

TOPLINE

GuocoLand opts for innovation

That's how it aims to overcome lack of legacy land; it's also keeping an eye on future trends, says CEO Cheng Hsing Yao. **BY KALPANA RASHIWALA**

Singapore
FOR Singapore developers without a legacy landbank, the concept of buying land at a low price and selling the project on it at a high price is no longer relevant given the surfeit of liquidity fuelling competition for land.

In the absence of cheap land, the way for a real estate company to create value is through innovation and development of future-relevant products, says Cheng Hsing Yao, chief executive officer of GuocoLand.

"When you buy a piece of land, when you conceive a project, (the end product) will be realised only three or four years down the road. On top of that, your real estate has to last a long time. So it has to continue to be adaptable and relevant and therefore be valuable in the longer run."

To get a glimpse of the future, one needs to understand trends. "Sometimes a trend is just emerging but you have to be able to foresee where it's going to land down the road – not just in three or four years' time but in decades," says Mr Cheng.

Some of this involves gut feel but also required is an open mind to observe and listen, to gain an understanding from the end-user's perspective.

He gives an illustration. Back in 2015/2016, when the group began leasing the office space at Guoco Tower above Tanjong Pagar MRT station, it came across a number of potential occupiers who said they would not want to be in that locale.

"But then we had another group of tenants who said they like the area's mixed character including the shop-houses, creating a vibrant and stimulating environment." And with three surrounding hawker centres, as well as eateries and a hotel in GuocoLand's project, there would be plenty of amenities.

"These occupiers, which were ba-

sically thinking from the perspective of their staff's welfare, are the more innovation-oriented companies in fields such as tech, consumer goods and banking. Another thing we noticed about them is that they already had a work-from-home option and flexible workspaces for collaboration. This was pre-Covid.

"That's one trend we saw, which is why we are very confident about our upcoming Guoco Midtown, also a mixed-use development in an eclectic area." The project is being built on two sites, with the larger plot in Beach Road, clinched in a state tender that closed in September 2017.

Ahead of the curve

By end-2018, the design for an office, retail and residential project with direct connection to Bugis interchange station was more or less firmed up. "Nobody had thought about Covid back then. But now this project has become very relevant, because when we get back to more normality, it will be a hybrid office-home work environment. And that will make it even more important for companies to consider how to entice staff to want to come back to the office when it is somewhat of an option."

Even in a hybrid environment, the office will play a critical role for collaboration, innovation and nurturing corporate culture. Says Mr Cheng: "It'll be easier to make your office attractive if you're part of a mixed development with more integrated amenities – from as simple as retail, F&B and services to public spaces where people can hang out, plus direct connection to an MRT station."

In addition to all these, Guoco Midtown will have dedicated facilities for its office tenants – such as a lap pool, jogging track, private garden and event space.

Also integrated as part of the development is a joint-venture residential project with a retail podium coming



Mr Cheng says sometimes, conversations on property reduce real estate to almost a pure commodity. "The focus is on price, completely ignoring the product itself." BT PHOTO: YEN MENG JIIN

up on a smaller site across the road, in Tan Quee Lan Street, bagged in 2019.

Overall, Guoco Midtown will have 3.8 hectares of gardens and landscaped area; exceeding the 3.2-ha total land area, reflecting the biophilic design trend gaining momentum.

The group's journey on this path began at Guoco Tower, with 150,000 sq ft of urban park and landscaped areas providing respite from stress to those living or working in the area.

The ubiquitous influence of mobile data and devices has led to a blurring of the lines between living, working and to some extent play spaces, says Mr Cheng. "So if work has been creeping into our private lives, then you've got to give something back during work time. Hence the recreation aspect, including gardens, should come into the workspace; otherwise, we would go crazy because we're in effect working 24 hours."

GuocoLand is part of Quek Leng

Chan's Hong Leong Group of Malaysia. The billionaire tycoon controls about 72 per cent of GuocoLand.

The group used to be primarily a residential developer but in the past decade or so, has diversified into integrated mixed-use projects, starting with Damansara City in Kuala Lumpur and Guoco Tower. The group is now developing four more such projects: Guoco Midtown here, Emerald 9 in KL, Chongqing GuocoLand 18T and Guoco Changfeng City in Shanghai.

Investment property pool

"I think we've built up a fairly strong record for transformative mixed-use projects that reposition, if not uplift, the neighbourhood or district that we build in. Through such projects we have also been diversifying our revenue with a strong recurring income component from investment property, in addition to the residential trading property business."

The group's pool of investment properties has expanded from S\$3 billion as at end-June 2017 to S\$5 billion as at end-June 2021. The pool, which includes the office, retail and hotel components of Guoco Tower and Damansara City, is poised to grow further when the four ongoing mixed-use projects are completed.

Mr Cheng says the group could retain these investment properties and continue enjoying recurring income, or it could consider putting some under a Reit or other vehicles. "We have not made up our minds on this."

For the half year ended June 30, 2021, GuocoLand's net profit rose to S\$146.2 million from S\$39.5 million in the same period last year. This was on the back of net fair value gains on investment properties and derivative financial instruments in the latest period (contrasting with net fair value losses in the year-ago period).

Revenue rose 45 per cent to

S\$534.1 million mainly due to higher progressive recognition of sales from Singapore residential projects such as the start of recognition for Midtown Modern.

Mr Cheng, 50, says his training as an architect has helped him in his role at GuocoLand. When it comes to the design for the group's projects, he emphasises an "inside-out" approach, starting from the end-user perspective to shape the internal spaces and in turn derive the form and external architecture.

Uplifting areas

Moreover, his urban planning experience in his earlier days at the Urban Redevelopment Authority allows him to take a more holistic view of projects. "We see that if we can help uplift the area, it's a win-win; it's not a zero-sum game. So when we have some dedicated public spaces in our project, it looks like a non-commercial consideration. But actually the project is better, people are happier, and then there's a stronger positioning."

"In creating an iconic development, you first start with a physical landmark, then the commercial success and ultimately when more people build their collective memories around it, the project becomes a social landmark."

Ten of Guoco Midtown's 30 gardens will be open to the public.

Mr Cheng says sometimes, conversations on property reduce real estate to almost a pure commodity. "The focus is on price, completely ignoring the product itself. I feel that the development concept, the product features are extremely important because that is the value it brings in terms of actual usage."

"The value of property to end users comes in two parts: the utilitarian function; the other part is that it expresses the identity of the end user. And these are what people are paying a premium for."

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