

# MYANMAR REPORT

CONSTRUCTION  
MARKET UPDATE

JUNE 2017



### MARKET TRENDS

### MYANMAR ECONOMY

For the final year of the previous administration in fiscal year (FY) 2015/16 (ended 31 March 2016), Myanmar's annual growth was 7.3% – a significant increase from the 5.5% reached in FY2011/12. The new Myanmar NLD government took office in March 2016 and was tasked with many political and social challenges to rapidly transit the country to a market-oriented economy.

In World Bank's latest issue (December 2016) of its Myanmar Economic Monitor, Myanmar's gross domestic product (GDP) growth was projected to be around 6.5% for FY2016/17. According to the Asian Development Outlook published in April 2017, Myanmar's GDP growth slowed to 6.4% for FY2016/17 from the preceding fiscal year, after being held back by a slow recovery from natural disasters in 2015 and subdued international commodity prices. The institution noted that the Myanmar government had navigated a difficult economic and security environment in its first six months of office but had taken steps to maintain fiscal prudence, which helped to ease pressure on monetary growth.

Similarly with the World Bank, the Asian Development Bank's (ADB) findings also took into consideration the first year's performance of the Myanmar government and the slow start of the added approved foreign direct investment (FDI), which declined 28% in the first three quarters of FY2016/17. The Directorate of Investment and Company Administration (DICA) reported the level of approved foreign direct investment (FDI) into the country receded from US\$9.5 billion in FY2015/16 to US\$6.6 billion in FY2016/17. The ADB projects Myanmar's GDP to expand to 7.7% and 8.0% for FY2017/18 and FY2018/19 respectively.

With the generous lifting of U.S. economic sanctions in October 2016, the World Bank expects the country's economic growth to average 7.1% per year over the next three years. Private and public investments in infrastructure services (e.g. power, transportation) and non-commodity sectors (e.g. light manufacturing, hospitality) are expected to pick up, subject to continued macroeconomic stability, progress on structural reforms and expansion of critical services. A total of US\$656 million of FDI entered into the country in April 2017 alone and nearly US\$1 billion was approved as of the third week of May 2017. The Myanmar Investment Commission is confident the country can achieve over US\$6 billion of foreign investment for FY2017/18 and they continue to encourage more FDIs in trade, agriculture and infrastructure in order to speed up the country's economic development and create more job opportunities.

Experts expect the new government to be committed to upgrade infrastructure and essential services for the country. In order to improve the country's business environment, the Myanmar government unveiled its 12-point economic plan and the development of the Yangon Stock Exchange. The government enacted the new Myanmar Investment Law in 2016 in its process of revising its corporate legislation. Furthermore, a new Companies Law is expected to be enacted this year to improve operating and governance framework for both domestic and foreign investors. This will replace the existing Myanmar Companies Act 1914. However, the government has been slow to explain its policies and priorities, and has yet to really articulate an economic vision for the country, so businesses are still taking a cautionary stance with the passage and implementation of these laws.

### MARKET TRENDS

### PROPERTY MARKET

Despite easing foreign ownership rules on Myanmar property, the country's residential market is still sluggish. Local industry observers lament about the ambiguities surrounding the Condominium Law, which permits 40% foreign ownership of a development. It lacks details such as the exact process for a project to qualify as a condominium and whether it pertains to existing apartments or not.

The prospects for the real estate sector now partly depend on the by-laws that the authorities are legislating to clarify, according to Bloomberg reports. The Department of Urban and Housing Development under the Ministry of Construction has yet to announce any exact timeline for the implementation of the by-laws.

Various construction industry bodies including the Myanmar Real Estate Service Association (MRESA) and the Myanmar Construction Entrepreneurs Association (MCEA) had urged for a new tax law to review the current high property tax rate. Affordable housing is still out of reach for many ordinary buyers. With the vast majority of middle-range Yangon apartments priced at over K100 million, real estate industry operators pointed out the current tax rate of 30% is causing residential property to become overly expensive, thus suppressing the real estate demand. The government wants to build 180,000 low-cost housing units before the end of FY2020/21 and is expected to lower the sales prices on future low-cost housing projects.

Both the property and construction markets are currently caught in the doldrums. In the construction sector, there are construction delays arising from the building inspections and the weakening kyat. In the real estate sector, developers have the urgent need to generate revenue, but at the same time, are unable to offer the big discounts required to make sales. The government has not been successful in enticing private investment in low-cost housing and many developers have focused on the condominium market, where the profit margins are higher.

While the demand for residential property remains slow, office buildings are growing in demand. According to Colliers International's recent first quarter survey, more than 40,000 square metres of office space were added in several areas – such as Junction City and Botataung Office Park. In total, Yangon's total office space is now approaching 330,000 square metres. The average cost for rent for an office tower is US\$45 per square metre in Yangon and the price has been stable since last year. Industry observers expect the commercial property market to experience a more competitive rental environment as more office spaces become available.

MARKET  
TRENDS

CONSTRUCTION INDUSTRY

According to Myanmar Builders Guide (MBG), almost 90% of the construction industry is led by small and medium enterprises (SMEs) and the industry's ability to make profit has been declining since early 2017. The construction industry still faces many delays and uncertainties after the controversial city-wide halt on many high-rise construction projects that left many developers in limbo.

Although the suspension was finally lifted in November 2016, the clampdown had alerted banks of the construction credit risks and affected their willingness to lend for major construction projects. This created difficulties for a large number of construction companies and developers to service old debts and refinance to hire new labourers and foreign experts to restart their unfinished projects or alter their completed ones. According to industry observers, the construction market was also stressed out by the progressive weakening of the Myanmar kyat since 2H 2016 since it relies heavily in dollar-denominated imports of materials and equipment.

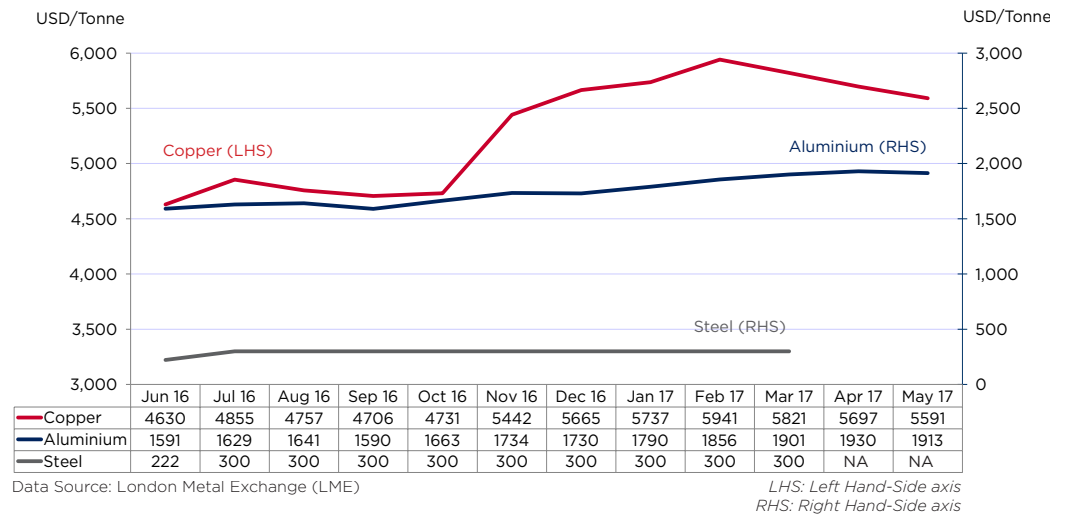
The construction industry remains enduring nonetheless and is anticipating a number of major infrastructure projects in the upcoming future. This is evident in the significant progression of the Thilawa Special Economic Zone (SEZ) in the Yangon Region. This development attracted more than US\$122 million of FDI over FY2016/17. For the Thanintharyi Region, the governments of Thailand and Myanmar are also set to restart the development of the Dawei deep-sea port and the SEZ, after both countries set up a joint coordinating committee to work out investment

In December 2016, the Yangon Region Chief Minister announced plans are underway for a second SEZ development in the southern Yangon Region, after the Thilawa SEZ. This prospective SEZ will be implemented across three southern townships - Dala, Kawhmu and Kungyangon. It would include a new international airport and access to a deep-sea port.

There are future plans to work with Chinese companies to develop Kyaukpyu in western Rakhine State on the Bay of Bengal with a deep-sea port and a SEZ. Like Dawei, the Kyaukpyu deep-sea port will be a long-term development. As at the end of April 2017, the Directorate of Investment and Company Administration (DICA) reported China was the highest FDI contributor at 26.2%, followed by Singapore at 23.4%.

Singapore's infrastructure consultants Surbana Jurong signed a memorandum of understanding (MOU) with the Myanmar Construction Entrepreneurs Association earlier this year, to consider ways to work on developing much needed, low cost housing in Myanmar. In the meantime, the Ministry of Construction strives to finish 8,000 low-cost apartments in Yangon in FY2017/18 and a total of 180,000 apartments by FY2020/21.

## METAL PRICES



## CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE (MMK)			
		2H2015	1H2016	2H2016	1H2017 <sup>p</sup>
Concreting Sand	m <sup>3</sup>	4,520	4,420	4,250	3,670
Stone Aggregate (20mm)	m <sup>3</sup>	37,010	33,600	33,000	32,460
Ordinary Portland Cement	kg	140	115	125	103
Reinforced Concrete (Grade 30 MPA)	m <sup>3</sup>	101,480	90,340	86,830	85,880
Reinforced Concrete (Grade 40 MPA)	m <sup>3</sup>	115,150	101,670	99,620	95,480
High Tensile Steel Bars (10 - 32mm)	kg	480	480	630	670
Mild Steel round bars (6 - 25mm)	kg	NA	490	610	675
Structural Steelwork (U-beam, stanchions)	tonne	774,210	601,700	652,500	746,680
Plywood Formwork (2438 x 1219 x 20mm)	pc	40,810	40,500	37,000	33,890
Clay Bricks (100mm thick brickwall)	pc	100	101	100	110

Data Source: Market Sources  
p: preliminary

### Exclusions:

- Plant and Equipment • Transport • Wastage • Overheads and Profit • Preliminaries
- Withholding Tax • Commercial Tax

### Notes:

All supply prices stated above are only applicable for building construction projects in Yangon. Specific cost consultancy should be sought for your particular factual situation prior to utilising this information.

## CURRENCY EXCHANGE

CURRENCY	UNITS PER USD			
	3Q2016	4Q2016	1Q2017	2Q2017 <sup>p</sup>
Myanmar Kyat (MMK)	1,223	1,327	1,384	1,380

Data Source: Oanda  
p: preliminary

YANGON  
CONSTRUCTION  
PRICES

DEVELOPMENT TYPE	COST PER CFA MMK ('000) / m <sup>2</sup>	COST PER CFA USD / m <sup>2</sup>
<b>OFFICE</b>		
Standard	1,180 - 2,010	850 - 1,450
Prestige	1,590 - 2,420	1,150 - 1,750
<b>HOTEL (Excluding FF&amp;E)</b>		
Three Star	1,870 - 2,420	1,350 - 1,750
Four Star	2,280 - 2,910	1,650 - 2,100
Five Star	2,910 - 3,600	2,100 - 2,600
<b>COMMERCIAL</b>		
Medium Quality Retail	1,520 - 1,970	1,100 - 1,420
Good Quality Retail	2,010 - 2,420	1,450 - 1,750
<b>RESIDENTIAL</b>		
Medium Quality Condominium	1,250 - 1,800	900 - 1,300
Good Quality Condominium	1,770 - 2,280	1,280 - 1,650
<b>CAR PARK</b>		
Above Grade Carpark	480 - 830	350 - 600
Basement Carpark	1,040 - 1,590	750 - 1,150

**Notes:**

Construction Floor Area (CFA) - The area of all building enclosed covered spaces measured to the outside face of external walls including covered basement and above ground car park areas.

All Yangon construction prices stated herein are as at **1st Quarter 2017**, and include a general allowance for preliminaries, foundation, car parking, and external works. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

Exchange Rate Used: USD 1.00 = MMK 1,384

**Exclusions:**

- Land cost • Legal and professional fees • Development charges • Authority fees • Finance costs
- Site infrastructure work • Diversion of existing services • Models and prototypes • Future cost escalation
- Loose furniture, fittings and works of art • Tenancy work • Resident site staff cost • Withholding Tax
- Commercial Tax

**Disclaimer:** While Rider Levett Bucknall Limited ("RLB") has endeavoured to ensure the accuracy of the information and materials in this report (the "Materials"), it does not warrant its accuracy, adequacy, completeness or reasonableness and expressly disclaims liability for any errors in, or omissions therefrom. RLB shall not be liable for any damage, loss or expense whatsoever arising out of or in connection with the use or reliance on the Materials. The Materials are provided for general information only. Professional advice should be obtained for your particular factual situation before making any decision. The Materials may not, in any medium, be reproduced, published, adapted, altered or otherwise used in whole or in part in any manner without the prior written consent of RLB.

# PROFESSIONAL SERVICES

RIDER LEVETT BUCKNALL (RLB) is an independent, global property and construction practice with over 3,500 people in more than 120 offices across Asia, Oceania, Europe, Middle East, Africa and the Americas, serving major local and international clientele.

RLB's global expertise and significant project experience provides comprehensive services and solutions to the development and construction of the built environment, extending to building and civil infrastructure, commercial, residential and hospitality buildings, healthcare, industrial and civil engineering projects.

As a multi-disciplinary group, RLB offers a full range of services required by clients in the property and construction industry, ranging from cost consultancy and quantity surveying, project management, advisory services and market research.

RLB Research's expertise in economic and market studies, industry participation and research publications position us as the choice consultant for advice on construction cost trends and market updates for the regional construction markets.

The extensive range of professional consultancy provided by RLB covers the following core services:

QS and Cost Consultancy	Project Management	Advisory and Research Services
Feasibility Studies	Client Representation	Asset Advisory
Value Engineering	Project Management Services	Transaction Review
Cost Planning and Estimating	Development Management	Technical Due Diligence
Tender & Contract Documentation	Contract Administration	Replacement Cost Assessment
Contract Procurement and Delivery	Construction Management	Capital Cost Allowances Assessment
Cost Management	Procurement Management	Building RELieving Services
Progress and Variation Valuations		Facilities Management Consulting
Post-Contract Services		Litigation Support
Project Risk Management		Risk Mitigation and Due Diligence
Financial Reporting and Management		Procurement Strategies
Final Accounts		Construction Market Research
Auditing Services		Industry Trend Analysis
		Cost Escalation and Cost Benchmarking by Sectors

For enquiries, please contact:

## Rider Levett Bucknall Limited

Union Business Centre, Nat Mauk Road, Bo Cho Quarter, Bahan Township, Suite 03-02, Yangon 11121, Myanmar  
 T: +95 1 860 3448 Ext 4004 | E: rlb@mm.rlb.com | W: RLB.com

## OTHER REGIONAL RLB PRACTICES

### SINGAPORE

**Rider Levett Bucknall LLP**  
 150 Beach Road  
 Gateway West  
 #09-01  
 Singapore 189720  
 T: +65 6339 1500  
 F: +65 6339 1521  
 E: rlb@sg.rlb.com  
 Contact: Silas Loh

### INDONESIA

**PT. Rider Levett Bucknall**  
 Jl. Jend. Sudirman Kav. 45-46  
 Sampoerna Strategic Square,  
 South Tower Level 19, Jakarta  
 12930, Indonesia  
 T: +62 21 5795 2308 /  
 +62 21 5795 2309  
 E: rlb@id.rlb.com  
 Contact: Widotomo Puntoadi

### MALAYSIA

**RL Bersepadu Sdn Bhd**  
 B2-6-3 Solaris Dutamas  
 No. 1 Jalan Dutamas 1  
 50480 Kuala Lumpur  
 Malaysia  
 T: +60 3 6207 9991  
 F: +60 3 6207 9992  
 E: rlb@my.rlb.com  
 Contact: Lai Kar Fook

### VIETNAM

**Rider Levett Bucknall Co. Ltd**  
 Centec Tower 16th Floor,  
 Unit 1603, 72-74 Nguyen Thi  
 Minh Khai Street, Ward 6,  
 District 3, Ho Chi Minh City,  
 Vietnam  
 T: +84 83 823 8070  
 F: +84 83 823 7803  
 E: rlb@vn.rlb.com  
 Contact: Ong Choon Beng

rlb.com



Cover: Sule Pagoda located in the heart of Yangon