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## Influx of Asian Tourists Spurred Demand

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As of H1 2018, Yangon witnessed a significant 6% YOY rise in the citywide occupancy rate. Resulting from the improvements in the overall tourist arrival figures coupled with the absence of project completions in Q2 2018, occupancy almost breached the 50% mark. With the upcoming lifting of visa restrictions for Chinese, Japanese, and South Korean nationals, we forecast a 2-4% escalation in visitor arrivals by the end of the year. Going forward, addressing poor infrastructure, besides the need for better country branding and aggressive tourism campaigns, should be vital in supporting and strengthening the hotel and tourism businesses across the country.

### Forecast at a glance



#### Demand

Visitors from Asia, especially from Thailand and China, dominated the latest foreign arrivals. Colliers estimates that foreign arrivals should grow by 2-4% in 2018 amid the government's tourism development plans and initiatives.



#### Supply

Yangon's upper-scale hotel room stock remained at more than 4,800 rooms. By year end, we expect the new supply to add a record of more than 1,200 rooms.



#### Occupancy Rate

Citywide occupancy reached 47% amid the increase in ADR. The anticipated sizeable stock in the second half of the year will likely exert downward pressure on occupancy.



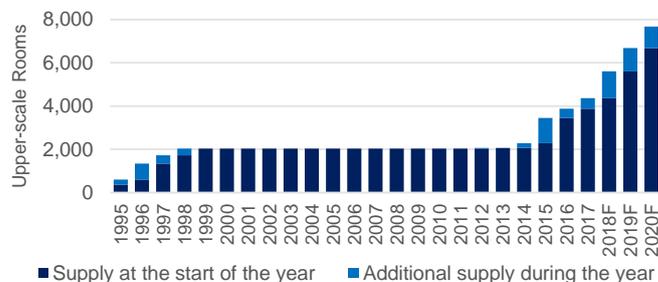
#### Average Daily Rate (ADR)

Colliers recorded a 2% YOY increase in ADR. We expect a 3-4% decline in ADR as substantial supply comes online over the next two years.

## Highest Annual Addition Estimated in 2018

As of Q2 2018, Yangon's upper-scale hotel room stock remained at more than 4,800 keys. Some developments that were anticipated to start during the quarter have seen limited construction progress, pushing back their completion to H2 2018 or Q1 2019. This leaves LP Holdings' Pullman Hotel and Shwe Oak Khai Co.,Ltd.'s Spring Line Hotel as the latest completed developments. The former is a luxury hotel situated in Kyauktada Township while the latter is a 4-star development located in Insein Township.

### Yangon Upper-scale Hotel Stock (No. of Units)



Source: Colliers International Myanmar

With the recent market resurgence, developers are in the process of delivering new upper-scale hotels, driving the room stock to surge over the next three years. In fact, around 12 upper-scale hotel developments are scheduled to be unveiled within 2018-2020, translating to more than 3,300 new rooms.

By the end of 2018, Colliers anticipates the introduction of three luxury hotel developments. These include two Downtown projects, one situated in Pabedan Township (Rosewood Hotel by JL Group) while the other is in Kyauktada Township (Yangon Excelsor by Apple Tree). Also, in the pipeline is an Inner City project (Sheraton Yangon Hotel by Family Business Group Hotel Ltd.) that comprises 55% of the total future supply for the year. The project is located in Tarmwe Township. By the end of the year, we expect the annual new supply to reach a record high of more than 1,200 rooms. Overall, we estimate the total stock to expand with close to 1,000 new keys annually in the next three years. Despite the strengthening supply pipeline, construction progress appears sluggish for the majority of projects. We expect delays in future completion, while some projects may temporarily be shelved given the recent market developments, especially with lower occupancy levels. Nonetheless, Colliers remains keen on seeing further improvements in the market, on the back of new government policies and programmes designed to boost the hospitality and tourism sector.

## Visa Allowance for Asian Markets to Reinforce Arrival Statistics

In a recent Myanmar Tourism Conference held June 10, 2018 in Nay Pyi Taw, Myanmar Vice President U Henry Van Thio announced the government's plan of loosening the visa procedures for three Asian countries - China, Japan, and South Korea – by the end of October 2018. As expressed by the government, Chinese, Japanese, and South Korean tourists should soon be able to request visa-on-arrival at certain border crossings and/or airports, depending on which of these countries they are from. Chinese passport holders should be able to receive visa-on-arrival at Yangon, Mandalay and Nay Pyi Taw international airports. Meanwhile, Japanese and South Korean travellers should be able to receive free-of-charge visas at international airports, as well as at the Tachileik, Myawaddy, Kawthaung and Htee Khee crossings on the Thai border.

### Notable Arrival Growth Rates by Country of Origin

Country	Q2 2017	Q2 2018	YOY
Thailand	130,665	153,814	17.72%
China	98,550	133,697	35.66%
America	33,850	34,021	0.51%
Malaysia	20,726	23,559	13.67%
India	20,653	21,648	4.82%

Source: Ministry of Hotels and Tourism; Colliers International Myanmar

As explained by the Ministry of Hotels and Tourism (MoHT), the upcoming lifting of visa restrictions is an offshoot from the continuous decline in Myanmar's tourist arrivals over the recent quarters, specifically Western tourists. The ministry believes that the political upheavals surrounding certain areas of the country strongly impacted foreign visitations. Recent figures from the ministry showed that visitors from EMEA dropped on an annual basis, for example: Eastern Europe, -10%; Western Europe, -26%; Middle East, -23%; and Africa, -15%. Despite the above-mentioned declines, significant offsets came from Asian tourists, specifically Thai and Chinese guests. This allowed the overall tourist numbers to increase by 2%, recording a total of roughly 1.75 million tourist visits as of H1 2018.

Colliers is optimistic that foreign arrivals will continue to rise given the sustained interest from Thai, Chinese, and American tourists as well as the rising arrivals from Myanmar's emerging tourist markets such as Malaysia and India. We forecast this trend to persist in the next three years, especially as more Chinese and Japanese businessmen travel and invest in Myanmar. In light of the increasing business tourist arrivals, Colliers surmises it

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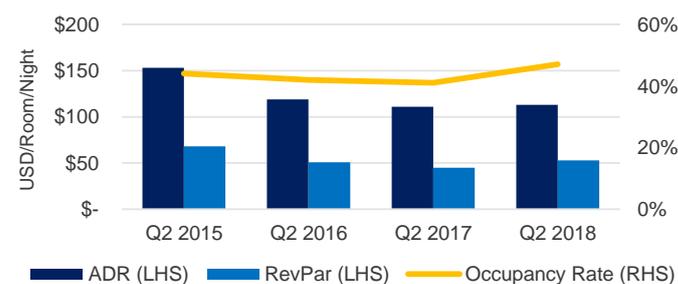
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would be favourable for hoteliers to further capitalise on functionality. Besides an accessible location, airport shuttle services are a convenient offering for business travellers. Providing reliable internet access as well as business facilities (i.e. business lounge, on-site conference and meeting rooms, etc.) and services (i.e. concierge, secretarial and translation services) is deemed essential. More importantly, the room design should be flexible for a business environment, with good lighting, strategically placed power outlets, and comfortable seating. Complimentary in-room amenities like stand-up desks and easy synchronisation between personal devices and the television make a compelling difference to the overall guest experience. While all of these are necessary for successful hotels, the government's support for the industry should play a much bigger role in the overall market's development. On a larger scope, increases in cross-border investment, proliferation of low-cost carriers, addressing poor road networks and infrastructure conditions, the creative branding and identity of Myanmar as a destination, and a further easing of visa restrictions ought to underpin future growth in the country, both internationally and domestically. Colliers forecasts that foreign arrivals will grow by 2-4% in H2 2018.

## Occupancy Soared Amid Modest ADR Increase

### Yangon Upper-scale ADR & Occupancy Rate



Source: Colliers International Myanmar

As of Q2 2018, the citywide occupancy rate improved by 6% from the same period last year. Regardless of the 2% YOY increase in the average daily rate, occupancy managed to increase and was able to reach a level nearing the 50% mark. This can be explained by the lack of supply combined with the improvement in foreign arrival levels. However, we project in 2019 that the entry of more upscale hotel projects will exert downward pressure both on occupancy and daily rates. This is especially true for older developments, as new hotels offer rates at a more competitive level.

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