Best Performing Sector

Rental continues on its moderate recovery path
As at 4th quarter 2016, the serviced apartment rental in Yangon increased by 0.3% quarter-on-quarter (q-o-q) and 0.1% year-on-year to US$5,583 per month. As compared to the peak in 1Q2015, the overall rent has declined by 6.7%. While rent has weakened compared with previous peak, serviced apartments in Yangon are still relatively more expensive than other emerging market. The average rent of 1-bedroom was about US$4,000 per month, 2-bedroom at US$5,800, 3-bedroom at US$6,800 while 4-bedroom at US$7,800 per month. This is comparable with the serviced apartment rents in prime Singapore locality.

Market occupancy remains high
As at 4Q 2016, the overall market occupancy rate was at 96.5%, an improvement of 3.6 percentage points over the last quarter. The increase was mainly due to the 16-percentage-point q-o-q improvement in occupancy rate at MiCasa Hotel Apartments, one of the oldest serviced apartment in Yangon. The occupancy at the relatively newer offerings like Marina Residence, Golden Hill Tower and Shangri-la Serviced Apartment remained 100% occupied in the quarter, with long waiting lists of at least 3 months. In general, occupancy rates at the serviced apartments have averaged above 90% since the country opened its economy in 2012.

Lack of new construction starts will prevent oversupply
Looking ahead, the continuing hiatus in new construction starts in Myanmar is a positive outcome for the market over the medium term, as it was in danger of running into a severe oversupply scenario previously. This will give the market time to absorb the new completions. Hoang Anh Gia Lai Myanmar Centre and Pan Pacific Serviced Apartments are the only 2 major projects expected to be completed by 2017-18. We expect this to have some downward pressure on rents for the older serviced apartments.

More catalysts in sight for the sector
There are numerous economic drivers falling into place that could spur the development of Myanmar in the coming years. The continuing process of political, legislative and economic reforms are expected to open up more opportunities for businesses and attract even more foreign companies to invest in the country. Thus, we expect the serviced apartment sector to continue to benefit from the resulting inflow of foreigners. The Government has recently issued warnings that Airbnb is effectively not allowed in Yangon and all visitors on tourist visas are required to stay in either hotels or serviced apartments. This is expected to further increase demand for serviced apartments in Yangon. The serviced apartment sector remains as our favourable sector for exposure to the Yangon real estate market.
Figure 3: Myanmar has the highest GDP growth in SEA

![GDP Growth Chart]

Source: IMF, FundPlaces Research
Note: The past 3 years refer to 2013, 2014, 2015 while the next 3 years refer to 2016, 2017 and 2018.

Figure 4: FDI rebounded sharply in 2015-16

![FDI Chart]

Source: World Bank, FundPlaces Research
Note: Year ends on March.

Figure 5: Surge in visitor arrivals into Myanmar

![Visitor Arrivals Chart]

Source: Ministry of Hotel & Tourism, FundPlaces Research

Figure 6: Limited stock of serviced apartments

![Serviced Apartments Chart]

Source: Ministry of Hotel & Tourism, FundPlaces Research

Figure 7: Rental Index by room type

![Rental Index Chart]

Source: FundPlaces Research

Figure 8: Occupancy rate by room type

![Occupancy Rate Chart]

Source: FundPlaces Research

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Yangon Serviced Apartment Market Report 3Q 2016

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