

Mark: Welcome to another installment of Livingston's Legal videocasts. I'm Mark Livingston, the founder and Managing Director of Livingston's legal here in Yangon. Today we're joined by Chris Markey, who is the research manager at FMR Research and Advisory, which is a leading market research agency in Myanmar. Chris, thanks for coming in to chat. Could you first of all perhaps tell us a little bit about your background and about FMR Research?

Chris: Thanks for having me Mark. So FMR is a UK based business intelligence and advisory firm, with offices in emerging and frontier markets like Myanmar, as well as Libya and Egypt. We've been in Myanmar for about five years now. We offer services such as: subscription research, for sectors such as real estate, energy, infrastructure, financial services; bespoke or custom research, for clients in those sectors for services such as marketing reviews, due diligence studies, feasibility studies; and we also put out stand-alone or special reports focusing on subjects in Myanmar, such as industrial zones - which we just published an Industrial Zone Review, I believe in February.

Mark: Yes, definitely, very good products. I think if you're looking for market research on Myanmar these guys are certainly one of the best, if not the best in town. You're right, since the Industrial Zone Review is still fairly hot off the press, I thought it might be topical to ask you a bit more about that today. According to the review, there's over 100 active, developing and proposed industrial zone projects across Myanmar, if you aggregate them all together. Those are particularly in the Yangon Region. However, it's probably fair to say that many of those are developing a little bit slowly, or they're already operational but they're not fully utilized. So what do you see are the main issues that might be holding up industrial park developments or reform areas that might speed up development?

Chris: Sure. Yes, like you said there, there's right now around 25,000 acres of industrial estate in Myanmar, 65% of which is located in Yangon Region. Yet a lot of that industrial estate is not necessarily industrial estate which a lot of MNC manufacturers are used to. And a lot of the reason why is because - like headwinds that we're talking about - like poor infrastructure in a lot of these State-backed zones. So, poor power supply, poor roads, poor transport connectivity, no drainage systems. Things like speculative real estate investors. So, when a lot of these industrial zones were converted to industrial estate, a lot of speculative investors came in got the lands for pennies on the dollar, and most of the time are not necessarily trying to establish factories or manufacturing operations, just trying to try to float the land. So there's a lot of unproductive land.

Chris: Even things like Myanmar struggling to attract foreign investment into these industrial zones or even market them. As we found, it was very tough to even learn about over half the industrial zones that are currently operational. So there's a lot of headwinds, a lot of broad high-level headwinds. But I would say the main ones are speculative real estate investment, poor infrastructure at the zones, and inability or struggle to clearly explain the investment opportunities within the existing industrial zones.

Mark: So despite that, I think, even if you just read the press, you can see that there are a number of major local and regional developers who are pursuing large - at this time, early stage - industrial zone and even special economic zone projects in Myanmar at the

moment. What do you see or where do you see this industry, if you could call it an industry, heading in the medium term?

Chris: Sure. There's definitely a lot of investor interest in Myanmar industrial zones, that's for sure. Despite the current lack of quality. Things like the special economic zones - Thilawa continues to grow. So Zone B is open now, or at least most of it, and it's attracting a lot of investment. And if you haven't been down the zone B, it is a legit international type of industrial zone, amazing infrastructure down there. That being said, the special economic zones outside of Yangon are still ways away from actually being implemented. Dawei, it's very convoluted what's going on with Dawei right now, but it doesn't look like it's going to make any major progress steps any time soon. Kyauk Phyu, in Western Rakhine, made a lot of news in the fall - or in November rather - last year for the development agreement that was signed. But still there's a lot of negotiations to be had with that, and a lot of impact studies, environmental, social impact studies. That's not a done deal yet either.

Chris: So what we're interested in is seeing how a lot of these greenfield industrial projects that are on a regional level - not necessarily special economic zones, but greenfield projects like Myotha in Mandalay, or the Patheingyi Industrial City in Ayeyarwaddy region - how these new greenfield projects attract international investment and how they develop, and if they deliver on the promises. Seeing how a lot of these similar mixed use industrial cities, industrial estate projects with residential elements to them, kind of develop and take off and if there's actually international investor interest in those. So that'll be interesting to see how those develop in the medium term. As well as some of the proposed economic border - which are essentially pseudo industrial zones - on the Myanmar China border, which there are a number of regional and local conglomerate players that are interested in those zones. So we'll see how those take off in the medium term rather than focusing on the SEZs.

Mark: Okay. So, certainly a lot still going on in the sector - despite quite a few projects that aren't moving forward, there's a number to watch and a number of regions to watch. And also, I guess, still for people looking to be tenants of industrial zones, there is quality space available despite the fact that some of the zones are not quite at the standard that we'd like. But I agree, it'll be interesting to see whether or how fast some of these newer developments actually come fully to the market.

Chris: Especially as people start looking outside of the Yangon Region. With most of the stock being in Yangon Region, there's a lot of interest in the Yangon Region, but the occupancy rates are pretty high, so prices are starting to still - they still remain high - and so people are looking elsewhere. - Ayeyarwaddy, Bago, Mon State.

Mark: And also Mandalay's kind of flavor of the month for a while now, it really seems to be kicking forward in a lot of areas. So thanks again for your time - thanks for coming in, it was great to have you here. And thanks for watching. Hope to see you again on the next Livingston's Legal videocast.