

Aug 23, 2019 | By Property Report

Investing in Myanmar, two years after the crisis

Property observers address a nation's image problem: how can the frontier market live down the Rakhine issue?



The temple complex of Bagan, Myanmar, a popular tourist destination in Southeast Asia. Stephane Bidouze/Shutterstock

It can be tricky to gloss over the torrent of negative news related to the Rohingya crisis in Myanmar, despite industry stakeholders' best efforts to play up the country's redeeming points.

Over the last two years, more than 730,000 Rohingya have fled the threat of genocide, ethnic cleansing, and persecution in the province of Rakhine near the Myanmar-Bangladesh border.

The crisis carries a severe reputational risk for western companies and acts as a deterrent to tourism. Although tourist arrivals increased annually to 3.55 million last year, those from western countries were on the descent. Tourist arrivals from western Europe dipped 26.2 percent in the year to October, while those from eastern Europe declined 13.6 percent. Arrivals from North America decreased by 14.6 percent.

Worse, many Asian tourists in Myanmar embark on "zero-dollar" tours that are not beneficial to the local economy.

We talk to Tony Picon, executive director of Picon Deed Property Consultants and new chair of the PropertyGuru Myanmar Property Awards, to get his insights on the issue as it rages on for another year.

How has the Myanmar property market coped with the negative publicity brought by the Rohingya crisis?

Generally the issue has been for investors looking to set up in Myanmar who are deterred by the negative sentiment brought about by the northern Rakhine situation. However, even before this occurred at the end of 2017, many investors had already cooled to doing business in the country due to exorbitant land prices and difficulties in dealing with most Myanmar businesses.

How can Western companies hoping to enter the Myanmar market reduce the reputational risk associated with such negative attention?

The main advice is to do due diligence on all potential partners, even checking through indirect ones such as the supply chain.

The barrage of negative news has apparently affected the tourism industry. How can the hospitality sector endure such an impediment?

Western tourism has taken a hit over the past year due to the news. However, the Asian market remains robust, so certain segments have been affected especially in the luxury category. However, in this sector such travellers are increasingly Asian so over time the loss of western travellers can be largely mitigated.

Is there a glut in the high-end and luxury Myanmar residential sector now due to the crisis? Can local end-users compensate for the retreat of Western buyers from the country?

Within the country itself, the northern Rakhine situation has had limited impact. The problems for the residential sector stem from structural issues of the condominium market such as parking regulations, preference for landed properties, and access to bank finance. Western buyers have been a very small fraction of the market as they are still allowed to buy properties so any reduction in their numbers has minimal impact. Lower-priced options are more realistic but are still hampered by car parking regulations and poor public transport.

What can you say to Western buyers still hesitating from investing in the Myanmar property market?

Many landowners and poor-quality real estate developers now have financial issues after paying for overpriced land funded by high interest rates. I expect a growing number of non-performing assets to be available over time for lower-than-market prices. Given the long-term prospects for growth in the country, these assets provide good opportunities to enter the Myanmar market. Due to the upcoming election in 2020 there still may be some hesitation from foreign investors to wait although this may provide a good reason to enter the market now.

What are the most resilient developments in Myanmar? Nominate them to the 2019 PropertyGuru Myanmar Property Awards. Find out more [here](#). Nominations close on 6 September

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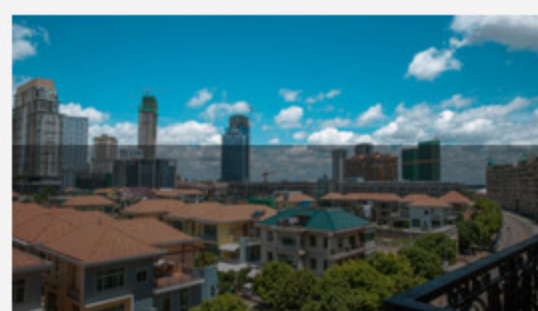


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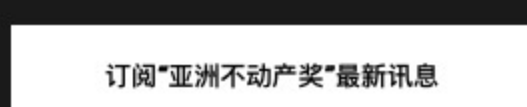
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