MYANMAR ECONOMY

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

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

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

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

MYANMAR CONSTRUCTION MARKET

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

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

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

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

Some major on-going private projects in Yangon Region include the Landmark project by Yoma, Yangon Central Mixed Development by Tokyo Tatemono Asia/Fujita Corporation, Emerald Bay by Country Garden and The Central by Marga Global. Public projects are gaining momentum amid slow but steady implementation given the public perception of Public Private Partnership projects and the coming state elections in 2020. There are a number of mega on-going public projects in Myanmar, such as New Mandalay Resort City (9,893 acres), Smart District Project at Dagon Seikken township development (1,100 acres), Korea-Myanmar Industrial Complex Project, and the Eco Green City, a US$2 billion project with a 10 to 15 year township development period. The New Yangon City Project also presents a major opportunity for the involvement of foreign companies. On 20,000 acres of land and with estimated costs of US$ 1.5 billion, the project will create accommodation for 3 million and jobs for 2 million people.

20 KAP OFFICE BUILDING A.K.A THE EMBANKMENT

YANGON, MYANMAR

CLIENT: Four Rivers Inya Office Co. Ltd
ARCHITECT: Aedas Pte Ltd
SERVICE: Full QS Services
COMPLETION: 2021

RLB is the appointed QS for the proposed one block of 17-Storey Office Tower with Two Basements, located at Kabaraye Road, Yangon, Myanmar.
**METAL PRICES**

<table>
<thead>
<tr>
<th>MATERIAL</th>
<th>UNIT</th>
<th>AVERAGE SUPPLY RATE (MMK)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2H2017</td>
</tr>
<tr>
<td>Concreting Sand</td>
<td>m³</td>
<td>3,239</td>
</tr>
<tr>
<td>Stone Aggregate (20mm)</td>
<td>m³</td>
<td>33,116</td>
</tr>
<tr>
<td>Ordinary Portland Cement</td>
<td>kg</td>
<td>105</td>
</tr>
<tr>
<td>Reinforced Concrete (Grade 30 MPA)</td>
<td>m³</td>
<td>87,330</td>
</tr>
<tr>
<td>Reinforced Concrete (Grade 40 MPA)</td>
<td>m³</td>
<td>94,750</td>
</tr>
<tr>
<td>High Tensile Steel Bars (10 - 32mm)</td>
<td>kg</td>
<td>755</td>
</tr>
<tr>
<td>Mild Steel round bars (6 - 25mm)</td>
<td>kg</td>
<td>679</td>
</tr>
<tr>
<td>Structural Steelwork (U-beam, stanchions)</td>
<td>tonne</td>
<td>863,195</td>
</tr>
<tr>
<td>Plywood Formwork (2438 x 1219 x 20mm)</td>
<td>pc</td>
<td>33,296</td>
</tr>
<tr>
<td>Clay Bricks (100mm thick brickwall)</td>
<td>pc</td>
<td>111</td>
</tr>
</tbody>
</table>

Data Sources: Market Sources

**Exclusions:** Plant ad Equipment • Transport • Wastage • Overheads and Profit • Preliminaries • Withholding Tax • Commercial Tax

**Notes:** All supply prices stated above are only applicable for building construction projects in Yangon. Specific cost consultancy should be sought for your particular factual situation prior to utilising this information.
### CURRENCY EXCHANGE

<table>
<thead>
<tr>
<th>CURRENCY</th>
<th>UNITS PER USD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2Q2018</td>
</tr>
<tr>
<td>USD to MYANMAR KYAT (MMK)</td>
<td>1,425</td>
</tr>
</tbody>
</table>

*Data Sources: Oanda*

### YANGON CONSTRUCTION PRICES

<table>
<thead>
<tr>
<th>DEVELOPMENT TYPE</th>
<th>COST PER CFA MMK ('000) / m²</th>
<th>COST PER CFA USD / m²</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OFFICE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard</td>
<td>1,350 - 2,060</td>
<td>890 - 1,350</td>
</tr>
<tr>
<td>Prestige</td>
<td>1,830 - 2,480</td>
<td>1,200 - 1,630</td>
</tr>
<tr>
<td><strong>HOTEL (Excluding FF&amp;E)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three Star</td>
<td>2,270 - 3,290</td>
<td>1,490 - 2,160</td>
</tr>
<tr>
<td>Four Star</td>
<td>2,610 - 3,740</td>
<td>1,720 - 2,460</td>
</tr>
<tr>
<td>Five Star</td>
<td>3,070 - 4,150</td>
<td>2,020 - 2,730</td>
</tr>
<tr>
<td><strong>COMMERCIAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium Quality Retail</td>
<td>1,670 - 2,160</td>
<td>1,100 - 1,420</td>
</tr>
<tr>
<td>Good Quality Retail</td>
<td>2,210 - 2,740</td>
<td>1,450 - 1,800</td>
</tr>
<tr>
<td><strong>RESIDENTIAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium Quality Condominium</td>
<td>1,260 - 1,920</td>
<td>830 - 1,260</td>
</tr>
<tr>
<td>Good Quality Condominium</td>
<td>1,610 - 2,340</td>
<td>1,060 - 1,540</td>
</tr>
<tr>
<td><strong>CARPARK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above Grade Carpark</td>
<td>610 - 910</td>
<td>400 - 600</td>
</tr>
<tr>
<td>Basement Carpark</td>
<td>1,300 - 1,750</td>
<td>850 - 1,150</td>
</tr>
</tbody>
</table>

**Notes:** Construction Floor Area (CFA) - The area of all building enclosed covered spaces measured to the outside face of external walls including covered basement and above ground car park areas.

All Yangon construction prices stated herein are as at 1st Quarter 2019, and include a general allowance for preliminaries, foundation, car parking, and external works. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

**Exchange Rate Used:** USD 1 = MMK 1,524

**Exclusions:** • Land Cost • Legal and Professional Fees • Development Charges • Authority Fees • Finance Costs • Site Infrastructure Works • Diversion of Existing Services • Models and Prototypes • Future Cost Escalation • Loose Furniture, Fittings and Works of Art • Tenancy Work • Resident Site Staff Cost • Withholding Tax • Commercial Tax

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