

Yangon Real Estate Review

Q4 2014

Sample pages



 **MYANMAR REAL ESTATE &
CONSTRUCTION MONITOR**

Introduction and methodology

This report is based on research carried out in Yangon in 2014 and the longer-term market understanding of our staff. It involved conducting interviews with developers, contractors, brokers, government and local authority officials, as well as other relevant businesses and organisations, and undertaking site visits to the projects mentioned in this report.

It is aimed at a wide range of readers, including developers, investors, funds and consultants, as well as construction companies, architects and building materials suppliers seeking to do business in the sector.

The report is updated quarterly: the next issue will be published in April 2015 with updated information across all sections.

While we have made every effort to ensure that the information in the report was accurate at the time of research, the real estate market in Yangon is in flux. It is therefore inevitable that some information in this report may change rapidly.

Pricing figures should be seen as guidelines only, and the cost of properties in a certain area may be significantly higher or lower than the averages we use, given the immature structure of the Yangon real estate market.

The report cannot and does not intend to provide a comprehensive picture of Myanmar's economic, legal, political and fiscal environment. Although these are covered in the report, the aim of this is to place the real estate sector in the wider context of the economy, the business environment and relevant legal considerations.

As legislation in Myanmar can be subject to unforeseen change, we always recommend that companies seek specialist advice from a qualified local law firm where required.

About Frontier

Frontier is a business research firm covering the world's more economically exciting markets. We are based in London and in 2014 established an office in Myanmar, where we provide a range of custom and subscription-based business research services.

In the real estate sector we undertake market and feasibility studies for residential, office and retail property, as well as hotels. Our team of local and international staff offer a range of expertise, including direct experience of working for local real estate developers in Yangon.

The *Myanmar Real Estate and Construction Monitor* is Frontier's subscription service, an essential resource for developers, investors, contractors, architects, project management and other firms operating in the sector.

It features news analysis, tenders, company profiles, a Yangon project tracker, data and copies of relevant legislation. Subscribers also receive four copies per year of our Yangon Real Estate Review, published quarterly.

To discuss how we can help your business in Myanmar, please get in touch.

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1.2 COMPANIES AND PROJECTS

In November **Zaykabar** launched a project comprising a series of high-end villas, known as **Z-Villas 191**, in Mingalardon Garden City to the north of Yangon. The project will comprise a total of 191 three storey villas, each of which will be priced at more than \$1m, and will be built by Malaysian firm **Ho Hup Construction**.

Myanmar developer **Pyae Sone Win Naing (PSWN)** opened the showroom for its 31-storey high-end residential project, **Illustra at Pho Sein**.

Mandalay Golden Wing Construction launched sales of its **Diamond Inya Palace** project, a 34-storey condominium comprising over 400 units which is competing for the title of tallest building in Myanmar with the 32-storey **Shwegone Emotion Tower** and the 33-storey **Golden City** project.

Singapore based **Keppel Land** and Myanmar conglomerate **Shwe Taung Group** announced plans to develop a 23-storey office tower in Yangon's central business district, as part of the **Junction City** project. Keppel will own a 40% stake.

Yoma Strategic Holdings launched the sale of **Lotus Garden villas**, part of the Pun Hlaing Golf Estate project in Yangon. The 100 villas are built on 9,400 sq ft plots, and are priced at Ks1bn (\$1m) or Ks800m.

Yoma's sister company **First Myanmar Investment (FMI)** announced a series of new real estate projects at its annual general meeting (AGM).

These include a condominium project called **FMI City Gates**, a boutique hotel named **Pun Hlaing Lodge**, an international school to be located at FMI's flagship Yangon residential development Star City, which will be run by Dulwich College International, as well as **Galaxy Towers**, a new phase in Star City which will add 950 apartments.

Tender winners for two downtown heritage buildings owned by the **Myanmar Investment Commission (MIC)** were selected - **Apple Tree Company** will redevelop the Former Trading Corporation building, and **Inle Lake View Resort and Cho Zaw Construction Compasny** will jointly redevelop the former Myanmar Export Import Enterprise (MEIE) building.

Two other buildings tendered by the MIC – the **former Ministry of Hotels and Tourism building** and the **former Myanmar Oil and Gas Enterprise (MOGE) headquarters** – were 'returned' to the Myanmar government as the original ownership documents could apparently not be found.

The **Myanmar Motion Picture Organisation (MMPO)** announced plans to develop a film studio park on a 600 acre site on the outskirts of Yangon, near to 20th Mile, on the Yangon-Mandalay Expressway.

The **Myanmar Computer Federation (MCF)** identified a 500 acre site for a **new cyber city** in Thanlyin township. The project is designed to become an outsourcing hub for the Myanmar software industry. MCF also signed an agreement with the **Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)** to develop a 1,400 hectare technology park in Maupin town in the Irrawaddy region.

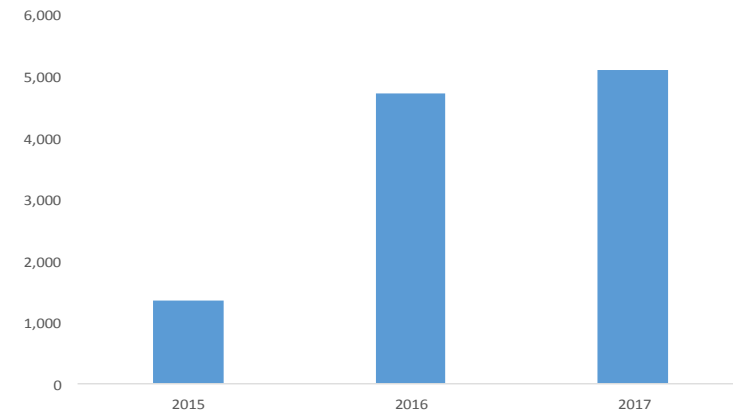
Thai company **Siam Cement Group** is considering expanding its presence in Myanmar by distributing new products, including wood alternatives. **SCG is also building a cement plant in Myanmar**, which is expected to begin operations by 2016, and will have an annual production capacity of 1.8 million tonnes.

For a full and detailed breakdown of companies and projects, please see the **projects** and **companies** sections of this report.

EXECUTIVE SUMMARY - Q4 2014

- Off-plan sales in many high-end residential units, mostly in luxury apartment blocks, slowed markedly in Q4 2014, with some high-profile projects reporting few unit sales in the final quarter of 2014. Many speculative investors, who account for a large proportion of high-end sales, are now in 'watch-and-wait' mode, while some developers have lowered prices to attract more interest.

A large number of residential units, mainly apartments, are under construction or planning in Yangon. Based on our research, developers intend to complete over 11,000 higher-end apartment units in purpose-built towers or mixed-use developments before the end of 2017, not including those in several major projects where components have not yet been finalised. However we increasingly expect delays on project completions, and some cancellations, due to changing market conditions.



- Several projects were completed in 2014, including Star City Zone A, which added 1,040 units to supply. More high-end residential projects are set for completion in Q1 2015, such as Royal Maylika, River View Point, Orchid Condominium and Royal Sin Min.
- Most off-plan higher-end condo units launched in Q4 2014 were priced in the \$250-300 per sq ft range, with some premium projects rising above \$350 per sq ft (and higher for villas). The launch of residential projects slowed in Q4 compared to Q3, with only one major project, Polo Club Residence, launching in the fourth quarter. Several other projects were announced, including the Shwe Gone Emotion Tower, which is competing for the title of tallest building in Myanmar, though sales are not expected to launch until Q1 2015.
- The government and local authorities have pledged greater focus on much-needed affordable housing, and plans to spend Ks100bn (\$97m) on 10 low-cost housing projects across lower Myanmar in fiscal year 2015-16, eight of which will be in the Yangon region.
- Despite the apparent slowdown, a combination of rapid population growth, urbanisation, rising incomes, domestic investment and the need to replace existing housing stock continues to create strong fundamentals for residential property in Yangon. New local and international players continued to enter the market in the fourth quarter of 2014, highlighting the perceived attractiveness of the sector.

Capital City

Location	Corner of Insein Road and Dhamayone Street, Hlaing Township
Developer	Capital Development
Contractors/consultants	Hoa Binh (Vietnam) (Contractor) RSP Architects (Singapore) (Architect)
Estimated completion	First phase— Q4 2016, Later phases—TBC
Status Q4 2014	First phase 45% complete, waiting for YCDC permit for Phase II
Announced value	\$100m (phase 1)
Tender terms	Leasehold grant
Duration	60 years
Sales performance	Phase I (75% in Q3), Phase I (80% in Q4)
Pricing residential phase 1	Q3 (\$210-240 per sq ft), Q4 (\$225-\$284 per sq ft)



COMPONENTS

Residential	Phase I - Four 21-storey condominium blocks (584 units) Phase II - Two condominiums and one serviced apartment block (TBC) Phase III - Two residential towers (TBC)
Office	Phase II - One office tower (TBC)
Retail	Phase II - One 6-storey shopping centre on 6 acres of land
Supporting	Swimming pool, gym, F&B outlets, spa
Site size	12.8 acres

Sales on the first phase of this project launched in Q3 2014 and included 21 four-storey residential towers, known as Gems Garden Condominium. This phase is scheduled to be finished by October 2016.

Phase II will comprise two residential buildings, an office tower, a shopping centre and a serviced apartment block. The second phase is expected to launch in Q1 2015. Phase III will add two more residential towers, to be called Jade Residences. Residential units in Phases II and III are expected to target a higher-end market than Gems Garden Condominium.





Mandalay Golden Wing Construction

Nationality	Myanmar
Ownership	100% family-owned private company
Parent/subsidiaries	
Year established	1990
Employees	350
Turnover	
Profit	
Completed projects	Yadanarpon Diamond Plaza (Mandalay) 78 Shopping Centre (Mandalay) 28 Zaycho Shopping Centre (Mandalay) Ayeyar River View Resort (Bagan) Tataoo-Myinchan railway track
Ongoing projects	Diamond Inya Palace (Yangon) Yankin Residence Condominium (Yangon) Mya Kyun Thar Arcade (Yangon) Garden Kandawgyi Tower (Yangon)

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Mandalay Golden Wing Construction (MGW) was founded in 1990 and specialises in both public and private sector projects including office buildings, retail space, schools, universities, apartment complexes, condominiums, housing and infrastructure.

The company built Myanmar's largest shopping centre, the Yadanarpon Diamond Plaza in Mandalay, as well as the 78 Shopping Centre and the 28 Zaycho Shopping Centre in the same city.

MGW was also the contractor for the Aye Yar River View Hotel & Resort in Bagan, and a railway track in the Mandalay region.

In addition, it is building the Diamond Inya Palace in Yangon, which is in the running to become the tallest building in the country.

Other future projects include the DEG Tower, a 27-storey serviced apartment building; the Diamond Dagon Garden Housing Project, with 190 two-storey buildings with gardens and a lake; and the Yankin Residence Condominium Building, which will have 21 floors.

The company has started piling work for Yankin Residence, even though the project is still in the design phase.

In Q4 2014, MGW announced new projects including Bahan Serviced Apartments, Diamond Parami Business Centre, MGW InterContinental Hotel, Mya Kyun Tha Arcade shopping centre and two more hotel projects in Inle Lake and Ngapali.

4.12 Mayangone township

Mayangone township is located in northern Yangon, to the north of Inya Lake, and is the largest township in the city's urban area.

It comprises ten wards and borders Insein and Mingaladon townships in the north, North Okkalapa and Yankin in the east, Hlaing river and Hlaingthaya in the west, and Kamayut township in the south.

High-end lakeside bungalows and villas are found next to Inya Lake, with some residential properties covering plots of more than an acre.

Detached houses belonging to upper and middle-income residents are found in the areas around Pyay Road and Kabar Aye Pagoda Road, as well as the eastern block of Kyaik Wine Pagoda Road. Several villa complexes are also located in this township.

On the western side of the township, densely populated apartment blocks are located on Bayint Naung Road, as well as agriculture and machinery sales centres and warehouses. The narrow streets connected to the western block of Kyaik Wine Pagoda Road are also generally low-income residential areas.

Junction 8 is a popular retail mall in the area, while the Ga Mone Pwint Department Store is located on Kabar Aye Pagoda Road. Car showrooms and service centres for Mercedes, KIA, Ford and Hyundai are also located in Mayangone township, as is the Myanmar Golf Club.

However, the area is likely to experience great change in the coming years. The government recently tendered a 36 acre land plot in Mayangone to be developed as Yangon's second central business district (CBD).

First Myanmar Construction, a subsidiary of Myanmar V-Pile, won the tender in August 2014 to develop the area in a joint venture with YCDC, which owns the land. The project is part of the government's 400-acre urban development plan for Yangon, on land which is mostly co-owned by the Ministry of Agriculture and the Ministry of Defense.

Original tender terms for the Mayangone development state that the winner may develop hotels, convention centres, exhibition halls, theatres, cinema halls, food centres, shopping malls and condominiums. Work is due to begin in 2015.

Not only Mayangone township, but also surrounding townships Hlaing Thar Yar, Shwe Pyi Thar and South and North Dagon are expected to benefit from the development which will shift Yangon's business and commercial centre to the north.

Several high-rise office towers with 20 storeys or more are also being built in this township, including those by AWBA and Pyay Tower and Residences by Noble Twin Dragons Company. The price of buying office space at the latter is the most expensive in Yangon, at \$680-\$800 per sq. ft as of Q4 2014.

Two upscale residential buildings, Diamond Inya Palace on the north side of Inya Lake, Kabar Aye Executive Residence on Kabar Aye Pagoda Road—are under construction as of Q4 2014. Between them they are set to add over 500 units to supply by 2016.

Smaller developments Northern Inya Residence, Mawrawady Condominium, Royal Maylikha Luxury Condominium and phase two of the Mindhama Residence project will add a further 200 high-end residential units in total, once complete.

Parami Road, 8 Mile, Thamine and Bayint Naung are the most congested areas in the district, despite the completion of the Bayint Naung flyover early in 2014.

The completion in October 2014 of a four-lane bridge linking the township to Hlaingthaya township on the other side of the Yangon River has improved traffic flow through the township.

There is also a plan to build a flyover on the Thamine and 8 Mile Junction, but this is not likely to move forward until the next fiscal year.

MAYANGONE TOWNSHIP

