

# FMR YANGON REAL ESTATE REVIEW

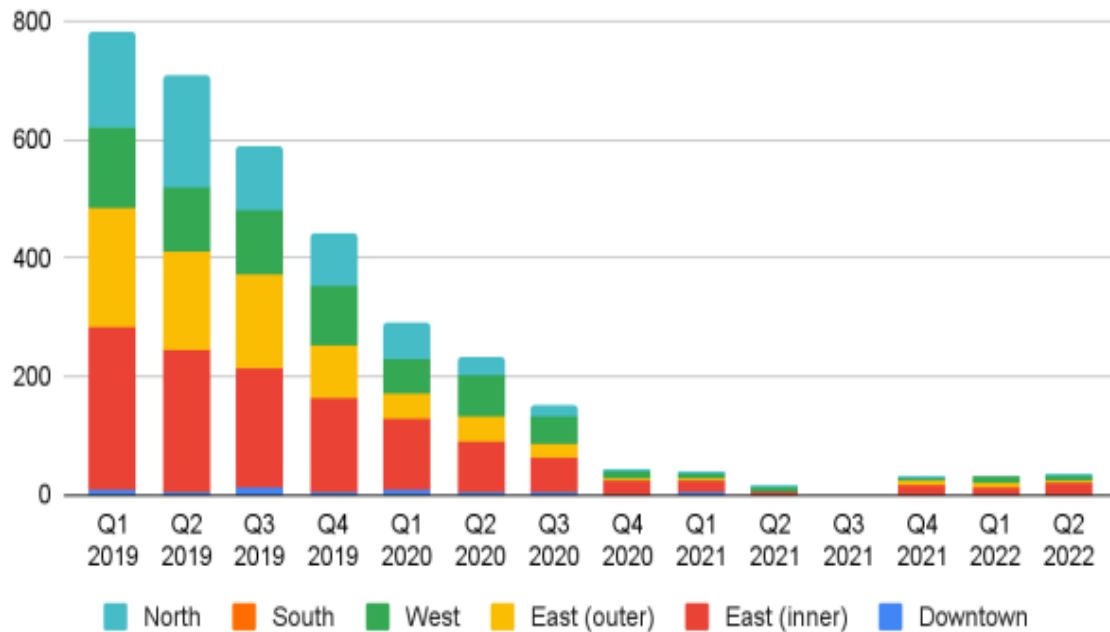
- Biannual research report on the Yangon property market, covering pricing and occupancy data, project updates, supply forecasts etc. for the residential, office, retail, and hospitality segments
- Researched through site visits and interviews with sales and project representatives
- Latest edition, released in November 2022 assesses the market around 18 months after the 1 February 2021 military takeover



# CONSTRUCTION SECTOR OVERVIEW

Construction permits by quarter

Source: YCDC

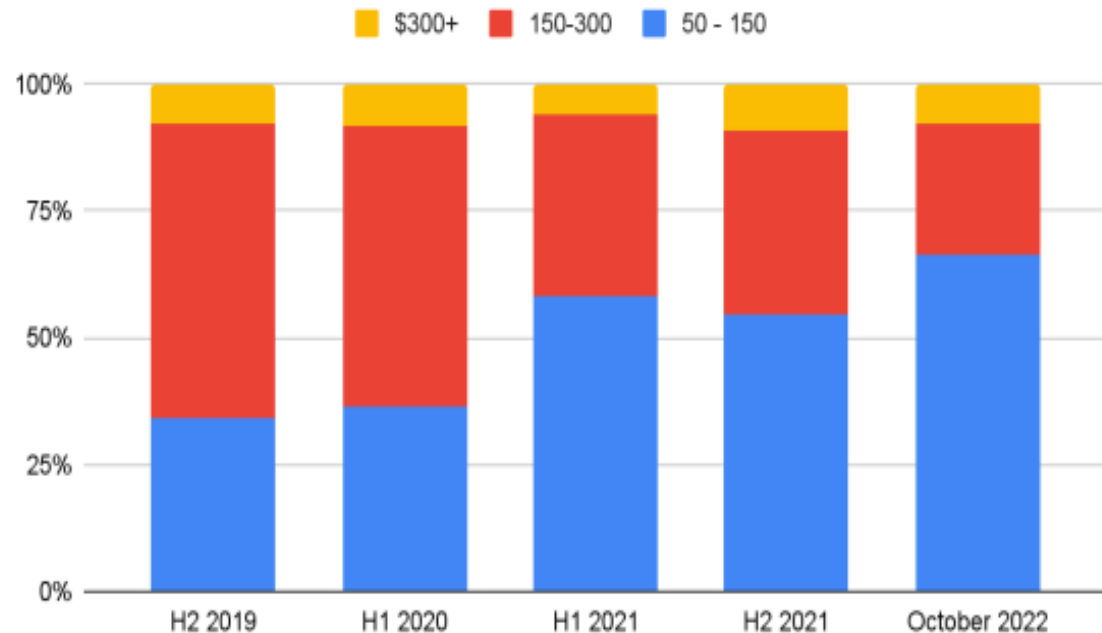


- Local construction firms gradually resumed work on ongoing projects in late 2021 as COVID-19 restrictions were eased
- In general, large foreign-invested projects remain suspended, ie. Y-Complex, Yoma Central, Amata Smart & Eco City
- Few new project launches as investment has remained weak
- Factors impacting the sector include economic uncertainty, high construction material prices and reputational risks

# APARTMENT/CONDO DEMAND AND PRICING

Price composition of apartment/condo market (\$/sq ft)

Source: FMR

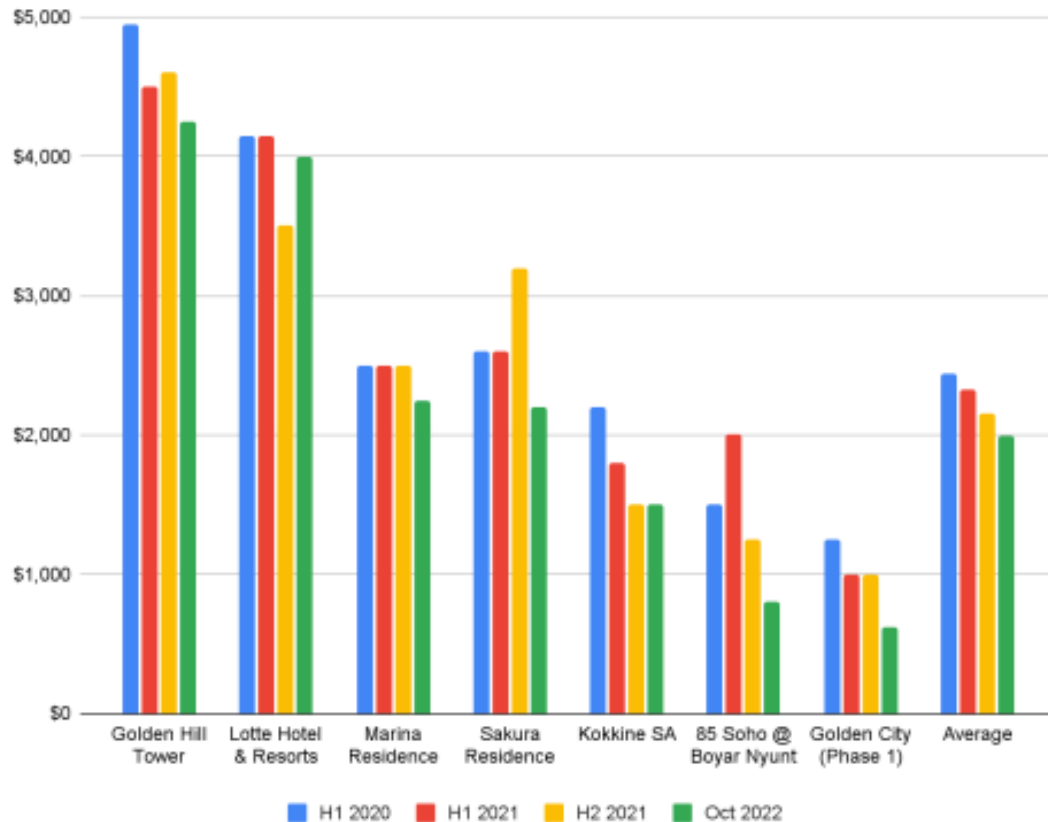


- Demand for real estate has been driven by cash buyers looking for a safe store of wealth, in addition to gold and vehicles
- In general, sales prices in kyat have risen significantly, but have not kept pace with the dramatic depreciation of the local currency against the USD
- High-end and luxury projects, typically priced in USD, have remained stable

# RESIDENTIAL LEASING MARKET

Serviced apartment pricing (one bedroom) at select projects

Source: FMR

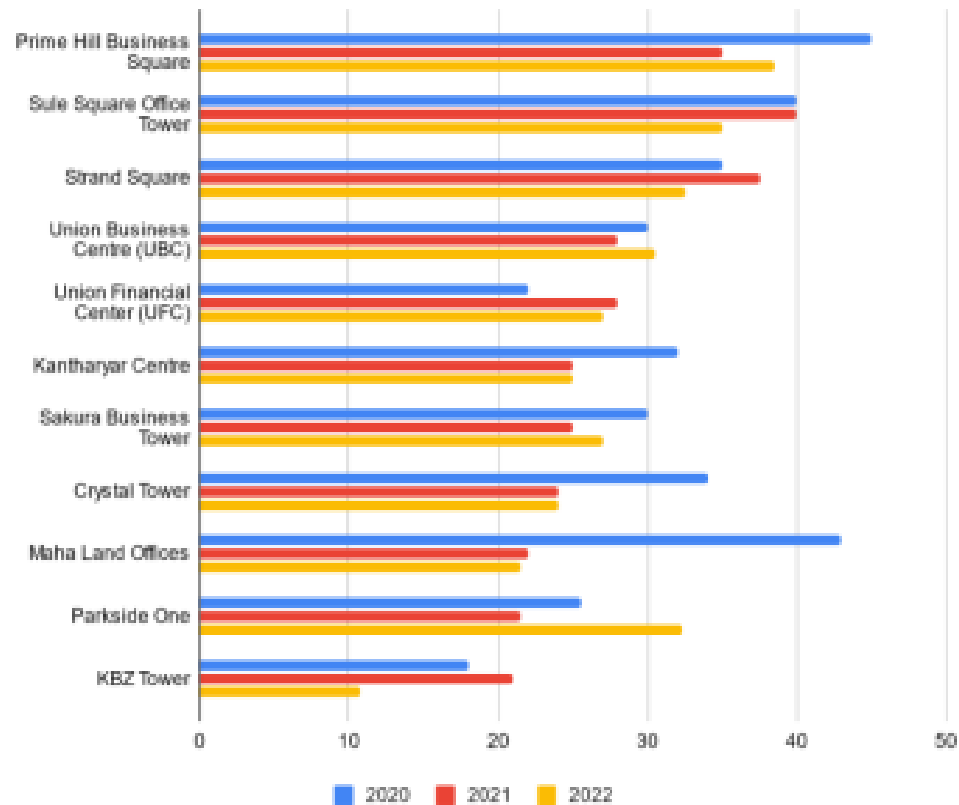


- Leasing market weakened by the exodus of foreign workers
- Expatriates now tending to fly into Yangon for shorter trips and favor more flexible lease and rental terms
- Listed prices at serviced apartments remain well down compared to pre-military takeover levels, and have continued to fall through 2022
- Developers will now be cautious about adding new supply to the market as demand is expected to remain weak in the medium-term

# OFFICE SEGMENT

## Office pricing (\$/sq m)

Source: FMR

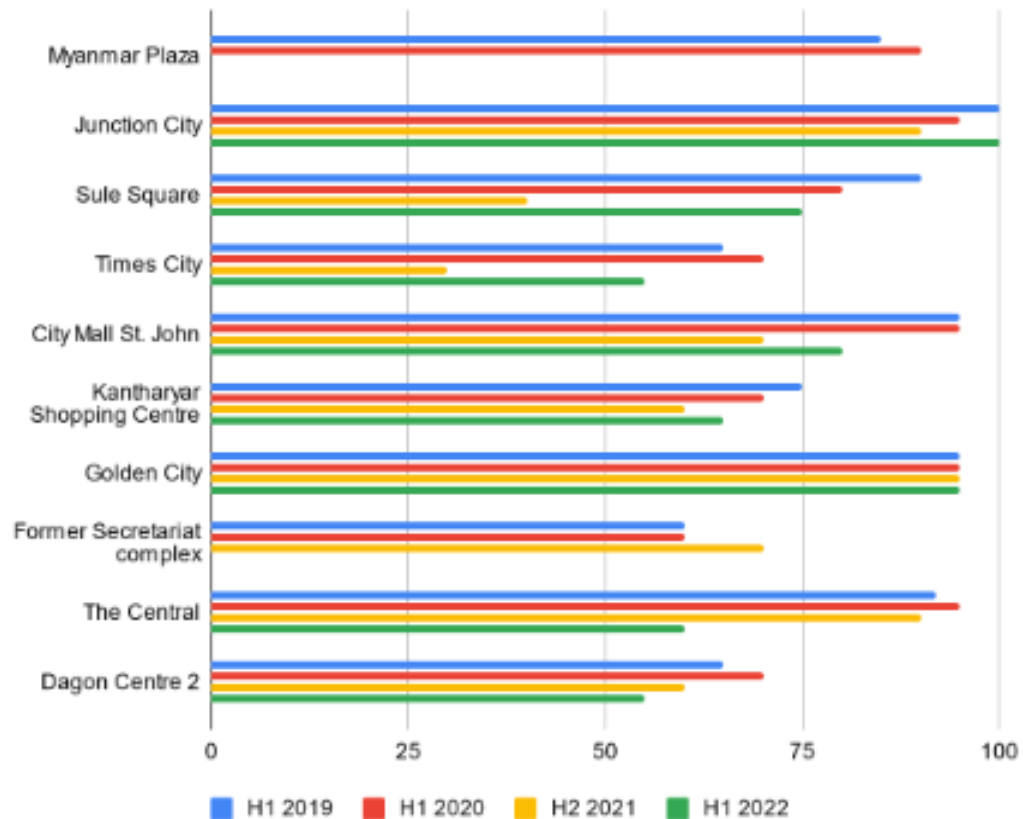


- Rental pricing for Grade-A office space in USD terms has continued to face downward pressure in 2022
- Variation across the market, largest pricing declines seen among more affordable spaces, while high-end office spaces typically enjoy higher tenant occupancy and keeping prices stable in USD
- Serviced offices, which typically cater to foreign representative offices, struggling to maintain occupancy amid a lack of new arrivals in the city
- Workplace attendance has improved slightly as companies shift away from work-from-home policies
- Companies are conscious of need to maintain costs amid continued uncertainty

# RETAIL SEGMENT

Retail space average occupancy (%)

Source: FMR

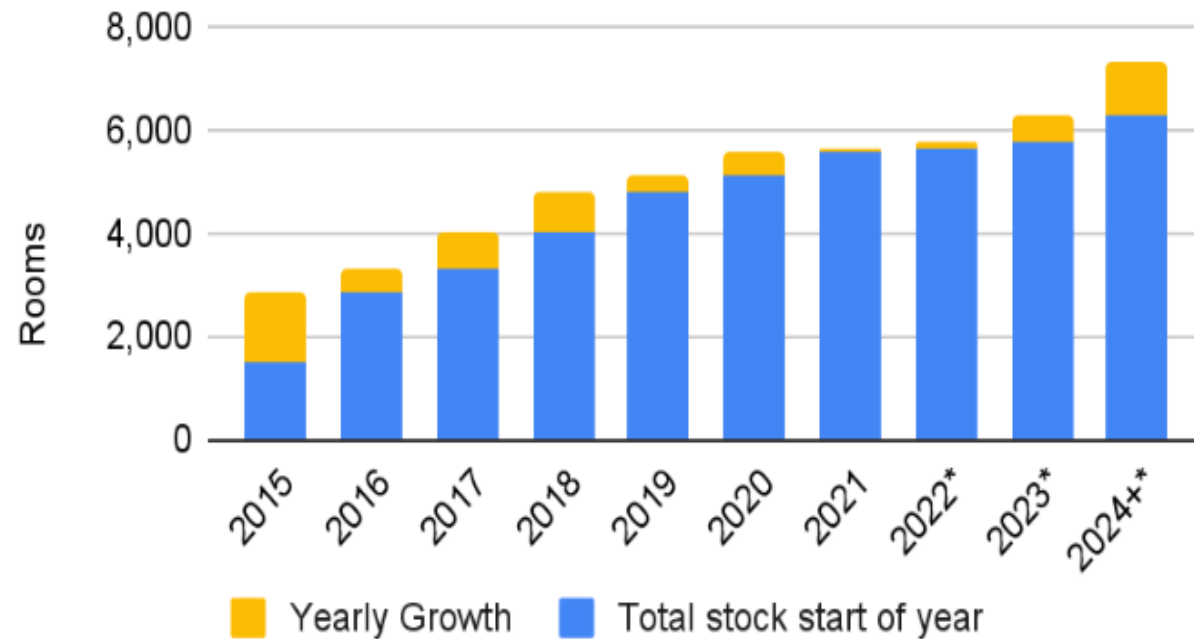


- Several of Yangon's malls saw improvements in tenant occupancy as footfall has increased following end of COVID-19 restrictions
- Some top malls maintained their pricing in USD terms, adjusting for depreciation of the kyat
- Sector remains under pressure from weakened consumer demand, high inflation and economic uncertainty
- Currently 11 large modern shopping malls in Yangon, with notable additions last year including Terminal M and City Mall (Shwe Pin Lon)
- Large-scale projects postponed in the wake of the military takeover include Y-Complex, Yoma Central, Myanmar Plaza Phase 2 Capital Mall and Aeon Mall
- New retail spaces expected to be developed alongside transport-oriented developments may now not be realised

# HOTEL SEGMENT

## Projected High-End Hotel Stock in Yangon

Source: FMR



- Prominent hotels that closed permanently amid the pandemic and military takeover include the Rosewood and Savoy Hotel, while a number of others shuttered temporarily
- Some of Yangon's high-end hotels have seen modest improvements in business by offering staycation and event packages
- Yangon's high-end hotel stock increased rapidly prior to the pandemic, with supply already exceeding demand
- Stock is still forecast to increase, although some major projects face uncertain futures in the near-term

# OUTLOOK AND OPPORTUNITIES

- High-end real estate pricing remains resilient, therefore continuing to offer a safe asset for wealthy buyers looking for a hedge against kyat depreciation and inflation
- Commercial banks have gradually resumed offering home loans, which could increase access to the property market
- There is potential for lower and mid-range priced projects, such as those similar to Star City, to attract buyers by offering creative financing schemes in partnership with banks and by targeting overseas Myanmar workers
- Gradual return of expats should boost the leasing market; however, foreign companies will be cautious about returning workers and expats also have more bargaining power than before



# OUTLOOK AND OPPORTUNITIES

- Office managements could consider more flexible lease terms, and actively promote amenities, such as nearby food courts and entertainment options, that can help companies maintain employee morale and wellbeing
- Retail spaces such as malls can continue to be creative to attract footfall, such as one-off events, retail fairs and bazaars, and other entertainment while keeping in mind that consumer spending is expected to remain depressed in the medium term
- Hotels in Yangon could gain some business by promoting office space / long-term stays to companies or foreign workers looking for flexible lease terms, taking advantage of a gap left by the declining availability of serviced apartments/offices



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