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Developers Remain on the Lookout

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Developers' confidence remained downbeat as reflected on the absence of new launches as of Q2 2018. While few select developments have significantly lowered their selling prices, citywide take-up rate further lagged downhill. The introduction of more lower to mid-tier projects is forecasted to facilitate growth in sales going forward as these developments translate to a relatively more reasonable unit price. However, the high land values along with an onerous car parking regulation make it challenging for developers to justify more competitively priced products. Amendments in the regulation allowing smaller unit offerings is deemed essential in addressing affordability.

Forecast at a glance



Demand

Buyers remain aloof in view of the market's current condition. Colliers recommends developers to rethink their strategies and perhaps reposition their succeeding development phases.



Supply

No new launches were recorded as of Q2 2018. By end-2018, Colliers projects the annual supply to reach a new record high, totalling to 31 projects ranging from mid to high-end categories.



Take-up Rate

Citywide take-up rate declined by 2% QOQ. We see a slight recovery in the succeeding quarters given the slim volume of project launches. However, sales may remain underwhelming in the near term.



Average Selling Price

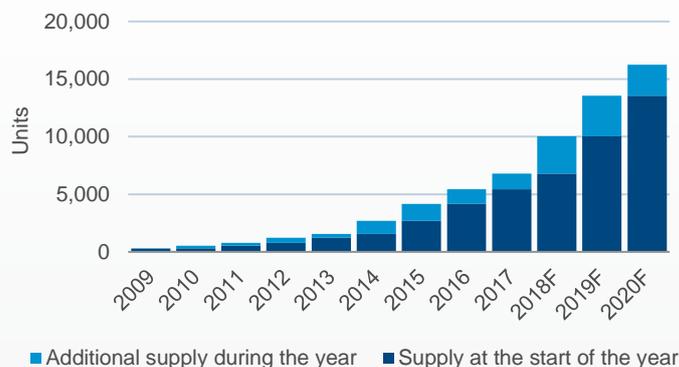
The average selling price for the mid-tier category rose by 2% QOQ while the upper-mid further declined. The trend is likely to continue as many buyers veer away from high-end and luxury projects.

Absence of New Sales Launches

Yangon has seen an escalating number of developers that are becoming more cautious towards their projects and sales strategies over the recent years. The "wait and see" approach, in relation to the current standing of the market, has come to be more evident as developers seek for clarity and further application of the Ministry of Commerce's (MOC) Condominium Rules into practice.

Such behavior has affected the volume of project launches. In retrospect, the units launched have significantly plummeted starting in 2016 with more than 1,600 rooms – approximately half the figures recorded in each of 2014 and 2015. However, this quarter, no movements in launches were recorded – a similar occasion witnessed in Q4 2017. Projects like The Yar Pyae Luxurious Condominium Tower A and B in Tamwe Township (Aung Kaung Kyaw Group of Companies), Merchant Luxury Condominium in Botahtaung Township (Moonsun Co., Ltd.), and Golden Rose Condominium in Thingangyun Township (DaDo Construction Co., Ltd.) were expected for completion this quarter, however, appear to be pushed back. Overall, timelines of several developments that were arranged to complete within Q2 2018 were further delayed from six months to a year.

Yangon Condominium Supply Stock (No. of Units)



Source: Colliers International Myanmar

Meanwhile, Colliers noticed an improvement in the overall condominium stock. Following the completion of seven projects namely Golden Parami Condominium in Hlaing Township (Shine Construction 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.), room supply reached almost 7,300 units, up by 7% and 18% on a quarterly and annual basis, respectively.

Looking closely, for the past years, project completions have sprung mostly towards the Outer City Zone amid the availability of vast developable land at relatively reasonable prices. This has been at least apparent with the mounting presence of large scale developments such as Star City, The Gems Garden Condominium and Swae Daw City. The trend appears to continue with all of the recently launched projects being located in the same city zone. With such, Colliers estimates that by the end of 2020, the area will represent more than half of the total market stock. Generally, the future stock appears likely to remain substantial with more than 9,860 units due for completion in the span of two and a half years, or an annual average of more than 3,000 new units. For the immediate year, Colliers projects the annual supply to reach a new record high of more than 3,600 rooms – a total of 31 condominium developments ranging from mid to high-end categories. However, weak sales performance are driving construction progress further delays. We expect most projects to be pushed at least a year behind schedule, and new sales launches to remain subdued at least in the near to medium term. Nonetheless, we remain keen on seeing further improvements in the market. While Colliers understand that the Condominium Law is still at works and is set to eventually facilitate sales, the pressing concerns (e.g. high land prices and car parking regulation) surrounding the sector remains unaddressed.

Reconsideration of Strategies Deemed Necessary

As of Q2 2018, the cumulative take-up rate witnessed a downward trajectory despite the lack of new launches. While developers continue to be wary, buyers are similarly becoming more mindful with their purchasing process in view of recent market developments. Consequently, the market similarly 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.

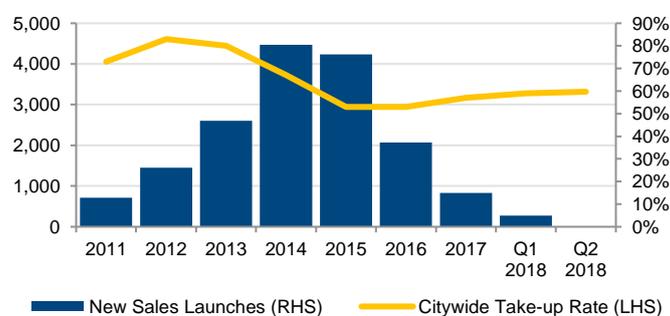
Yangon Pre-Selling Condominium Sales Price

Classification	Share	Average Selling Price (per sq m)	Average Total Contract Price
Mid	16%	USD 1,490.00	USD 140,500.00
Upper-Mid	40%	USD 2,050.00	USD 304,200.00
High-end	38%	USD 2,960.00	USD 486,600.00
Luxury	5%	USD 3,470.00	USD 751,200.00

Source: Colliers International Myanmar

In view of such, the mid-market segment, with an average price of USD 1,487 per sq m or about USD 140,500 per unit, continued to perform relatively better than the rest despite the 2% QOQ price increase. The segment registered a take-up rate of 64.5%, up by 1.8% QOQ. As for the upper-mid segment, average selling price further corrected downwards, recording a 3% QOQ decline. As of this quarter, such category registered a 55.4% 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.

Yangon Cumulative Pre-sales Take-up Rate



Source: Colliers International Myanmar

Most projects have already come under pressure to keep sales prices modest. In fact, few developments have already adjusted their selling prices, lowering it by as much as 15%. Colliers advises developers to review their sales and marketing strategies and start offering extensive promotion efforts such as more flexible payment arrangements. Likewise, developers should consider repositioning their projects on their highest and best uses, especially geared to more marketable products such as apartments for lease. However, onerous car parking requirements make it difficult to reduce unit sizes that appeal especially to both investors and end-users. Going forward, for projects to become more feasible, we expect land values to further correct at more reasonable levels.

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