

# New Legislation to Further Boost Retail Demand

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Colliers expects the retail market to continually propel in the succeeding years. Especially with the recent legislative developments, we see this as a promising sign, driving demand towards a lengthy upcycle. Tenancy mixes are likewise seen to become more diverse in the next three years as new legislative efforts allow for more competition. Overall, this much welcomed liberalisation should strongly facilitate foreign investment in retail and wholesale activities in Yangon going forward. In the meantime, Colliers sees robust yet untapped demand for large-scale shopping malls. Creating destination retail establishments geared towards recreation and entertainment will bode well in the market and appears to be an attractive offering to many locals especially among friends and families.

## Forecast at a glance



### Demand

Colliers thinks that further liberalisation of restrictions for foreign trading should fuel demand in the succeeding years.



### Supply

Supply continues to grow as an integrated part of future mixed-use developments. Colliers estimates an additional 36,000 sq m of retail space in the next three years. However, regional size and destination shopping malls remain very limited.



### Occupancy rate

Occupancy rate remain healthy for majority of well-maintained and well-positioned developments. Occupancy levels are still seen to register at 90% and above, at least in 2019-2020.



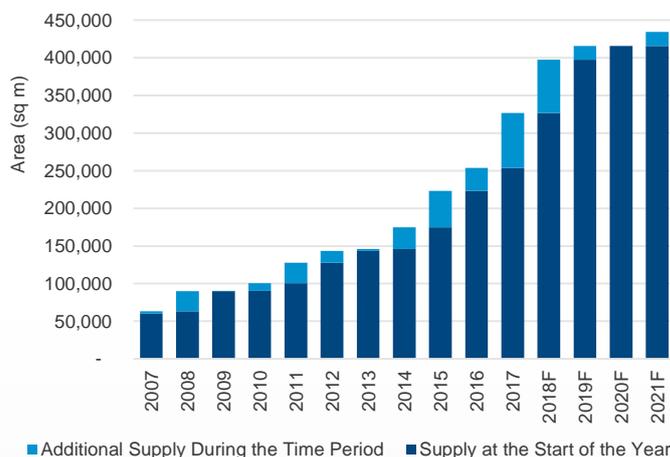
### Rent

Given the anticipated increase in new supply, rental levels are likely to become competitive in H2 2018. Rents should gradually increase in the next two years as new supply declines.

# Retail integration to further drive supply

Retail stock continues to grow, led by projects integrated in residential, commercial, and mixed-use developments. During the first half of 2018, the considerable rise in supply was mainly driven by the increase in these supporting retail components. In Q2 2018 alone, additional supply came exclusively from retail components amounting to more than 4,000 sq m of leasable space. Total supply at the end of the quarter totalled almost 348,000 sq m (3,745,841 sq ft).

## Yangon Retail Supply Stock (GLA)



Colliers International Myanmar

Upcoming supply for the remainder of the year is scheduled to reach close to 49,000 sq m (527,432 sq ft), coming from Kantharyar Shopping Mall (Asia Myanmar Shining Star Investment Company Limited), The One Shopping Mall (Creation Groups of Company Limited), and Fortune Plaza (Excellent Fortune Development Group). In the next three years, Colliers expects at least an additional 37,000 sq m (398,264 sq ft) of new supply, all of which are still the retail components of larger developments. Other projects forming part of mixed use developments include Yadanar Mall (Time City), Kantharyar Shopping Mall (Kantharyar Complex), and Yoma Central Retail (Yoma Central). The bulk of additional supply is located in the Inner City Zone, with only two projects - The Secretariat Retail (Anawmar Art Group) and Yoma Central Retail (Yoma Land) - planned in Downtown. As more developments are completed and as competition rises, international standard quality is likely to be the norm. Colliers recommends developers continually adopt new and innovative global retail concepts. We also emphasise the need for open and public spaces capable of being animated through events, programs, and activities; with the ability to promote social ties and encourage public interaction.

Colliers also sees robust yet untapped demand for large-scale and lifestyle-oriented shopping malls, however the supply remains limited. Creating destination retail establishments geared towards recreation and entertainment appears to be an attractive offering to many locals especially among friends and families.

## Easing of trading restrictions seen to fuel demand

Though a marginal decline of 0.22% occurred in Q2 2018 given the rise in stock, the citywide occupancy rates remain strong at 93%. Meanwhile, the net take-up rates continued to trail downward route, recording a total of more than 11,200 sq m (120,954 sq ft) recorded in the first half of 2018. In the next two years, we expect the net take up rates to ramp up given the sheer volume of upcoming supply.

### Yangon Retail Net Take-up



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Recently, the Ministry of Commerce (MOC) has issued Notification 25/2018 (2018 Notification), which allows 100% foreign ownership of businesses operating in the wholesale and retail sectors, under certain conditions. Previously, retail and distribution had been permitted in joint ventures, subject to Myanmar Investment Commission (MIC) and MOC approval. In contrast, the 2018 Notification marks a welcome step in the liberalisation of the sector and follows other recent developments designed to attract foreign capital into the country. The 2018 Notification removes several unnecessary processes and structures undertaken by foreign-invested businesses in the past in importing and selling their goods in Myanmar. This legislative action may prove significant in ramping up retail activities and encouraging a more conducive business environment going forward. Since 2017, foreign investors had been able to operate limited types of trading businesses (seeds, pesticide, fertilizers, medical equipment,

agricultural equipment and construction material) with MOC approval pursuant to MOC Notification 15/2017. However, the 2018 Notification liberalises the sector further and permits foreign entities and joint ventures to now conduct trading and distribution of all commodities (whether locally sourced or imported) without further approval, but subject to certain capital and registration requirements. The foreign firm must have a retail distribution area of at least 929 sq m, a minimum capital requirement of USD3 million for retail ventures, and USD5 million for wholesale.

Overall, Colliers believes that this liberalisation is an encouraging move from the government. This initiative is seen to drive demand for retail spaces with the expected rise of foreign and local joint venture businesses in the country. To date, the bulk of tenants in retail establishments are local businesses and have continued to be quite bullish in terms of expansions. Foreign brands remain quite limited in the market as most of them are locally franchised.

## Rates trailing a modest upward course

Citywide lease rates continued to increase despite the increase in stock. Average rental rates for the first half of the year were USD32.10 per sq m, a marginal increase of 0.3% QOQ and 5% YOY. Rental rates have been steadily increasing since 2015. Colliers projects that rates will likely continue to increase in the medium to long term albeit at more reasonable levels.

### Yangon Average Retail Lease Rates

Citywide	Q1 2018	Q2 2018	QOQ Change	Q2 2019	YOY Change
USD/ SQ M / MONTH	32.00	32.10	0%	33.50	4.4%

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We expect the further introduction of higher quality projects to support premium rents in the near to medium term. However, we forecast rental increases to moderate in the next two to three years as competition among landlords may start to increase. Correspondingly, as more international quality supply comes online, Colliers advises developers to target new and innovative concepts to the market. Apart from introducing destination retail developments, developers should also integrate a diverse tenant mix with a focus on entertainment facilities.

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