

Affordability Remains Unaddressed

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Over the last two quarters, the market has witnessed a slight uptick in demand following extensive pricing promotions for many projects. While this has buoyed overall sales take-up, Colliers sees the performance as temporary, and the strategy as financially unsustainable. We advise developers to look long term instead. Future projects should generally address concerns over affordability. This should altogether be reinforced with key drivers such as access to financing tools i.e. bank financing with reasonable terms; improvements in the currently onerous car parking regulation; and the enforcement of the long-overdue condominium law.

Forecast at a glance



Demand

Extensive pricing promotions temporarily stirred demand. However, we expect overall sales at least in the next two years to remain modest.



Supply

We expect the total completed stock to exceed more than 7,000 units in 2017. We estimate that this number will more than double in the next two to three years. However, construction delays remain an issue.



Take-up Rate

The introduction of competitively priced condominiums should drive higher sales in the medium to long term



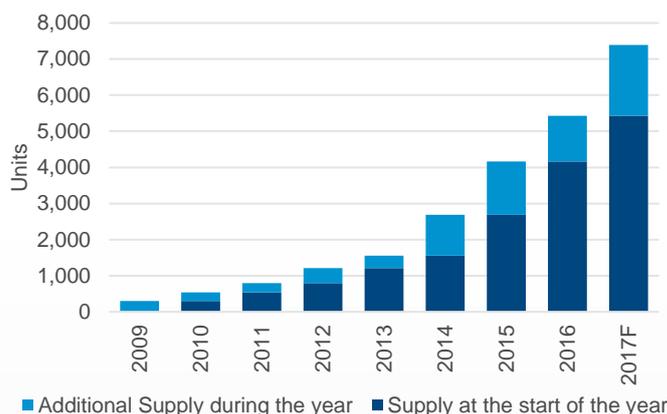
Selling Prices

Existing pre-selling developments are likely to maintain prices. We expect newer developments to introduce rates at competitive levels.

Project completions likely to slow down in the near term

Following the completion of Swae Daw City Towers A & B, Yangon's condominium stock totalled more than 6,600 units as of Q3 2017. The new supply for the year is expected to reach around 1,200 units, a similar level to 2015. However, construction delays amid the lacklustre sales performance could drive the rate of completions to slow down at least within the next two years. Still, the future supply remains substantial with more than 10,000 units currently in the pipeline.

Yangon Condominium Supply Stock



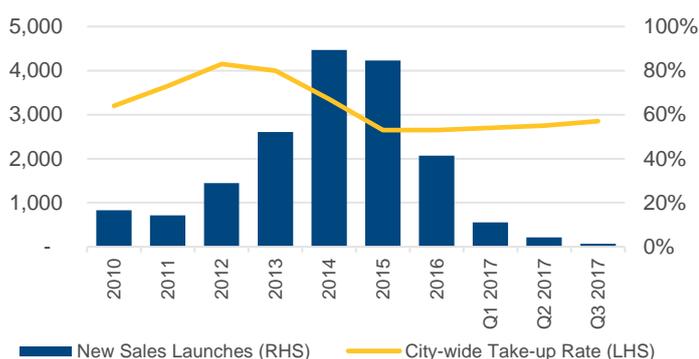
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The number of project launches is likewise on a declining trend. The units launched have significantly dropped starting in 2016 with 1,600 – roughly half the figures recorded in each of 2014 and 2015. This year, the number continues to decrease sharply with only 860 units launched as of Q3 2017. Overall developers' confidence remains dampened, owing to a generally weak sales performance, with many opting to shelve future projects as they reassess possibly more effective strategies. In addition, the majority continue to adopt a "wait and see approach" while seeking further clarity to the impending condominium law. Some of the highlighted stipulations in the current draft law include the 25% maximum stake in foreign ownership as well as protective measures for both local and foreign buyers. In light of the frequent construction delays and some project cancellations, Colliers sees that these protective measures are rather crucial in reinforcing buyers' confidence to

which will perhaps facilitate sales in the future. Above all else, we see that affordability remains a main concern given the general market's modest income along with the lack of financing tools, among others. While we have also observed capable buyers and investors for upscale projects, the inventory is considerably outpacing demand. In fact, these buyers are now becoming cautious with their selection process, adopting a more conservative approach than in the past.

Developers Urged to Look Long Term Instead

Yangon Cumulative Pre-Sales Take-up Rate



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The market has witnessed slight improvements in sales over the past three quarters following many developers' extensive marketing promotions. Discounts on prices were substantial, amounting to 30-40%. Along with the lack of new launches, this resulted into a modest increase in the cumulative take-up rate of 2% QoQ in Q3 2017. The citywide take-up ended at 57% for the quarter, also up by 3% YoY. While this appears to be a positive result, Colliers sees the performance as temporary, and thinks that keeping such a strategy will prove unsustainable in the future. We urge developers to address issues around affordability by introducing competitively priced products, starting with acquiring reasonably priced land. In particular, site selection can be geared towards alternative and accessible development sites in the immediate

outskirts of Yangon. With these areas of appropriately priced land, devising offerings for mid-tier satellite communities ought to be a viable strategy. Adopting flexible payment terms such as low down-payments and staggered monthly payments would also facilitate affordability. Bank partnerships allowing reasonable mortgage terms are also strategic reinforcements. The loan offerings should however trickle down towards lower-tier developments, and not just be limited to high-end projects.

Onerous Carpark Regulation

Average Condominium Unit Size & Price

City	Ave. Size Per Unit (sq m)*				Ave. Price per sq m*
	Studio	1BR	2BR	3BR	
Yangon	52	71	102	142	2,623
Bangkok	26	35	60	130	2,941
Manila	27	40	62	109	1,770
Jakarta	26	46	70	129	2,422

Colliers International Myanmar *Weighted Average (All Classification)

As of Q3 2017, condominium prices in Yangon ranged between USD147,700 and USD699,500, from a mid-market to a luxury category. While the prices have witnessed downward correction over the last three years, the amount remains substantial. Besides the generally high development cost (land and construction) Yangon's steep condominium prices are driven by an overall mix that is geared towards larger unit sizes. Developers are continually deterred from offering smaller sized units given the onerous carpark regulation. Unlike in some cities in the ASEAN region, Yangon's carpark space requirement (1.2 carpark spaces for every unit) is calculated based on the total number rather than the sizes of the condominium units. With this type of configuration costly to build, developers are forced to offer larger sizes which in turn can be priced high. For instance, a typical two-bedroom unit in Yangon is priced at almost double the average of Bangkok, Manila and Jakarta. Colliers believes that improvements in the regulation allowing smaller unit offerings could also help address affordability going forward.

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