



**YANGON (MYANMAR)
PROPERTY MARKET REPORT
1ST HALF 2012**



TABLE OF CONTENTS

TOPIC	PAGE
Highlights	1
And Now the Hard Part	2
Myanmar Economic Overview	4
Investment and Legal Considerations	8
Nay Pyi Taw Property Overview	10
Other Locations in Myanmar	13
Myanmar Industrial Estate Market	15
Yangon Industrial Estate Market	24
Yangon Overview and Zoning	29
Yangon Upper Scale Hotel Market	32
Yangon Serviced Apartment Market	44
Yangon Retail Market	49
Yangon Office Building Market	56
Yangon Condominium market	61

YANGON (MYANMAR)

PROPERTY MARKET REPORT



1. Highlights

Rental rates for office and serviced apartments soar due to a significant increase in demand coupled with very limited supply.

Further rises in rates expected with future anticipated demand for both commercial and residential units.

Situation likely to get worse as more expats come to live and more companies set up in Yangon.

Hotel ADR and occupancy increase significantly over past year due to the opening up of the country.

There are now pressures to reduce rates for upper scale hotels from travel operators and government.

Office space in hotels now in the process of being reconverted back to hotel use.

Limited new supply of offices, serviced apartments and hotels coming on stream as new investment law has yet to be passed which could provide green light for investors.

Industrial land prices are high due to local speculation and lack of market knowledge therefore leading companies to have second thoughts about locating in the Yangon area.

Condominiums remain popular with local market with some upgrade in facilities for new developments but large unit sizes prevail.

New retail centres capture customers' attention with improvements in design and tenant mix.

Indications are that the new investment law will be poorly received by foreign investors with too many protections for local businesses and no streamlined processes.

Economy expected to grow over the next decade on the back of industrial development.

Sanctions not fully lifted as 2015 appears to be the milestone for Myanmar's fledgling democracy with the first general election open to the NLD.

2. And now the hard part

FRONTIER MARKETS ARE GIVEN THAT NAME FOR A REASON

After fifty years more or less in the wilderness, largely isolated from the dramatic economic and social progress made by almost the rest of Asia, the coming out party was always going to be a very special one for Myanmar and the rest of the world.

When the beautiful new debutante appeared at the foreign investor's ball after so much anticipation, pulses went racing, from both sides; and still does. Myanmar is a country cloaked in mystery and steeped in history that lends a certain emotional attachment, probably not seen since the emergence of Thailand starting in the fifties. Obviously on a more practical level the country also seduces with an abundance of mineral resources, a large, young population hungry to devour the latest fashion and gizmos and work hard to buy them as well as those other gems in the form of pristine beaches, ancient temples and swathes of mountainous terrain, all waiting to be explored for the first time by so many.

The first tentative openings after the election in November 2010 were greeted with mostly skepticism by the foreign community who had already seen a number of times the door opening and an alluring leg being shown only for the leg to disappear and the door slam shut. However 2011 witnessed more and more positive changes in both the political and economic spheres and by the end of the year Hillary Clinton visited Myanmar marking a "Nixon in China" symbolism bestowing certain legitimacy towards the government and this landmark event began the surge in interest of foreign investors towards Myanmar: Chapter One began.

The wonderful weather that graces Yangon from November to April provided the perfect backdrop to what could now be called "The Silly Season" when coach loads of delegations from all corners of the earth pounded the once neglected streets of Yangon having optimistic bordering on joyful meetings with a plethora of government officials welcoming such new investors with open arms. "Come to Myanmar" said the officials and the investors said they would. A new investment law was promised that would be igniting the economy of the country. It all sounded so good and refreshing. This was flirting at its best.

But in any long relationship the flirting is just a flitting moment and in many senses the most unreal part. Eventually the couple eyeing each other across the dance floor must take the first move. What will be the first words uttered? As they get closer will they start to look less attractive to each other? The attractiveness is still there but after a few sweet nothings something is not quite working out. The first misunderstanding perhaps. That is where we are at the end of H2 2012, the beginning of Chapter Two.



AND NOW THE HARD PART

The novel will be more in the mould of famous romantic novelist Barbara Cartland rather than the far racier Jackie Collins for quite some time but now the relationship must start to work. Issues arise as to how Myanmar and foreign investor can work together and support the pending boom in the country's economy. Both parties have created a false sense of expectation and it is now time for reality to kick in. On the investors side, many gave the impression that they were about to put money on the table, which in the case of Myanmar is real rather than figurative for this essentially cash based society. In a nation lacking institutional structures businesses are conducted on a "my word is my bond" fashion and therefore when the delegations left town the local people saw hardly anything to show for it and there was a feeling of dismay. That was the beginning of the challenging rainy season in Yangon when things start to look very different in this city.

However the siren calls from Myanmar have yet to be matched by deeds. A new investment law has been promised that is supposed to offer a one-stop shop similar to Thailand's Board of Investment and other goodies have been promised that were expected to be the green light for the entry of the great and the good into the country. Now it seems that may not be the case as the law has been delayed supposedly on account of opposition from local businesses.

Investors are also put off by land prices that are on a par with Thailand



and sometimes even more. The local market is unaccustomed to market valuations and other studies that support the price in the end that is agreeable to the end user. Therefore many manufacturers have turned their backs already and will only return when land prices fall. Whether such prices will fall to match expectations remains to be seen but large tracts of unused industrial land will start to make a rather pointed statement.

In a similar fashion the sudden surge in demand for office, hotel and quality residential space has come against a severe shortage of supply. Since the 1997 crisis only a tincture of new supply has entered the market and even today very few construction sites are in evidence. The boom is yet to begin. Therefore visitors who would normally be courted

by their mere presence in a country are being told there is no room at the inn or given sometimes a matter of hours to decide on renting office space or it being passed to the next eager customer waiting in line. It can be a very steep learning curve for many in this "jungle" which is the great leveler.

Therefore the challenges for doing business are significant and often unexpected. Those wishing to enter Myanmar must have patience and demonstrate a genuine support for the growth of the country through employing and training local staff and promoting best business practices amongst others. At times the process will be frustrating but in the long run the results will show along with memories. A sense of humor is a must. For the local Myanmar, with reforms come also a great deal of challenges too as the need arises to catch up fast to the 21st Century of the globalised business world and many will hark back to the "good old days" when life was so much simpler. This is the time to embrace the winds of change and benefit from them as many will surely do. This report, while acknowledging the downturn in sentiment on both sides since the exuberant end of 2011, also accepts these as being 'de rigueur' of such frontier markets and that overall the country can experience strong economic growth and well being of the population over the next 30 years.

The past 18 months in Myanmar have been like a whirlwind with so many changes occurring mostly for the good. It is more like say Vietnam's emergence into the global system in the 1990's but his time on steroids. In that event the expectations regarding Myanmar from outside are also pumped up and so eventually disappointment can only be around the corner. Myanmar is a frontier market which means often local speculation based on limited market knowledge, demand and supply imbalances that can go both ways and theatrical changes in government policies both good or bad. All these can have dramatic effects on the property market and exuberance can soon turn to despair and vice-versa. It will be a while before we see "Darby and Joan" the old proverbial contented if rather boring old married couple in this novel.

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3. Myanmar Economic Overview

MYANMAR KEY FACTS

Official Name: Republic of the Union of Myanmar (Many countries including USA and UK still officially refer to the country as Burma and many media groups also practice policy)

Area:	676,578 sq km
Population:	53,999,804 (July 2011 est.)
Density:	73.9/ sq km
Capital:	Na Pyi Taw
Government:	A presidential republic with a bicameral legislature, with a portion of legislators appointed by the military and others elected in general elections.
Population Growth Rate:	1.52 Percent
Life Expectancy:	63.2 (male), 67.1 (Female) (Rural) 2007 (P) 64.0 (male), 69.0 (Female) (Urban) 2007 (P)
Adult Literacy Rate:	94.4 percent (2005-06)
Language:	Myanmar, local dialects, English widely used
Religion:	Majority are Buddhists 89.3%, Christians 5.6%, Hindus 0.5%, Muslims and others 4.6%
Currency:	Kyats (K)

ECONOMIC PROFILES

Economy:	Market Oriented Economy (since 1988)
GDP:	K.15559.4 Billion (At 2005-06 Constant Prices)
Per – Capita GDP:	K.405817
Annual Growth Rate of GDP:	12.0 (2007-2008)
Exchange Rate:	K. 5.5031 =US\$ 1 (2007-2008)
Major Economic Sectors:	Agriculture, Trade, Mining, Industry and Services
Principal Industries:	Agro – based Industries, Wood – based Industries, Textiles, Garment, Food-stuff, Pharmaceuticals, Machine – Tools, Ceramic and Chemical Industries



ETHNIC BREAKDOWN

The dominant ethnic group is the Bamar, which account for around 68% of the population. Other ethnic groups include the Shan with 9%, Kayin (Karen) with 7%.

Myanmar is divided into seven regions and seven states. Regions are predominantly Bamar, while states represent areas populated by particular ethnic minorities. The administrative divisions of the regions are further subdivided into districts, which are further subdivided into townships, wards, and villages.

ECONOMIC HISTORICAL SNAPSHOT

The history of Yangon has been based largely on the economic development of the country. The British colonial period began in 1885 with the development of a vibrant trading area in the downtown area. The city became somewhat prosperous with the vast migration of Indians and to a lesser extent Chinese who introduced their commercial skills in developing the economy and largely dominated it. Many Indians took the role of minor officials in the British administration.

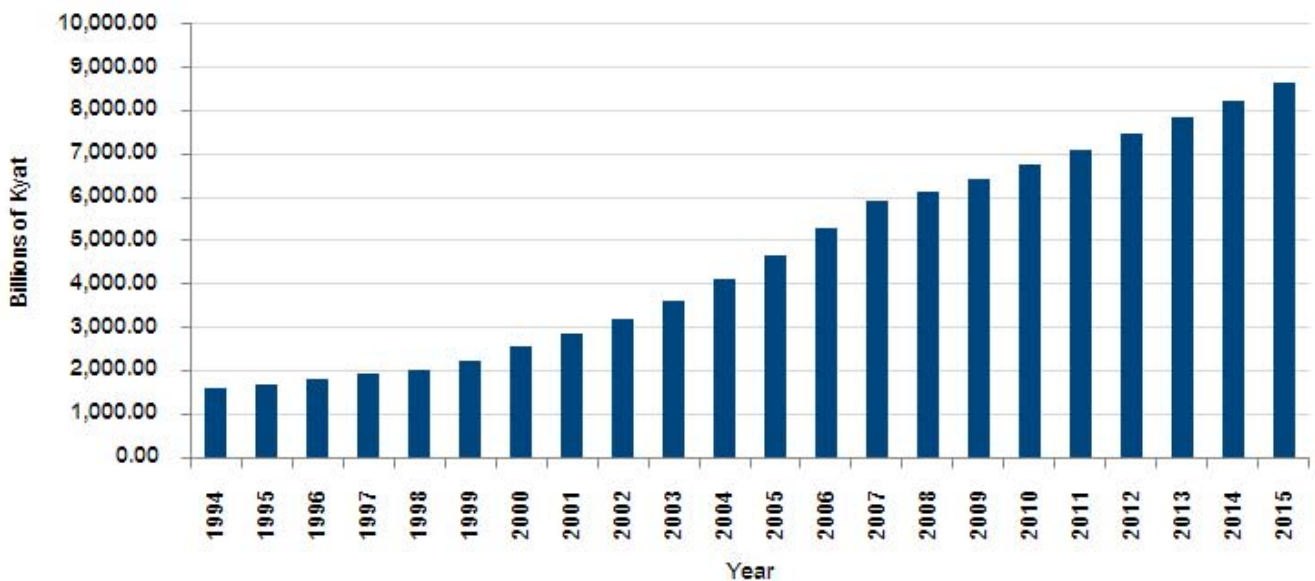
The country suffered during the Second World War and became independent in 1948. At this point significant turbulence occurred in the first fourteen years of independence with some jockeying for control. In 1962 General Ne Win consolidated power under a revolutionary government and ruled with an iron fist for the next 26 years. During that

time the country’s economy was run by a self proclaimed “Burmese Way to Socialism” which appeared to be a unique blend of Marxism and mysticism. The economic life of the country was nationalized even down to the small shopkeeper, and foreign investment was more or less brought to a standstill and over 250,000 Indian and Chinese workers and business owners were forced to flee the country. The overall effect was disastrous and was exacerbated by sudden demonetisations of the currency that practically wiped out people’s wealth and was the tinder that led to Ne Win’s ouster during uprisings in 1988. Before Ne Win, Myanmar was one of the richest economies in Asia with strong prospects for further growth based on abundant rice exports and commodities. After Ne Win it was one of the poorest and often dependant on food aid.

The new regime that replaced Ne Win sought to open up by rejecting socialism in favor of a market economy. In the early 1990’s the country started to benefit from this albeit from a very low base. Foreign investors were invited back but most of the capital was invested in the primary extractive industries and energy and until now the country has not followed the economic development model of export led growth that was successfully used by Korea and Taiwan in the 60s and 70s, Malaysia and Thailand in the 70s and 80’s and Vietnam and now Cambodia and Laos in the 2000’s.

ECONOMY

MYANMAR GDP IN LOCAL CURRENCY

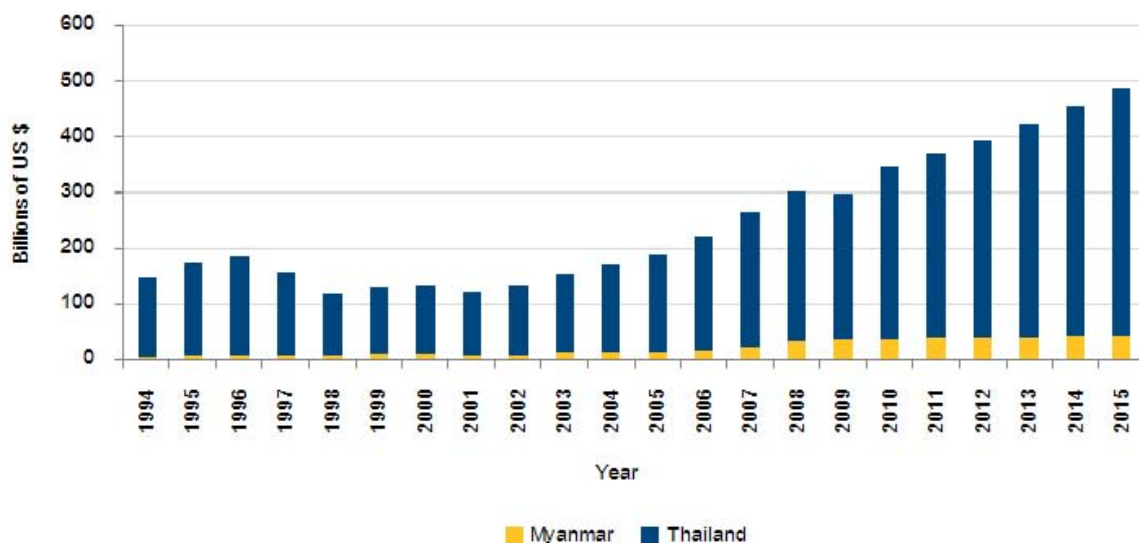


Source: IMF and Colliers International Thailand Research

The nation’s economy has recorded steady growth over the last decade but this is from a very low base and there are wide gaps in income levels

for the population. The surge in exports of commodities is largely responsible for the increase.

COMPARISON OF THAILAND AND MYANMAR GDP

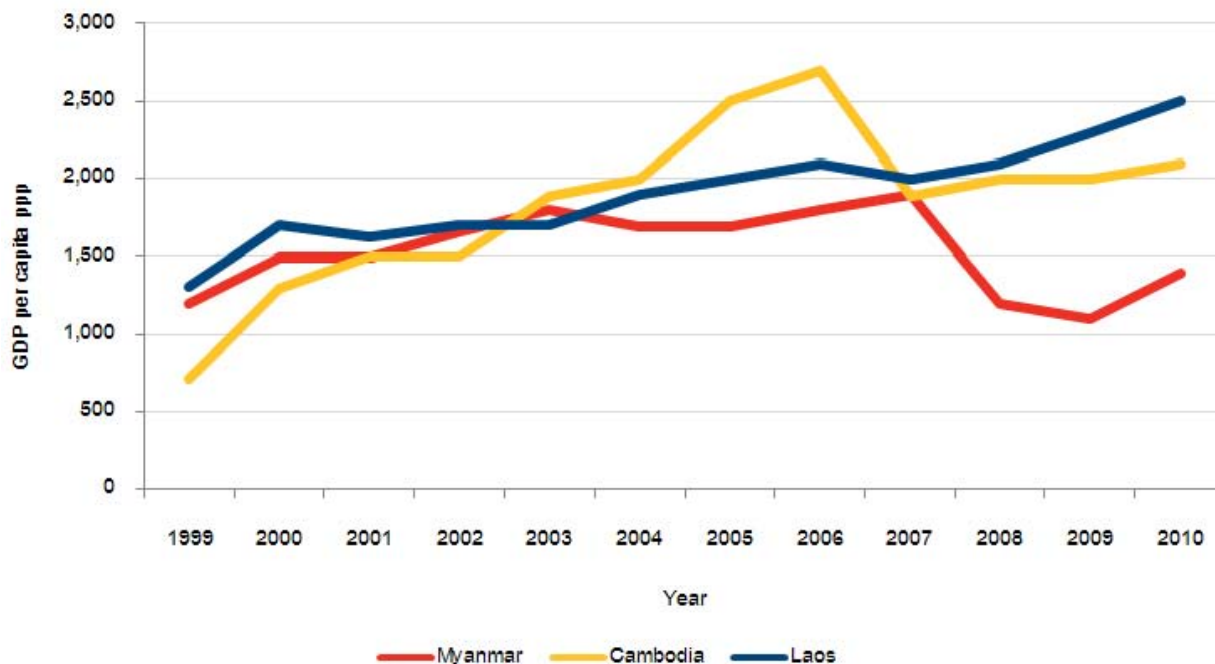


Source: IMF and Colliers International Thailand Research

The significance of Myanmar to the overall global economy is shown starkly with a comparison with its neighbor Thailand. In essence the country is not plugged into the global economic system with primarily its only real source of wealth coming from the extractive and energy

industries. What this also shows is the potential for the country if it commits itself to an economic development model with manufacturing exports at its core as well as the development of tourism.

MYANMAR IN COMPARISON WITH CAMBODIA AND LAOS



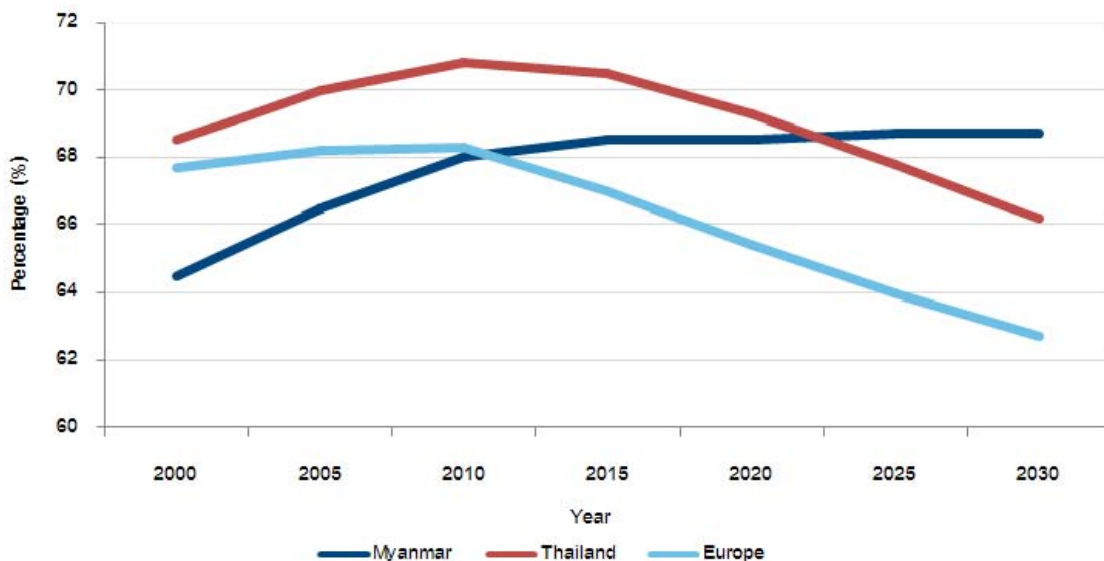
Source: CIA Factbook and Colliers International Thailand Research

Even compared to the poorest countries in South East Asia, Myanmar has fallen considerably behind. Both Cambodia and Laos emerged from devastating wars and extremist economic policies in the 1970's and 80's that wrecked their economies. Since the 1990's they have developed into

market orientated economies and have begun on the export based development model that propelled so many other countries out of poverty. Myanmar is now ranked at the bottom of the economic league table where once it was at the top.

DEMOGRAPHICS

PERCENTAGE OF POPULATION BETWEEN 15-64



Source: UN Population Division and Colliers International Thailand Research

The population between the ages of 15-64 is seen as the most active in terms of productivity. Most have finished their education, especially in developing countries and have yet to retire. Economic growth in many countries can be traced to the period when the country had a significant ratio of its population potentially active economically. For Myanmar the next twenty years represent an opportunity for the country to progress

with its youthful population. However this demographic dividend comes with a warning: younger populations excluded from the economic development of a country can be fertile grounds for angst that can be witnessed in protests that have erupted in North Africa and the Middle East.

THE DIASPORA

It is estimated that around 300,000 people left Myanmar during the last decade and the total number who are alleged to reside in Thailand is around one million although it is impossible to come up with a reliable figure. Income levels are generally low by Thai standards and average at around 10,000 baht a month with wide variations, however this is much higher than the average income in Myanmar. Most work is in the fishing, garment and construction industry. A significant amount of money by Myanmar standards is provided to relatives in Myanmar and is one financial source for residential sales in the country as a whole. Around 73% are below 34 years old, according to a United Nations survey and most money is sent to parents. The numbers of middle income and above Myanmar who live abroad is low compared to that of the Vietnamese for example but they can still act as a force in terms of residential sales.



4. INVESTMENT AND LEGAL CONSIDERATIONS

CURRENT FOREIGN INVESTMENT INCENTIVES

Myanmar has a policy to promote Foreign Direct Investment (FDI) through the Foreign Investment Law or the Myanmar Foreign Investment Law (FIL) on November 30, 1988. The main features are as follows:

TAX PRIVILEGES

1. Corporate income tax exemption for a first three year of business.
2. Corporate income tax exemption for retained earnings to reinvest again within a year after the profit is earned.
3. 50 percent income tax exemption from profits derived from exports.
4. The right to pay income tax for foreign staffs in the same rate of Myanmar.
5. The right to pay income tax as of foreign staffs and can put to the cost of business.
6. The right to tax deductible from the expenses of research and development.
7. The right to record depreciation in the accounting.
8. The right to carry forward and set off losses for 3 consecutive years from the year loss is sustained.
9. Customs duty exemption for import of machinery and equipment during the office is under construction.
10. Except customs for imported raw materials during the first three years.

LAND OWNERSHIP

1. Foreign investors can not own the land, but they can rent up to 30 years or longer under consideration by the Myanmar Investment Commission (MIC) and the government.
2. Under the Transfer of Immovable Property Restriction Law (1987), foreign investors cannot rent the land from the private sector more than a year.

NEW INVESTMENT LAW

The new government has recognized that a new investment law needs to be passed that will offer better incentives to foreign investors. The provisions of the law are yet to be finalized but it is expected to be passed in Q3 2012. Issues such as security of tenure, streamlined approval systems, tax incentives, foreign ownership, tax breaks and other incentives, employment of foreigners are all factors that will be watched closely by interested investors. A well crafted investment law will go a long way to ensuring that Myanmar successfully embarks on export led manufacturing growth.



SPECIAL ECONOMIC ZONE (SEZ)

The government passed a law relating to Special Economic Zones (SEZs) on January 27 2011, the law should be a major catalyst for spurring manufacturing and consequently the growth of industrial estates throughout the whole country. Administration of each Special Economic Zone is by means of a Management Committee formed by a central body under the law to carry out the administration and supervision works in the relevant SEZ.

The purpose is to create a framework for the maintenance, protection and safeguarding the sovereignty of the state in allowing to operate foreign investment businesses and to develop the momentum of the economy of the state by establishing and operating the SEZs. It intends the SEZs to enable its citizens to train, learn and transfer high end technologies, to create more employment opportunities for the citizens and to develop the infrastructure of the country.

The Special Economic Zone includes high tech industrial zones, information and telecommunications technology zones, export processing zones, port area zones, logistics and transportation zones, scientific and technological research and development zones, service business zones, sub-trading zones and zones prescribed by the government, from time to time. The intention is for investors to produce products primarily for export.

The investor who invests and operates business in the SEZ may apply for income tax exemption on the proceeds of overseas sales for the first five years from the day of commencement of the production or service. The main incentives are listed below.

The investor may apply for fifty percent relief on the income tax rate stipulated under existing Law for a second five years on the overseas sale proceeds and for a third five years, if the profit obtained from export sale is re-invested, may apply for fifty percent relief on the income tax rate stipulated under existing Law on such invested profit.

The Central Body may, for the purpose of development throughout the country, determine the extension of tax exemption and tax relief period more than those prescribed in the law, with the approval of the Government, for the investors in SEZs located in economically backward and difficult to communicate areas.

The investor may be allowed to import raw materials, machinery and equipment which are imported for export-oriented processing enterprises established in an Export Processing Zones (EPZ), with exemption from customs duty and other revenues. EPZs are a sub-sector of SEZs with such privileges regarding importation. Therefore it is expected that most SEZ will take the form of EPZs due to the lack of locally made capital goods.

The central body responsible for administering SEZs may, with the approval of the Government, permit the developer or investor land lease or land use for at least 30 years. This may be extended for a further consecutive term of 30 years for large-scale investment enterprises and another 15 years of extension after the expiry. For medium-scale investment enterprises this may be extended consecutive for another 15 years for and further 15 years of extension after expiry. In the case of small scale industries the leasehold may be extend for two 5 year periods. No criteria has been set at this stage as to what constitutes each size of business but it was stated in the law that the central body

shall be responsible for determining this based on type of industry and amount of investment.

The law is open to some interpretation and it will take some time for its implementation to take effect. One negative issue is that the SEZs will effectively be operated by government agencies rather than the private sector as in Thailand and Cambodia and therefore there are concerns as to the future efficiency of any zone. It is encouraging that FDI has been codified into law and on the face of it the country looks to creating a manufacturing base development model that was instrumental in the economic boom that occurred through Asia as various times throughout the latter half of the 20th Century.

PROPERTY LAW

There is no effective title for land in Myanmar. Much is based on informal procedures. Contract enforcement is poor. Foreigners cannot own land. Contracts for condominium/apartments for sale are between the developer and the buyer and there is no form of legal title to speak of. The law relating to foreigners is codified under The Transfer of Immoveable Property Restriction Act of 1987. The main provisions are as follows:

3. No person shall sell, buy, give away, pawn, exchange or transfer by any means immovable property with a foreigner or foreigner owned company.

4. No foreigner or foreign owned company shall acquire immovable property by way of purchase, gift, pawn, exchange or transfer.

No foreigner or foreigner owned company shall receive a lease of immovable property, for a term exceeding one year.

However there are provisions for allowing ownership in certain circumstances as follows:

14. The relevant Ministry may allow exemptions from the provisions of this Act to a foreign government for the use of its diplomatic mission accredited to the Union of Burma or to United Nations' organizations or to any other organizations of individuals.

15. The provision of this Act does not apply to companies or organizations that have relevant beneficial contracts with the state.

Foreign investors holding a Foreign Investment Law (FIL) Permit are entitled to lease land for up to 30 years from the Government. This can be extended by two 15 year terms.

A condominium act is in the pipeline which may include some form of foreign ownership on the lines of Thailand or Cambodia and legislation is expected once parliament reconvenes in April 2012.

5. NAY PYI TAW PROPERTY OVERVIEW

INTRODUCTION

The movement of the capital to the previously uninhabited location of Nay Pyi Taw took place in 2006. This has led to a construction boom in the new capital in order to accommodate government functions and civil servants as well as hotels for those travelling on government business. The new capital is seen as the geographical centre of the country and although this is difficult to quantify exactly, it supports cohesion in a country with such diversity.

The population of the city is 924,000 making it already the third largest city in the country. Despite having a far smaller population than Yangon, Nay Pyi Taw is officially nine times bigger in terms of area. The city is largely planned in the form of large function based zones such as a hotel zone, embassy zone and government zone.

New manufactured capitals such as Brasilia and Ottawa struggle to develop a soul that defines other cities that have evolved over a long period of time and these artificial cities are less interesting for tourists. However the South East Asian (SEA) games in 2013 will be held in the capital as well as many events planned during Myanmar's chairing of ASEAN in 2014.

At present the city has a number of important attractions, the National Herbal Park has exhibits of thousands of plants having medicinal applications, from all over the country. The Nay Pyi Taw Zoological Gardens houses around 420 animals including penguins and is the largest zoo in the country. The nearly 40 hectare Nay Pyi Taw Safari Park officially opened in February 2011. Two golf courses, namely the Nay Pyi Taw City Golf Course and Yaypyar Golf Course are open, as well as a gem museum. The highlight of any trip is the Pyidaungsu Hluttaw, which is the parliament of Myanmar and contains 31 buildings in this giant complex.

LOCATION

Nay Pyi Taw stands roughly half way between the two main commercial cities of Yangon and Mandalay. By car it can take between 4-6 hours to reach both cities and as a result anyone visiting to perform government business will require a significant amount of travel and limited time in the capital if they wish to do this in one day. Therefore many will opt to stay overnight to reduce the travel burden and have more time to visit officials and conduct business. It can also act as a convenient halfway house for those who travel by road between Yangon and Mandalay or other cities.

AIRPORT

The Nay Pyi Taw International Airport was inaugurated on 19 December 2011 and is the third international airport in Myanmar after Yangon and Mandalay. The airport consists of two runways and three terminals aiming to cater to 3.5 million passengers a year, 2 million from foreign destinations and 1.5 million domestically. As of the end of 2011 no scheduled flights were operating. If regular flights take place, especially international ones, then this will take the pressure off Yangon as the main entry/exit port.

EMBASSIES

One key driver for the real estate market in Nay Pyi Taw will be embassies and in a small capital the existence of diplomatic missions means

requirements for embassies as well as residences for ambassadors and other embassy staff. Also this would add to demand for hotel rooms due to official visits. In Vientiane, the capital of Laos, this is a significant spur for real estate development. The government has allocated around 200 hectares to be used for diplomatic purposes. However no embassies exist in the new capital as most countries are very reluctant to move from Yangon. Eventually, with the opening up the country, embassies could start to spring up; however large consulates will function in Yangon due to it being the main commercial hub of the country.

CONVENTIONS

The Myanmar International Convention Centre (MICC) was completed on 15 March 2010. The MICC has a main hall that can accommodate 1,900 as well as other banquet and meeting rooms. The centre now hosts many events most notably the twice yearly Myanmar Gems Emporium that brings in visitors from all over the globe. As the largest convention centre in the country it is likely that this will spur the MICE market in Nay Pyi Taw. More convention organisers are looking at the city.

SOUTH EAST ASIAN (SEA) GAMES 2013

In December 2013 Nay Pyi Taw will host the 27th SEA Games that involve all ASEAN countries. This is the third time Myanmar will host the games but the previous venue was Yangon and the last time was in 1969. It is expected that the showcase sporting event for the region will feature around 7,000 athletes and 2,500 officials on top of spectators. As a result the new city is witnessing a construction boom in the form of stadia and other sporting facilities as well as hotel and retail development to accommodate the visitors.



MYANMAR CHAIRING OF ASEAN 2014

It was announced in 2011 that Myanmar would chair ASEAN for 2014. Normally the regional bloc rotates this among its now ten members but Myanmar was given the 2014 slot, two years ahead of schedule due to the country being passed over in 2006 due to human rights concerns. The highlight of the year will be The ASEAN summit in Nay Pyi Taw, featuring the countries' political leaders and this will be covered extensively by the press. The ASEAN grouping holds a vast array of inter-ministerial meetings and inter- regional summits such as between ASEAN and China or the European Union. Many of these are hosted in the country that holds the chairmanship for that year and it is expected that a number cities will be involved such as Yangon, Mandalay and the resort town of Ngapali. However many will also be hosted in Nay Pyi Taw and this will lead to requirements for accommodation during these events. The year 2014 will be an interesting one for ASEAN as it is the prelude to the ASEAN Economic Community that will be established in 2015.

TOURISM

At first glance the idea of Nay Pyi Taw acting as a tourist location may not seem credible. However as a capital city of the country many Myanmar

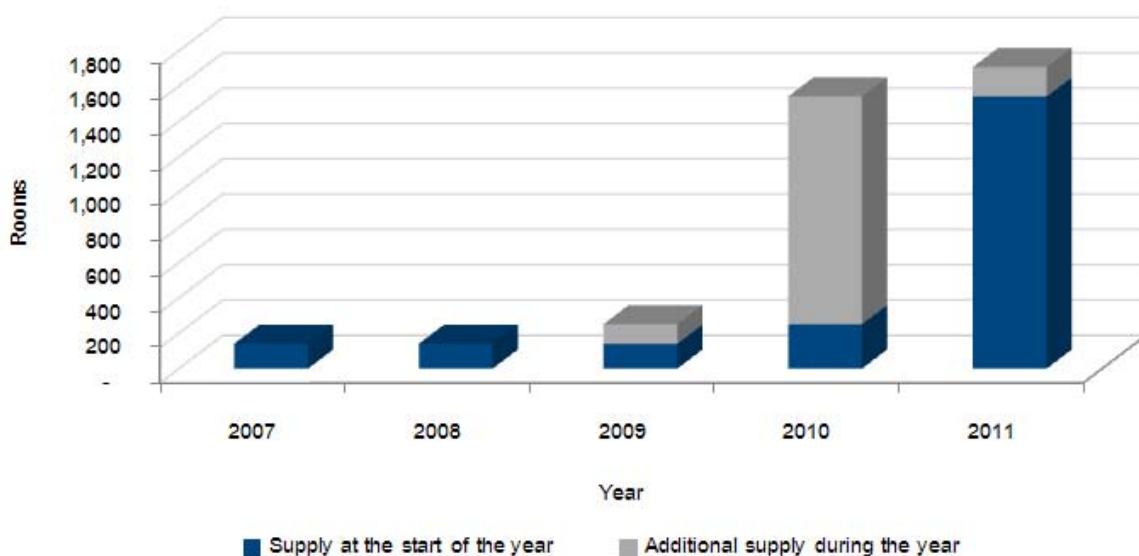
will be interested to visit and the city now hosts a number of attractions that are better than can be found in Yangon and Mandalay. Even for foreign tourists the opening of an international airport may make Nay Pyi Taw a gateway to the country and many will wish to spend a day visiting the sights such as the grandiose new parliament building. The fact that the city is a new artificial creation is in itself fascinating to many.

OFFICES

At present there are no dedicated commercial office buildings in the capital although the future requirement for the location of small embassies may lead to demand for space to accommodate this with specific security measures required by diplomatic missions. Many companies in Yangon and Mandalay in particular require staff to undertake regular government business in the capital and therefore a number have already set up some form of office in a residential building. There may be a future need for office space to accommodate branch offices in the capital but due to the distance between Nay Pyi Taw and the main commercial cities, many companies would prefer residential properties for their staff to stay overnight.

NAY PYI TAW HOTEL MARKET

HISTORICAL SUPPLY, 2011



Source : Colliers International Thailand Research

The number of hotel rooms in Nay Pyi Taw grew significantly in the year 2010 with nearly 1,300 rooms from 17 hotels completed in that year but only three hotels with approximately 170 rooms completed in 2011. The total number of hotel rooms in Nay Pyi Taw is more than 1,700 from 27 hotels and most of the supply is in the higher end category as most visits to Nay Pyi Taw are related to government business or MICE and therefore will have higher accommodation budgets.

Most hotels are located in a designated hotel zone away from government areas. Many are villa developments rather than high rises due to extremely low land prices as the governments provides very strong incentives for developers to build hotel rooms.

FUTURE SUPPLY

Approximately ten hotels are under construction in the hotel zone in Nay Pyi Taw with approximately 700 rooms and most of all future supply is scheduled to be completed in 2012. Due to the hosting of the SEA Games in 2013 the vast majority of hotel rooms are expected to be operation for when this event takes place.

NAY PYI TAW RETAIL MARKET

The move of government functions to the new capital city took place fairly abruptly and it took time for other components of a city to be developed to cater to the needs of the civil servants who had moved there. Although Nay Pyi Taw has been the new capital of Myanmar since the year 2006, only two retail centres have opened in the hotel zone. Junction Centre Nay Pyi Taw opened its doors in 2009 with approximately 5,500 square meters including an Ocean Supermarket on the ground floor and cinemas on the second floor, and also comprising of some fashion shops, beauty salons and restaurants. The other retail centre is Capital Hypermarket, operated by Diamond Star Co., Ltd., which opened in March 2011 in the hotel zone in the same area as Junction Centre.

Before the completion of the two retail centres, Nay Pyi Taw already had an outdoor shopping complex called Thriyatana shopping centre in Bogatheikdi Ward with approximately 200 shops which opened in 2008. The centre was developed by Nay Pyi Taw City Development Committee (NCDC) and includes restaurants, a supermarket, fashion stores and other shops. There are also a number of supermarkets scattered around the city such with a few operated by Asia Light which also has chains in Yangon and Mandalay.

Nay Pyi Taw now provides many of the conveniences of a normal city such as with 24 hours electricity, free satellite television and the opportunity to drive cars and motorcycles (banned in Yangon) on roads wider and far less congested than in Yangon.



SWOT

STRENGTHS

As a new city many developments are modern in design in comparison to Yangon which includes many old and poorly constructed buildings.

As a capital city the city will always benefit from people having to do government business and eventually location of embassies will lead to more people visiting on official purposes.

WEAKNESSES

As an artificial city located far from any other large population base the city will always struggle to have an identity of its own. Most new capitals such as Brasilia and Canberra are soulless for the very reason that most people do not want to be there in the first place.

The city has a very poor reputation in international eyes as being a construct of an old, poorly regarded regime and it will be very difficult for Nay Pyi Taw to shake off this image.

OPPORTUNITIES

The integration of Myanmar into the international community will be of great benefit to Nay Pyi Taw as the capital as there will be a significant rise of visitors conducting government business from a wider array of countries. Interest from journalists will lead to the setting up of bureaus from media agencies covering events in the capital.

The vast land area can provide opportunities for building large scale buildings such as museums, theme parks and convention centres that can appeal to tourists and business people.

The development of sports facilities for the SEA Games in 2013 could be capitalised upon by developing the city as a sports centre.

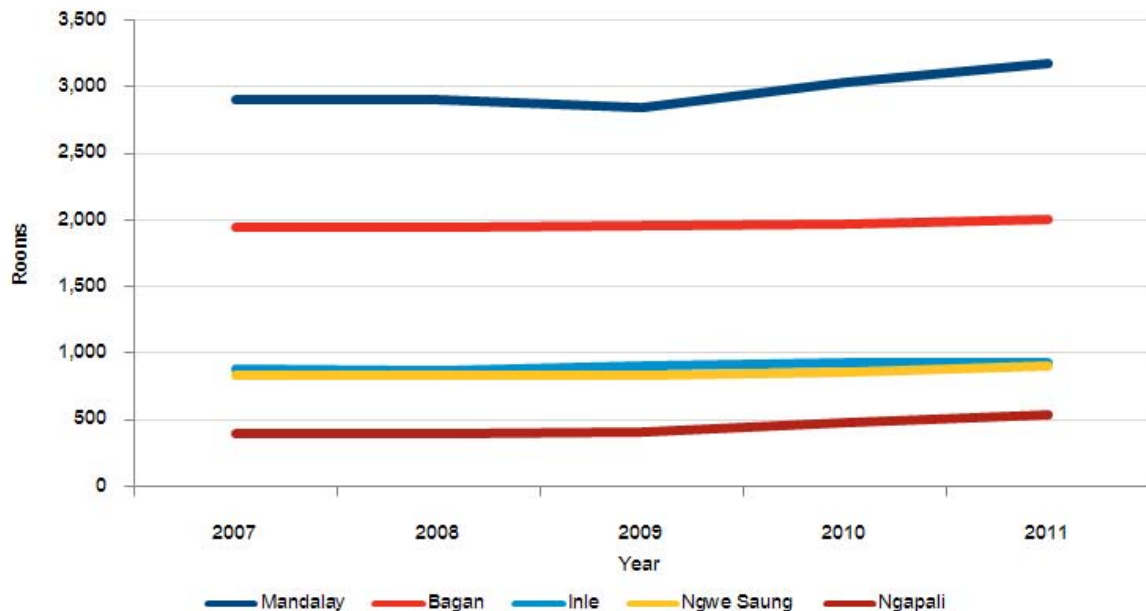
THREATS

Over time there may be pressure from a democratically elected government to move the capital back to Yangon or at least many functions.

Almost every country is not committing to establish an embassy in the city which will reduce the amount of expected foreign residents and visitors.

6. OTHER LOCATIONS IN MYANMAR

HOTEL SUPPLY IN MAJOR DESTINATIONS IN MYANMAR, 2011



Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

Mandalay as the second biggest city in the country and an important commercial centre contains the most hotels outside of Yangon. The whole country has been affected by the afflictions that have landed on Myanmar's door such as political strife, Cyclone Nargis as well the global

economic crisis that began in 2007. As a result little activity has taken place in hotel developments but there have been a number of new hotels springing up in the main resort area of Ngapali.



BRIEF SUMMARY OF OTHER LOCATIONS

MANDALAY

This is Myanmar's second largest city and the main commercial centre in the north. It serves as the gateway to Chinese and Indian trade. Devastating fires in the 1980's destroyed many buildings and left large plots of land left vacant which were later purchased, mostly by the ethnic Chinese, hailing mostly from Yunnan province who emigrated to Myanmar in the nineties. They are estimated to make up around 30-40% of the population of the city. This has led to the development of the downtown area with new apartments, hotels and shopping centres and stretching as well into the suburbs including the ancient city of Amarapura, 11 km away. The hill resort town of Pyin Oo Lwin is 67 km from Mandalay.

NGAPALI

Myanmar's most popular beach destination occupies about three kilometres of coastline. By Thailand standards it is very peaceful and less developed but a number of international grade resorts have opened up including Bayview Beach Resort, Sandoway Resort, Amata Resort & Spa and Amazing Ngapali Resort. The resort area can be accessed by Twande Airport and in the monsoon season all resorts close their doors due to heavy rain for usually five months. In the second half of 2011 two hotels opened; Amara Group opened the Amara Ocean Resort Myanmar with 26 luxury bungalows and Ngapali Bay Villas added 32 villas to Ngapali's growing supply of Upper Scale rooms.

Hotels in Ngapali cater for mostly high-end travelers who are often attracted to the rustic atmosphere. Many use bicycles to explore the rural environment. One main challenge for hotel operators is that electricity needs to be supplied in most cases 24/7 by generators which means running the hotel is very costly and also most food and drinks need to be sent from Yangon, including the tropical fruit, mostly by air.

NGWE SAUNG

A beach location that is within a five to six hour drive from Yangon and is therefore popular at weekends with a number of higher end resorts available such as Emerald Sea Hotel, Yuzana Resort and Aureum Palace. Due to the monsoon season a number of hotels close for an extended period. In the long term the area is likely to be more popular for Yangon residents in the way HuaHin is for Bangkokians.

CHAUNGTHA

This is the other beach location close to Yangon and is more popular with local Yangon residents and resorts tend to be cheaper than its neighbor NgweSaung, with just two higher end resorts called Hotel Max and Belle Resort.

BAGAN

Bagan is the must-see cultural location akin to Siem Reap in Cambodia. The overall area covers 42 sq km and consists of a multitude of temples. The Bagan Archaeological Zone (BAZ) contains three main areas of accommodation for tourists. Nyaung U caters more for the backpacker crowd with many budget accommodation choices and a few mid range options. However it is the furthest from the main temple locations. Old Bagan is located in the same location as the most important tourist sites and is seen as the main core of the BAZ. It contains a number of higher end hotel options due to its location. These include Bagan Hotel River View, Thiripyitsaya Sakura Hotel and Hotel @ Tharabar Gate. Old Bagan contains no residents except for hotel workers as they were relocated to

New Bagan, three kilometres away in 1990. This location mostly contains newer mid-range hotels.

While Siem Reap is likely to be many a place to visit once, the area of Bagan is more about vibe and atmosphere than ticking off the temple boxes. Therefore in the longer run the location may be attractive for returning visitors who seek a place to relax and explore.

INLE LAKE

The lake is a strong draw card for tourists coming to Myanmar. It is 116 sq km in size, stands at an altitude of over 850 metres and has breathtaking views. Most accommodation is in the town of Nyaungshwe which contains budget and mid end hotels. As there is no actual shoreline, access to the actual lake is difficult and therefore there are limited hotel options on the lake itself and these are in the higher end segment such as Inle Lake View Resort and Myanmar Treasure Resort Inle Lake.



7. MYANMAR INDUSTRIAL ESTATE MARKET

HIGHLIGHTS

Industrial land prices deterring investors

Wide variations in pricing as market have been a source of speculation and valuations almost non-existent.

FDI still focused on power, oil & gas and mining which are not strong

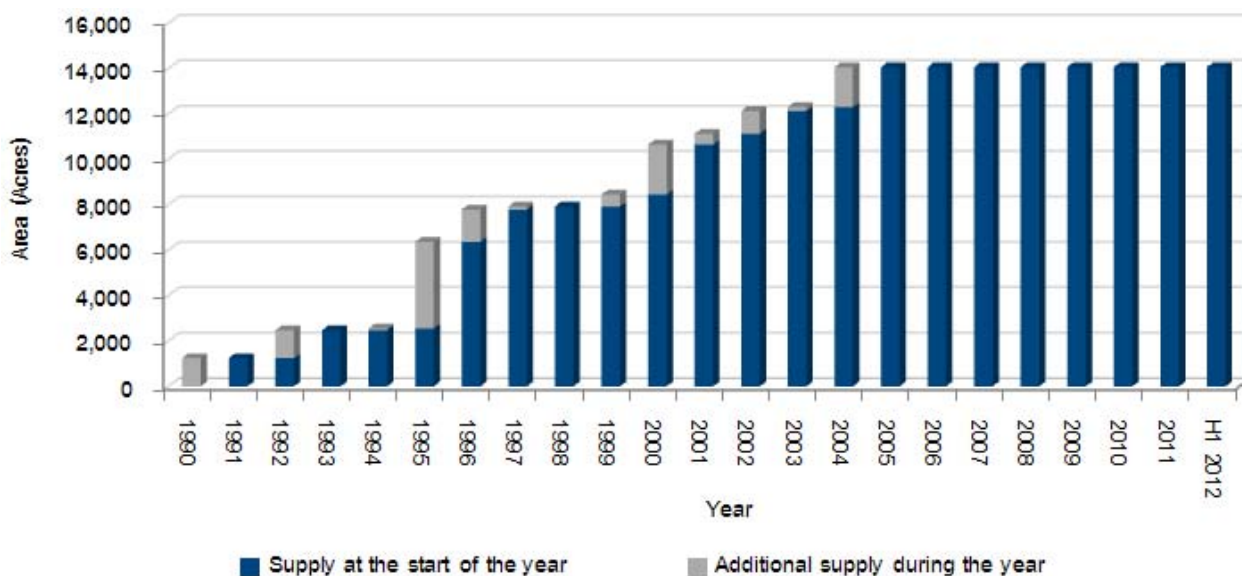
drivers for industrial estate land

Concerns that anticipated foreign investment law may underwhelm

Poor quality buildings are likely to conflict with international standards of safety and significant renovation would be required

SUPPLY

HISTORICAL SUPPLY IN MYANMAR, H1 2012



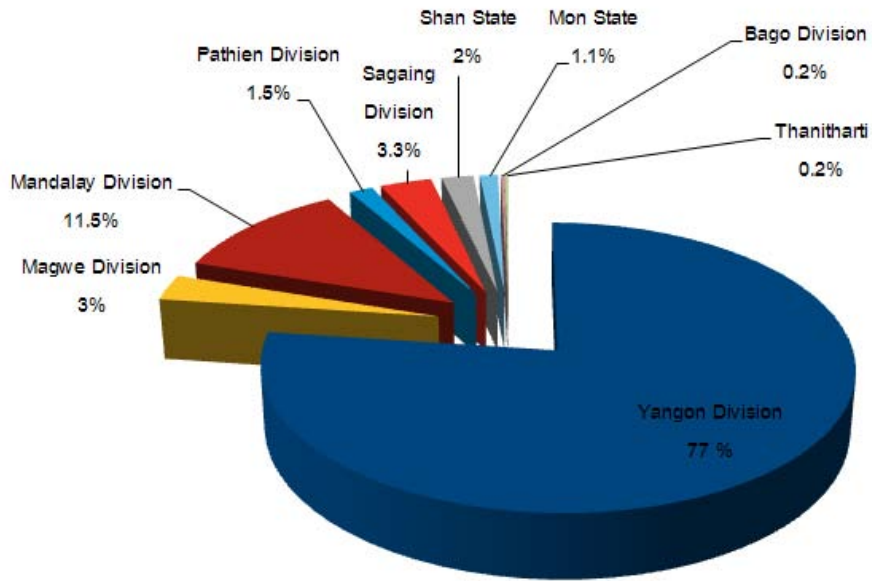
Source: Department of Human Settlement and Housing Development (DHSHD) and Colliers International Thailand Research

The total area of industrial zones in Myanmar exceeds 14,067 acres, and about 77% of the area of these is located in Yangon division. The first two industrial estates in Myanmar were established in 1990 in Mandalay and Yangon division following the introduction of The Union of Myanmar Foreign Investment Law in November 1988. No new industrial estates

were added to the market from 2007 until 2012 due to political disturbances and the global financial crisis; however many local and foreign investors aspire to launch new industrial estates in the future following the opening up of the country over the past 18 months.



PROPORTION OF INDUSTRIAL ESTATE LAND IN YANGON AND OTHER STATES / DIVISIONS, H1 2012



Source: Department of Human Settlement and Housing Development (DHSHD) and Colliers International Thailand Research

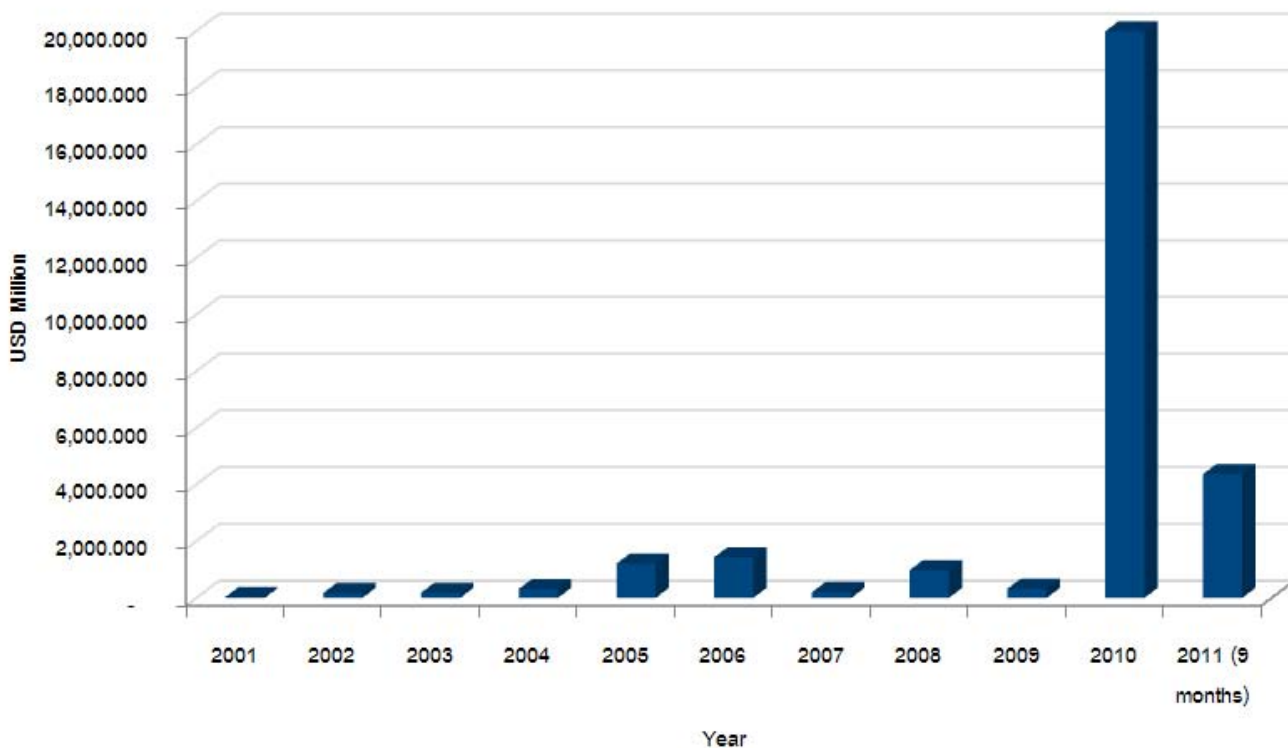
Note: In previous reports Mandalay represented around 26% of supply due to the inclusion of YadanabonCyber City. However, although a number of factories have set up in the area it is not considered an industrial zone by the Myanmar government and has been excluded from this report.

Most of the industrial estates in Myanmar are located in the Mandalay and Yangon divisions, representing over nine tenths of the total industrial estate area in the country. Around 77% of the total industrial estate land in Myanmar is located in Yangon division, due to the fact that Yangon is the logistics hub of Myanmar while Mandalay serves mostly as a

commercial hub for trade between Myanmar and China. Approximately 80-90% of imports and exports pass through the Port of Yangon, and most air-freight comes through the international airport in the northern part of Yangon city.



FOREIGN DIRECT INVESTMENT (FDI), 2011

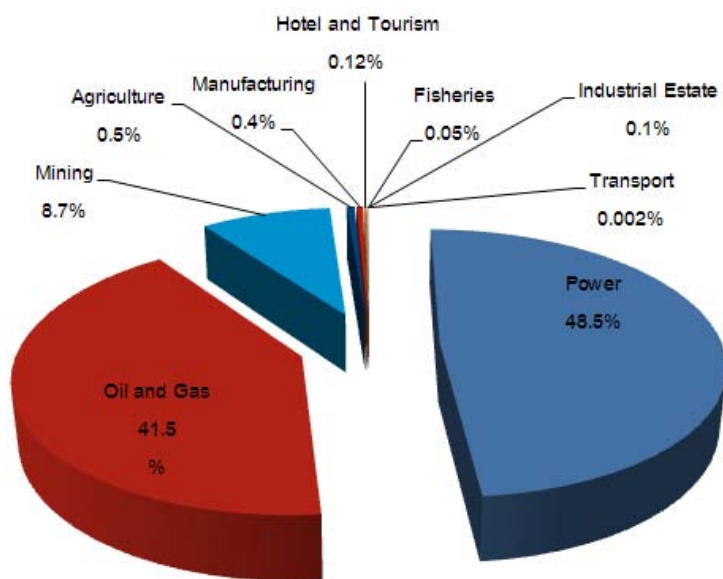


Source: Central Statistical Organization and Colliers International Thailand Research
 Remarks: 1. Each year's information begins from April to March of the previous year.
 2. For the year 2011, data was collected from April to December only.

The total investment value of the first nine months of 2011 was more than USD4,370 million, and nearly 100% of the total value in 2011 derived from the power sector. Most of the Foreign Direct Investment in Myanmar is related to natural resources, such as oil, gas, power and mining. Total

foreign investment value from 2001 to 2011 was approximately USD25,891 million, representing 156 companies. Approximately 77% of the total value is from investment that took place in 2010.

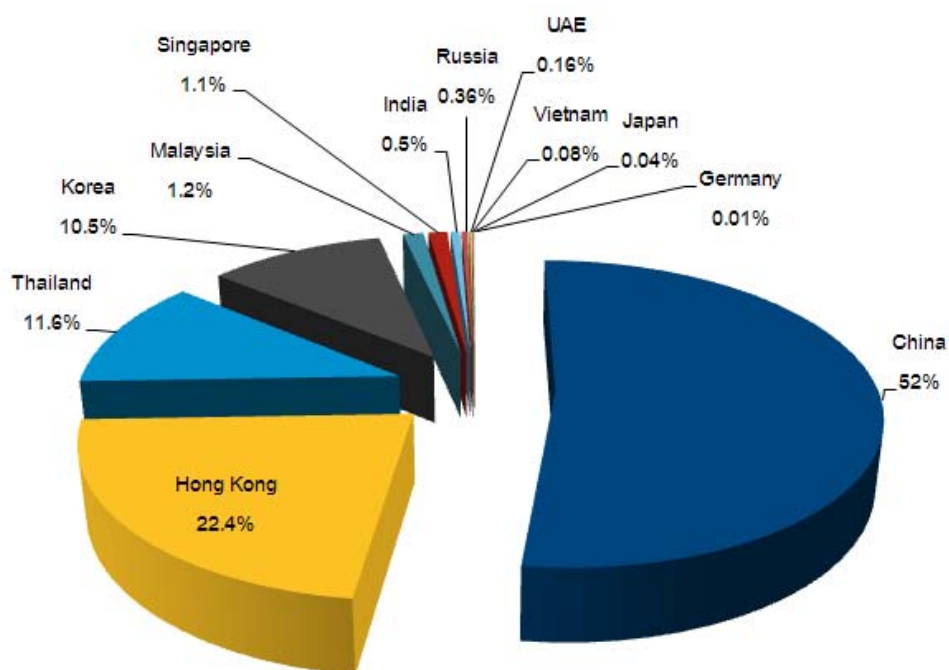
FOREIGN DIRECT INVESTMENT IN MYANMAR DURING THE YEARS 2007 – 2011 BY SECTOR



Nearly 50% of FDI total value is in the power sector, representing more than USD12,562 million. This is followed by USD 10,742 from the oil and gas sector, with an additional 9% from the mining sector. Only around half a percentage point comes from manufacturing which is the key driver for industrial estate development. Many are anticipating a new foreign investment law, which should provide the impetus for companies to set up factories in Myanmar. This will then drive more local businesses to begin operations as well to support manufacturing growth.

Source: Central Statistical Organization, Ministry of National Planning and Economic Development and Colliers International Thailand Research

FOREIGN DIRECT INVESTMENT IN MYANMAR DURING THE YEAR 2007 – 2011 BY COUNTRY OF ORIGIN



Source: Central Statistical Organization and Colliers International Thailand Research

Investors from China still take up the majority of FDI in Myanmar, with approximately 52% of the total value (nearly USD25,900 million) from 2007 to 2011. Hong Kong came second with around 22% (approximately USD5,800 million). Nearly 100% of the total foreign investment in 2011 was from China (approximately USD4,344 million) according to the

Central Statistics Organization (CSO). The growth of the resource and power sector has been the main attraction for Chinese investors, while sanctions, an outdated investment law and foreign exchange banking weaknesses have hampered FDI from other countries.



DEMAND DRIVERS

ASIAN HIGHWAY NETWORK IN MYANMAR



The Asian Highway (AH) network in Myanmar consists of four routes – AH1, AH2, AH3 and AH14. All routes pass through many major cities as indicated in the table below:

BUSINESSES IN MAWLAMYAINE INDUSTRIAL ZONE

AH NO.	ROUTE	BORDER AND MAJOR CITIES ALONG THE ROUTE	LENGTH (KM.)
AH1	Myawaddy – Tamu	Myawaddy (Border of Thailand) – Thaton – Payagyi – Pyinmana – Meiktila – Mandalay – Pale – Gangaw – Kelemyo – Tamu (Border of India)	1,554
	Payagyi – Yangon	Payagyi – Bago – Yangon	96
AH2	Tachilek – Meiktila	Tachilek (Border of Thailand) – Kyaing Tong – Meiktila	807
AH3	Mongla – Kyaing Tong	Mongla (Border of China) – Kyaing Tong	93
AH14	Muse – Mandalay	Muse (Border of China) – Lashio – Mandalay	453
Total			3,003

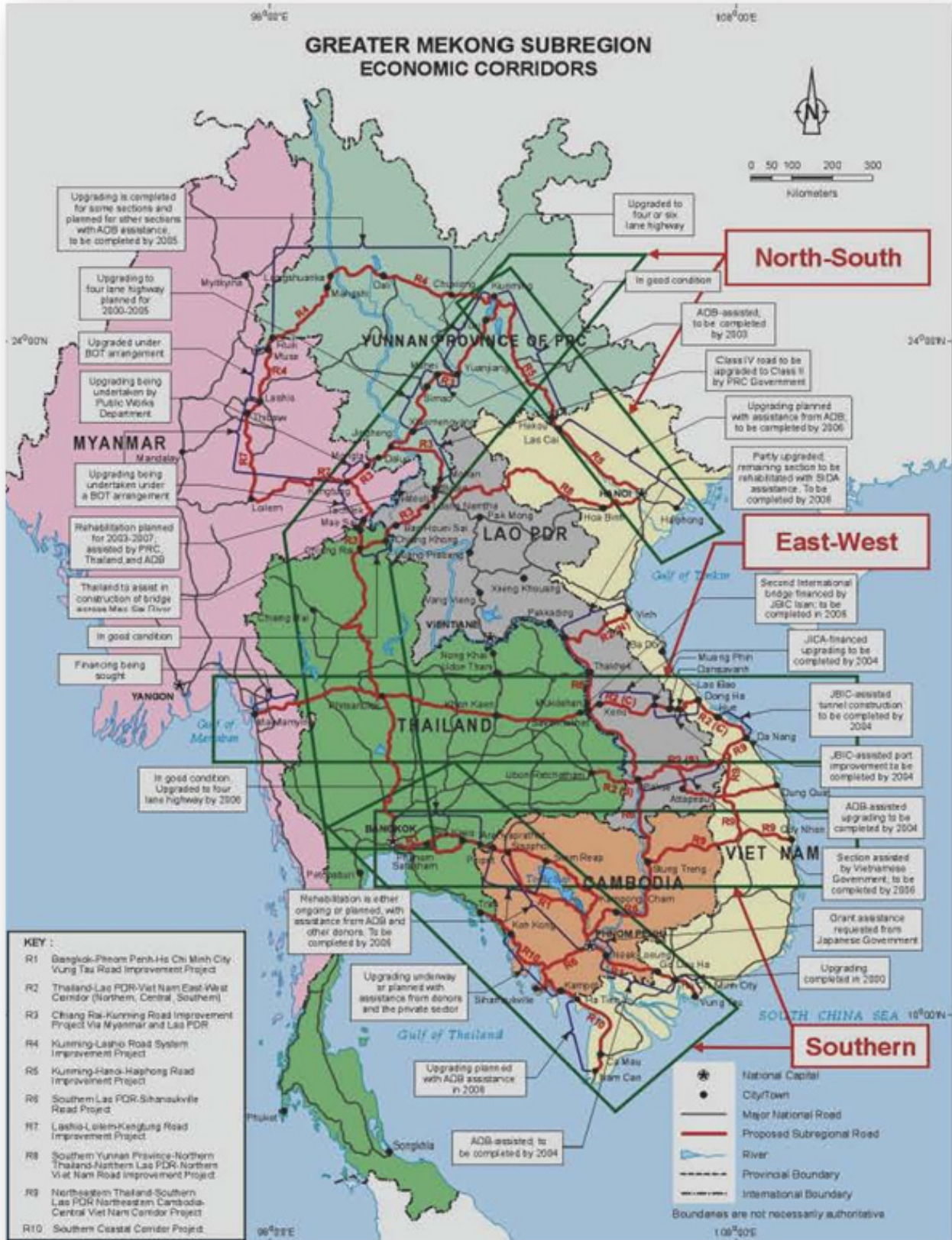
Source: United Nation and Colliers International Thailand Research

The Asian Highway network in Myanmar is connected to three other countries, with two routes in the north. In the eastern part of the country, these routes connect to China. Two routes link to Thailand in the eastern part of the country the other connects to India. Although the road quality

in Myanmar is still far below international standards, the government has announced its intention to develop all transportation systems starting with the main highways in order to save on logistical costs and time.

ASEAN ECONOMIC CORRIDOR

The new highways will run between all of the countries in the Greater Mekong Sub-region: Thailand, China (Yunnan Province), Vietnam, Cambodia, Laos and Myanmar. This project is funded by the Asian Development Bank (ADB) in various areas of infrastructure development, especially road transport.



Source: Asian Development Bank (ADB) and Colliers International Thailand

The Asian Development Bank (ADB) has divided the project into three major parts:

• **NORTH - SOUTH ECONOMIC CORRIDOR:**

This route starts on an existing road in Bangkok, Thailand and goes north to the border at Chiang Rai province continuing to Yunnan by the R3 road. In addition, the Chinese government is also developing a new road in the northern part of Myanmar to link all roads in that area to the R3 road, for the sake of convenience of logistics and transport.

• **EAST - WEST ECONOMIC CORRIDOR:**

This road is intended to be the main highway connecting the western part of Myanmar at Mawlamyine in Mon State to the South China Sea at Danang through Laos and Thailand.

• **SOUTHERN ECONOMIC CORRIDOR:**

This road is also the main highway connecting the west side of Myanmar at Dawei to the South China Sea at Danang and Vung Tau through Laos and Thailand.

Construction of the corridors has been sporadic, with some sections completed but others still in the planning phase. It will take many years for the overall project to complete.

Myanmar section still not complete. In addition, the government announced a new special economic zone in Kayin State's Myawaddy, with a total area of approximately 180 to 200 acres. It is unclear at this point what area will apportioned as industrial use. Myawaddy is important as it is close to Mae Sot on Thailand's border with Myanmar and is also located on the East - West Economic Corridor. In Kayin State, another special economic zone in Hpa-an has also been recently launched.

FUTURE SUPPLY OUTSIDE YANGON

A number of new industrial zones are planned outside of Yangon for different reasons. Many states and regions remain undeveloped and industrial zones are planned in order to provide jobs and help grow such areas. Hpa-an in Kayin state is one such project with 9,760 acres planned as well as ThinganNyiNaung in the same state. Other are planned to be established such as in Mon and Shan states and Tanintharyi region.

Dawei Special Economic Zone project in southern Tanintharyi region is being developed by Italian Thai. Overall the industrial estate component is planned to take as much as 61,000 acres, dwarfing all existing industrial land throughout Myanmar fourfold. The key impetus behind this project is its proximity to Bangkok and that it can host large capital intensive industries such as oil refining and steel production.

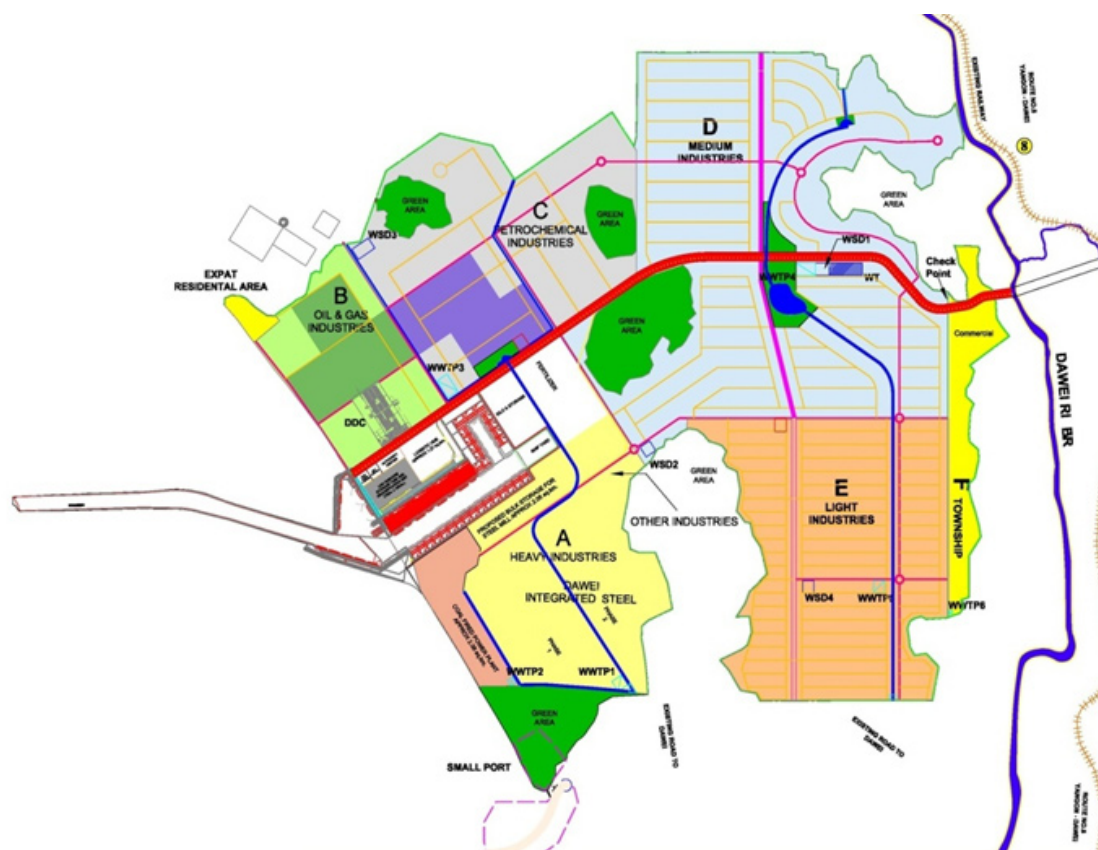
EAST - WEST ECONOMIC CORRIDOR

China, Thailand, Myanmar, Laos, Cambodia and Vietnam have initiated the development of economic cooperation in the Greater Mekong Sub-region (Greater Mekong Sub-region: GMS). The main objective is to expand trade, boost foreign investment in the region and reduce logistics costs. The plan is to develop some roads and railway systems so as to link every country together. The East - West Economic Corridor (EWEC) or Route 9 (R9) is intended to be the main highway to connect the west side of Myanmar at Mawlamyine in Mon state to the South China Sea at Danang through Laos and Thailand.



More than 80% of the total length of 1,450 kilometres has been completed already, approximately 950 kilometres of this road is located in Thailand, and the segments in Laos and Vietnam are already finished, with the

DAWEI PROJECT



Source: Italian – Thai Development Plc. and Dawei Development Co., Ltd.

Dawei is located in the Tanintharyi Region in the southern part of Myanmar, approximately 600 km from Yangon. Dawei Port Sea Port and Industrial Estate Development Project started in 2008 between the Myanmar Port Authority and the Italian – Thai Development Plc. Dawei

Port will become a new Asian logistics hub, since it links to China and Southeast Asia by road as well as India, the Middle East, Europe and Africa by sea. Dawei Port is around 370 km from Bangkok and only 70 km from the border of Thailand at Kanchaburi province.

THE DAWEI PROJECT IS TO BE DIVIDED INTO SIX ZONES:

ZONE	MAIN INDUSTRY	ESTIMATED AREA
A	Port and Heavy Industry	20
B	Petroleum and Chemical Complex	10
C	Upstream and Downstream Petrochemical Complex	65.1
D	Medium sized industry	59.8
E	Light industry	38.8
F	Residential Area, Public Facilities and a Commercial Complex	20
Total		213.7

Source: United Nation and Colliers International Thailand Research

DAWEI'S FUTURE TRANSPORT CONNECTIONS TO THE REGION



Source: Asian Development Bank and Colliers International Thailand Research

The Dawei project is scheduled to have all phases complete in 2020. By 2015, the first phase is set to be complete. This project is set to radically alter the logistical make-up of the region. At present, around 1,400 vessels pass through the narrow Strait of Malacca in order to pass between The Andaman Sea and the Gulf of Thailand. The area can be very congested and prone to disruptions including piracy, and it

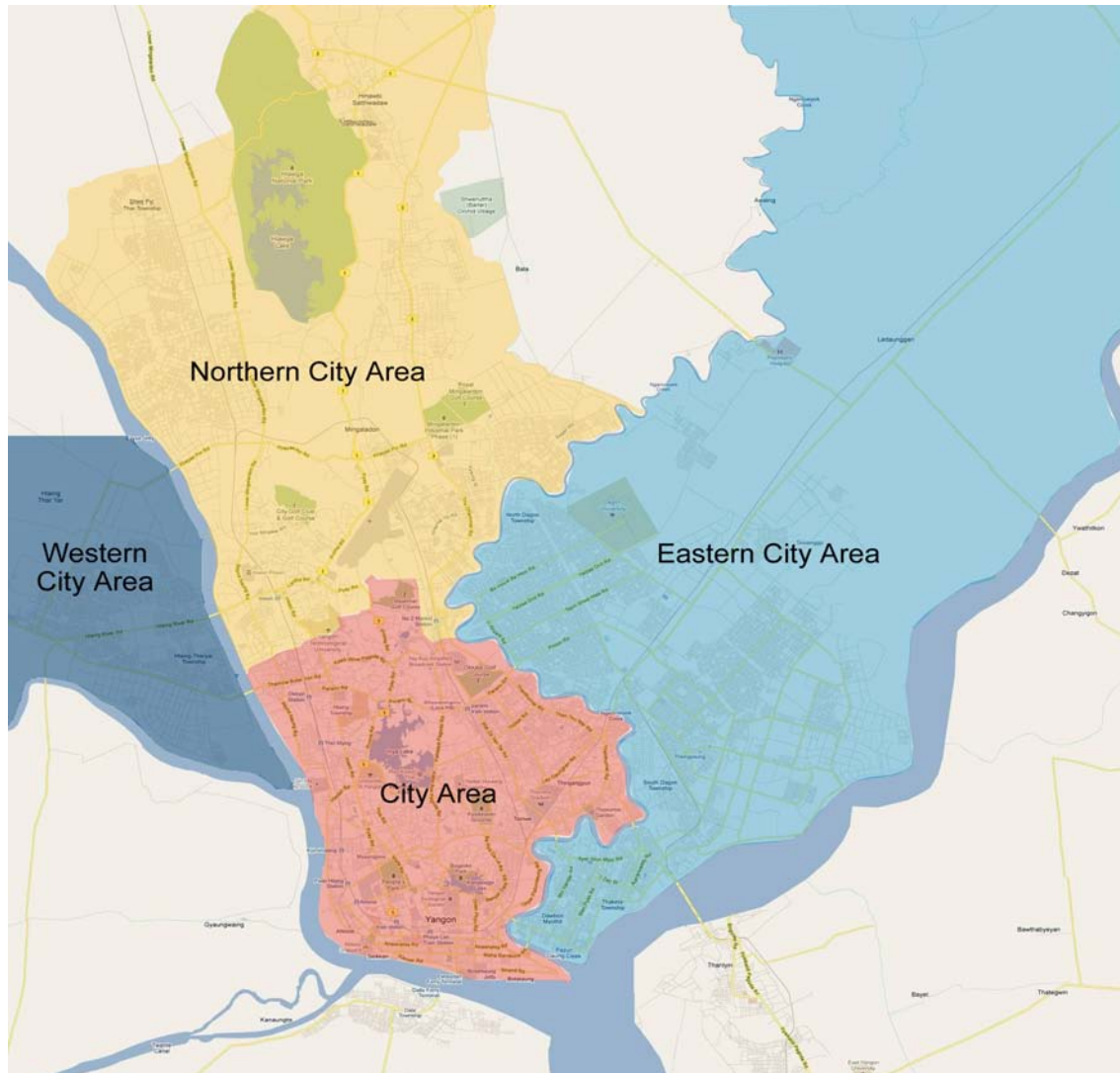
represents a significant detour south for many vessels. By using Dawei port and the road from the port to other countries in the region, goods can be trans-shipped by road and rail from Thailand, Cambodia and Vietnam and then either overland to China or by sea to India, Africa, Middle East and Europe.



8. YANGON INDUSTRIAL ESTATE MARKET

YANGON INDUSTRIAL ZONES

The zoning map is different for the Yangon industrial market compared with other real estate sectors due to the wide dispersion of industrial estate activity further out from the city centre.



CITY AREA:

The City Area includes the downtown area and the surrounding areas. This area covers the townships of Ahlone, Lanmadaw, Latha, Pabedan, Kyauktada, Pazundaung, Seikkan, Botataung, Pazundaung, Kyauktada, Dagon, Mingalartaungnyunt, Kyeemyindaing, Sanchaung, Bahan, Tamwe, Hlaing, Yankin, South Okkalapa, Thingangyun and Mayangone.

WESTERN CITY AREA:

This area is located on the western side of Hlaing River, which is a new residential zone, due to the development of industrial estates. This area covers Hlaingthanyar Township.

NORTHERN CITY AREA:

This area covers Insein, Mingalardon, North Okkalapa and ShwePauk Kan townships.

EASTERN CITY AREA:

This area covers East Dagon, South Dagon, Dagon Seikkan and Thaketa townships.

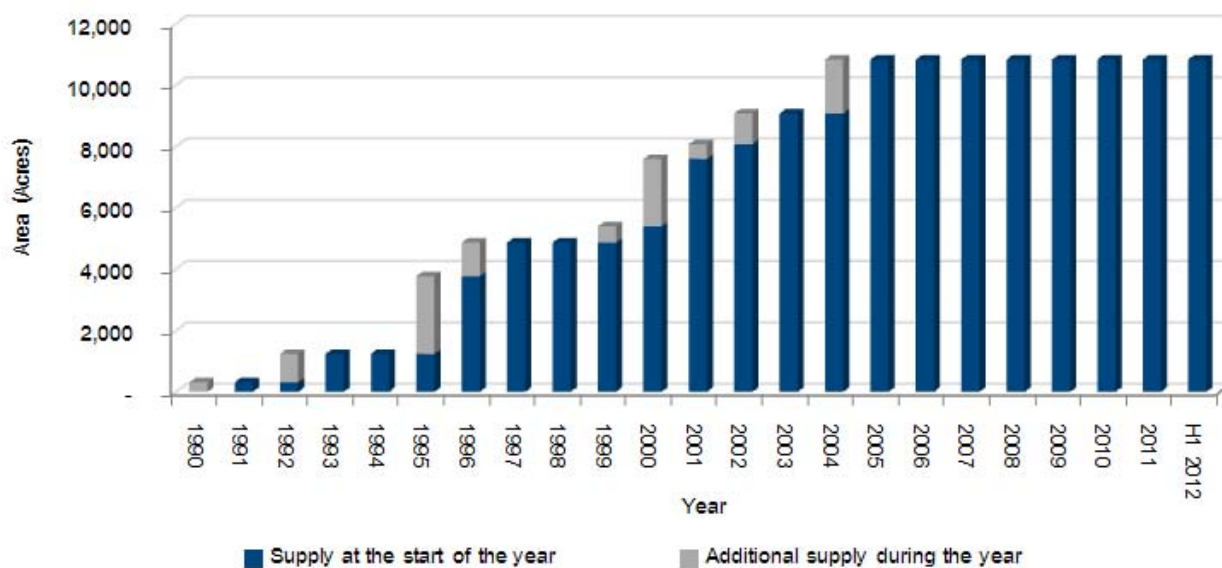
THANLYIN DIVISION:

This area is not part of Yangon city as evidenced by the appearance of motorcycles and forms part of Yangon region. It is a potential new growth area for industrial zone activity due to the location of Thilawa deep sea port.



SUPPLY

HISTORICAL SUPPLY OF INDUSTRIAL ESTATE LAND IN YANGON, H1 2012

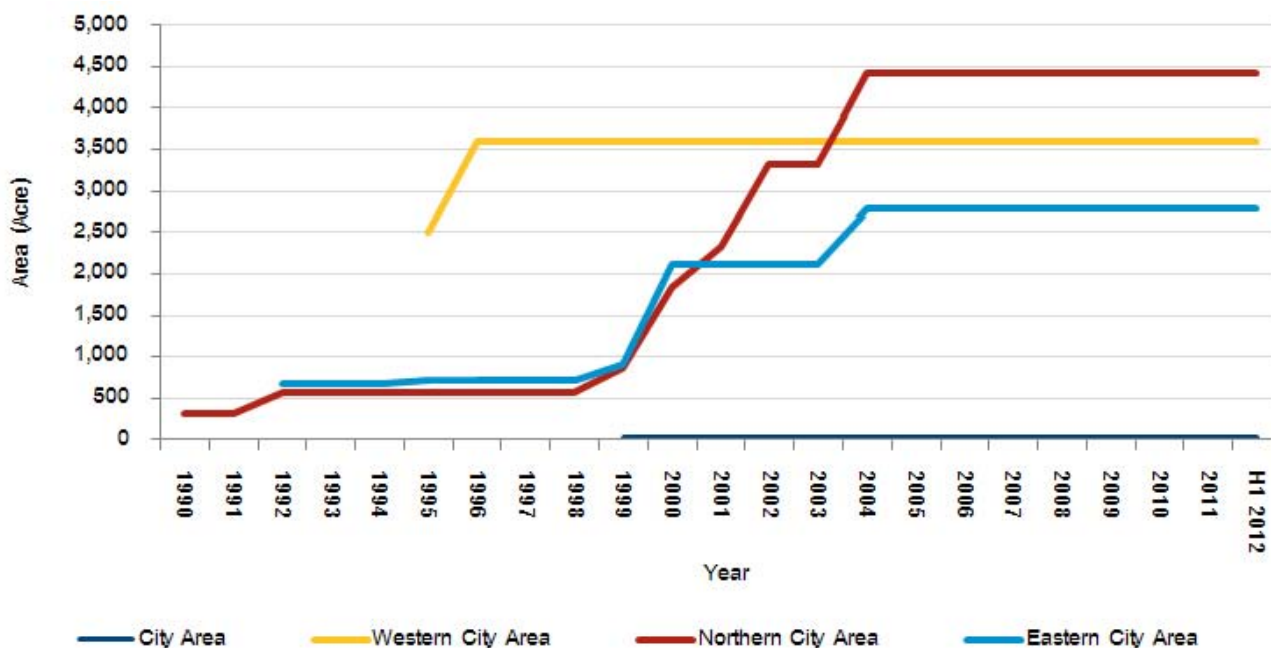


Source: Department of Human Settlement and Housing Development (DHSHD) and Colliers International Thailand Research

Around half of the supply of industrial estate land began existed before 2000. Since the year 2004, no new industrial estate supply has been added to the market reflecting the lack of interest from manufacturers. The total area of industrial zone land in Yangon exceeds 10,840 acres. Most industrial estates in Yangon are more than 10 years old already, and most lack maintenance or supporting facilities such as wastewater treatment, good quality roads, fire alarm systems and backup generators. Regular electricity supply also remains a major challenge for factories.

After the economic opening of the past two to three years, some industrial estates in Yangon are in the process of planning to upgrade facilities, especially roads, in anticipation of foreign manufacturers starting to set up factory and warehouse facilities. This usually takes place in the dry season beginning in October due to heavy rains in the wet season.

SUPPLY OF INDUSTRIAL ESTATE IN YANGON BY YEAR, H1 2012

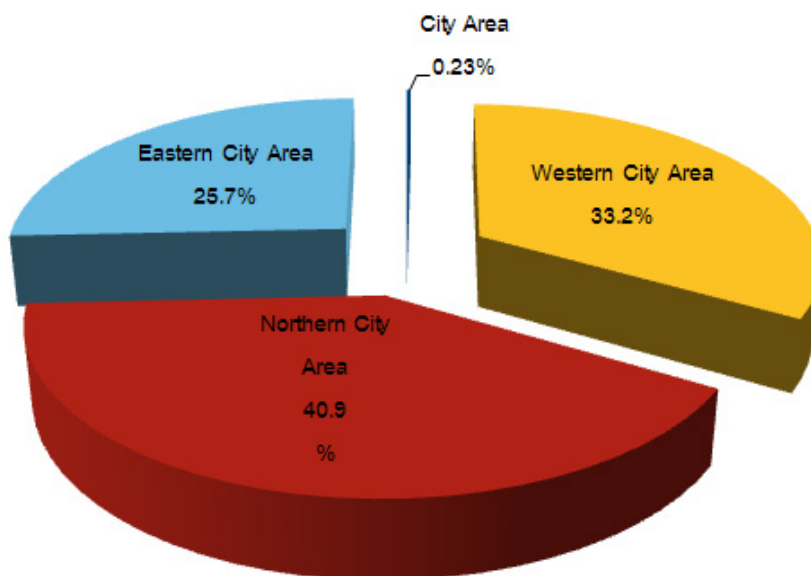


Source: Department of Human Settlement and Housing Development (DHSHD) and Colliers International Thailand Research

The first industrial estate in Yangon was located in Shwe Pyi Thar Township in the Northern City Area, with more than 306 acres. It was followed by two industrial estates in the Eastern City and another two in Northern City Area, with a total area of more than 932 acres. The

Northern City Area has the highest industrial estate area in Yangon due to the availability of large tracts of land and its connection to the Hlaing River and proximity to Yangon International Airport.

SUPPLY OF INDUSTRIAL ESTATE IN YANGON BY LOCATION, H1 2012



Source: Department of Human Settlement and Housing Development (DHSHD) and Colliers International Thailand Research

Almost 100% of the total industrial estate area in Yangon is outside the Yangon City Area with just one small industrial estate being located in

the City area. More than 40% of the industrial estate area in Yangon is located in the Northern City area, which is close to the airport.

FUTURE SUPPLY, H1 2012

Some existing industrial estates in Yangon are planning to expand their area and open up new phases due to expected demand from foreign and local investors.

The Thilawa - Kyauktan industrial zone is located in Thanlyin Township near the Myanmar International Terminal Thilawa (MITT), 25 km south of Yangon. The area is located along the Yangon River. This new industrial zone is planned to be developed as a transport and logistics centre, industrial, business, finance and residential zone on a total land area of more than 340 sq km or 84,158 acres. Recently, the government allowed some developers to begin work on some plots already. Myanmar International Terminal Thilawa (MITT) is a multi-purpose container terminal located at Thilawa near the mouth of the Yangon River. The facility is also adjacent to the soon-to-be-developed Thanlyin-Kyauktan Special Economic Zone.

Saha Group plans to invest in their new industrial park. Saha Group, Thailand's biggest consumer-products group, is planning to spend about USD95 million on setting up an industrial park with a total area of approximately 550 to 600 acres in Yangon. They plan to develop this industrial park for themselves and also lease the land to local and foreign investors.

DEMAND

DEMAND IN YANGON, H1 2012

Most of industrial estates in Yangon have land still available for new investors, and most of them are ready to expand their area in order to accommodate future FDI in manufacturing and logistics. Many of the

PRICE

PRICE IN YANGON, H1 2012

Most of the industrial estates in Yangon are developed by the Department of Housing Settlement and Housing Development (DHSHD). The land rental rate of industrial estates in Yangon varies depending on facilities, infrastructure and management.

The Land Use Premium refers to the payment made for a long -lease period. The premium for Mingalardon Industrial Park in the northern part of Yangon is USD38 per square metre, which is for a period of 35 years.

The average asking rate for industrial land in Yangon is USD 95 per square metre although there are very wide variations with one industrial estate averaging USD 17 while the most expensive industrial estate averages USD 458. The average price is on a par to industrial estates in Thailand and Indonesia although facilities in these countries are far superior.

RENTALS

RENTAL RATES, H1 2012

Rental asking rates for land show a wide variation in terms of rates. The average for all industrial estates is 70 US cents per square metre per month. However the lowest average for an industrial estate comes to 32 cents while the highest is 118 cents.



available and well-located land plots with supporting facilities in Yangon's industrial estates are already occupied or reserved by investors. However currently asking prices are high and many potential manufacturers are not interested until prices fall.

SWOT ANALYSIS

STRENGTHS

The economic opening in Myanmar during the past few years is a main driver for boosting demand in industrial estates across the country, especially in Yangon.

Myanmar offers cheaper labour cost compared to other countries in the region. Most Thai investors and foreign investors in Thailand are looking to expand their business into Myanmar.

With a population of over 60 million with a large concentration in Yangon and the immediate area, many manufacturers are looking at the country as a future demand for their products, which mean they are more likely to want to set up in Yangon.

The increasing number of local investors during the past few years is the main factor contributing to increased demand for land plots in industrial estates.

WEAKNESSES

Infrastructure still is the worst factor compared to Thailand and other countries, especially as it pertains to poor-quality roads, as these directly affect logistical expenses and time.

Unreliable electricity supply remains a major impediment for investors especially in more capital intensive industries.

Most industrial estates in Myanmar fail to meet international standards. Only one of them has wastewater treatment, and internal roads are in need of maintenance.

Actual properties on the industrial estates are often of poor quality and neglected. Therefore international companies wishing to rent such buildings may need to pay for substantial renovation to conform to internal company standards in regards to worker safety.

OPPORTUNITIES

A new investment law could open the way for significant FDI in manufacturing. This will be the key driver for industrial estate development if it satisfies the requirements of investors.

The development of the ASEAN Economic Community in 2015 will help increase demand for intra-ASEAN trade and support manufacturing.

THREATS

Cambodia and Laos are starting to attract manufacturing investment as well as Vietnam, and this could overshadow Myanmar if new investment legislation deregulating foreign exchange restrictions and regulating foreign investment comes up short. There are concerns that the expected foreign investment law may not satisfy foreign investors due to the level of bureaucracy involved.

The development of the energy and mining sectors is creating a 'resource curse' that is leading to higher exchange rates for the kyat, which could make goods manufactured in Myanmar relatively expensive.

Land prices remain high compared to most countries in the region especially when taking into account the quality of infrastructure and factory buildings. This is deterring investors from entering Myanmar and they are looking at Vietnam, Cambodia, Laos and Bangladesh instead.



9. YANGON OVERVIEW AND ZONING

OVERVIEW

Yangon, also known as Rangoon, is the former capital of Myanmar and the largest city in the country as well as its main commercial centre. The capital of the country was officially relocated to Nay Pyi Taw in March 2006. Yangon City forms the main part of the Yangon Region, which consists of 44 townships of which Yangon City accounts for 33 townships grouped into four districts. In addresses for buildings the name of the township is invariably used along with street name and number. The districts themselves are too large to have any real identity to be used for zoning for this report.

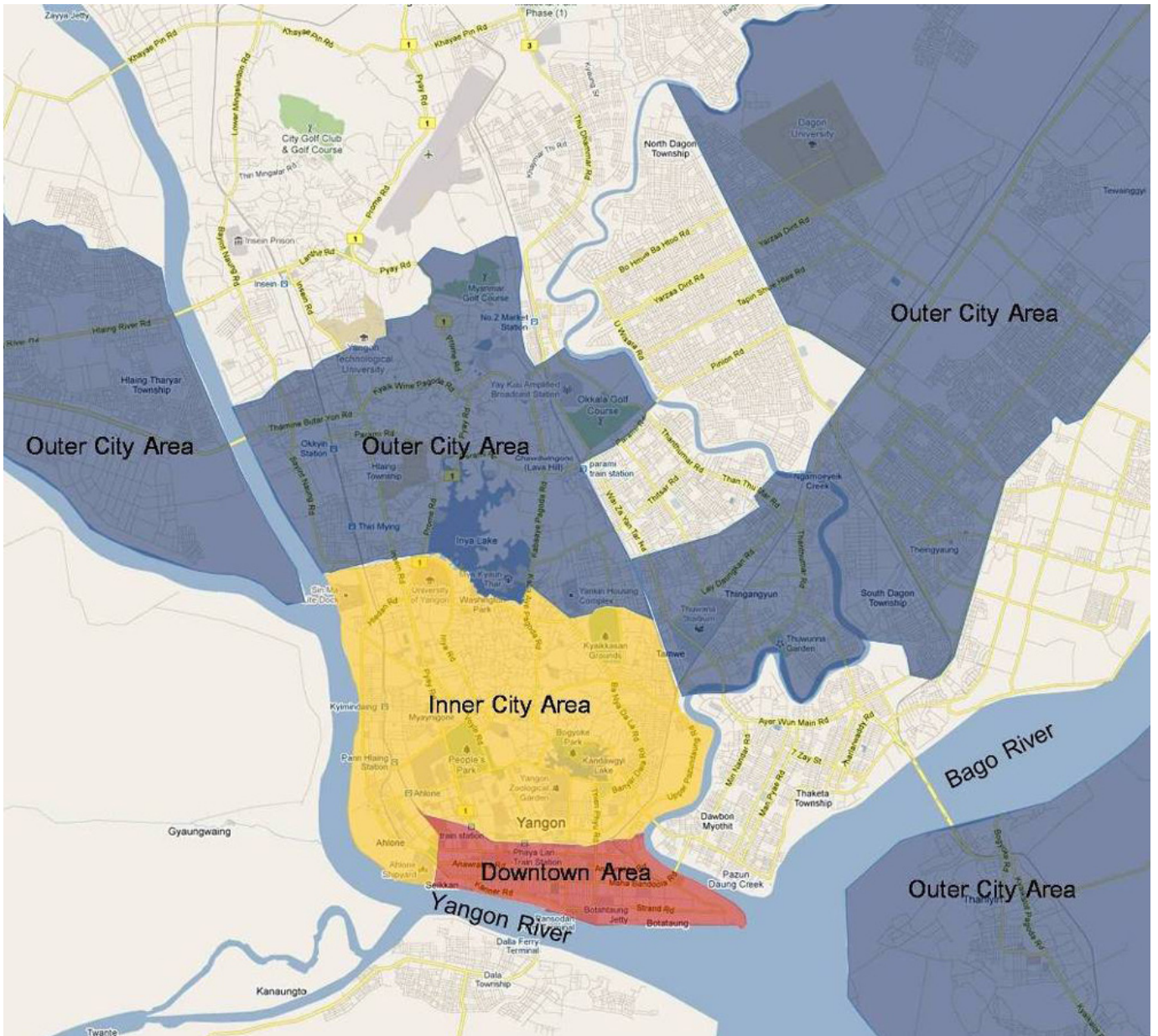
Since independence, Yangon has expanded outwards. Many satellite townships have been established since the 1950's such as North Okkalapa, Thaketa, Hlaingthanyar and South Dagon.

The population of Yangon amounts to around 4,358,000 but unlike other large cities in South East Asia the city has far less rural migration flow due to the limited economic prospects in the city and the fact that migrants went abroad, mostly to Thailand, instead of streaming into Yangon to look for work. Therefore the city does not have the number of slums evident in other large cities in the region and together with the absence of motorbikes there is a feeling of calm and cleanliness.

YANGON DISTRICT BOUNDARY



ZONING MAP OF YANGON



ZONING

The basis in which Colliers International Thailand has zoned Yangon is by the grouping of townships into larger geographical clusters that have in some ways distinct features. For the purposes of this report many of Yangon’s areas have been excluded due to very limited modern real estate development; however as the city develops this is likely to change. Therefore the current zoning structure is applicable for the city at this stage in its development in terms of real estate.

DOWNTOWN AREA:

The Downtown area is the old city of Yangon, being the main trading center on which the city was founded. This area includes China Town, Indian District, the Port, hotels and office buildings. Government offices are also located in this area but are now being emptied due to relocation of the capital to Nap Pyi Taw. This area covers Lanmadaw, Latha, Pabedan, Kyauktada, Pazundaung, Seikkan and Botataung townships. Many old British colonial buildings still remain, many very dilapidated. There is now pressure to preserve and redevelop these buildings to their former splendor and this is likely to mean that high rises are unlikely to be constructed in the central parts of the Downtown area. However the eastern fringes of the Downtown contain large, empty tracts of land that could be the location for a central CBD.

INNER CITY AREA:

This area represents the expansion of the city from the crowded downtown area. This area is mostly residential but includes many embassies as well as well known tourist attractions, such as the famous Shwedagon Pagoda. This area contains many high end villas such as in the Golden Valley area. This area covers the townships of Kamayut, Sanchaung, Kyeemyindaing, Mingalar Taungnyunt, Ahlone, Tamwe and Bahan.

OUTER CITY AREA:

The Outer City area still contains significant vacant land waiting to be developed. There are still many factories operating in some parts of this area. The industrial estate in Hlaingthanyar has boosted demand for residences in close proximity. This area covers Hlaing, Mayangone, Yankin, Hlaingthanyar, East Dagon, South Dagon and Thingangyun townships. The township of Thanlyin is not located in Yangon City itself but due to its proximity and existence of significant real estate development it has been included in the report. Other townships in Yangon have not been included in this report due to lack of modern real estate development but as the city develops and grows outward this is likely to change.

TOWNSHIPS BY LOCATION		
DOWNTOWN AREA	INNER CITY AREA	OUTER CITY AREA
Lanmadaw	Kamayut	Hlaing
Latha	Sanchaung	Mayangone
Pabedan	Kyeemyindaing	Yankin
Kyauktada	Mingalardon	Hlaingthanyar
Pazundaung	Minglar Taungnyunt	East Dagon
Seikkan	Ahlone	South Dagon
Botataung	Tamwe	Thingangyun
	Bahan	



10. YANGON UPPER SCALE HOTEL MARKET

HIGHLIGHTS

Further supply pressures leading to ever-higher occupancy and room rates

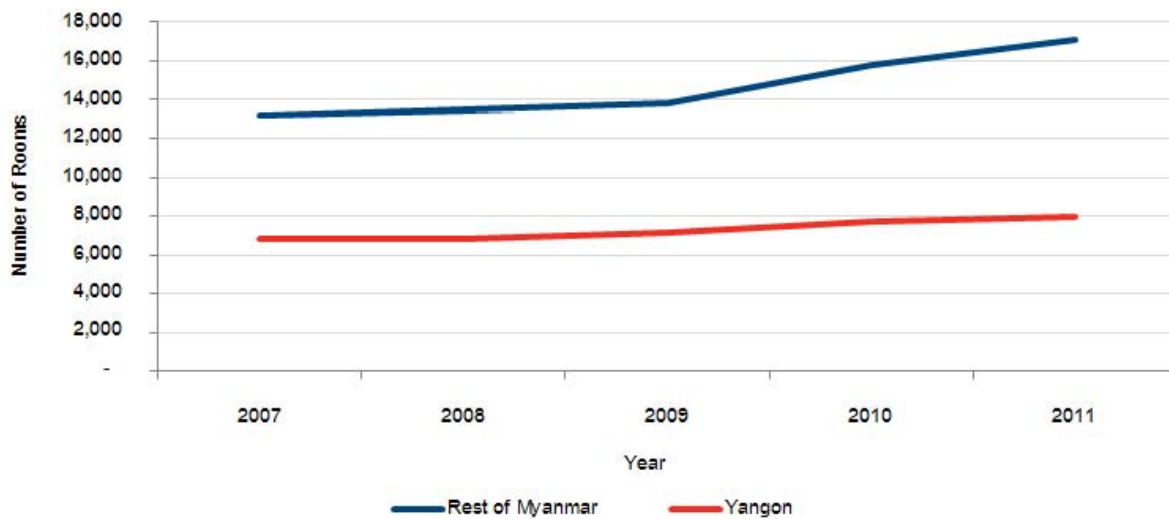
Pressure is on hotels to reduce room rates by travel operators and government

Renovation of facilities beginning on the back of strong revenues in 2011

Growth in actual supply for H2 2012 and 2013 expected as space used for office purposes is due to be reconverted

Delays in the laws supporting foreign investment holding back desperately needed funding for new hotel projects

COMPARISON OF THE INCREASING SUPPLY OF ALL GRADES OF HOTELS IN YANGON AND THE REST OF MYANMAR, 2011



Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

During the past one to two years, many hotels were completed in Nay Pyi Taw and other tourist destinations, such as Mandalay, Ngapali and in Yangon. Nearly 2,000 hotel rooms were completed in Nay Pyi Taw after 2007, so from a total of 300 rooms in 2006 there were more than 1,700 rooms in 2011. Nay Pyi Taw is preparing to host the SEA Games in 2013, so the government is developing the infrastructure in the new capital as well as accommodation in cooperation with the private sector in constructing hotels.

It must be noted that in Myanmar many hotels are not considered of sufficient quality for foreign visitors and there are signs that the

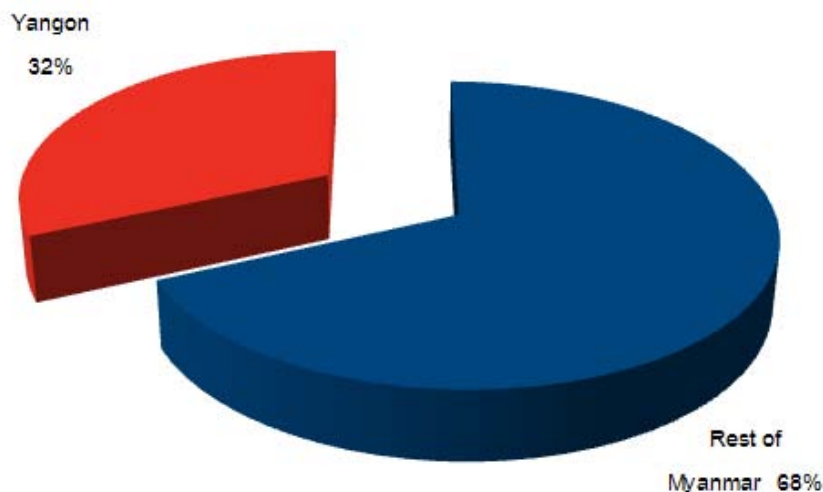
government wishes to improve such hotels to ease the growing shortage of supply to meeting mushrooming demand. In the past there was little incentive or funds to improve hotel facilities due to low occupancy rates but in the past year the sector has witnessed a surge in visitors in the business, tourism and MICE segments, which has led to an increase in revenues. The about-turn in the fortunes of the sector has led to improvements being made to hotels in anticipation of growing demand and further revenues accruing.

HOTEL CLASSIFICATION

No formal classification exists for hotels in Myanmar and as such Colliers International Thailand has distinguished between those in the Upper scale category, which also includes hotels of luxury standards, and those below Upper scale. Upper scale hotels in Myanmar are usually of a size to support high staffing levels, and a significantly greater quality and range of facilities. Reception and other public areas will be spacious with

a number of restaurants. All bedrooms will have fully en suite bathrooms and offer a good standard of comfort and equipment, such as a hair dryer, telephone and toiletries. At this point in time the standard of hotels in general may not reach the level seen in other countries due to the lack of refurbishment over the past ten years. The use of the word hotel for the purpose of this report shall refer to Upper scale hotels unless otherwise stated.

PROPORTION OF SUPPLY OF ALL GRADES OF HOTELS IN YANGON AND THE REST OF MYANMAR, 2011



Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

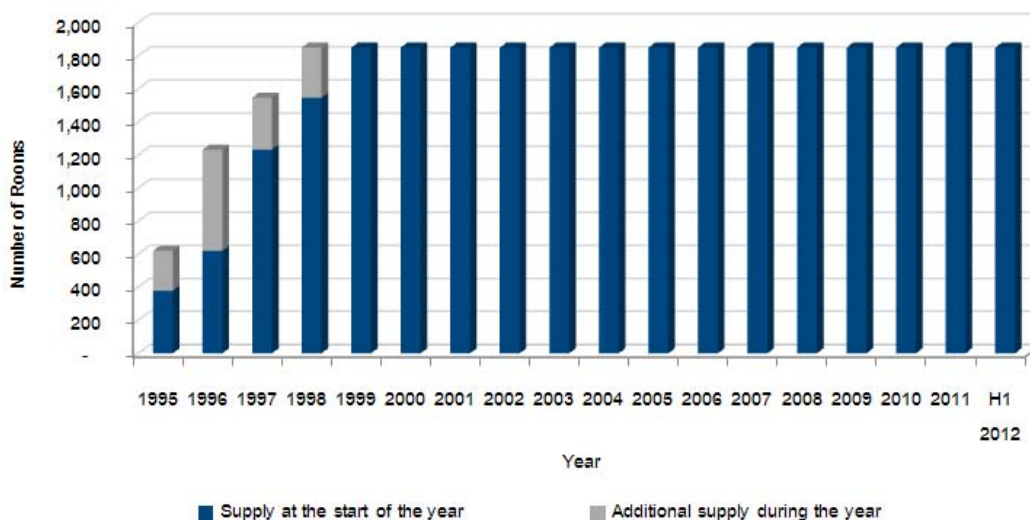
Approximately 8,000 rooms of all grades of hotels are located in Yangon, while more than 17,000 rooms are in the other areas of Myanmar. The government is trying to promote other tourist destinations outside Yangon, so the number of hotel rooms in other locations has increased

every year. However, Yangon still is the main tourism hub of Myanmar, so many hotels are expected to be in the pipeline and scheduled to be completed within the next few years.



SUPPLY

HISTORICAL SUPPLY OF UPPER SCALE HOTELS IN YANGON, H1 2012



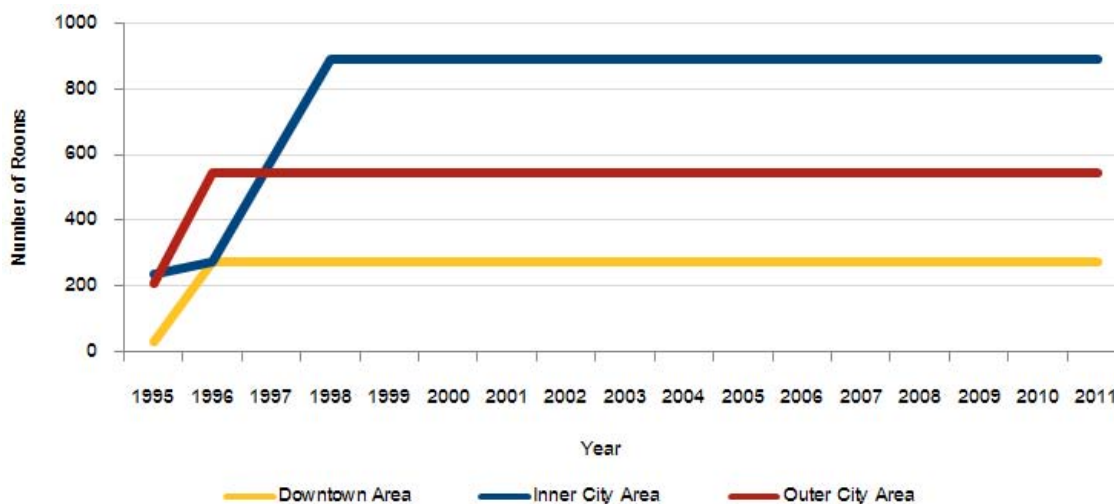
Source: Colliers International Thailand Research

The total supply of Upper scale hotels in Yangon is approximately 1,850 rooms and all of them were completed before 1999. Approximately 87% of all current supply was opened from 1994 - 1998, and then no new hotel has been added to the market until now.

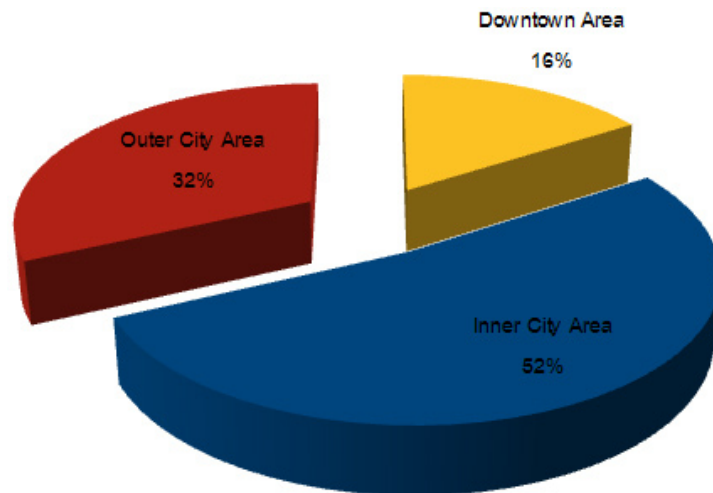
announced a suspension of sanctions on Myanmar and Daw Aung San Suu Kyi travelled abroad for the first time since 1988. Myanmar is again on the radar for investment opportunities. This has led to a swell of interest in the country. The hotel market in Yangon still has significant room for growth in the future as Yangon develops as a business hub and tourist destination.

Myanmar has recently attracted attention in this region, especially after Hillary Clinton's visit last year. Furthermore, the EU and the USA

SUPPLY BY LOCATION OF UPPER SCALE HOTEL ROOMS, H1 2012



Source: Colliers International Thailand Research

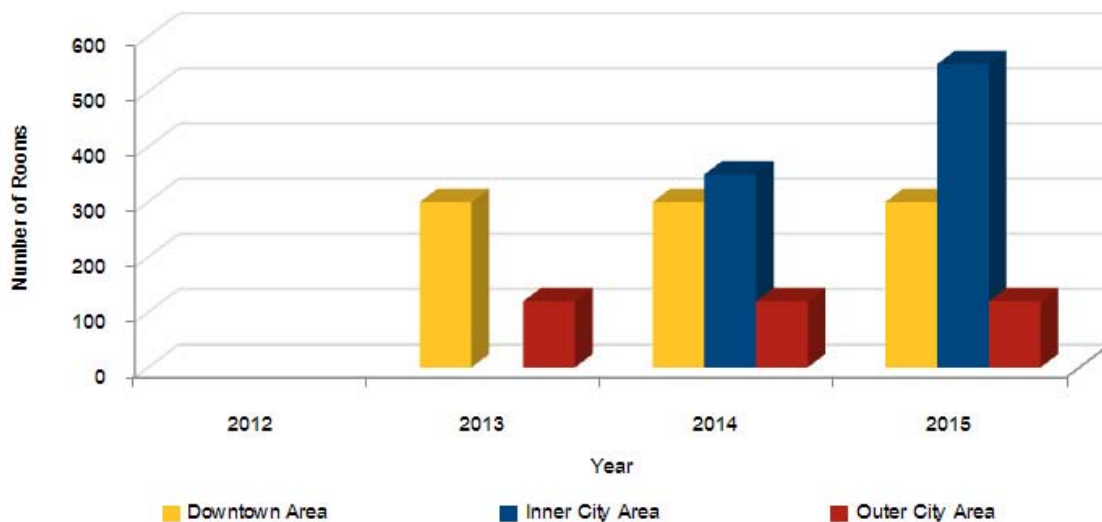


Source: Colliers International Thailand Research

More than 50% or 890 rooms of the Upper scale hotels in Yangon are located in the Inner City area. Approximately 16% and 32% of total supply are located in the Downtown and Outer City areas, respectively. The Inner City area maintains the majority share of the total supply in

Yangon due to limited sizeable land plots in the Downtown area while distance makes the Outer City Area not so attractive for hotel development, except for Inya Lake.

CUMULATIVE OF FUTURE SUPPLY BY YEAR AND LOCATION, H1 2012



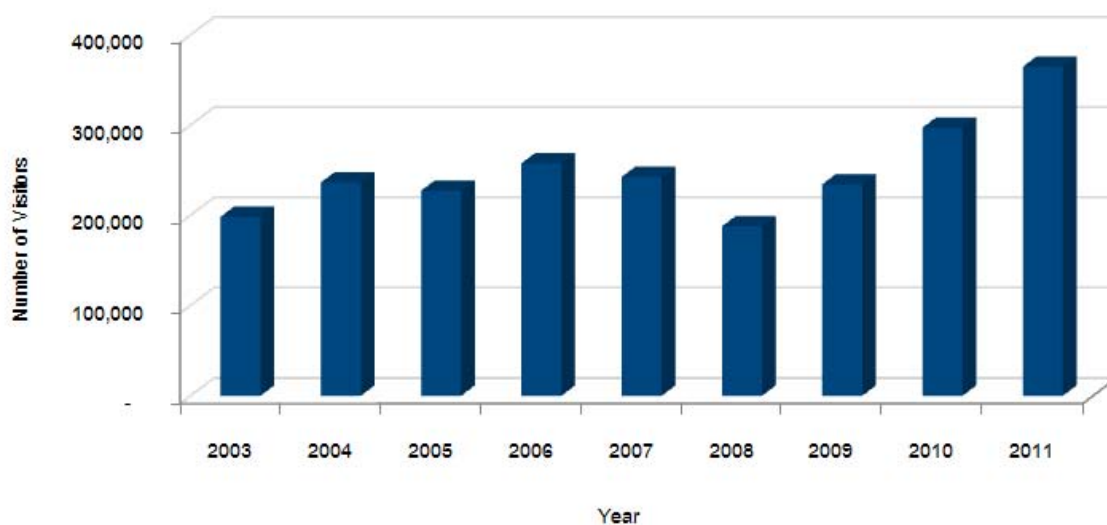
Source: Colliers International Thailand Research

No new supply is scheduled to be completed in 2012, due to one hotel in the Downtown Area rescheduling their completion date to 2013. Two other hotels are in the pipeline and are expected to be finished in 2014 in the Inner City Area. PYAY Tower by Max Myanmar Group is still under construction and this project consists of a condominium and hotel. The condominium building is scheduled to be completed in 2013 with the hotel expected to open its doors in 2014. The other new hotel is the Rose Garden, an uncompleted hotel project on hold in Yangon waiting to resume construction in the Inner City area.

Many foreign investors are interested in developing new hotel projects in Yangon, due to limited supply and the increase in foreign tourist numbers as well as foreign businessman during the past few years. Most of them have already started to survey and study the market, but are holding back due to anticipated new investment laws and an improved procedure for transferring money as well as concerns regarding high land prices.

DEMAND

NUMBER OF VISITOR ARRIVALS TO YANGON, H1 2012

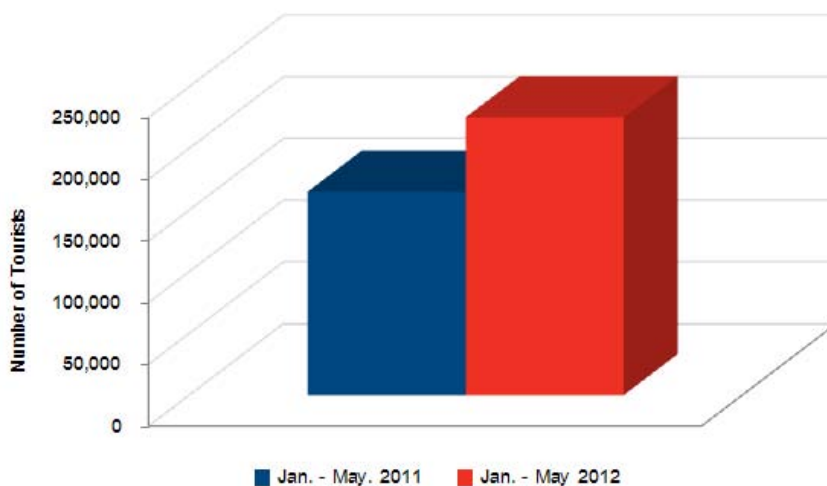


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

Tourism has bounced back from its nadir in 2008 in the wake of protests in 2007 and Cyclone Nargis in 2008. The flooding in Thailand adversely affected tourism to Myanmar as many tourists use Thailand as a transit point before flying to Yangon. However, this only provided a blip to an otherwise very positive trend of rapidly increasing visitor numbers to the country spurred by a change in the political climate in Myanmar coupled

with an increasing flow of business travellers visiting on fact-finding missions. The year 2011 saw growth of 26% YoY. For the past three years the percentage growth rate for tourism has been in the high twenties.

NUMBER OF TOURIST ARRIVALS TO YANGON FROM JANUARY TO MAY 2012

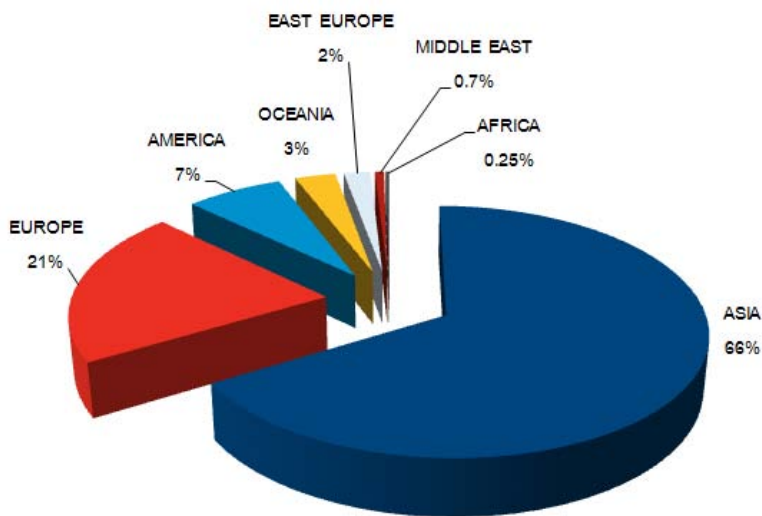


Source: Pacific Asia Travel Association (PATA) and Colliers International Thailand Research

The total number of foreign tourists arriving in Myanmar in the first four months of 2012 was approximately 225,300 increase of 37% or more than 30,000, over the same period last year, according to the statistics from the Pacific Asia Travel Association (PATA). Myanmar is fast becoming the latest “wow” tourist destination for foreign tourists in the past few years, with the number of foreign visitors increasing from 2009

to 2012 by around 22 - 27% each year. Many felt obliged to stay away due to the sanctions and very negative sentiment towards the country but with the dramatic positive changes over the past 18 months have meant that many are now interested in visiting the country that is held so much mystique.

REGIONAL MARKETS FOR YANGON TOURISM 2011

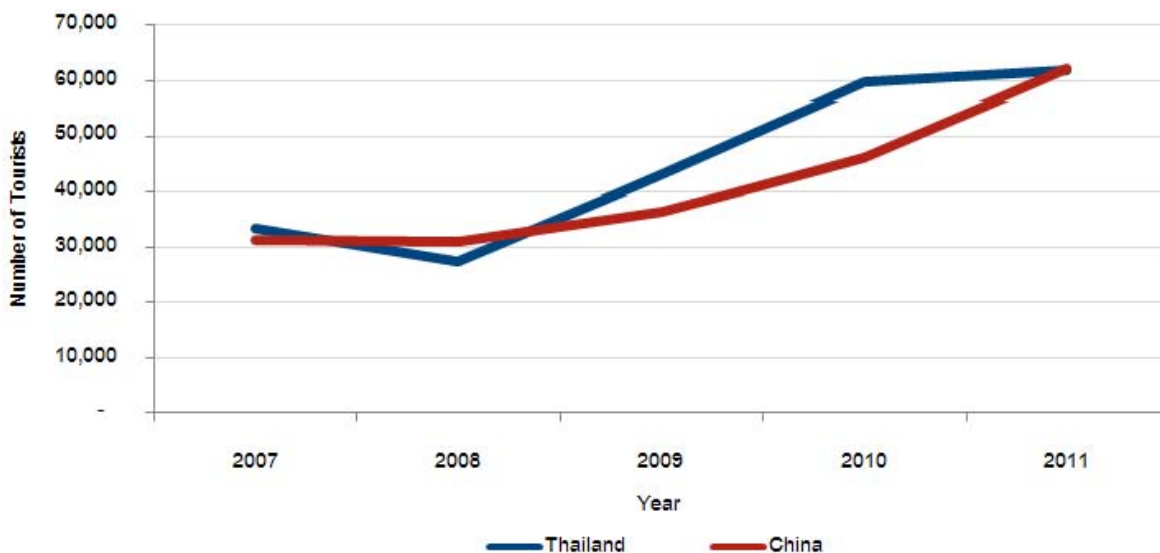


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

The majority of foreign visitors in Yangon come from Asia, representing nearly 260,000. However, growth in the European and American markets is also evident with both gaining a slightly larger slice of a

greater pie from 2010. Issues regarding sanctions and the absence of direct flights have held back travel from Europe and the USA.

VISITOR ARRIVALS TO YANGON FROM THAILAND AND CHINA, 2011

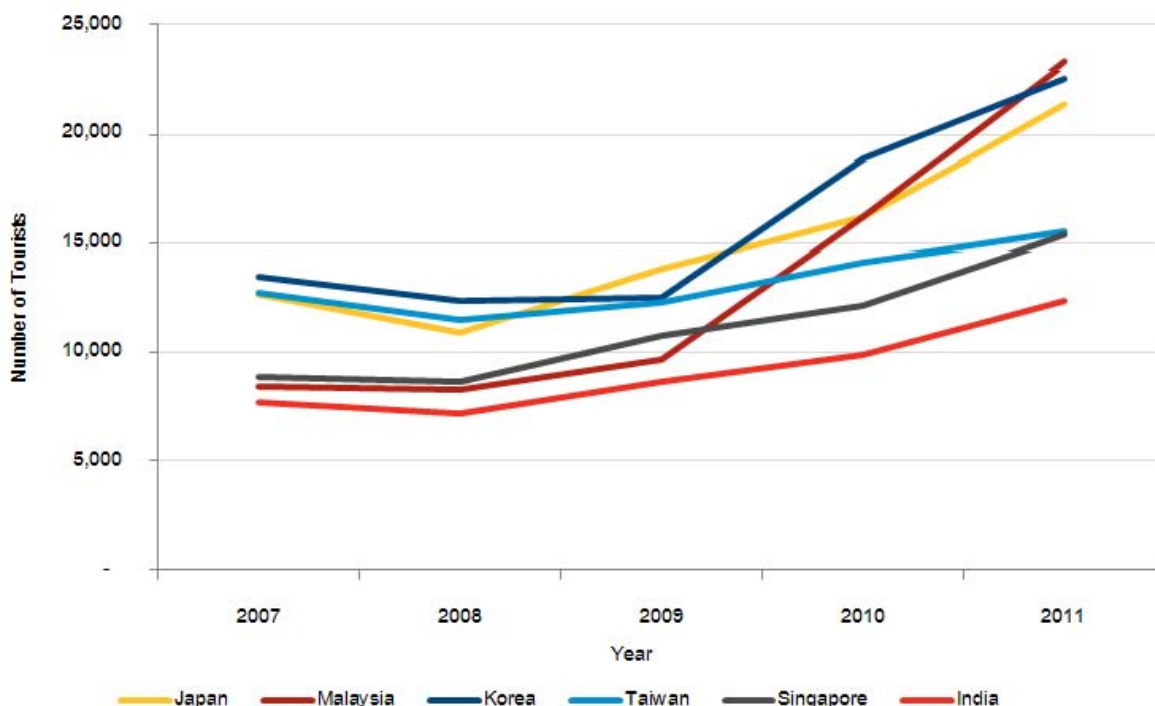


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

Thailand and China account for the highest number of visitors to Yangon with both countries recording over 60,000 in 2011. The dramatic rise in Thailand's outbound travel to Myanmar was hampered in 2011 due to the floods that led to cancellation of visits. Many Thais are particularly

attracted to Myanmar not only as a tourism destination but also for a Buddhist pilgrimage that includes the sacred Shwedagon Paya (Pagoda) and Botataung Paya in Yangon.

VISITOR ARRIVALS FROM SECONDARY ASIAN MARKETS, 2011

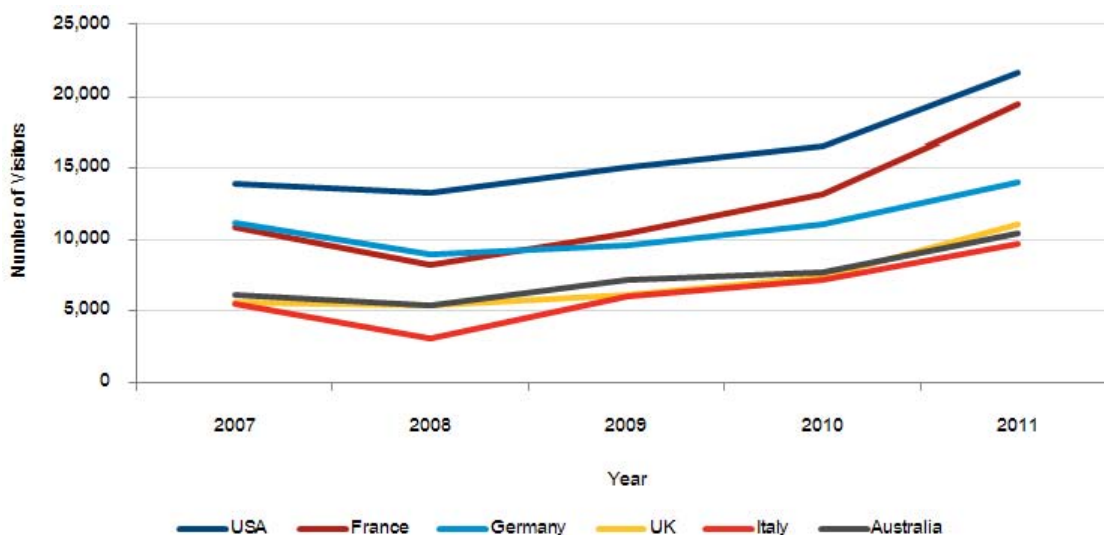


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

Visitors from Asia come from a wide variety of countries but the three main markets apart from China and Thailand are Japan, Malaysia and Korea. Direct flights from Kuala Lumpur have helped propel travel from

Malaysians. Indians are also a new growth market, mirroring the pattern of Indian tourism in neighbouring countries. The addition of more direct flights is likely to see a further increase over time from these markets.

VISITOR ARRIVALS FROM NON-ASIAN MARKETS, 2011

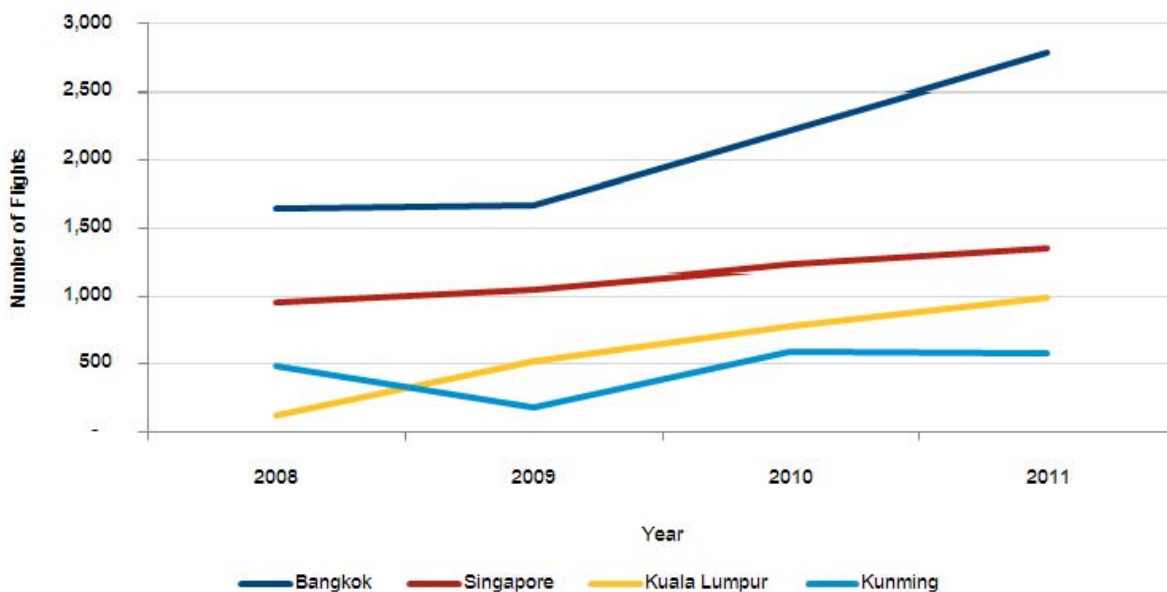


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

Surprisingly, it is not the British who are strongest market in terms of European visitors as Myanmar used to be a British colony. The French represent the largest European market for Myanmar although the United States still remains the largest non-Asian market. The sanctions imposed by many governments in the west do not apply to visits to the country

although there have been strong arguments against travelling there by many human rights groups and within Myanmar itself that has been heeded by many. However, the recent positive changes have led many to reconsider and visit the country.

NUMBER OF FLIGHTS TO YANGON FROM MAIN EMBARKATION AIRPORTS, 2011

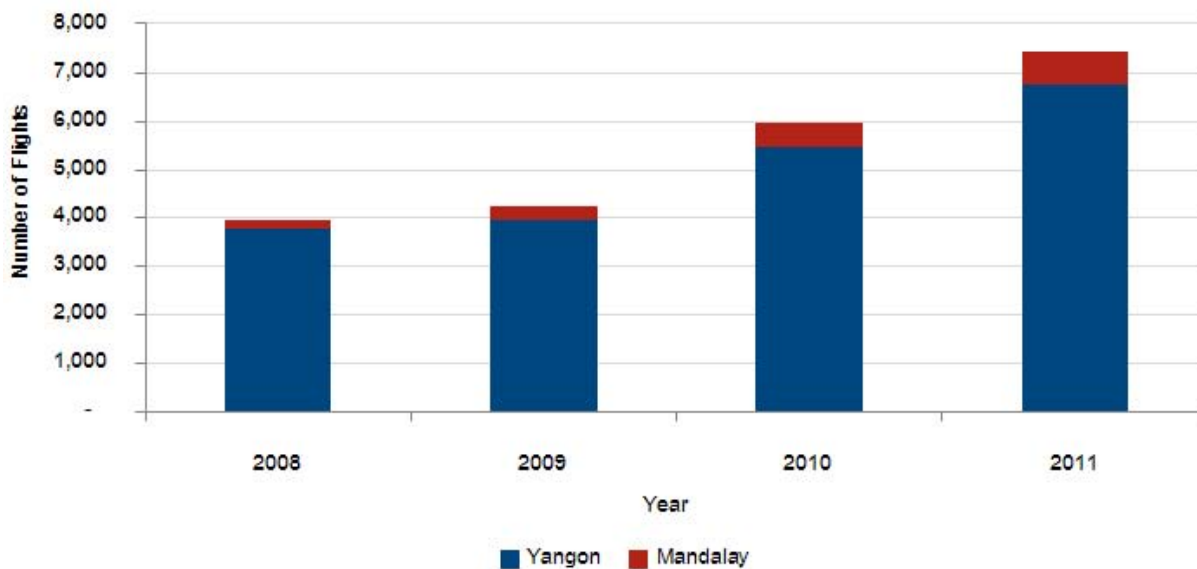


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

The growth in flights to Yangon is largely on the back of departures from Bangkok. Four airlines currently fly passengers between the two cities, namely Bangkok Airways, Thai Airways, Thai Air Asia and Myanmar Airways International. The flooding in Thailand that occurred from September to December 2011 did not directly impact Suvarnabhumi Airport, where all flights to Yangon originate. However the danger of

inundation meant that many tourists cancelled trips and this impacted Yangon during this time. Therefore the city is partially at the mercy of events occurring in Bangkok and it would be positive for tourism if the city can be served from a greater number of airports. At present there are no direct flights to Myanmar from outside of Asia.

NUMBER OF INTERNATIONAL FLIGHT MOVEMENTS TO AIRPORTS IN MYANMAR, 2011

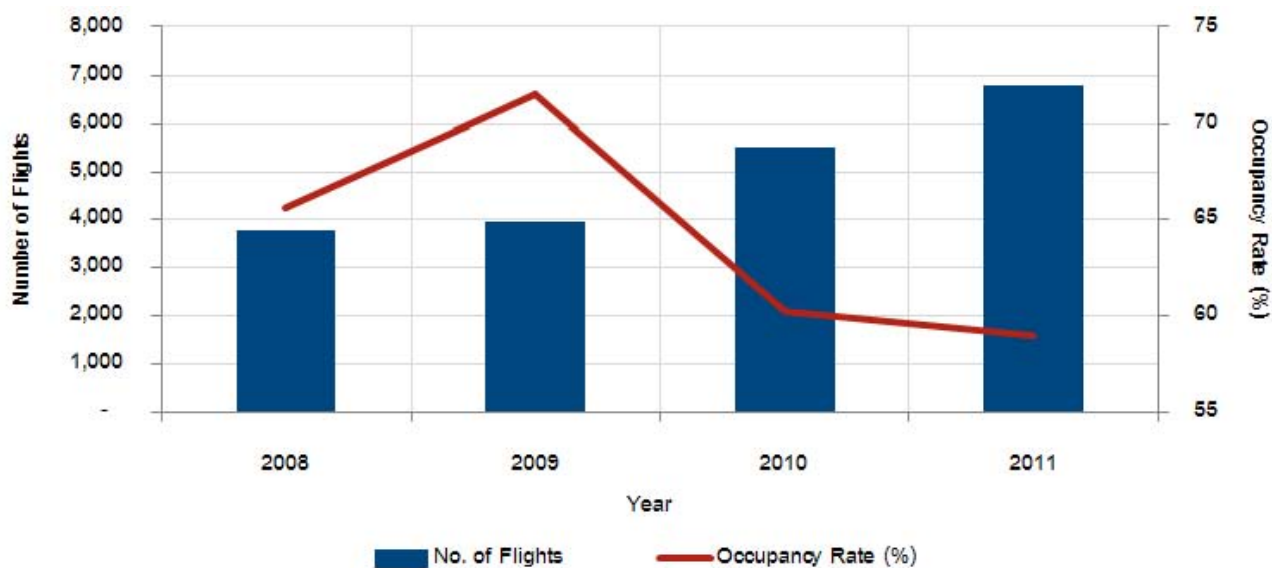


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

In contrast to other countries in the region, Myanmar relies on mostly one location as an entry point for tourists travelling by air. While Mandalay has a direct connection with Kunming in China, Yangon serves as the first port of call for the vast majority of international visitors. In that capacity, many in the tourism industry are concerned that the lack of

hotel supply compared to anticipated demand could well create bottlenecks in terms of other destinations such as Bagan, Inle Lake and Ngapali as travel agents may cancel travel packages due to lack of acceptable accommodation in Yangon and limited direct access to other parts of the country.

NUMBER OF FLIGHTS AND SEATSOCCUPIED BY YEAR, 2011

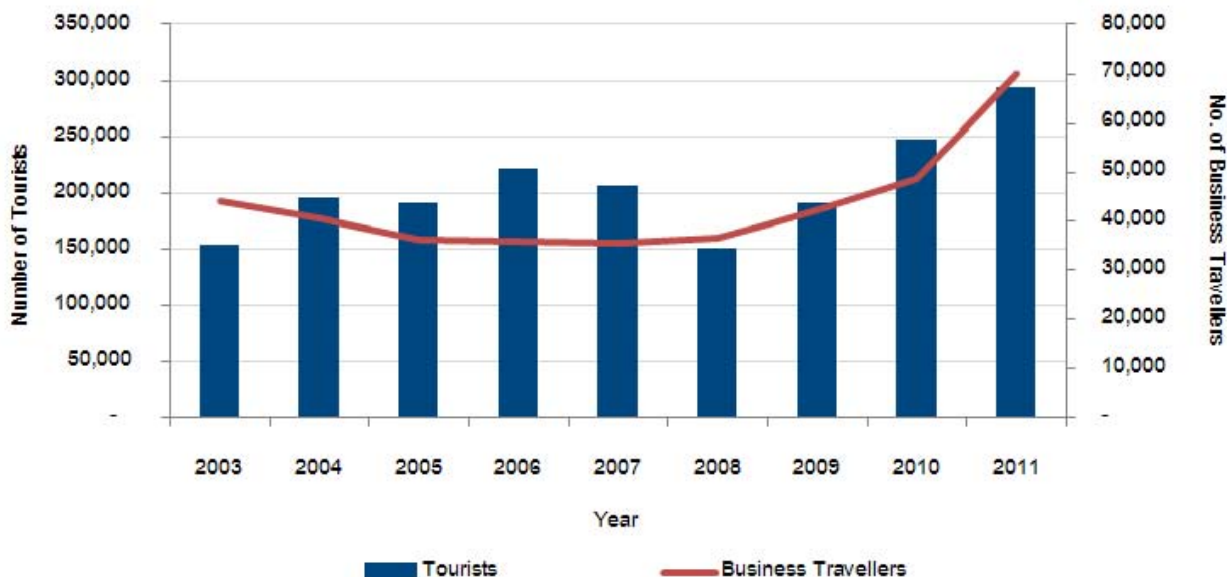


Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

The total number of flights to Myanmar has increased every year, especially in 2010 and 2011 with YoY increases of approximately 39% and 24%, respectively. The average occupancy rate of all flights continued

to decrease in 2010 to 2011, due to some new flights from cities not being successful such as those from Phuket, Siem Reap, Hanoi and Ho Chi Minh City.

NUMBER OF BUSINESS TRAVELLER ARRIVALS TO YANGON IN COMPARISON WITH TOURISTS, 2011



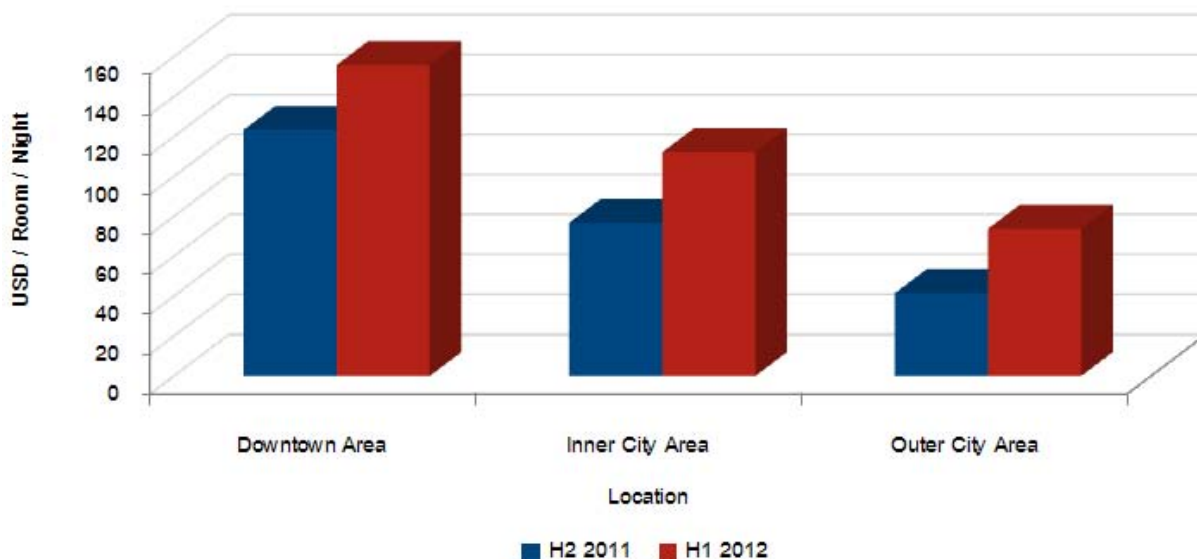
Source: Ministry of Hotels and Tourism and Colliers International Thailand Research

The rise of business travel to Yangon has trended in lockstep with the growth in leisure travel as the opening up of the county appeals to both holiday makers and the corporate world alike. This growth is set to continue as companies all over the globe are aware of the enormous

potential of Myanmar and seek to understand the market. This is involving an increasing number of fact-finding missions and with sanctions partially lifted this trend has been given another further boost.

RATE (REVISED)

AVERAGE ROOM RATE OF UPPER SCALE HOTEL IN YANGON, H1 2012



Source: Colliers International Thailand Research

The average room rate of Upper scale hotels in Yangon is approximately USD70 -160 per night during the first half of 2012 and about USD40 -125 per night in the last six months of 2011, depends on location. Downtown area represents the highest rate in Yangon followed by Inner City and Outer City areas. At some hotels in Yangon such as The Strand Hotel and The Governor’s Residence rates start at USD150 to 260 per night, while other hotels were not over USD130.

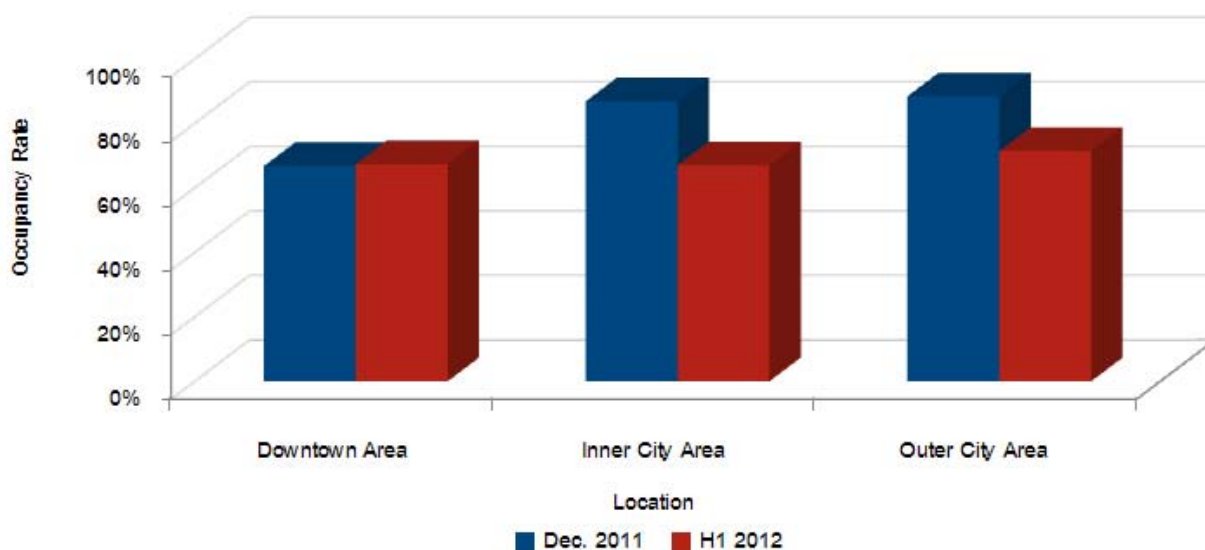
foreign tourist groups or businessmen. Some of them are guesthouses or economy hotels in the Downtown and Inner City zones area starting from USD20 with breakfast and are popular for budget tourists. However prices are rising for hotels in all categories with some more than doubling the rates in the past year.

There are approximately 7,930 hotel rooms in Yangon, but only 1,850 rooms or approximately 23% are Upper scale rooms and more than 6,000 rooms are lower grade of which many are not suitable for many



OCCUPANCY RATE (REVISED)

AVERAGE OCCUPANCY RATE OF UPPER SCALE HOTEL IN YANGON, H1 2012



Source: Colliers International Thailand Research

The average occupancy rate of Upper scale hotels in Yangon is nearly 100% for some hotels during the high season and moderate in the low season at approximately 60%. The rainy season in Yangon makes travel during this time difficult, so average occupancy rate was dropped by around 19 – 23% in Inner City and Outer City areas, while more stable in Downtown area, due to most of business travelers staying in the Downtown area. Many rooms are used as office space such as a whole

floor being used by UN agencies in the case of Traders Hotel and other rooms are occupied by long-stay guests.

Yangon is the first and the last place for most tourists who come to Myanmar, so all hotels in Yangon for foreign tourist groups have high occupancy rates especially in the dry season.

INTERNATIONAL HOTEL CHAINS

At present only a small number of hotel chains operate in Yangon and this could change as the country continues to open up and operators are now feeling confident setting up in Myanmar. The country’s hospitality industry will benefit from the experience and global reach that these operators provide.

Operators need to be flexible in dealing with conditions in Myanmar and too rigid adherence to operating procedures can cause problems between owner and operator. Western chains that shunned the country due to sanctions are now looking seriously at setting up in Myanmar, especially in Yangon.

Due to the opening up of Myanmar in past few years and a lot of interesting tourist destinations in the country, the number of foreign tourists has increased by over 20% each year, directly affecting the hotel market, due to the limited number of hotels for foreign tourists in Myanmar. Many foreign hotel chains in the world are looking for their chance to develop new hotels in Myanmar.



SWOT ANALYSIS

STRENGTHS

The severe lack of supply that exists today and limited future supply in the next few years is likely to continue the recent trend of high occupancy levels and average room rates that are currently the norm.

The infusion of revenue into the hotel industry means many are beginning the process of upgrading facilities, which will enhance the overall quality of the hotels and help to give some validity to high room rates.

Yangon's myriad of attractions will be a constant spur for travellers wishing to visit the latest "wow" destination.

An anticipated investment law and other reforms will lead to more business people visiting the country.

WEAKNESSES

The lack of a clear investment law and financial infrastructure means that investing in the hotel industry is still within the domain of the most intrepid investor. It is expected in 2012 that a new investment law will be enacted by parliament, which may clear the way for future foreign investors.

High room rates are likely in the future to deter tourists from visiting and will create a negative impression of Myanmar being poor value for money.

Only a handful of hotels accept credit cards due to limitations on currency movements in and out of the country. Until this is resolved many visitors are uncomfortable carrying large amounts of cash to pay bills.

The monsoon season in Yangon can be testing with rainfall roughly double that of Bangkok between the months of May to October. This means that hotels will still likely have a distinct low season at this time with lower occupancy especially for the tourism component.

OPPORTUNITIES

The integration of ASEAN will herald significant growth in MICE events in the country. In 2014, Myanmar will chair the regional bloc, which will mean a large number of conferences being held in the country. Also, as companies establish operations in Myanmar, they often have regional meetings on a yearly rotational basis, which will benefit Yangon in this lucrative niche market.

Many tourist destinations in Myanmar are planning to upgrade to accommodate more tourists, which will be good for the tourism market.

All countries in the region will be part of one community in 2015 and it is possible that foreign tourists will only need to apply for one visa for all countries in the region, so it will be more convenient to travel to Myanmar.

THREATS

Emerging tourism markets in Cambodia, Laos and Vietnam continue to grow at a rapid pace and provide intense competition for the lucrative market for sophisticated and experienced tourists.

The transport system in Myanmar is still well below international standards. Public transport is not convenient for travel and the poor quality roads are the main obstacle for increasing the number of foreign tourists in other locations outside Yangon.

An influx of FDI in the extractive industries may cause the kyat to strengthen against major currencies making hotel rooms even more expensive.

The government is trying to keep room rates down which bucks the forces of supply and demand and might lead to future investment in the hotel industry being curtailed due to uncertainty regarding government policy.



11. YANGON SERVICED APARTMENT MARKET

HIGHLIGHTS

Very limited vacancies available at all serviced apartments

Rental rates soar to reflect demand/supply imbalance

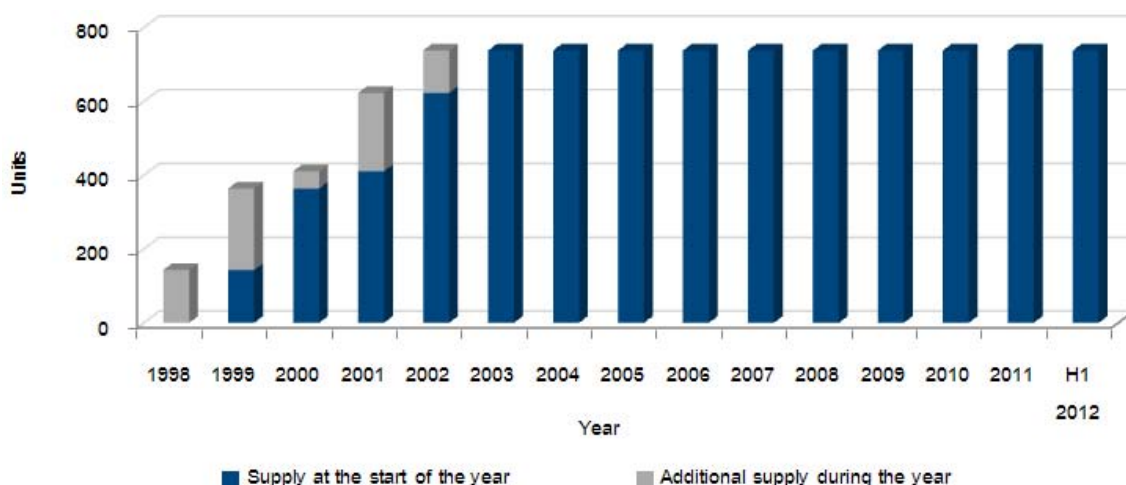
Limited international standard alternatives for expats

Situation could be so bad that it may represent hardship posting for many foreigners in the future

Limited new supply but investors, both local and foreign, wishing to fill the void

SUPPLY

HISTORICAL SUPPLY, H1 2012

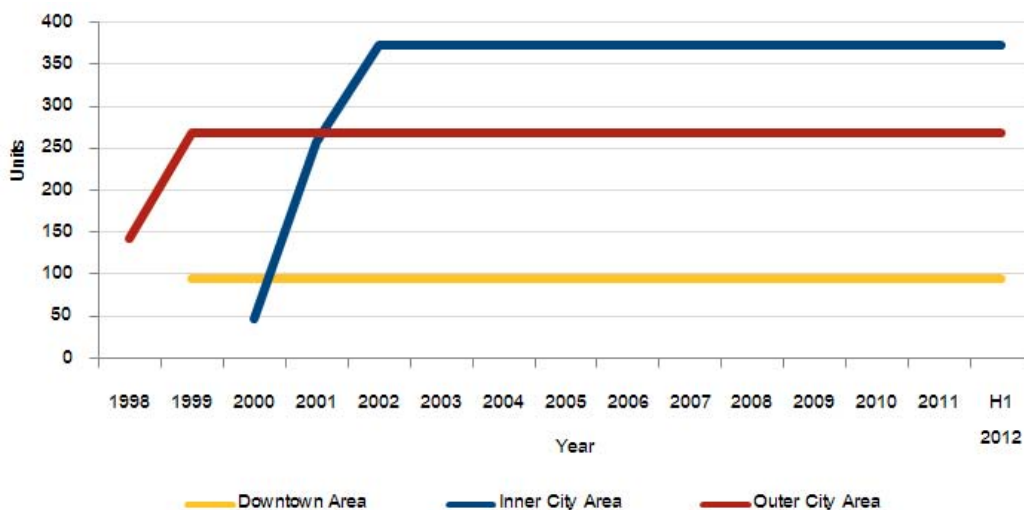


Source: Colliers International Thailand Research

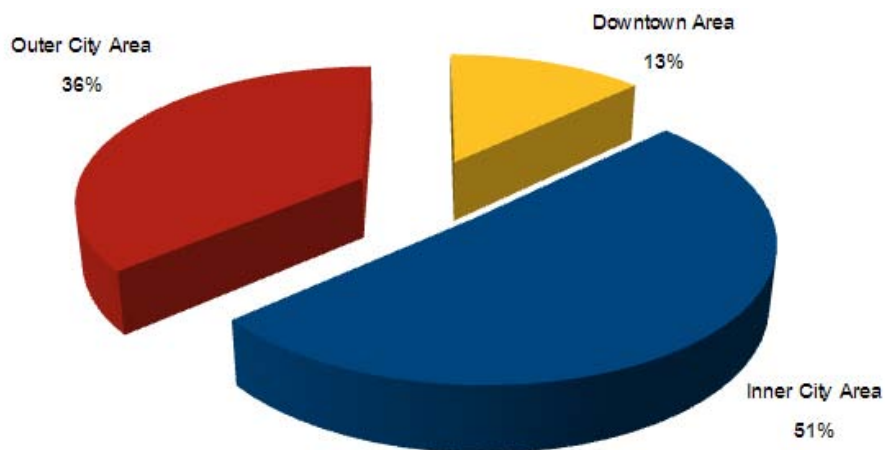
Total units of serviced apartments in Yangon amount to just 740 from only six serviced apartment projects and all of these were completed before 2003. The main target group of all serviced apartments in Yangon are expatriates working in Yangon, as most prefer to stay in the area

close to their work with car parking space, security systems, back-up generator and supporting facilities such as swimming pool and fitness centre. Others stay in condominium units that offer lower rental rates but with usually poor facilities.

SUPPLY BY LOCATION, H1 2012



Source: Colliers International Thailand Research



Source: Colliers International Thailand Research

The most popular area for the serviced apartment market in Yangon is the Inner City area, where supply increased within only three years from nothing to approximately 370 rooms. There is only one serviced apartment in Downtown, while the Outer City area remains popular

partly on account of the location of many oil and gas companies that are operating in Myanmar around the Inya Lake area and these companies hire many highly skilled expat staff and so are significant users of this type of accommodation.

FUTURE SUPPLY

All serviced apartment projects in Yangon recorded high occupancy rates because of limited supply and high demand. Two new serviced apartment projects in Yangon are in the planning stages. First Myanmar Investment Co., Ltd. plan for a new serviced apartment project in the Thanlyin Star City project in Thanlyin Township. Dagon Group also intends developing a serviced apartment project nearby Dagon Complex in Dagon Township. This project is expected to launch in 2012 and is scheduled to be completed in 2014. Shangri-La group plans to re-

develop an uncompleted project, by Kandawgyi Lake in Minglar Taungnyunt Township not far from Shwedagon Paya (Pagoda). With a total of 240 units from two high – rise buildings, construction was halted after the financial crisis in 1997 and it is projected that it will take around two and a half year to complete this project.

Total future supply is approximately 400 units scheduled to be completed by 2015 with no new supply is currently anticipated in the Downtown Area.



ROOM SIZE

THE SMALLEST AND LARGEST SERVICED APARTMENT ROOMS BY ROOM TYPE, H1 2012

ROOM TYPE	STUDIO		1 BEDROOM		2 BEDROOM		3 BEDROOM		4 BEDROOM	
Room Size (sq m)	Smallest	Largest	Smallest	Largest	Smallest	Largest	Smallest	Largest	Smallest	Largest
Room Size (sq m)	32	45	45	89.53	81	236.5	125	210	182	298
Average (sq m)	40		58		105		157		220	

Source: Colliers International Thailand Research

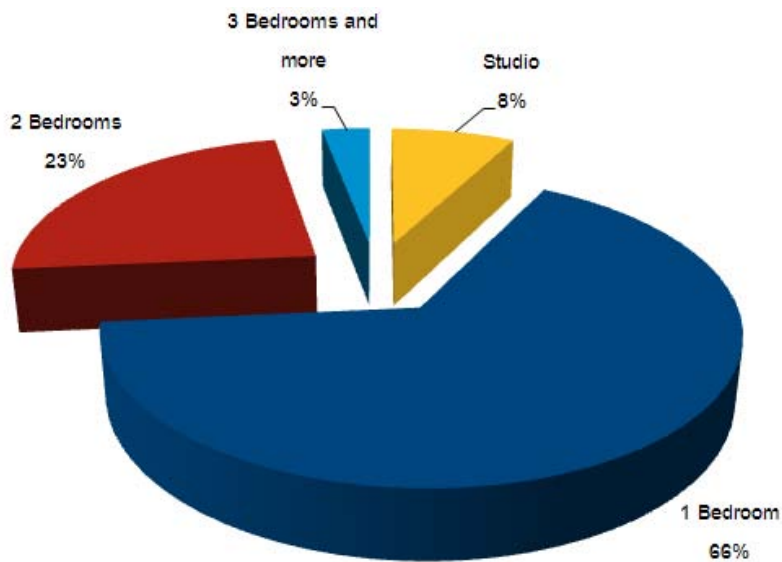
The size of the rooms in various serviced apartments is different for every project, depending on project concept, project size, location and year opened. The most recent serviced apartment project in Yangon was Golden Hill Towers, and all of its rooms are bigger than those of other

projects.

Two bedroom units are larger than 1 bedroom by approximately 80% and the room area starts from 32 sq m for a studio unit

ROOM TYPE

PROPORTION OF ROOM TYPE, H1 2012



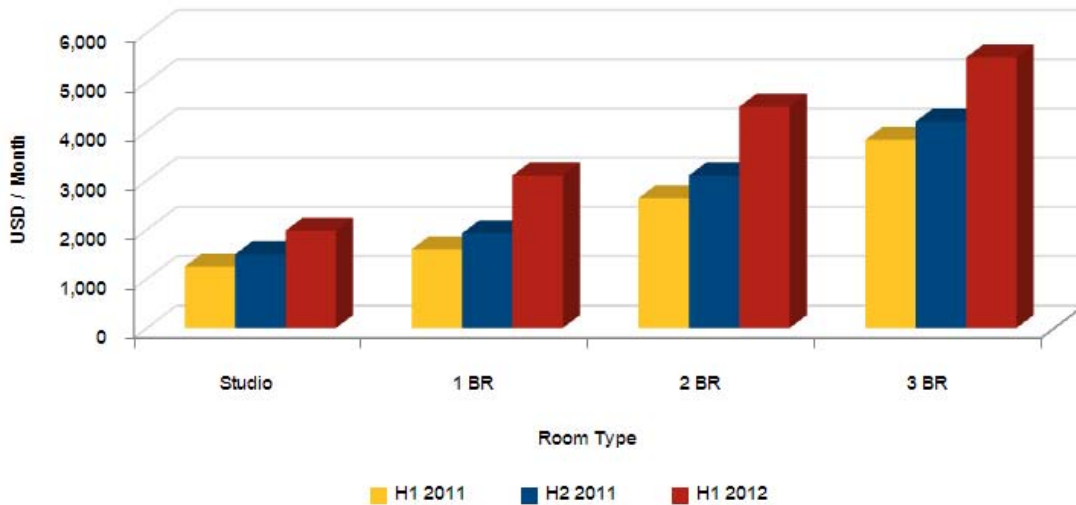
Source: Colliers International Thailand Research

A total of 66% of all supply is for one-bedroom units, followed by two bedroom units (23%). Most customers of serviced apartments in Yangon stay alone or as a couple, so all developers were focused on one-

bedroom units. Relatively few customers come to Yangon with their families due to limited provisions such as international hospitals and schools.

RATE

THE LOWEST AND HIGHEST RATE FOR SERVICED APARTMENTS BY ROOM TYPE, H1 2012



Source : Colliers International Thailand Research

The average rental rate of all room types of serviced apartment in Yangon for the first half of 2012 increased by approximately 20 – 60% from the second half of 2011. Some serviced apartments increased their rental

rate by more than 60% in 2012 for all room types as some of them were almost fully occupied while other projects were fully occupied with waiting lists.

DEMAND

Many factors are creating a strong surge in demand for rental apartments: The creation of a new government, the visit of Hillary Clinton in December 2011, opposition parties contesting by-elections, moves towards foreign exchange reform, the recent suspension of many sanctions from Europe, USA, Australia and Canada and also growth in oil and gas activity. Foreign business sentiment towards Myanmar has improved significantly in such a short space of time. This led to the number of foreign business people arriving in Yangon for extended stays to rise. Most customers of serviced apartments are foreigners who are working in Yangon, such as expats from Japan, Korea, China, Thailand and the EU.

Demand for serviced apartments in Yangon is extremely high. Some projects maintain waiting lists, while others do not as a result of far too many enquiries. On average, all projects were nearly or fully occupied with the occasional unit becoming vacant. Some companies even resort to paying for units one month or longer before the expat takes up the space in order to secure residential space for staff.



APARTMENTS FOR LEASE

In most cities a significant amount of rental accommodation comes in the form of apartments for lease, which exclude most or all of the serviced apartment components such as concierge service, café or restaurant and facilities such as swimming pool. These represent a normally lower cost, no-frills option for many expats. In Yangon not one non-serviced apartment for lease exists that caters for expats. This adds to the supply crunch that is now being felt in the city and provides an opportunity for investors who may not want to embark on the hospitality component and is more suitable for smaller, local players.

SWOT ANALYSIS

STRENGTHS

Serviced apartments will be the main source of accommodation for expats seeking hassle free accommodation due to very limited alternatives except hotels.

All serviced apartments are in good locations serving many key parts of the city.

WEAKNESSES

Many serviced apartments are not of the standard of other South East Asian countries while rentals rates are very high.

The surge in rental rates may lead to a poor image for corporate clients and this may lead to problems when new supply comes on-stream.

OPPORTUNITIES

The opening up of the country to foreign investment is expected and this will mean a significant ramping up of expats wishing to live in Yangon in all sorts of sectors.

The oil and gas sector is looking to ramp up activity significantly over the next few years and many expats are employed who require good quality accommodation.

THREATS

If electricity provision improves over time many expats will look to seek alternative accommodation in condominiums.

Many developers are looking seriously at developing better quality condominiums that buyers can then lease out to foreigners.

Although many regard Myanmar as the next big thing for investors, there are still many challenges that may halt the expected deluge of investment such as a weak foreign investment law, poor infrastructure and limited residential space, which could backfire on the serviced apartment market.



12. YANGON RETAIL MARKET

HIGHLIGHTS

Opening of Junction Square adding most new supply of retail in H1 2012

Foreign brands look to enter the market after suspension of sanctions

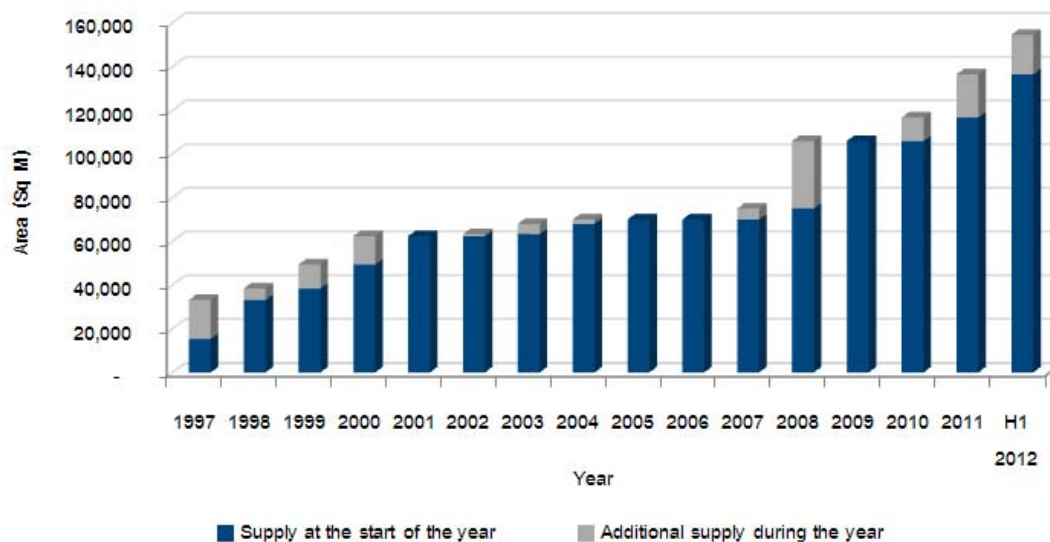
Older retail centres looking to refurbish their properties to move into 21st Century

Extremely limited non-cash payments hindering mass retail but this could change in next few years

Rental rates rise 5-10% since H1 2011

SUPPLY

HISTORICAL SUPPLY (REVISED), H1 2012

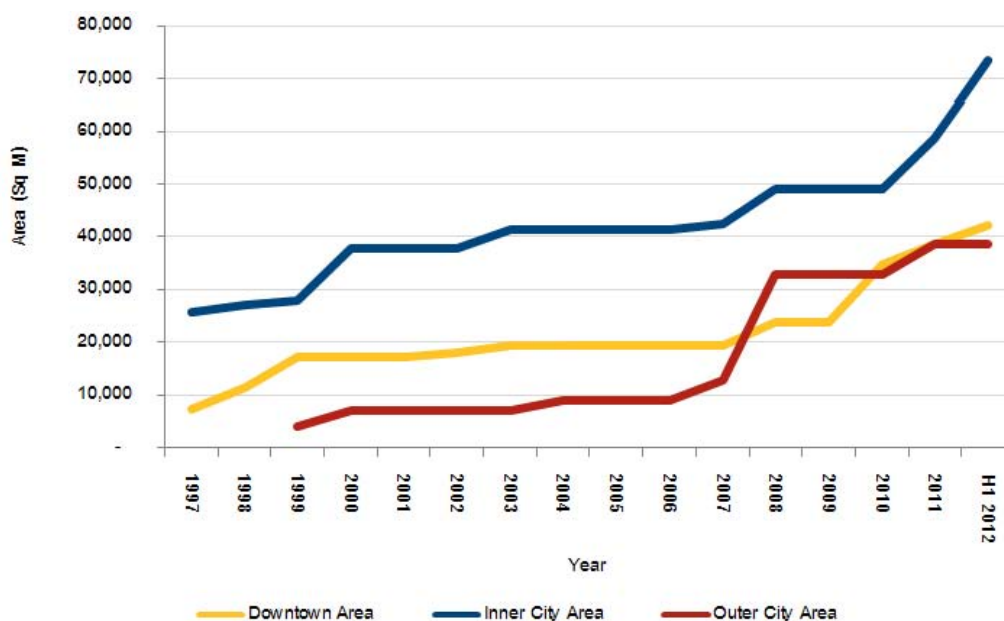


Source: Colliers International Thailand Research

More than 30,800 sq m or 20% of total retail space was added in 2008, the highest addition of new supply in Yangon. Since the beginning of 2010 to H1 2012 the retail market in Yangon has shown a high growth rate again with more than 10,000 sq m each year. Total retail supply in Yangon is approximately 154,500 sq m, with the latest addition coming in the form of Junction Square on Pyay Road, which opened in March 2012 with a total building area of approximately 26,630 sq m. by Shwe Taung Development Co.,Ltd. Go Mone Pwint opened its Thein Gyi Zay department store in the Downtown area after refurbishing the property. Local retail developers and operators in Yangon are very strong and have positive brand loyalty from shoppers. Most modern shopping malls are comprised of a super market, shopping area, restaurants, food court and cinema; especially those that opened in the past few years. The quality of the malls in terms of design and tenant mix has improved over the past few years although still cannot be compared to modern centres in Thailand or Malaysia, which remain magnets for the wealthy in search of retail therapy.



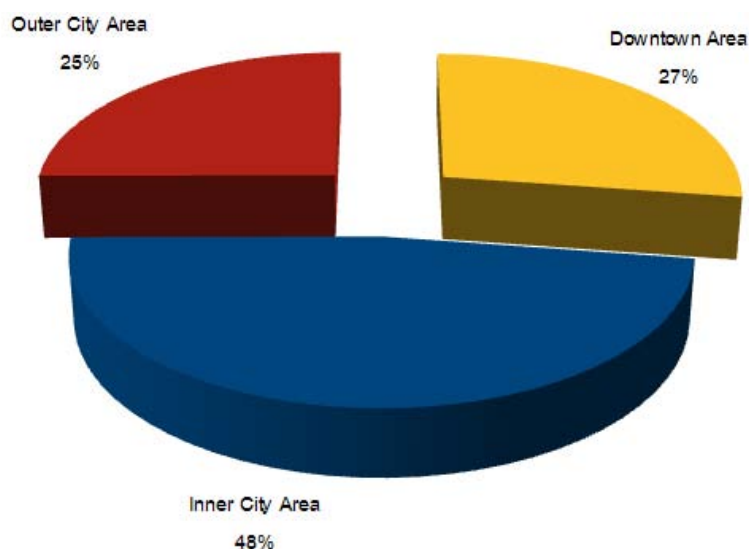
SUPPLY BY LOCATION (REVISED)



Source : Colliers International Thailand Research

The Inner City area is the most fashionable for retail space in Yangon from the past up until H1 2012. This was due to many people living there with high spending power providing a large catchment area while still containing large-scale plots of land for retail development, especially along the popular main roads. Although the Downtown area is the

business hub for Yangon, limited land plots make this less attractive for developers although tenders of large plots of government land for mixed-use developments could lead to a shift in the pattern of retail development also to the Downtown area.

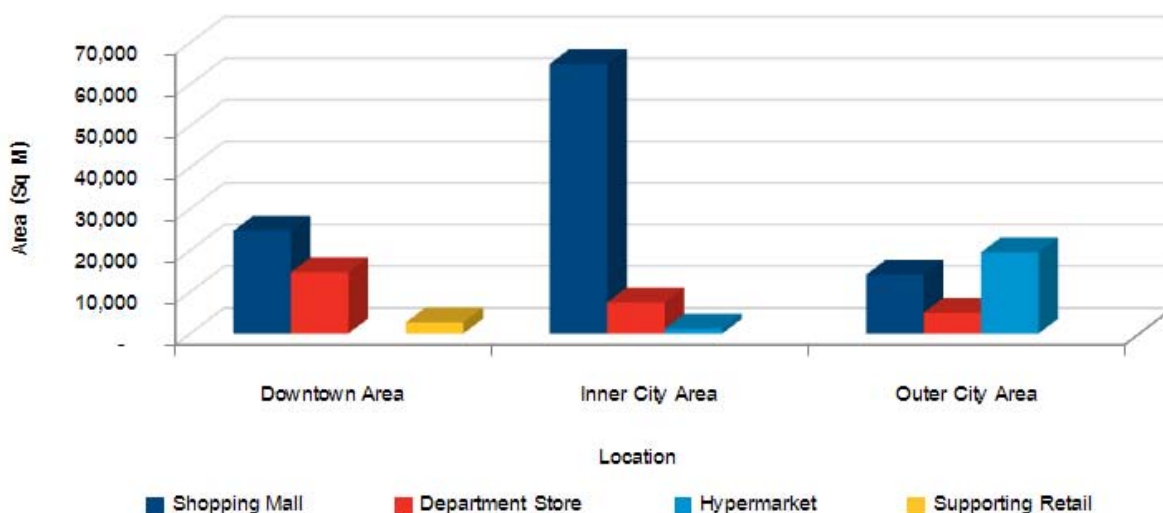


Source : Colliers International Thailand Research

Approximately 48% or 73,600 sq m of total retail supply in Yangon is located in the Inner City area, while around 42,160 and 38,750 sq m is located in Downtown and Outer City areas respectively. Many retail

centres opened in the Outer City area after the year 2007, due to the increasing of the population in Yangon and expanding of Yangon city to the north of Downtown area along with car usage.

SUPPLY BY CATEGORY AND LOCATION (REVISED), H1 2012



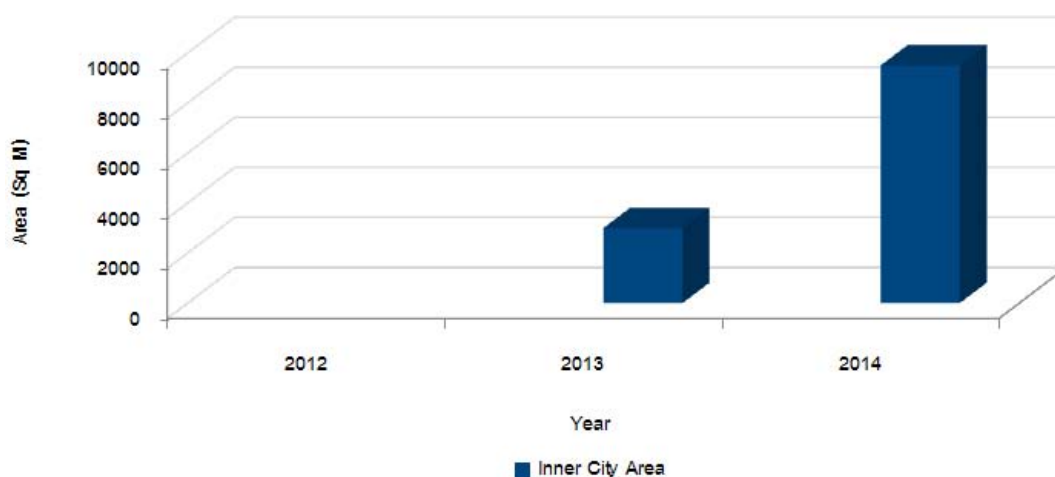
Source : Colliers International Thailand Research

Approximately 69% of shopping mall space in Yangon is located in the Inner City Area, and 94% of hypermarket area is located in the Outer City Area. In addition, supporting retail is located in the Downtown Area in only two office towers.

The worldwide appeal of shopping centres, with their extensive range of outlets and products available also applies to Myanmar. Shopping malls take up the lion's share of the mass retail space in Yangon with approximately 65% of the total, followed by department stores with 18%, hypermarkets with 16% and supporting retail stores with just 1% due to

the limited office space in the city. More than 855,000 people live in the Inner City Area, which is the largest market for retail businesses. Supermarkets are spread widely throughout the country and traditional forms of retail such as shophouses, traditional markets and small kiosks are still the main method of shopping for Yangon people. "Mom and Pop" style outlets are even more significant due to limited purchasing power of most residents leading to small quantity purchases and also the prohibition of motorbikes in Yangon making local stores more convenient for those without cars.

CUMULATIVE FUTURE SUPPLY, H1 2012



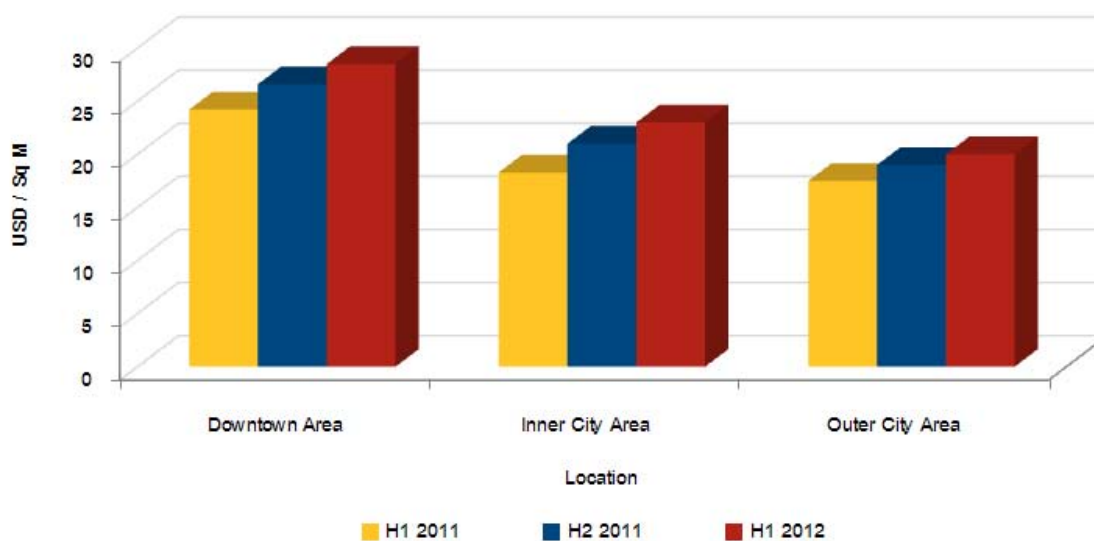
Source : Colliers International Thailand Research

One developer is planning a new retail centre in the Inner City area and should be completed in 2014. In addition, there a number of mixed-use projects, such as retail space in a development on Pyay Road, overseen by Asia World Group, which is under construction. The total area of the three projects is more than 12,000 square meters. Another main player in the retail sector is Shwe Taung Development Co.,Ltd. and they are also

planning to develop new retail centres in Yangon in the near future. The retail sector could see strong growth in this decade due to the anticipated rise in discretionary retail spending as the country develops economically as well as from more tourists and business people flocking to Yangon from abroad.

RATE

AVERAGE RENTAL RATE OF RETAIL BY LOCATION, H1 2012



Source : Colliers International Thailand Research

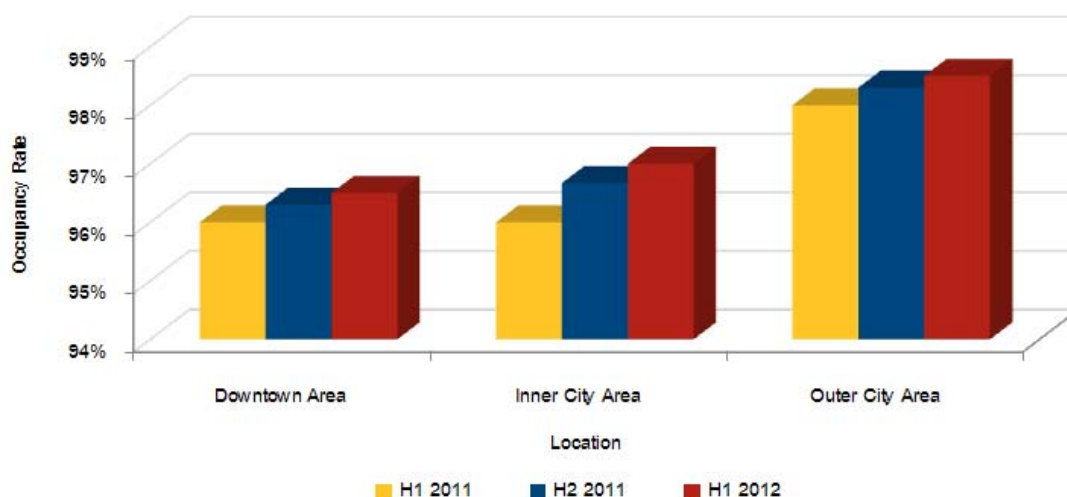
Average rental rates in the Downtown Area and Outer City Area increased by approximately 5 - 7% from the second half of 2011. There was around a 10% increase from the H2 2011 rental rate in the Inner City Area.

the retail space. The most expensive is in front of the retail center on the ground floor, due to most local myanma arriving at the retail centre by public bus. Most of the tenants on the ground floor are fashion shops, jewelry, coffee shop and fast food, such as MK Fashion Shop and J Donut.

The difference in rental rate of the retail space on the ground floor and the other floors was approximately 10 - 50%, depends on the location in

DEMAND

AVERAGE OCCUPANCY RATE OF RETAIL IN YANGON BY LOCATION, H1 2012



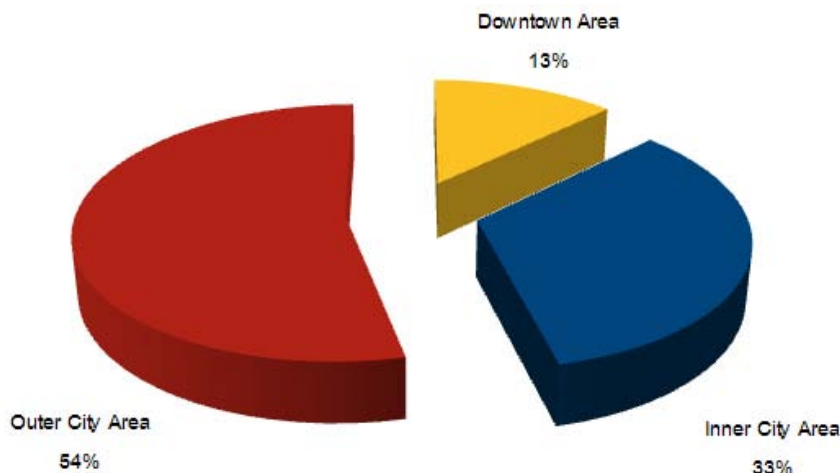
Source : Colliers International Thailand Research

The average occupancy rate in Yangon was approximately 97% in the first half of 2011. Some new retail centres added tenants in the second half of the year even recording high occupancy rates before officially

opening and were all located in good areas. Local demand for retail business space in Yangon is extremely strong. As a result, all retail centres in Yangon have shown robust occupancy rates.

DEMAND DRIVER

POPULATION BY LOCATION, 2011

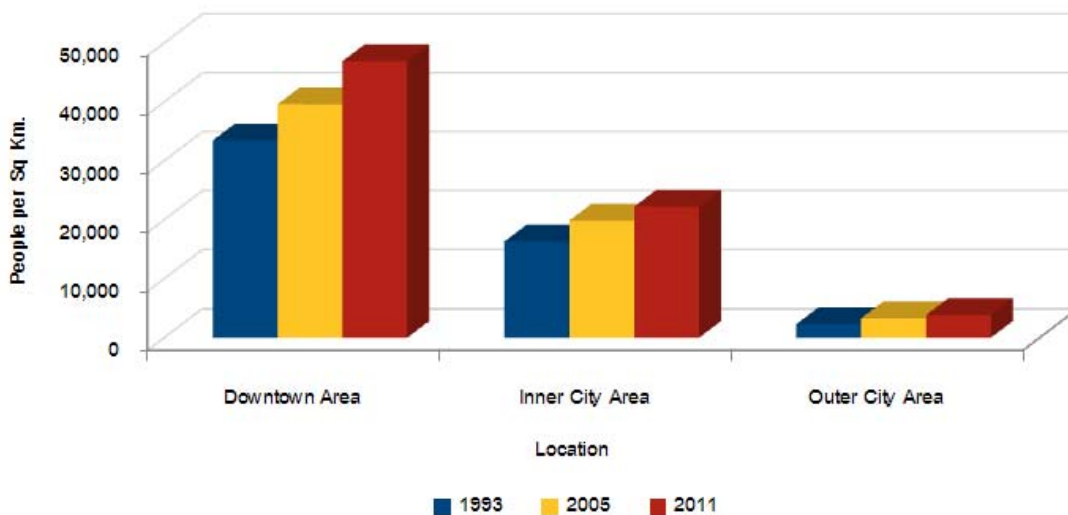


Source : Ministry of Population and Colliers International Thailand Research

The total population of Yangon City was approximately 5 million in 2011 and around 2 million are from 22 townships covered in this report (from a total 33 townships). Most of the population in Yangon lives outside the

Downtown Area. More than 75% live in the Outer City Area, with 18% in the Inner City Area and only 7% in the Downtown Area.

POPULATION DENSITY BY LOCATION, 2011



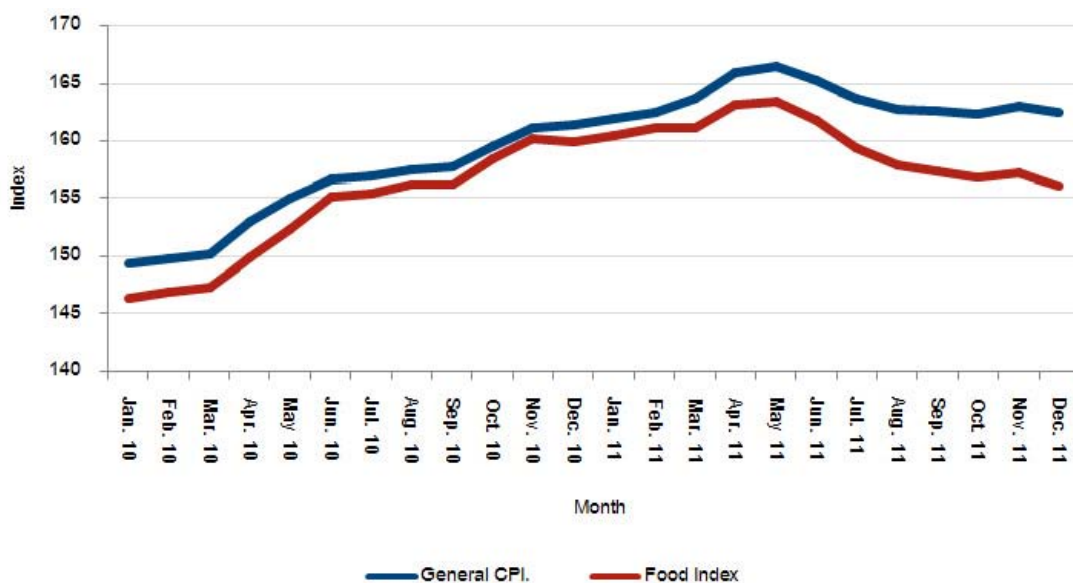
Source: Ministry of Immigration and Population (Myanmar) and Colliers International Thailand

The township with the largest population in Yangon is Thingangyun Township with around 327,000, followed by Hlaingthanyar Township with 269,000 in the Outer City. The land area of the most of townships in Outer City area is sizable, compared to Downtown and Inner City areas, so the population density in the Outer City area is far less than Downtown and Inner City areas.

22,244 and only 3,854 was recorded for the Inner City and Outer City areas respectively. The history of the city began on the northern bank of Yangon River where the ports were built and commercial activity thrived. As the population grew the city expanded further north in all directions but Downtown remains the busiest part of Yangon with the greatest population density, especially in the streets located close to Sule Paya.

The population density in the Downtown Area is nearly 47,000 per sq km, an increase from 2005 by more than 18%, while approximately

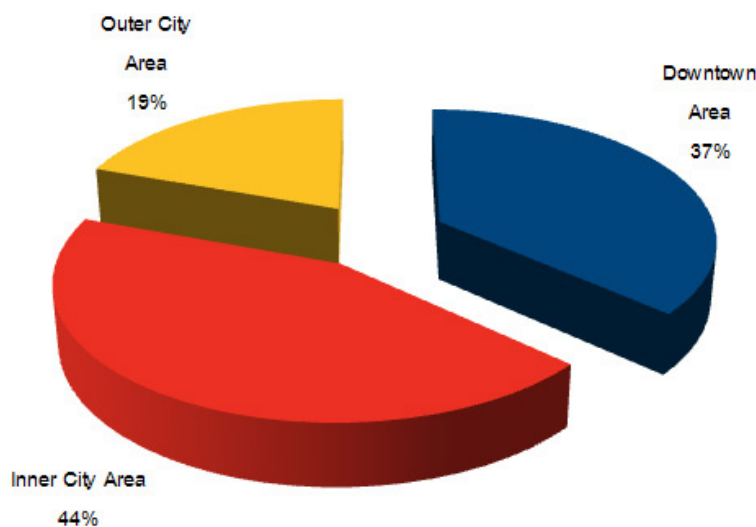
CONSUMER PRICE INDEX (CPI), 2011



Source : The Central Statistical Organization of Myanmar's Ministry of National Planning and Economic Development and Colliers International Thailand Research
 Remark : CPI of 2006 = 100

After the formation of the new government in early 2011, both of the CPI measures reached their highest point in May 2011. After which, they then decreased continuously every month until the end of 2011. The strength of Kyat in the third quarter of 2011 caused the index in Myanmar to fall.

SUPERMARKETS BY LOCATION, H1 2012



Source :Colliers International Thailand Research

Supermarkets are usually the first type of mass retail to develop in emerging markets before the onset of shopping centres and hypermarkets. The same is true in Yangon where supermarkets can be found all over the city. The Inner City contains the most out of the three zones despite having a smaller population than the Outer City. The development of

supermarkets is in order to cater to the more affluent sections of the population and these can be found in greater abundance in the Inner City Area. As wealth spreads there is more likelihood of seeing more development in the Outer City too.

MODERN AND OLDER RETAIL CENTRES

During the past few years, many modern retail centres have opened in many locations in Yangon, while older style retail centres with poor tenant mix, design and atmosphere are still in operation. The average occupancy rate of all old style retail centres in Yangon still records high figures. This is because their locations are often convenient to get to and travel is restricted to cars and public transport as motorcycles are banned in the city. This also means that the retail centre can retain the loyalty of shoppers and shop owners alike. Modern retail centres offer a new experience for residents in Yangon such as cinemas and restaurants, but ultimately they will frequent the retail centres close to their own residences.

SWOT ANALYSIS

STRENGTHS

Local demand is still the most important factor for retail business in Yangon, although most of the population in the Yangon area are in the low-income bracket.

Local retail operators and developers in Yangon are very strong and understand the domestic market. They also have the advantage of being located in prime locations and being a part of the community as the retail business expands with the city's growth.

The amount of spending by people in Yangon is greater than what GDP figures would suggest.

WEAKNESSES

Most old retail centres in Yangon have a disorderly tenant mix and often poor zoning. In addition, many also lack adequate maintenance and need to be re-painted, re-designed and/or renovated.

There are limited retail options for locals and tourists in the evening as many close their doors early.

There is a wide dispersion between retail centres and entertainment venues in Yangon leading to less mutually reinforcing synergies.

OPPORTUNITIES

In addition to the government opening the economy, the political situation in Myanmar is clearer and is creating a better investment climate and tourism market, which in turn benefits the retail market.

AEC in 2015 could be a great opportunity for retail business in Yangon, due to the further increase of foreign tourists and business travellers over the next few years. In addition, Yangon is the main transportation hub in Myanmar and most foreigners stay in Yangon between two and four days.

When sanctions are lifted this will give Yangon a greater opportunity to showcase its prized gemstones such as rubies, sapphires and jade in a more open retail setting.

THREATS

In the next few years, modern retail centres from other countries will enter the market with international standards, modern designs and good management. This situation will directly affect the retail business in Yangon and Myanmar and local players will need to work hard to compete or enter into joint ventures.

Internet usage is limited but is expected to grow substantially over the next few years and could lead to shopping online although the shopping experience is still a compelling one for most Myanmar.



13. YANGON OFFICE BUILDING MARKET

HIGHLIGHTS

Rental rates soar in H1 2012 on the back up increasing demand and limited supply

Very limited new supply expected in next two years

Office space in hotels being converted back to hotel use thus leading to

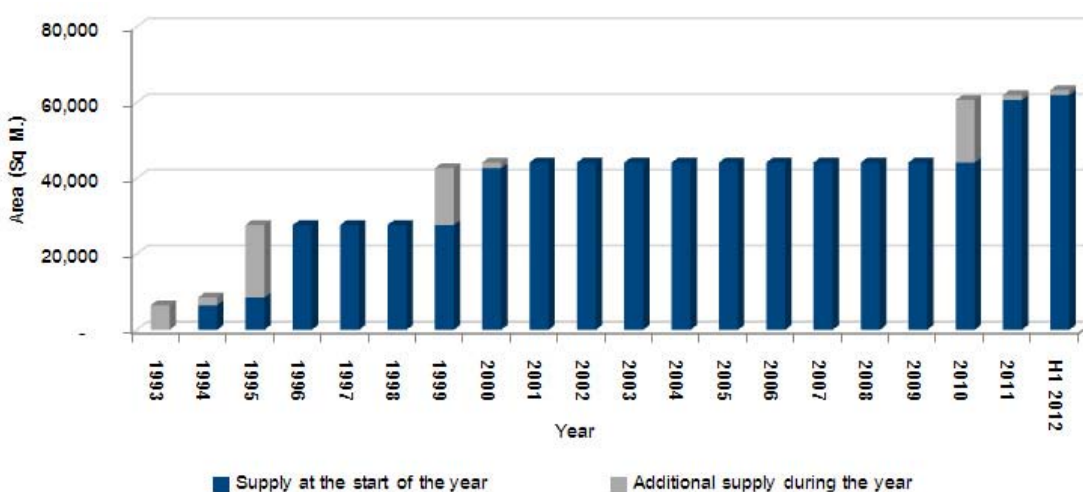
even greater demand

Foreign companies starting to set up in Myanmar in order to engage the local business community

Many foreign banks setting up representative offices or expected to do so in near future

SUPPLY

HISTORICAL SUPPLY, H1 2012



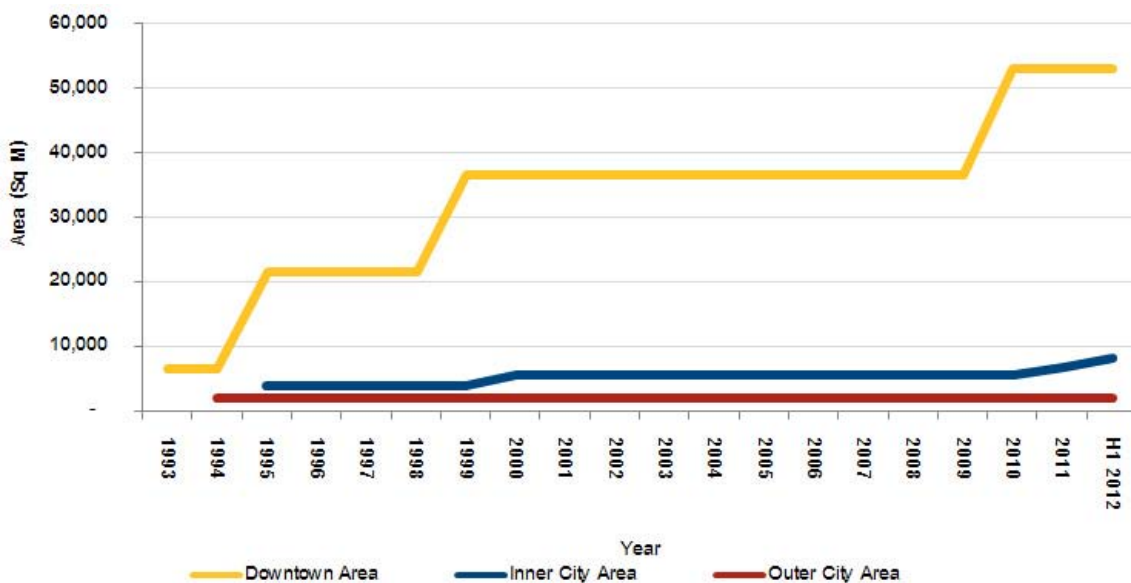
Source: Colliers International Thailand Research

Note: Condominiums with floors dedicated to office space have been counted as supply

No new office space was added to the market in the first half of 2012, so the total area of office space in Yangon remains at approximately 63,000 square metres. More than 70% of current supply was added in the market before the year 2009 with a significant increase in 2010 of approximately 16,500 square metres from Centerpoint Towers on the corner of Sule Pagoda Road and Merchant Road in the Downtown area. Some office buildings are under construction and scheduled to be completed within the next two years as well as some incomplete buildings waiting for new investors to restart construction again, especially in the Downtown area. However all are relatively small in terms of additional space.



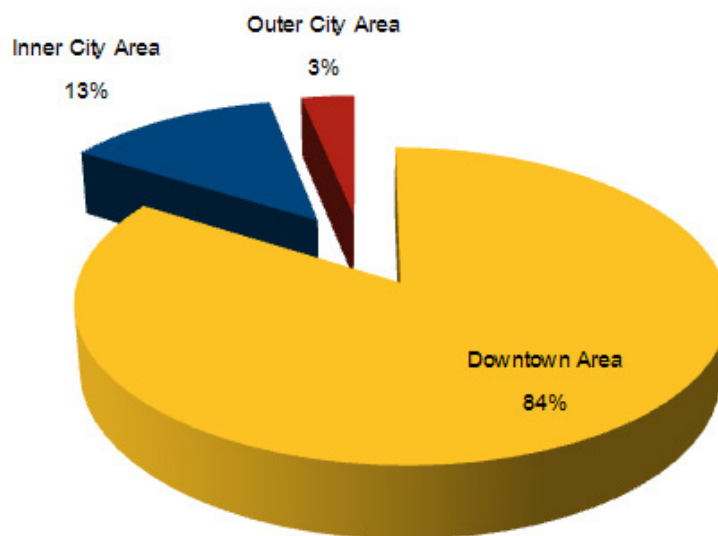
SUPPLY BY LOCATION, H1 2012



Source : Colliers International Thailand Research

Total office space in Downtown was highest from the year 1993 until now, with more than 53,000 square metres. This was due to Downtown representing the historical commercial and governmental centre of the

city and despite the relative decline of Yangon over the past five decades the area remains the most desirable location for many businesses.

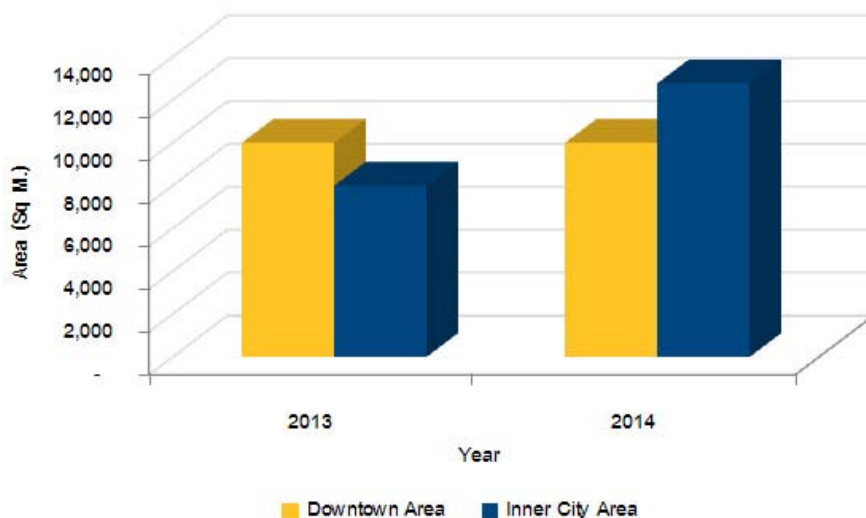


Source : Colliers International Thailand Research

Approximately 86% of office space is located in the Downtown area, followed by the Inner City and Outer City Areas with 11% and 3%, respectively. The Downtown area has always dominated supply as it is

traditionally the area associated with commerce as well as the location of government offices, although most have now vacated due to the move of the capital to Nay Pyi Taw.

CUMMULATIVE FUTURE SUPPLY, H1 2012



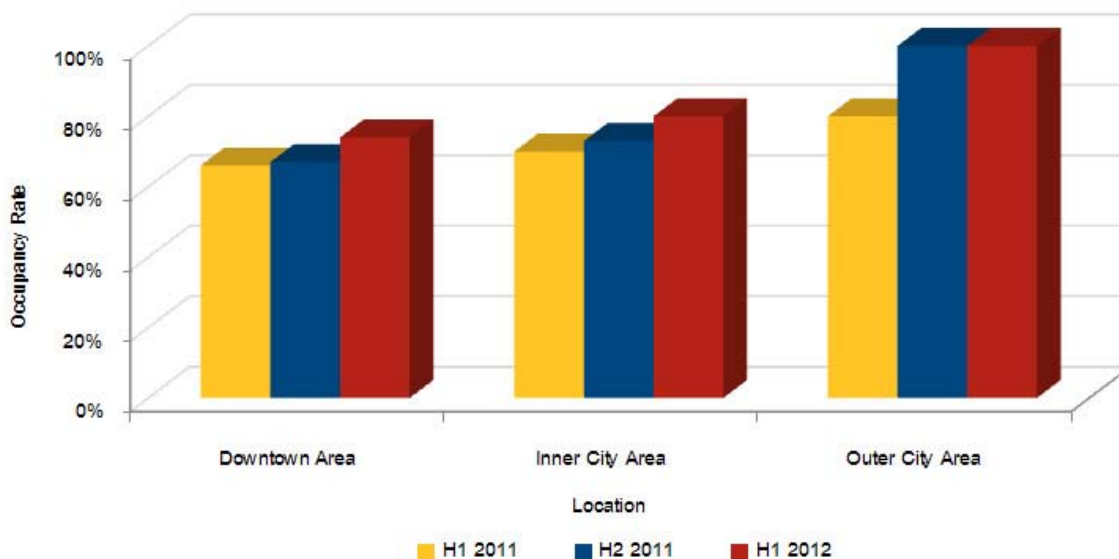
Source: Colliers International Thailand Research

After the completion of Centerpoint Towers in 2010 only three new office buildings are scheduled to be completed during the next two to three years, a mixed-use project from Asia World on the junction of Hledan, Insein and Pyay Roads in the Inner City Area and M&A Office Tower from Myint and Associates on Pyay Road in the Outer City Area. The newest mixed used project in Yangon is KBZ Tower in Sanchaung Township in Inner City Area by KBZ Bank and this project is under construction and scheduled to be completed in 2014.

In addition, there are another three uncompleted office buildings. One project is Junction City Commercial Center mixed use project from Shwe Taung Development Co.,Ltd. Myanmar Star Tower on Merchant Street is on hold while the last is a mixed used project waiting for construction to recommence called Pyay Garden on Pyay Road in the Inner City Area

DEMAND (REVISED)

OCCUPANCY RATE BY LOCATION, H1 2012



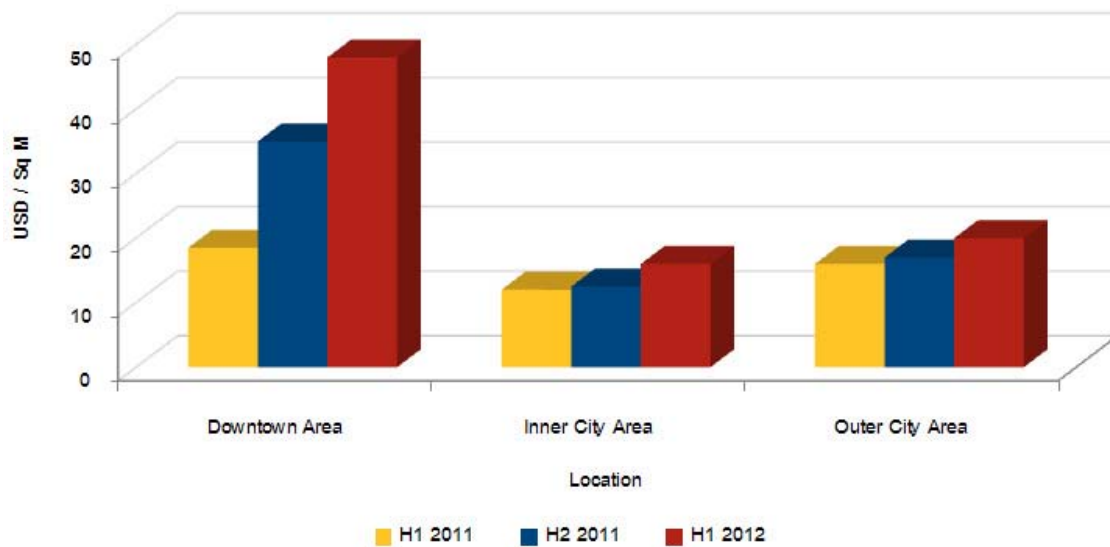
Source: Colliers International Thailand Research

Average occupancy rates of all office buildings in Yangon was more than 75% at the end the first six months of 2012;the average occupancy rate in the Downtown and Inner City areas increased from the second half of 2011 by approximately 10%, while those in the Outer City Area remain fully occupied.

The average take-up rate in all locations significantly increased from the second half of 2011, due to many companies setting up operations in Myanmar.The suspension of sanctions in the US, EU, Australia and Canada has ignited interest and many foreign companies are starting to enter the country.

RENTALS

RENTAL RATE BY LOCATION, H1 2012



Source: Colliers International Thailand Research

The average rental rate of office buildings for all locations in the first half of 2012 increased from the first half by approximately 30% and the Downtown Area increased the most by around 37%, due to limited supply and increasing demand from foreign companies.

The average rental rate of office space in the Inner City Area was around 20% lower than in the Outer City Area because building sare olderwith a lower level of maintenance and there is still available space in one building.

CONDOMINIUMS/VILLAS AS OFFICE SPACE

A few condominium projects in Yangon have one or two floors for office space and they are usually sold rather than rented. The size of office space in condominium projects ranges between 20 - 65 sq m and the selling price is from USD2,250 to USD 3,220 per sq m, although this kind of office space is still not popular with foreign companies, due to limited natural light, lack of parking space and normally no electricity back up apart from the common areas. Most Myanma and some international companies rent or purchase a house or villa unit and convert it to office space, for more privacy, easy accessibility and better parking in landed property. The property can also double up as residential space for expats living there or short stay for employees living in other countries but visiting on business. With growth in demand for office space set to rise dramatically in the next few years and limited new supply, this option may be one of the few viable ways of operating in the city for some time to come.

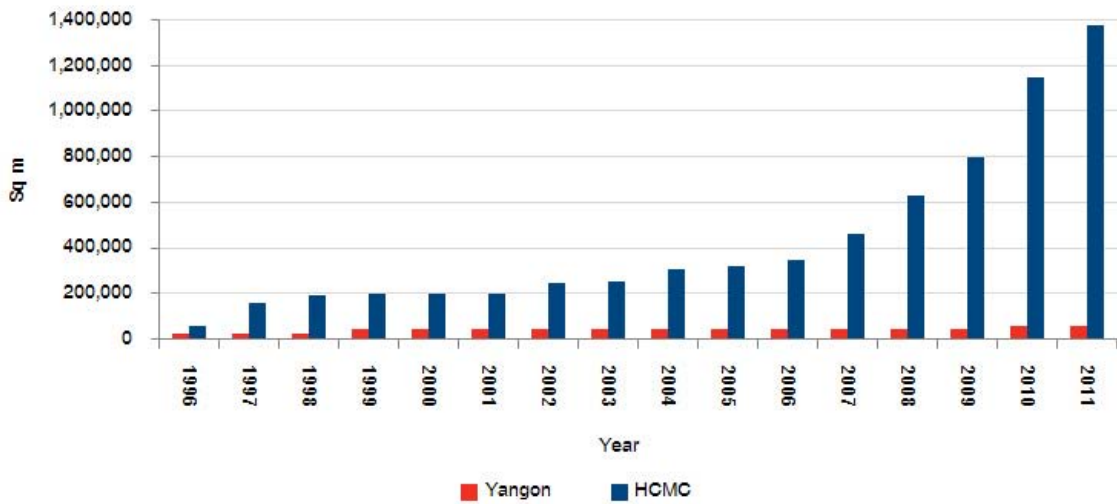
FUTURE TRENDS – HOW FAR CAN RENTALS GO?

Myanmar is firmly on the radar screen for investment opportunities and many companies are looking to set up in the country as a prelude to larger scale investment over the coming years. Many realise that being

on the ground is key for doing business so small office requirements are the norm with just a few staff. Investors are focusing on hospitality, office, retail and manufacturing. Most of foreign investors prefer to be based in Downtown area or Inner City Area but office buildings in the Downtown area increased rentals by approximately 30% per quarter or more than 100% in one year.

Limited future supply in conjunction with increasing demand from both companies wishing to set up a small base and banks looking to open representative offices mean that rental rates are very likely to continue their upward trajectory. In Ho Chi Minh City in Vietnam office rentals in one grade A building reached USD 110 per sq m in 2008 prior to the onset of the global financial crisis. At that point there was around 600,000 sq m of supply in the city with another 300,000 sq m in Hanoi. However in Yangon the figure is just over 63,000 sq m with no secondary supply from another city. Therefore it is likely that rentals will rise well above USD 110 in the next two years in the offices in Downtown and could well go beyond USD 150 if market forces prevail along with the opening up of the economy.

COMPARISON BETWEEN HO CHI MINH CITY AND YANGON FOR SUPPLY, 2011



Source: Colliers International Thailand Research

SWOT ANALYSIS

STRENGTHS

Most office buildings in Yangon have shown high occupancy rates during the past two years which still keeps increasing, especially after the election in 2010 and economic reforms. In addition, the EU, Canada, Australia and the USA and other announced a suspension of most sanctions on Myanmar.

The gradual shift by hotels and serviced apartments from partial office use to that of accommodation only means that more tenants will look for dedicated office space in which to conduct business.

WEAKNESSES

Lack of maintenance at some office buildings and limited parking space are disadvantages in Yangon. Many tenants will still prefer to rent condominiums, apartments or landed property, which can offer better property management than some office buildings.

Poor education levels in the country may mean that in terms of the service industry, companies will wish to keep operations in Myanmar to a bare minimum thus reducing office space requirements.

Communications remain in their infancy and unless there is rapid improvement over the next two years in telephone and internet service, the country will suffer in terms of competitiveness despite low wage levels.

OPPORTUNITIES

The Central Bank of Myanmar allowed its currency to float from April 1 2012 as a part of the new economic reforms. Replacing the unrealistic exchange rate in the past can attract more foreign investors.

The banking and insurance sectors are set for growth with further reforms allowing credit card use and joint ventures between local and foreign banks. This is leading to many banks setting up representative offices in Yangon in preparation for this and to service their clients.

The opening of the service sector as part of the ASEAN Economic Community (AEC) will further spur more interest in using Myanmar as a manufacturing base, which will translate into more office demand to service this growth. However this depends on improved education and communications.

THREATS

Despite the potential, many large-scale investors are still awaiting a new foreign investment law and there are now concerns from the foreign business community that a future law may fall short of expectations

Advances in education and communications of other emerging economies in the region may lead to companies bypassing Myanmar in terms of services such as finance and trade, and the country may end up with a manufacturing base but with a limited service sector supporting it.

The rise in office rental rates and lack of residential accommodation may deter companies from setting up offices in the future hurting the long term development of the country.

14. YANGON CONDOMINIUM MARKET

HIGHLIGHTS

New launches remain robust in Yangon with strong local demand

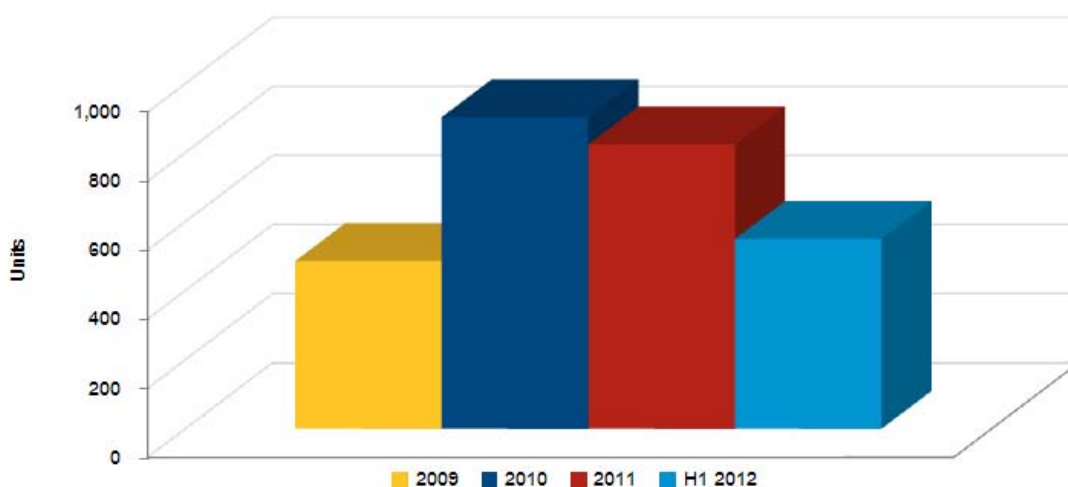
A new condominium act is anticipated which could propel the market further

Developers starting to be aware of smaller unit sizes required by most foreign renters

Continued concerns over electricity supply mean lower level units are more popular

SUPPLY

NEWLY LAUNCHED UNITS FROM 2009 UNTIL H1 2012 BY YEAR (REVISED)



Source: Colliers International Thailand Research

There were approximately 550 newly launched units in the first half of 2012 or around 66% of the total of newly launched units for all of 2011.

Most newly launched units in 2011 were sold out and many developers plan to launch new projects in the second half of 2012.



WHAT CONSTITUTES AN APARTMENT AND A CONDOMINIUM?

CONDOMINIUM/APARTMENT DISTINCTION

There is no legal definition of what constitutes a condominium as no law has been enacted to define it, as was the case in Thailand following the Condominium Act of 1979. It is understood that legislation establishing a legal framework may be in the pipeline. At present the difference between a condominium and an apartment building is that the former contains a lift whereas the latter does not.

CONDOMINIUM LAW

It is anticipated that a condominium law will be passed codifying the legal status of a condominium, which will lead to better protection for buyers and better quality of developments. At present, details relating to the actual law are not clear but there are signs that some provisions may be made in relation to foreign ownership of condominiums.

APARTMENTS

Apartment buildings are usually eight levels high due to city regulations, which until February 2008, required that all buildings higher than 23 metres or eight levels have lifts installed. The current regulations call for lifts in buildings higher than 19 metres or six levels, which is likely to lead to the development of six-level apartment buildings. These provide the mainstay accommodation for many Yangon residents as they are affordable to those with low incomes. They often do not have backup generators as there are no lifts that require power. Although most apartment buildings were built only in the last 20 years, they look much older and rundown due to poor construction and lack of proper maintenance. The ground and lower levels is far more popular and therefore more expensive as the more flights of stairs to climb, the less attractive the unit.

For the purposes of this report, apartment buildings have been excluded.



CONDOMINIUMS

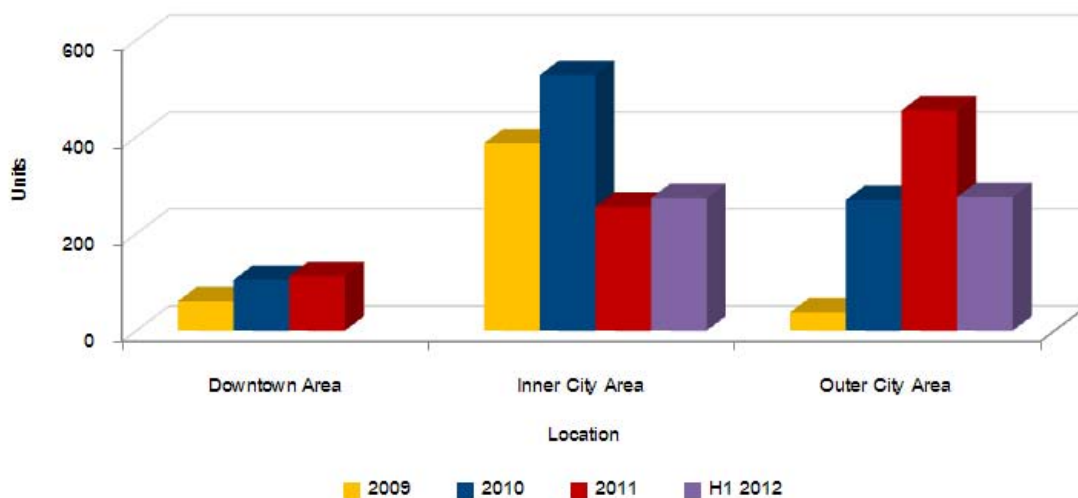
There is a wide array of condominiums ranging from very poorly constructed buildings with no facilities to international standard products. As condominium buildings contain lifts, they must also ensure back-up electricity generation due to the sporadic nature of the city's electricity supply. Therefore, condominiums are a far more expensive option, out of reach of most Yangon residents. They are often purchased by investors wishing to lease to foreigners and companies using the units as office space. Many live in other cities such as Mandalay and use the units as second homes when doing business in Yangon. With limited incomes and a lack of financing for buyers most residents are excluded from the market and have to rent or live in extended families.

The most popular developments are those located in a mixed-use retail complex as this provides convenience for residents as the existing transport system is poor. Locations along the main roads are also in demand as they are on the main bus routes which are vitally important in light of the absence of motorcycles. The primary locations are along Kaba Aye Pagoda Road and Pyay Road in the Golden Valley as well as at intersections.

Condominiums became popular after Cyclone Nargis as they were able to withstand wind damage better than landed property. Security, a pleasant environment and privacy are the features most desired by residents in condominiums.

A typical design of local condominiums makes little use of light, often having small windows and many doors for each unit, similar to those built by the National Housing Authority in Thailand. Most units are far greater in size than those seen in other cities as in most cases the units will be occupied by extended families and as a result are not popular for foreigners who wish to rent and require quality rather than quantity.

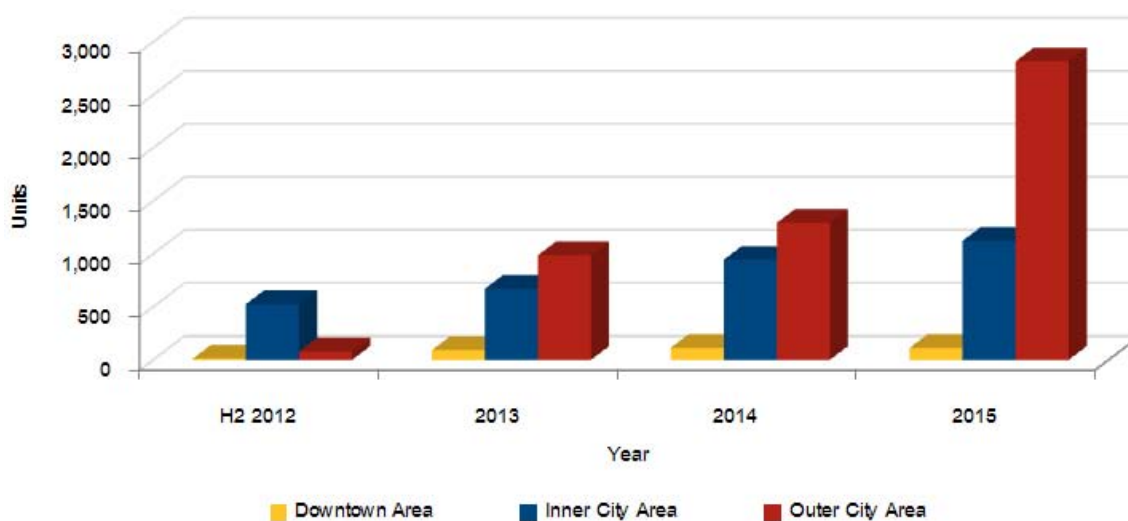
NEWLY LAUNCHED UNITS SINCE 2009 BY YEAR AND LOCATION, H1 2012



Source: Colliers International Thailand Research

Units newly launched in the first half of 2012 are located in the Inner City and Outer City areas. There were no newly launched condominium units in the Downtown Area, due to the increasing land prices.

CUMULATIVE FUTURE SUPPLY SCHEDULED TO BE COMPLETED DURING 2012 - 2015 BY YEAR AND LOCATION, H1 2012



Source: Colliers International Thailand Research

Nearly 620 units are scheduled to be completed in the second half of 2012 and approximately 1,130 units are under construction and planned for completion in 2013. The Inner City Area is the most fashionable for condominium projects, but from 2013 onwards more than 2,700 units are planned for the Outer City Area at the Thanlyin Star City project in Thanlyin Township just outside of the Yangon metropolitan area across the Bago River.

The most popular townships in Yangon for future condominium projects are Minglar Taungnyunt with more than 330 units at eight projects and

Dagon with approximately 330 units at four projects. MinglarTaungnyunt Township borders the Downtown Area while Dagon Township is a little farther from the Downtown Area, but has convenient access to both Downtown and the Outer City via Pyay Road.

More than 1,500 units are scheduled to be completed in the Outer City Area in 2015 and most of them are located at the Thanlyin Star City project.

UNIT SIZE

AVERAGE UNIT SIZE OF NEWLYLAUNCHED UNITS IN 2010 AND H1 2012BY LOCATION



Source: Colliers International Thailand Research
 Remark: No new projects were launched in the Downtown Area in the first half of 2012

The average size of newly launched condominium units in the Inner City Area is larger than in 2010 and 2011. However, they are still smaller than the average size of condominium units launched in the Downtown Area

in 2011. Most units launched in H1 2012 were more focused on higher end units for local Myanmar so most of them start with larger three-bedroom unit sizes.

PRICE

AVERAGE SELLING PRICE OF NEWLYLAUNCHED UNITSFROM2010 - H1 2012 BY LOCATION



Source: Colliers International Thailand Research
 Remark: No new projects were launched in the Downtown Area in the first half of 2012

Due to few condominium projects being launched in the first half of 2012 selling prices recorded little change compared to the previous year, with average prices in the first half of 2012 being higher than in the second half of last year by around 5 -7%. However units launched in the past and still available on the market saw their prices increase by 10 - 20% than on the launch date depending on the number of available units and

construction progress. Some new luxury condominium projects in Yangon include swimming pool and fitness centre or other international standard facilities; so average prices are around 20 - 30% higher than projects without such facilities.

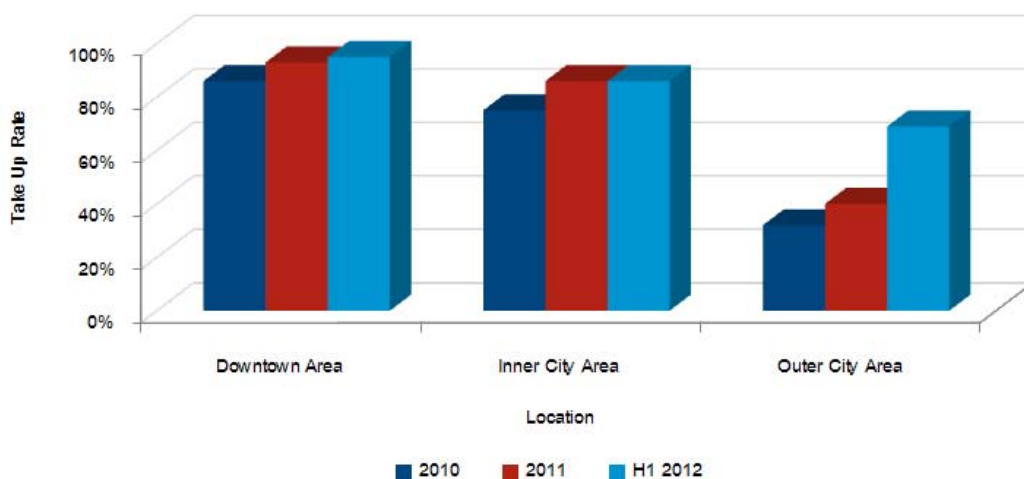
EFFECT OF PRICE BASED ON LEVEL OF UNIT

In contrast to other cities in Asia the prices of units on the upper floors tended to be cheaper than those on the lower levels. This was due to sporadic electricity supply and poor maintenance that made using the lift inconvenient, forcing many residents to walk up many flights or waiting a long time for a lift. However, improvements in electricity supply coupled with better back-up generating facilities at newer projects have meant

that prices can be similar for all floors and penthouses are increasingly popular on the highest floor. However, take-up tends to be much more robust on the lower levels so the attraction of ground floor or first floor residences still remains and problems with electricity supply in March and April of 2012 may have reinforced the popularity of lower floors.

DEMAND

COMPARISON OF TAKE-UP RATES OF ALL CONDOMINIUM UNITS IN THE MARKET BETWEEN 2010 AND H1 2012 BY LOCATION



Source: Colliers International Thailand Research

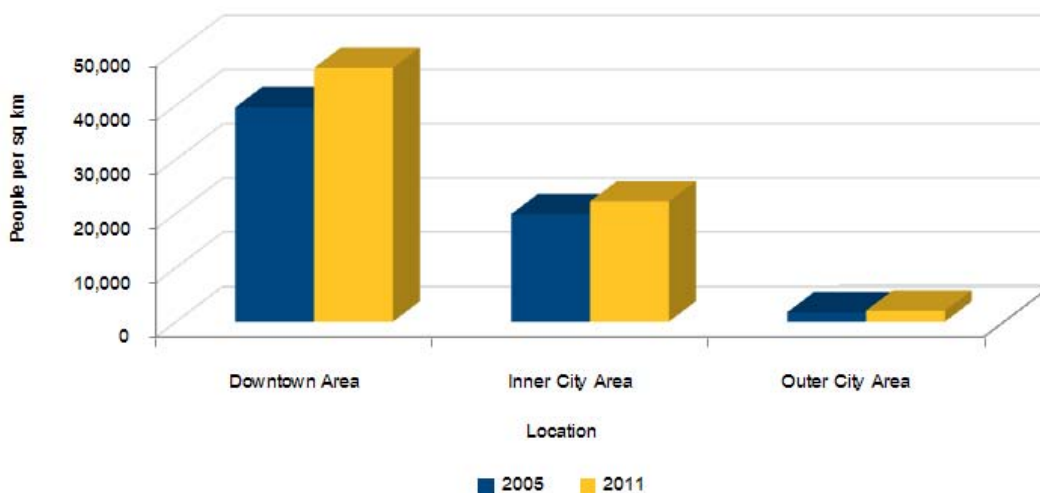
The average take-up rate of all available condominium units on the market was approximately 85%, an increase of approximately 8% from the second half of the year. This is due to the smaller number of condominium units launched in the first half of 2012. The Outer City Area accounts for more than 65% a significant increase from the second half of 2011 due to the rise in the take-up rate at Thanlyin Star City. This is due to the construction of the project progressing steadily and the changes to the master plan, adding a large swimming pool and greater

space between buildings, which attracted more buyers.

No new condominium projects were launched in 1H 2012 in the Downtown Area and there were limited units available in the area, so the average take-up rate increased by only around 2 -3%. While nearly 260 condominium units were launched in the Inner City Area, the take-up rate in the area decreased very slightly from the previous year.



DEMAND DRIVER | POPULATION DENSITY BY LOCATION



Source: Ministry of Immigration and Population (Myanmar) and Colliers International Thailand

The total population of Yangon City was approximately five million in 2011 in a total of 33 townships. In 2011, the population density in the Downtown Area was nearly 47,000 per sq km, an increase from 2005 of more than 18%, compared to an increase of more than 12% in the

Inner City and Outer City areas. Due to the commercial hub and government offices in Yangon being located in the Downtown and Inner City Areas, most people who work for the government or private companies in Yangon live in these areas.

ASPECTS OF CONDOMINIUMS IN YANGON

GOVERNMENT STAKE

Swathes of land in Yangon are owned by the state; therefore, most of the residential developers in Myanmar will co-ordinate with the government to occupy plots of land. This allows the government officials to occupy approximately 30 -50% of the condominium units in the project depending on land values.

LIMITED NATURAL LIGHT

Condominium projects in Yangon, starting with two-bedroom units have an average area of more than 120 sq m. The design of condominium buildings is more like a solid square-like block than a thin or L-shaped building. As a result it is difficult to design them to make the most of natural light.

The majority of condominium units in Yangon also have a limited number of windows, especially the corner units, and some rooms have no windows at all. Although some projects are trying to include more open space between the units to allow for more windows or glass blocks, they still remain dark.

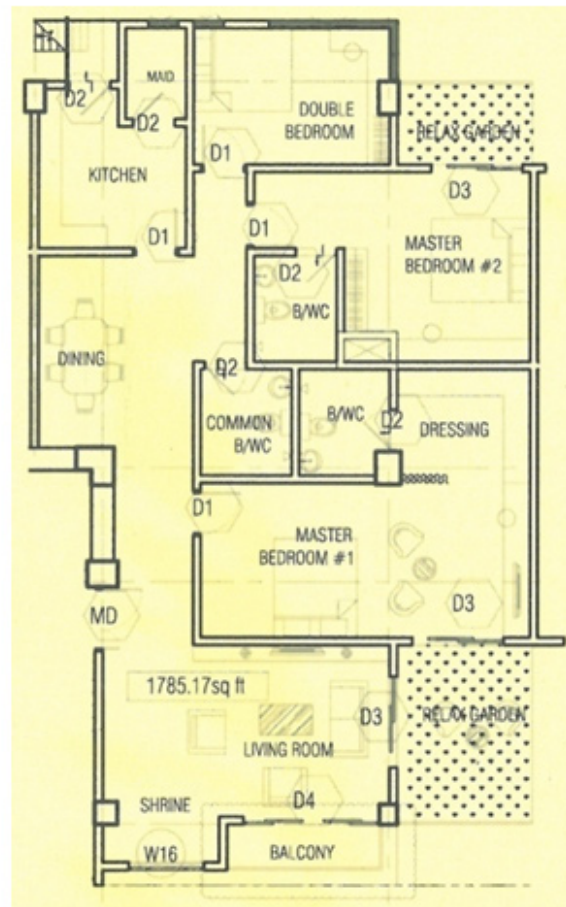
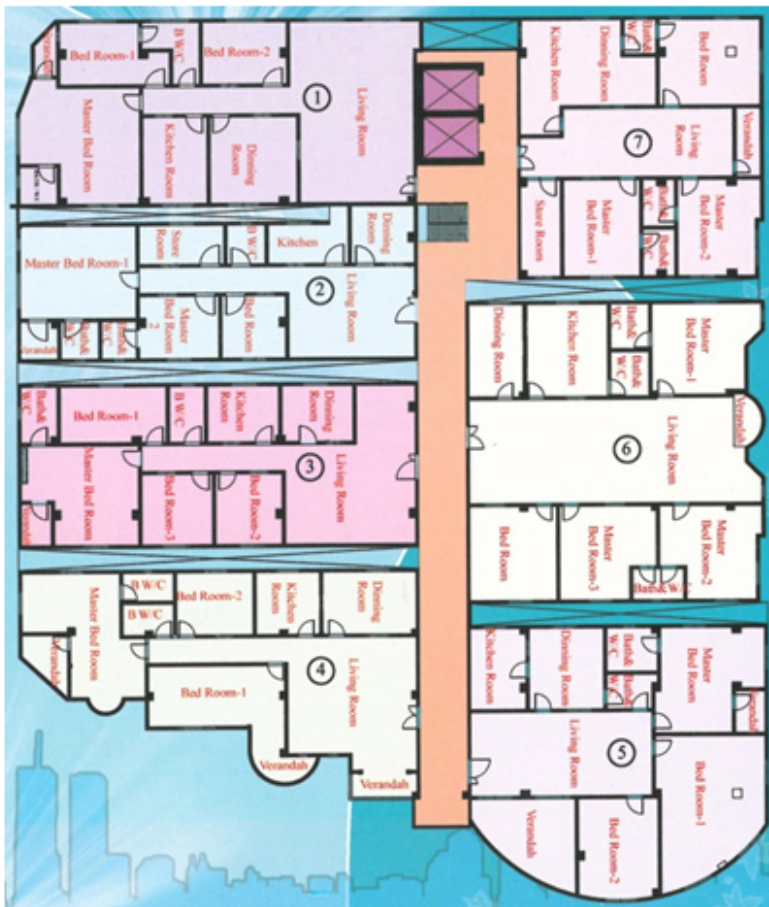
SMALL AND LIMITED NUMBER OF BALCONIES

Approximately 5 - 10 sq m of the total area of units consists of balcony space in the condominium units, which is very small compared to the total unit size (120 -180 sq m).

KITCHEN WITH LIMITED VENTILATION

Due to the location of the kitchens in the condominium units in Yangon, i.e. near the main entrance of the unit, there are no windows or opening for the exhaust hood to release smoke, so the unit inside can smell of cooking.





FIRE PROTECTION SYSTEMS

Most of the condominium projects in Yangon are not provided with fire protection systems for the unit, such as fire alarm, water sprinkler or smoke detector system. International standards for condominium projects in other countries require fire protection systems.

LIMITED PARKING SPACE

Due to the previous limited number of cars in Yangon, large-scale car parking space is not necessary and therefore most condominium projects in Yangon have limited car parking space. As motorbikes are banned in the city of Yangon, there will be a rapid increase in car usage as the economy grows.

LIMITED FACILITIES

Most condominiums have limited or no facilities such as gyms and swimming pools.

POOR MAINTENANCE

Most condominiums are managed by a committee, consisting of the owners of the units and many are poorly maintained due to lack of adequate financial support plus usually no sinking fund is included and as a result many developments look very poor and neglected even after a few years. Many residents do not pay maintenance fees which leads to limited funds being available for repairs and upkeep.



HOTSPOTS

DOWNTOWN

The Downtown Area remains a magnet due to the area still being the heartbeat of the city where most commercial activity takes place. Transport is a problem in Yangon and as many people work in the Downtown Area, proximity to the workplace is paramount. Many old colonial buildings have been vacated and are in a state of general disrepair. If the foundations are strong, then many of these buildings could be renovated and provide quality hotel accommodation. One notable example is The Strand Hotel but many could also be used as high-end residential buildings. In other cases, the buildings are of poor quality and are more likely to be demolished paving the way for new construction. It is likely in the future the downtown area will contain most large-scale commercial buildings.

GOLDEN VALLEY

There are a number of other areas outside the Downtown Area that appeal as residential locations. The Golden Valley is being branded as a version of a Beverly Hills of Yangon, as a home to the rich and famous. Located in Bahan Township, that borders both Inya and Kandawgyi lakes as well as the iconic Shwedagon Paya, the area contains a growing number of higher-end restaurants and retail outlets as well as international schools. Notable condominiums include Inya View, University Yeik Thar and Delta Plaza.

HLAINGTHANYAR TOWNSHIP

While located some distance from the Downtown Area, the township is growing on the back of its development as one of the key industrial estates in Yangon that has and will likely attract international investment. FMI City was the first planned new satellite city development in Yangon which commenced in 1995 and includes the Pun Hlaing Golf Estate, a residential development built around an 18-hole Gary Player designed golf course and includes landed property as well as low-rise condominiums. In the same township is Naraway Garden developed by Chin Su (Myanmar) Co., Ltd, which offers lower priced housing.

THANLYIN

Across the Yangon-Thanyin Bridge from Thaketa Township lies Thanlyin Township. This is the location for a large residential project called Thanlyin Star City developed by First Myanmar Investment (FMI) Company Ltd. One of the attractions of the area is access to Thilawa Port to the south where a future special economic zone could act as a strong magnet for FDI.

SWOT ANALYSIS

STRENGTHS

Local demand is very strong in Yangon for condominiums catering for extended families.

Many developers are well known and have a good reputation for completing projects.

WEAKNESSES

Concerns over electricity supply still linger and make higher floor units less attractive to most buyers.

Bank financing structures remain embryonic and hardly factor in condominium purchases.

Limited facilities and lack of back-up power make many condominiums very unattractive to foreigners wishing to rent.

Large unit sizes appeal to local buyers but are unappealing to most foreigners wanting smaller unit sizes with plenty of natural light. Also limited facilities for most projects also make them unattractive to foreign renters.

OPPORTUNITIES

A great influx in foreign expats is expected in the coming years due to an anticipated rush of investment in Myanmar. With limited international grade apartments being available there is an enormous opportunity for renting out condominium units although smaller unit sizes with modern facilities and design will command a premium.

A lot of wealthy Myanmar from foreign countries have or are planning to move back to their hometown and prefer to stay in the city area, so condominium projects are the best choice for them.

The opening up of the economy will eventually lead to a growing middle class which will be a strong target market for cheaper and smaller condominium units.

Increasing land prices will lead to landed property in prime areas being uneconomic and will spur development of luxury condominiums.

THREATS

Escalating land prices threaten to price condominiums in good locations out of reach of even wealthy Myanmar.

The potential development of apartments for lease with one building owner will likely prove more attractive to the foreign rental market due to better maintenance and facilities.

Further increases in car ownership and limited number of roads is likely to cause greater traffic jams and may make some areas less appealing to live.

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Thailand Property Awards

Best Agent (Eastern Seaboard) 2010
Best Bangkok Agent 2010

Best Agency Deal 2011
Best Commercial Agent 2011
Best Property Management Company 2011
Best Property Consultancy 2011
Best Residential Agent (Resort) 2011



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