



DECEMBER 2019

MYANMAR REPORT

CONSTRUCTION MARKET
UPDATE

RLB

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20 KAP OFFICE BUILDING A.K.A THE EMBANKMENT ▲ YANGON, MYANMAR

CLIENT: FOUR RIVERS INYA OFFICE CO. LTD

ARCHITECT: AEDAS PTE LTD

SERVICE: FULL QS SERVICES

COMPLETION: 2021

RLB is the appointed QS for the proposed 17-Storey Office Tower with Two Basements, located at Kabaraye Road, Yangon, Myanmar.

MYANMAR ECONOMY

Myanmar's GDP growth is estimated at 6.3 per cent in the fiscal year 2018/19, which ended on 30 September 2019. The World Bank attributed the growth to continued good export performance. For 2019/20 which begun on 1 October 2019, economic growth is expected to be broadly stable at 6.4 per cent, helped by increasing investments in the transport and telecommunications sector and planned infrastructure spending by the government before the 2020 elections.

Foreign direct investments (FDI) inflows for 2018/2019 fell short of its original forecast of US\$5.8 billion, coming in at US\$4.5 billion for 285 projects. Myanmar's forecast remains unchanged for the new fiscal year, as announced by the Directorate of Investment and Company Administration (DICA). In the last fiscal year, Singapore contributed the most FDI at about 50 per cent, followed by China at 13 per cent.

Headline inflation stood at 8.6 per cent as of end-September largely due to one-off factors such as higher electricity tariffs, food and fuel prices. The Myanmar government in July raised electricity rates by a maximum of more than two folds, the first time it has done so in five years. Inflation is expected to fall to 6 per cent to 7 per cent in the medium term with the ending of one-off impacts and pressures from rising food prices abating.

In line with the Myanmar Sustainable Development Plan, the government launched the online Myanmar Project Bank, a centralised and publicly-accessible database of infrastructure projects in Myanmar as well as provide a new framework for managing public private partnership (PPP) projects. The initiative aims to align projects with the development objectives of ministries to bring an element of consistency and planning to the projects as opposed to unsolicited proposals.

Following the outbreak of the coronavirus (COVID-19) in China in December 2019 and border crossings closed to contain the spread, Myanmar's border trade with China for perishable goods suffered heavy losses. Supply chains have also been disrupted following lockdowns, especially so for the garment industry which is the country's largest export earner.

Myanmar is set to hold a general elections in the later part of 2020 and new political undercurrents suggest that the upcoming general election could be the first genuinely competitive democratic content held since 1960. Ahead of the general elections, FDI is expected to remain lower than in recent years as foreign investors remain cautious amidst uncertainties.



MYANMAR CONSTRUCTION MARKET

Industrial area development remains a major driver of the construction sector. In fact, there are ten mega infrastructure projects worth billions related to the economic corridors and cross-border projects in the pipeline. Several new industrial parks are planned in the country while some industrial parks in Yangon are already under construction.

The Myanmar government and China are set to establish cross-border economic cooperation zones as part of Beijing's signature foreign policy – the Belt and Road Initiative (BRI). As part of the BRI, the two governments have also signed a memorandum of understanding in 2018 on the China-Myanmar Economic Corridor (CMEC) stretching from Yunnan Province in China to Yangon in the south and Kyaukphyu Special Economic Zone in the west.

Industrial zones are planned near the cross-border economic cooperation zones, comprising trade and processing areas, small and medium-sized industrial facilities, trade logistics centres and quality packing centres for agricultural products bound for export to China. Infrastructure projects such as upgrading and construction of existing and new roads to improve connectivity are also being considered.

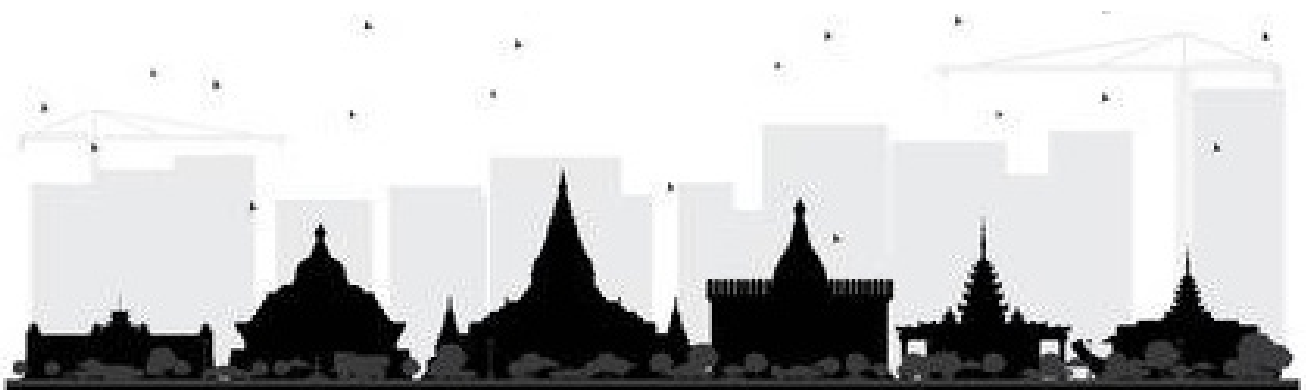
Following the implementation of regulations under the Condominium Law 2016 and Condominium Rules 2017 in January 2019, new condominium developments like Time City and The Central were launched in Yangon in 2019. Meanwhile, other developments like Gonyi Residence and Emerald Bay are presently under construction.

Construction sector activity is expected to improve in fiscal year 2019/20, with positive proxy indicators observed in the approval of building permits and large FDI commitments, according to the World Bank

report. Approved FDI in the real estate sector declined by 56 per cent in 2018/19. With the increase in number of construction permits issued in 2018/19, trends point to a likely improvement in construction activities in the coming year.

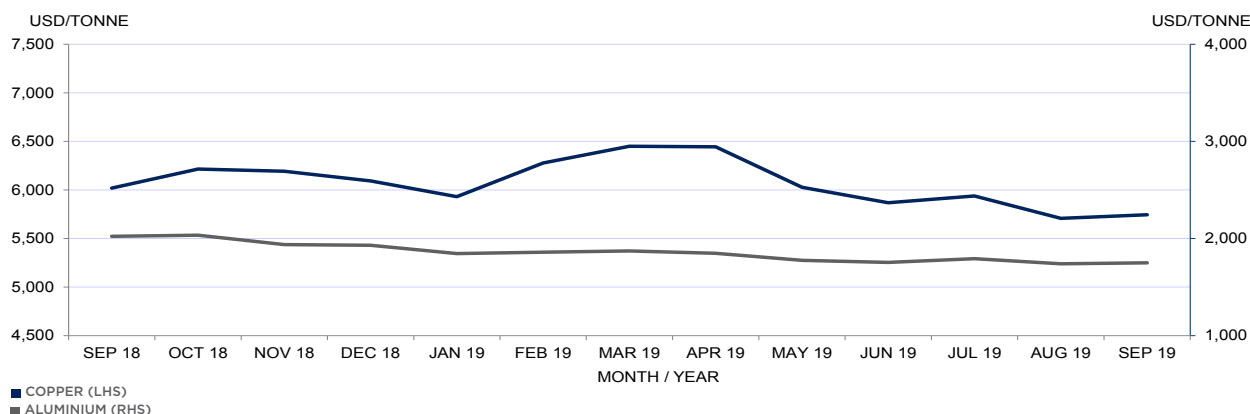
Commodity prices remain reasonably stable within a small range. However, prices of basic construction materials have spiked on a quarter-on-quarter basis in the third quarter of 2019. Prices of concreting sand increased the most at 34% while stone aggregate (20mm) increased by 9%. Construction cost escalation is estimated to be in the order of -5 per cent to -3 per cent for 2020, due to the scarcity of private projects and a competitive market.

Some major on-going private projects in Yangon Region include the Landmark project by Yoma and Yangon Central Mixed Development by Tokyo Tatemono Asia/Fujita Corporation. There are a number of mega on-going public projects in Myanmar, such as New Mandalay Resort City (9,893 acres), Smart District Project at Dagon Seikkan township development (1,100 acres), Korea-Myanmar Industrial Complex Project, the Eco Green City and the Yangon Urban Mass Rapid Transit (YUMRT).



MARKET PRICES AND CURRENCY EXCHANGE

METAL PRICES



	AVG 2Q'19/ 3Q'19 CHANGE	SEP 2018	OCT 2018	NOV 2018	DEC 2019	JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019
Copper	-5.2% ↓	6019	6215	6192	6093	5931	6277	6450	6444	6027	5868	5939	5707	5745
Aluminium	-1.8% ↓	2022	2034	1937	1931	1845	1859	1872	1848	1775	1753	1792	1740	1749

Data Sources: London Metal Exchange (LME)

CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE (MMK)			
		4Q2018	1Q2019	2Q2019	3Q2019
Concreting Sand	m ³	3,356	3,238	3,650	4,916
Stone Aggregate (20mm)	m ³	18,722	19,428	22,077	24,196
Ordinary Portland Cement	kg	95	107	119	123
Reinforced Concrete (Grade 30 MPA)	m ³	83,333	83,167	91,333	92,000
Reinforced Concrete (Grade 40 MPA)	m ³	90,500	90,750	99,750	101,750
High Tensile Steel Bars (10 - 32mm)	kg	947	921	899	846
Mild Steel round bars (6 - 25mm)	kg	903	854	793	784
Structural Steelwork (U-beam, stanchions)	tonne	1,080,000	1,050,667	998,334	1,008,333
Plywood Formwork (2438 x 1219 x 20mm)	pc	33,056	33,519	33,593	32,407
Clay Bricks (100mm thick brickwall)	pc	85	85	85	111

Data Sources: Market Sources

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			
	4Q2018	1Q2019	2Q2019	3Q2019
USD to MYANMAR KYAT (MMK)	1,565	1,522	1,523	1,532

Data Sources: Oanda

YANGON CONSTRUCTION PRICES

DEVELOPMENT TYPE	COST PER CFA MMK ('000) / m ²	COST PER CFA USD / m ²
OFFICE		
Standard	1,310 - 1,990	850 - 1,300
Prestige	1,760 - 2,400	1,150 - 1,560
HOTEL (Excluding FF&E)		
Three Star	2,190 - 3,180	1,430 - 2,070
Four Star	2,520 - 3,610	1,650 - 2,360
Five Star	2,940 - 3,970	1,920 - 2,590
COMMERCIAL		
Medium Quality Retail	1,630 - 2,110	1,070 - 1,380
Good Quality Retail	2,150 - 2,670	1,410 - 1,750
RESIDENTIAL		
Medium Quality Condominium	1,200 - 1,840	790 - 1,200
Good Quality Condominium	1,540 - 2,240	1,010 - 1,460
CARPARK		
Above Grade Carpark	590 - 890	390 - 580
Basement Carpark	1,260 - 1,710	830 - 1,120

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 **3rd Quarter 2019**, 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 = MMK 1,532

Exclusions: • Land Cost • Legal and Professional Fees • Development Charges • Authority Fees • Finance Costs • Site Infrastructure Works • 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

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