

Retail Market Faces Bright Future

Joshua De Las Alas Sr. Analyst | Research & Advisory

Yangon's retail scene is undergoing modern transformation. Foreign F&B brands, new technologies, and upbeat designs are defining the trend, and the consumers are strongly embracing these new experiences. Colliers sees a shift towards trendier concepts and that a wider variety of product offerings will be essential for retail developments going forward.

Forecast at a glance



Demand

The demand for quality retail space is at an all-time high backed by the entry of foreign brands. A shift towards modern, fashionable shopping concepts is becoming more pronounced.



Supply

The total retail stock ended at more than 290,000 sq m (3.1 million sq ft) in Q2 2017. We expect a sizeable increase in supply in the remainder of the year with new malls coming mostly as part of mixed-use developments.



Occupancy rate

The occupancy rate remained healthy at more than 90% over the past year. We expect a temporary decline in the succeeding quarter but is likely to quickly rebound amid strong demand.



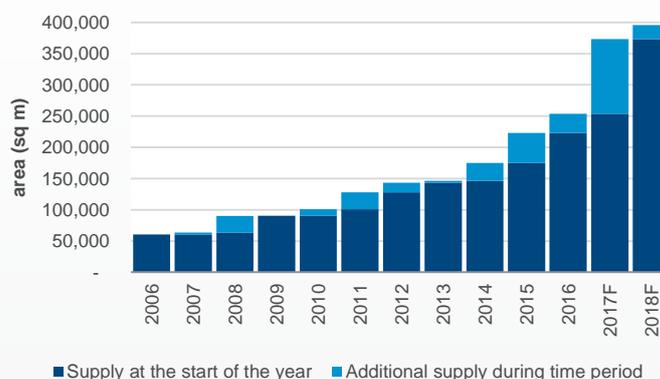
Rent

The entry of modern shopping malls is exerting an upward pressure on rental rates. The city-wide rate grew by 13% YoY and is predicted to further increase in the near term.

The advent of modern shopping malls

Developers are gaining more confidence amid robust demand from both local and foreign tenants alike. The shift in consumer preferences towards modern retail developments is creating an impetus for expansion, with the supply now geared to expand significantly in the near term. As at the end of Q2 2017, Yangon's total retail stock reached more than 290,000 sq m (3.1 million sq ft), up by 32% YoY. We expect more in the remainder of the year with the completion of seven new projects collectively representing 78,000 sq m (840,000 sq ft). Some of these are likely to be of modern quality including Junction Square Extension by Shwe Taung Development Co. Ltd., Golden Link by Htike Sin Co., Ltd., St. John City Mall by City Mart Holdings, Fortune Plaza by Excellent Fortune Development Group, and The One Shopping Mall by Creation (Myanmar) Group of Companies Ltd. This year is set to receive the highest additional annual stock, likely to grow by 47% YoY.

Yangon Retail Supply Stock (GLA)



Colliers International Myanmar

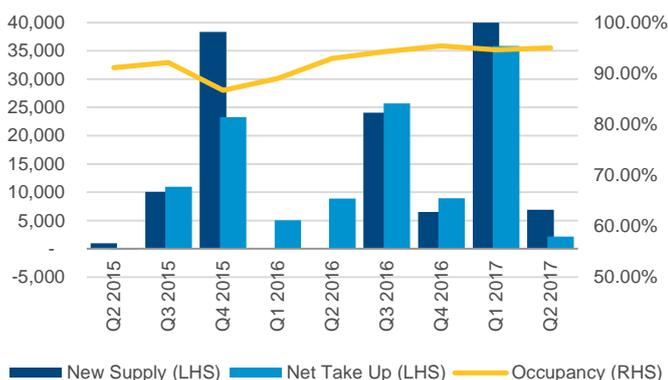
Yangon is yet to see a well-defined super-regional mall similar to those in other Southeast Asian cities. Access to appropriate large land plots and the limited number of tenants are challenges faced many developers. However, in light of recent developments, there is a possibility that the retail sector could open up to 100% foreign ownership. In April of 2017, the Myanmar Investment Commission issued Notification No. 15/2017 which states that foreigners can be allowed to participate

in retailing and wholesale services, subject to the approval of the Ministry of Commerce. The possible enactment of this Policy should bode well for new developments, paving the way for the entry of more foreign brands, and eventually creating a well-curated tenancy mix.

Retail entertainment is underserved

While the entry of luxury designer brands has also been evident in the past year, Colliers believes that the current demand is still focused mainly on affordable products, especially F&B. Affluent individuals would continually opt to travel overseas to purchase big-ticket items, particularly in nearby Bangkok or in Singapore. Also, with the emergence of contemporary and trendier retail concepts, Colliers recommends future developments to start integrating entertainment facilities and indoor activities in their offerings. In many countries, these have been used as key marketing tools in generating stronger foot traffic. This could be in a form of gaming arcades, bowling alleys, clubs and bars, indoor sports activities, as well as interactive platforms and playgrounds to name some.

Yangon Retail Net Take-up



Colliers International Myanmar

Overall, the requirements for retail space remains at an all-time high with pre-commitments for future projects being particularly strong. In fact, despite the recent spike in supply, the market is unfazed while the city-wide occupancy and the annual net take-up rates continued to move upwards by 2.1% and 51% YoY.

For more information:

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

Paul Ahlgrim
Senior Manager |
Real Estate Services
+95 (0)9 6015 8705
Paul.ahlgrim@colliers.com

Notable Retail Space per Capita

Zone	Population*	Retail Supply (sq m)	Per Capita (sq m)
Downtown	227,672	80,079	0.352
Inner City	841,751	171,839	0.204
Outer City	4,579,443	14,070	0.003

Colliers International Myanmar; *Yangon Population Census 2014

While major urban centres in Yangon are beginning to witness more retail developments, there remains a widely untapped demand in the rest of the city. This is particularly evident in the Outer City where the retail space per capita is virtually zero. The highest were recorded in Pabedan and Dagon Townships, being almost on par at 1.5 sq m per person. Colliers suggest developers to focus on commercial areas with high population but of limited retail spaces such as Kye Myin Daing, Ahlone, Mingalar Taung Nyunt, and Mayangone townships, to name a few.

New record high premium rents

Yangon Shopping Mall Rental Rate

City-wide	Q1 2017	Q2 2017	QoQ Change	Q2 2018F	YoY Change
USD/ SQ M / MONTH	35.01	35.01	0.00%	38.43	9.77%

The high demand along with the limited supply of modern quality retail space continued to drive the average rental rate upwards which ended at USD31 per sq m in Q2 2017, up by 13% YoY. The increase is more pronounced in new modern shopping malls where premium rates reached new a record high of USD70 to USD90 per sq m. The overall rent should continually improve, albeit at a reasonable pace going forward. Strong interest from both local and foreign tenants should drive the increase but will be capped at modest levels given the anticipated rise in competition. The average rate is predicted to grow by almost 10% in the next twelve months.

Contributors:

Hsan Pyae
Assistant Analyst |
Research & Advisory

Ye Tun Htet Paing
Researcher |
Research & Advisory

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



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