
JUNE 2019

MYANMAR REPORT

CONSTRUCTION MARKET
UPDATE



MYANMAR ECONOMY

Myanmar is presently in a development phase towards achieving a market economy. Myanmar's gross domestic product (GDP) is expected to grow by 6.6% in 2019 and 6.8% in 2020. Economic momentum appears to have picked up in 2019, after a slowing down last year arising from lower agricultural production. In the last quarter, the output in the manufacturing sector has significantly improved from 2018 which experienced cost pressures and exchange rate volatility. Domestic demands have firmed up on a more stable kyat and low inflation in the first quarter. The government's economic reform efforts this year should further strengthen the domestic economy. General inflation rates are forecast at 6.8% for 2019 and 7.5% for 2020.

Myanmar is anticipated to benefit from greater foreign direct investment (FDI) inflows and a more expansionary government budget this year. However, slower Chinese economic growth and a potential loss of preferential market access to the EU would affect exports, and the continuing political tensions in the Rakhine state could also impact upon the growth of new foreign investments.

The government's continuing implementation of the Myanmar Sustainable Development Plan was

shown in recent reforms including implementation of the new Myanmar Companies Law, opening of the insurance sector and wholesale and retail markets to foreign players, services sector liberalization, and loosening restrictions on foreign bank lending. The Myanmar Central Bank has since 2018 opened up lending opportunities for foreign banks operating in Myanmar where they are allowed to lend money to foreign companies and joint venture operations in Myanmar, opening up the possibilities for businesses to get loans for construction projects. In addition, the availability of private loans to local property buyers to purchase property has supported the positive outlook of the construction sector. Other recent legislation, including the Condominium Law and Rules and the Gambling Act, will assist in facilitating new business opportunities for foreign investors.

There remain significant development challenges for Myanmar which includes addressing shortfalls in infrastructure and human capital, maintaining macroeconomic and fiscal stability in a challenging global economic environment, accelerating the institutional reform process, and generally improving governance and environmental standards.



MYANMAR CONSTRUCTION MARKET

In 2018, the Myanmar construction industry had a value of more than US\$ 9.5 billion. This is a share of around 16.5 percent of the country's GDP and will be a major driver of the economy in 2019. As a member of the ASEAN economic bloc, Myanmar has become an increasingly attractive foreign investment destination, and this includes investments in real estate and infrastructure. Both major economic centers of the country, Yangon and Mandalay, have a strong demand for middle-class residential housing. Yangon's population is estimated to grow by 3 million within the next ten years thereby requiring massive housing investments.

Industrial area development has become a major driver of the construction sector. There are three Special Economic Zones in Myanmar, Thilawa, Kyauk Phyu and Dawei currently being developed. Several new industrial parks are planned in the country while some industrial parks in Yangon are already under construction.

The infrastructure gap between now and 2030 is estimated by the Asian Development Bank to be worth US\$ 120 billion. Highways, railways, harbours and airports require significant investments by international parties who could joint venture with local entities. These include the modernization of its trunk road network, new highways, improving access to the city via new bridges. The development of regional airports has also been part of the government's plans in developing both the tourism and transport sectors, in addition to its existing plane and cargo handling services that require both technological support and investment. Myanmar's telecoms infrastructure is also in need of development in order to provide the country with full coverage. Upgrading of its mobile network to a fibre network also presents opportunities to improve Myanmar's global connectivity.

The Myanmar construction market appears to be generally slow in the private sector, and the property market is expected to stay flat until 2020. Construction material supply prices are generally in a downward trend from 1Q2016 to 1Q2019 with the exception of steel reinforcement and structural steel where the imported material costs were inflated by the relatively weak Myanmar kyat. Construction cost escalation is estimated to be in the order of 3% to 5% for 2019, while tender bidding market for building and infrastructure projects currently appears to remain relatively competitive.

Some major on-going private projects in Yangon Region include the Landmark project by Yoma, Yangon Central Mixed Development by Tokyo Tatemono Asia/Fujita Corporation, Emerald Bay by Country Garden and The Central by Marga Global. Public projects are gaining momentum amid slow but steady implementation given the public perception of Public Private Partnership projects and the coming state elections in 2020. 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 Seikken township development (1,100 acres), Korea-Myanmar Industrial Complex Project, and the Eco Green City, a US\$2 billion project with a 10 to 15 year township development period. The New Yangon City Project also presents a major opportunity for the involvement of foreign companies. On 20,000 acres of land and with estimated costs of US\$ 1.5 billion, the project will create accommodation for 3 million and jobs for 2 million people.

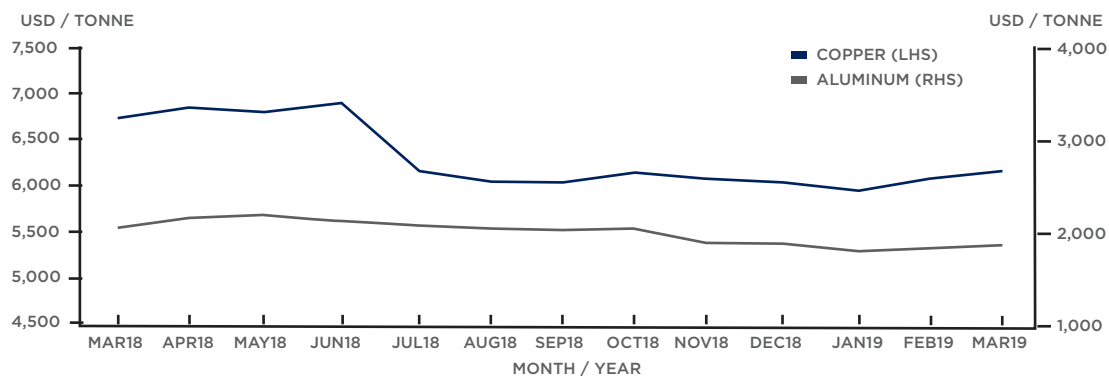
20 KAP OFFICE BUILDING A.K.A THE EMBANKMENT ◀

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 one block of 17-Storey Office Tower with Two Basements, located at Kabaraye Road, Yangon, Myanmar.

METAL PRICES



	AVG 4Q18 / 1Q19 Change	Mar 2018	Apr 2018	May 2018	JUN 2018	JUL 2018	AUG 2018	SEP 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019
Copper	0.9% ↑	6795	6838	6821	6954	6247	6039	6019	6215	6192	6093	5931	6277	6450
Aluminium	-5.5% ↓	2076	2245	2290	2240	2098	2045	2022	2034	1937	1931	1845	1859	1872

Data Sources: London Metal Exchange (LME)

CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE (MMK)			
		2H2017	1H2018	2H2018	1H2019 _p
Concreting Sand	m ³	3,239	3,279	3,474	3,444
Stone Aggregate (20mm)	m ³	33,116	19,664	18,325	20,753
Ordinary Portland Cement	kg	105	105	99	113
Reinforced Concrete (Grade 30 MPA)	m ³	87,330	81,500	85,117	87,250
Reinforced Concrete (Grade 40 MPA)	m ³	94,750	92,750	91,750	95,250
High Tensile Steel Bars (10 - 32mm)	kg	755	864	907	910
Mild Steel round bars (6 - 25mm)	kg	679	824	879	824
Structural Steelwork (U-beam, stanchions)	tonne	863,195	952,506	1,041,167	1,024,501
Plywood Formwork (2438 x 1219 x 20mm)	pc	33,296	31,991	33,611	33,556
Clay Bricks (100mm thick brickwall)	pc	111	84	85	85

Data Sources: 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			
	2Q2018	3Q2018	4Q2018	1Q2019
USD to MYANMAR KYAT (MMK)	1,425	1,567	1,554	1,524

Data Sources: Oanda

YANGON CONSTRUCTION PRICES

DEVELOPMENT TYPE	COST PER CFA MMK ('000) / m ²	COST PER CFA USD / m ²
OFFICE		
Standard	1,350 - 2,060	890 - 1,350
Prestige	1,830 - 2,480	1,200 - 1,630
HOTEL (Excluding FF&E)		
Three Star	2,270 - 3,290	1,490 - 2,160
Four Star	2,610 - 3,740	1,720 - 2,460
Five Star	3,070 - 4,150	2,020 - 2,730
COMMERCIAL		
Medium Quality Retail	1,670 - 2,160	1,100 - 1,420
Good Quality Retail	2,210 - 2,740	1,450 - 1,800
RESIDENTIAL		
Medium Quality Condominium	1,260 - 1,920	830 - 1,260
Good Quality Condominium	1,610 - 2,340	1,060 - 1,540
CARPARK		
Above Grade Carpark	610 - 910	400 - 600
Basement Carpark	1,300 - 1,750	850 - 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 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 1,524

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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