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By Mike Ives

Aug. 9, 2012

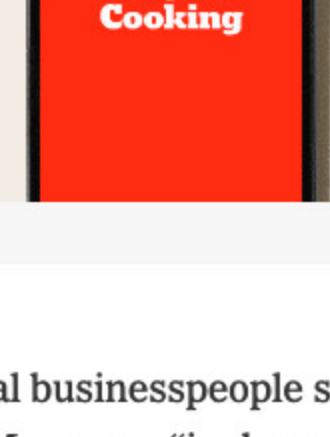
YANGON, MYANMAR — Soe Thiha Hlaing, the director of sales and marketing for Serge Pun & Associates (Myanmar), says the company's planned 160-acre rental apartment and condominium complex on the rural outskirts of Yangon will emulate high-end housing developments in Singapore and other international cities.

No matter that the apartment and condominium market here in the dilapidated capital has been stagnant for 15 years, by the company's reckoning, and that foreigners in Myanmar are not permitted to buy homes or land.

"We're turning a chapter in the market, and I say this quite bullishly," Mr. Hlaing said.

The company is selling units to Myanmar citizens, and, Mr. Hlaing added, it is paying close attention to rumors that the government is considering opening the condominium market to foreigners this year. "We're very conscious of our popularity with foreign buyers," he said.

In the past two years the government has enacted sweeping changes, including ending the house arrest of the democracy activist Daw Aung San Suu Kyi and allowing the elections that put her into Parliament. In recent weeks the United States and the European Union have eased longstanding economic sanctions that had prohibited American and European companies from doing business in Myanmar.



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International businesspeople seeking investment opportunities are flocking to Myanmar "in droves," said James Finch, a partner at the law firm DFDL, which has an office in Yangon as well as in other Southeast Asian capitals. "I expect there to be a push to develop much property in Myanmar, fueled by funds from outside."

Dozens of foreign companies are opening offices here and will need housing for their expatriate employees, but there is less commercial and residential property available in Myanmar than there was in Vietnam, Cambodia and Thailand when they were at comparable stages of development, Mr. Finch said in an e-mail.

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Yangon, with a population estimated at 4.3 million in 2009, is the country's main commercial hub. But according to a 2011 report by the real estate group Colliers International, the city's total office space of about 645,800 square feet, or 60,000 square meters, is about half the space contained in the largest office tower in Bangkok, the Empire Tower.

Demand for hotel space in Yangon also has surged over the past two years: An upper-end room that in 2010 cost less than 43,750 Myanmar kyats, or \$50, a night now costs more than three times as much, said Tony Picon, associate director at the Colliers office in Thailand.

Demand for Yangon's six serviced apartments also is "extremely high," Colliers reported last year, and Mr. Picon said in July that the starting monthly rate for a serviced studio apartment, at 2.19 million kyats, or about \$2,500, is nearly double what it was just one year ago.

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Development of Myanmar's real estate market will follow a pattern, said Damien Duhamel, a managing partner at Solidiance, a consulting firm based in Singapore that advises Fortune 500 companies on emerging Asian markets and that recently opened an office in Yangon.

First, developers from Singapore, South Korea and Hong Kong will capitalize on Yangon's economic boom by building new hotels and offices. An apartment and condominium market oriented around expatriates will appear 5 to 10 years later, Mr. Duhamel said, adding that he observed a similar trend in Vietnam 20 years ago.

But Mr. Picon of Colliers said some developers were already renovating properties and building new ones to meet expatriate tastes, which typically involve small units and amenities like gyms, swimming pools and backup generators. According to the Colliers report, a loosening of property laws expected this year may allow some form of foreign ownership of condominiums, along the lines of similar laws in Thailand and Cambodia.

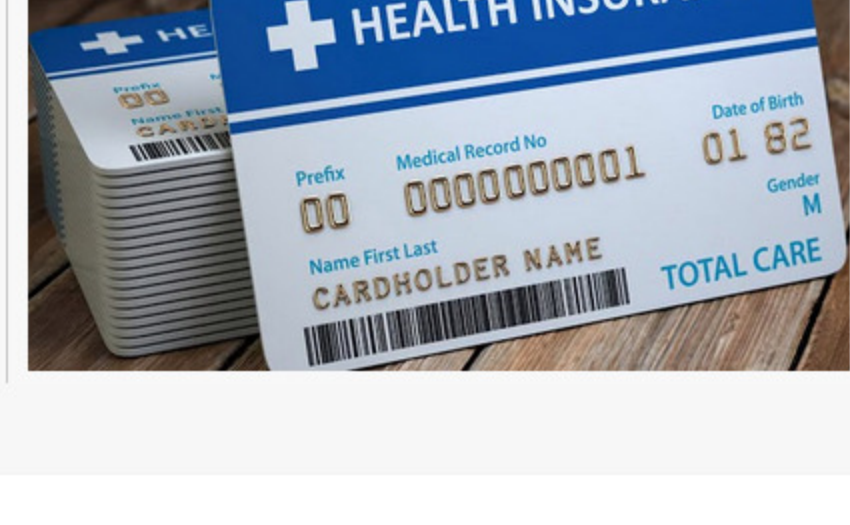
Mr. Picon added, however, that even if the law passed this year and new accommodation was made available in coming months, the supply of hotel rooms and serviced housing for expatriates would lag behind demand for the foreseeable future.

Some expatriates may think Yangon "will be like Bangkok and that getting a room is easy," he said. "I have seen a couple of people's eyes glaze over when the reality hits during their visit to Yangon."

In the longer term, analysts and developers say, a crucial question is where in Yangon to build new apartments and condominiums. The city, which has frequent electrical failures, is surrounded by rivers and lakes and has a lot of undeveloped land on its periphery, especially across the Bago and Yangon Rivers.

Researchers from Harvard University concluded in a study in March that soaring property prices in Yangon's city center could lead developers to build on the city's periphery. Land in prime areas already costs about \$50,000 per square meter, surpassing prices in downtown Bangkok, according to Colliers.

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Representatives of two Myanmar developers, Yadanar Myaing and Shine Trading, said during interviews that developers were reluctant to build on the outskirts because of a lack of infrastructure, like a network of bridges.

Serge Pun & Associates is not fazed. Through its Myanmar subsidiary, Thanlyin Estate Development, it is building its newest housing development on former farmland about 10 kilometers, or 6.2 miles, from downtown. The project, called Star City, can be reached from downtown by car in about 30 minutes, but the trip involves crossing two bridges and bumpy roads, so the company is planning a ferry service to offer a more convenient commute.

Yoma Strategic Holdings, based in Singapore, financed 70 percent of the cost of the land development rights for the project, and the other 30 percent came from a publicly owned affiliate of Serge Pun & Associates called First Myanmar Investment.

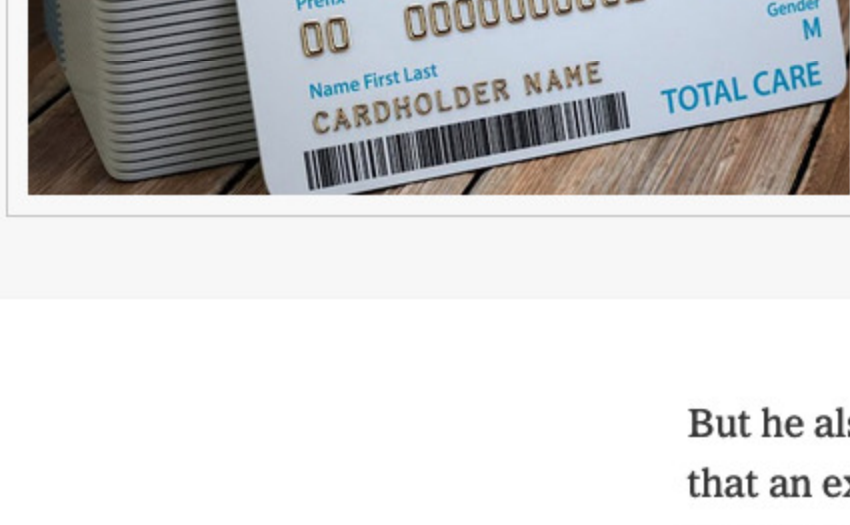
According to Mr. Hlaing, the government typically offers land to developers for housing projects but does not act as a developer itself.

Star City's 20 apartment blocks, which will contain a total of about 4,000 one- to four-bedroom units, are scheduled to open in December, though the riverfront property is still dotted with the concrete skeletons of buildings. Condominiums, a shopping center and a golf course are planned, and Mr. Hlaing said the complex would be finished by 2020.

Nearly all of the approximately 500 units put on the market so far, at 70 million kyats to 215 million kyats per unit, have sold, Mr. Hlaing said.

On a recent afternoon at Star City's air-conditioned showroom, Mr. Hlaing said the Myanmar authorities were taking a "very keen interest" in the development and saw it as a benchmark for future housing projects.

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But he also said, echoing the concerns of developers and analysts, that an expected influx of foreign funds into the city's growing property market could create a bubble.

Foreign capital may flow freely into Myanmar as economic sanctions lift, but it also could easily disappear, Mr. Hlaing said, adding, "The local market is wary of that."

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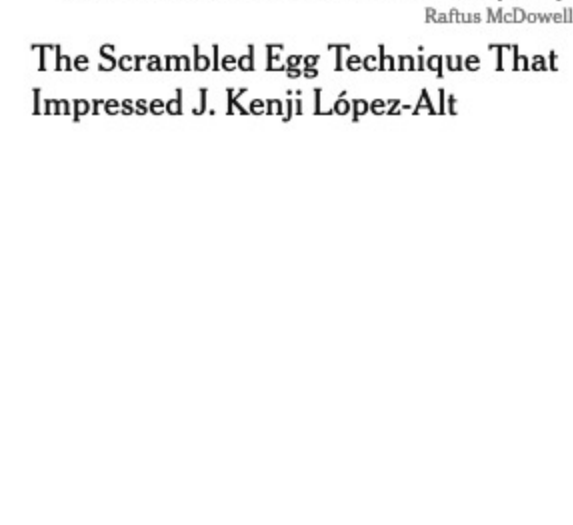
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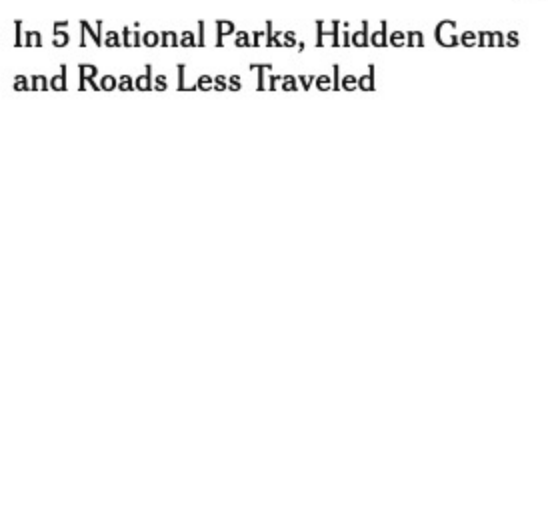


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