 2018

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Competition Eases Amid Lack of New Supply

Joan Mae Lee Senior Analyst | Research & Advisory

Average rents inched up during Q1 2018 with no new projects introduced. We expect supply to remain limited at least in the immediate future. Colliers, however, sees competition building up gradually with the stock doubling in the next three years. Meanwhile, a recent study revealed that expatriates in Yangon are some of the most financially confident in the world. However, while demand for management executives is well addressed, expatriates with modest housing budgets remains largely underserved. We urge developers to tap into this market by introducing limited or non-serviced apartments instead equipped with amenities and facilities of international quality.

Forecast at a glance



Demand

Demand remains untapped for lower tier developments. However, future supply remains unsuited being geared towards the upscale segment.



Supply

We expect high-end supply to double in the next two to three years. Most of the new supply will still be located in the Inner City.



Occupancy Rate

We see overall occupancy rates rising modestly in 2018 with no new expected completions but is expected to decrease once new supply comes in.



Rent

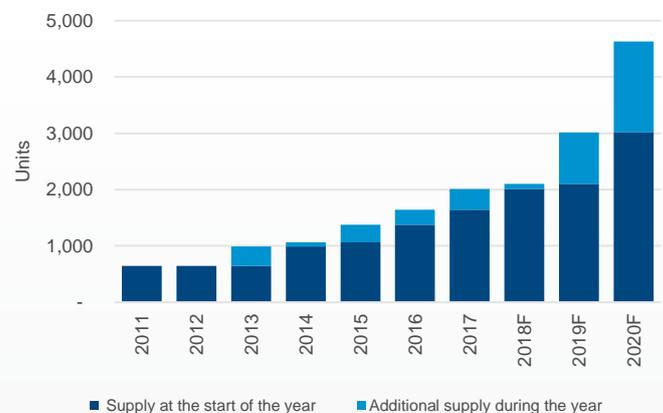
For the existing quality, rental rates in Yangon remain higher than in most key cities in Southeast Asia. We expect rental corrections in the medium term as supply becomes substantial.



No New Supply Foreseen Until 2019

Supply remained the same in Q1 2018 with more than 2,000 rooms available. The majority of stock is still located in the Inner City while only a limited number found in the Outer City. Lotte Serviced Apartments in the Inner City and Northern Inya Serviced Apartment in the Outer City remain the latest developments while additional stock came from expansion and renovation of existing projects such as Clover Suite Royal Lake, SOHO Diamond, and the renovation of Sakura Residence 1. With the lack of serviced apartments in Downtown, Colliers has observed that select upper-scale hotels have converted some of their rooms into “serviced suites” by providing features such as kitchenettes and long stay options.

Yangon Serviced Apartment Room Stock



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Though this concept is still in its nascent stages, the underwhelming performance of many upscale hotels may drive operators to take this into greater consideration and tap into the serviced apartment market instead. Upcoming developments for the remainder of the year are likewise quite limited with only the extension of Clover Suite Royal Lake in the pipeline representing more than 90 rooms. The majority of the upcoming projects are not due until Q1 2019. These are Somerset @68 Residences and Kantharyar Serviced Residences.

Downtown will also likely see its first dedicated upper-scale serviced apartment with Sedona Suites scheduled to be completed in H1 2019. However, construction appears sluggish, and the project will likely be delayed. Other developments are geared towards the Inner and Outer City namely The Loi (Bahan), Golden City Serviced Apartments (Yankin), HAGL Myanmar Serviced Apartments (Bahan), and Inno City (South Okkalapa). Most of these upcoming projects have shown little signs of progress and some are likely to be shelved. Overall, Colliers urges developers to diversify their offerings into more affordable products such as limited or non-serviced apartments. This is because most of the future supply remains geared towards the upscale segment.

Yangon expatriates among the Happiest with Their Income

Top 5 Countries with The Highest Expat Satisfaction in Terms of Personal Finance

Rank	Country
1	Vietnam
2	Colombia
3	Myanmar
4	Mexico
5	Philippines

Source: Expat Insider 2017, InterNations GmbH

Myanmar ranks as the third most ideal place for expatriates in terms of personal finance. A recent report from InterNations' 2017 Expat Insider Report revealed that expatriates in Myanmar are one of the most financially satisfied in the world topping the list when it comes to disposable income. Though Yangon also belongs to the top 100 cities with the highest cost of living¹ for expatriates, it must be taken into consideration that many expatriates in Myanmar are in managerial and

¹ Mercer Cost of Living Ranking 2017

or above positions. The report also mentioned that there is an above-average number of expatriates in Myanmar working in management positions. Nearly one in three of the survey respondents described their status as manager compared to the average of one in seven worldwide. In one of the previous studies by Colliers, based on our sampling frame, we likewise observed that roughly 50% of expatriates in Yangon hold management to top executive positions such as country heads, junior executives, or managers with monthly housing allowances of an estimated USD3,000 and above; and with a housing preference for villas, serviced apartments, and international quality condominiums. However, Colliers still sees a widely underserved market of regular professionals with modest budgets of USD500 and over which would be ideal for a limited or a non-serviced apartment.

Rates Inched Up with The Lack of New Supply

Yangon Serviced Apartment Average Rental Rate per Unit Type per Month (USD)

City-wide	Studio	1BR	2BR	3BR	4BR
Rental Rate	1,963	3,722	4,497	5,593	7,730

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Operators were confident in raising their prices in Q1 2018 due to the anticipated lack in new supply. Rental rates for studio, one-bedroom, and three-bedroom categories rose by 2-4% accordingly. Despite the increase in rents demand appears resilient as occupancy also improved albeit at marginal levels, to end at 82%. Colliers has observed that occupancy levels for upscale serviced apartments decreased by 5% while lower grade apartments increased by 1-3%. Overall, given the expected incoming supply of upscale developments in the medium term, we recommend developers to focus more on the underserved lower tier category by providing international quality limited or non-serviced apartments.

For more information:

Karlo Pobre
Associate Director |
Research & Advisory
+95 (0) 979 573 3378
Karlo.Pobre@colliers.com

The Htet Oo
Manager |
Research & Advisory
+95 (0) 943 190 707
TheHtet.Oo@colliers.com

Contributors:

Hsan Pyae
Assistant Analyst |
Research & Advisory

Ye Htun Htet Paing
Senior Researcher |
Research & Advisory

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Colliers International | Myanmar

11/F, Units 10-12, Sule Square
Office Tower
221, Sule Pagoda Road,
Yangon

MAIN +95 (0) 931 491 678



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