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## Creative Solutions Needed In a Challenging Market Landscape

Karlo Pobre Assoc. Director | Research & Advisory

The sizeable rise in new supply is now taking a toll on Yangon's upper-scale hotel market. Despite previous attempts to reduce ADRs, occupancy levels continue to trend downward. Colliers recommends developers to rethink with creative strategies and focus instead on enhancing the overall experiential value.

### Forecast at a glance



#### Demand

In the long term, stronger niche demand is anticipated for heritage and colonial hotels with leisure travelers to Yangon mainly drawn towards distinct historical and cultural experiences.



#### Supply

The upper-scale hotel stock continues to build up and the annual supply for the year is set to reach a new record high. Expect 4,000 new rooms to be completed in the span of three to four years.



#### Occupancy rate

Though at a marginal rate, the city-wide occupancy dropped YoY. A further decline is likely given the sizeable stock expected in the next twelve months.



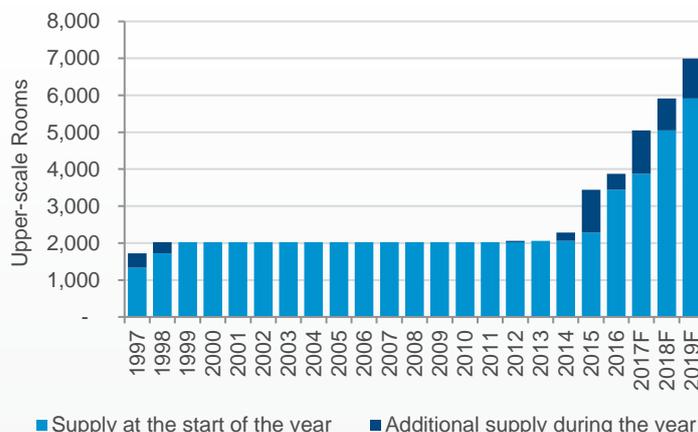
#### Average Daily Rate

The rising competition will exert downward pressure on the daily rates going forward. In Q2 2017, the average price has in fact further decreased by 7% YoY.

## Resurgence of Upper-scale Hotels in Downtown

Yangon's upper-scale hotel room stock was unchanged for the last four consecutive quarters. Since the completion of Melia Hotel in Q2 2016, the supply has remained at 3,875 rooms. However, for the remainder of the year, three new sizeable projects are anticipated, collectively representing 1,171 rooms. This significant addition will drive the total new supply for the year to reach a new record high, to surpass the peak recorded in 2015. Scheduled to open in Q3 2017 is Hotel Lotte & Serviced Apartments in the Outer City zone. The hotel component will comprise more than 300 rooms, similar in number with the likes of Sule Shangri-La, Parkroyal and Novotel Yangon Max. Considerable stock is also expected in Downtown with both Pan Pacific (Junction City) and Pullman Yangon Centrepoint scheduled in Q4 2017.

### Yangon Upper-scale Hotel Supply



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In the past, Yangon's busiest district has had limited presence of upper-scale hotels, the latest being Traders (now rebranded as Sule Shangri-La) in 1996. However, Downtown is now geared towards a resurgence of luxury hotels, with the majority being located in the clustered vicinities of Pabedan and Kyauktada townships. Besides Pullman and Pan Pacific, the rest are also associated with international hotel brands. In particular, Kempinski will soon take over one of the city's largest colonial buildings along Strand Road, known as the State House. To date, the project is completing renovation, leading to

its debut in Q3 2018. Meanwhile, Marriott International's foray in Yangon is similarly in place with the eventual entry of the Courtyard brand along Sule Pagoda Road by Q2 2018. Further down the pipeline, future mixed-use development Yoma Central will also see the addition of two new hotels along Bogyoke Road, one being the conversion of a colonial building (former Myanmar Railway Headquarter) to Peninsula Yangon.

## Yangon Colonial Hotels, a Strong Draw for Leisure Travelers

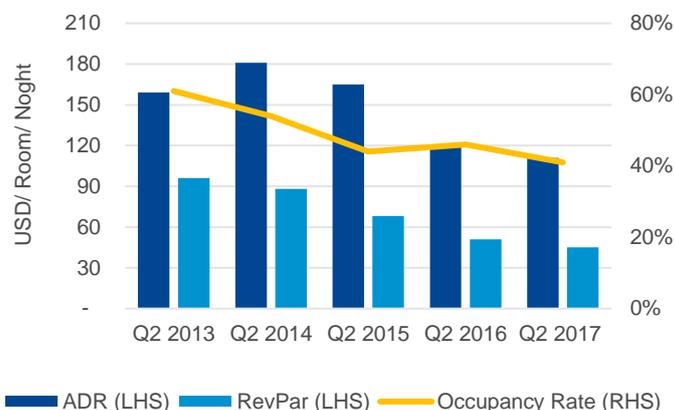


Yangon's rich collection of historic buildings bodes well for the market and should potentially help shape the city in to a distinctive and attractive tourist destination. Especially in Downtown, where many neglected colonial buildings are clustered, their rehabilitation and eventual conversion will likely propel tourism. Colliers believes that the demand prospects could be promising for Yangon, particularly with Downtown's potential of becoming on par and even exceeding other famous heritage sites in the region, such as those in Singapore, Malaysia, and Vietnam. A strong niche demand for historical hotels is also evident backed by the resilient performances of The Strand Hotel and Belmond's Governor Residence. This is amid the rapidly rising stock of high-end and luxury hotels in the city. The same course is likely for the upcoming Kempinski and Peninsula Yangon. Enhanced experiential value is crucial to successful historic hotels, and that affluent leisure travellers are always willing to pay a premium for unique guest experiences. To achieve such, Colliers recommends that future developments should emphasise and highlight the historic and cultural characteristics of the building, with designs also aimed

to address modern comforts. Integration of distinctive elements are important which could include: emphasis on opulent lobby staircases, high ceiling installations, ceiling mouldings, intricate marble floorings, and stained glass, to name some.

## We advise Differentiation amid Stronger Competition

### Yangon Upper-scale ADR & Occupancy



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The sizable rise in new stock is now taking a toll on Yangon's upper-scale hotel market. Competition is more pronounced driving many hotels to lower down ADRs. As of Q2 2017, the citywide rate ended at USD111, down by almost 7% YoY. Despite the reduction, the average occupancy further dwindled albeit at a marginal rate of 1% YoY. The sheer volume of future supply, most being upscale in nature, means that differentiation would be necessary going forward. We surmise that given the challenging market landscape, investors should pursue developing new concepts. This can be done in various ways. Especially as development offers of most upper-scale hotels in Yangon are becoming generic, Colliers recommend that future projects should resort to creative solutions instead, such as adopting modern communication technologies, integrating tailored local activities, offering distinctive memorable guest activities as well as introducing unique and experiential amenities – overall creating a destination itself.

#### For more information:

##### Karlo Pobre

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

##### The Htet Oo

Assistant Manager |  
Research & Advisory  
+95 (0) 979 765 7777  
thehtet.oo@colliers.com

#### Contributors:

##### Tin Thandar Oo

Analyst | Research &  
Advisory

##### Hsan Pyae

Assistant Analyst |  
Research & Advisory

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Colliers International | Myanmar

Room No. B 803, 8/F., Tower B,  
Myawaddy Bank Luxury Complex,  
No. 151, War Dan Street, corner of  
Bogyoke Aung San Road,  
Lanmadaw Township, Yangon, Myanmar

MAIN 950 931491 678



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