

CAPITAL

INVESTING IDEA

Recent strong sales of residential projects portend 'exciting times' ahead for GuocoLand, says DBS

BY THE EDGE SINGAPORE

Tabitha Foo of DBS Group Research has kept her “buy” call on GuocoLand after the property firm managed strong sales for two of its recent projects, and she believes “exciting times” are ahead for both its property development and investment property segments.

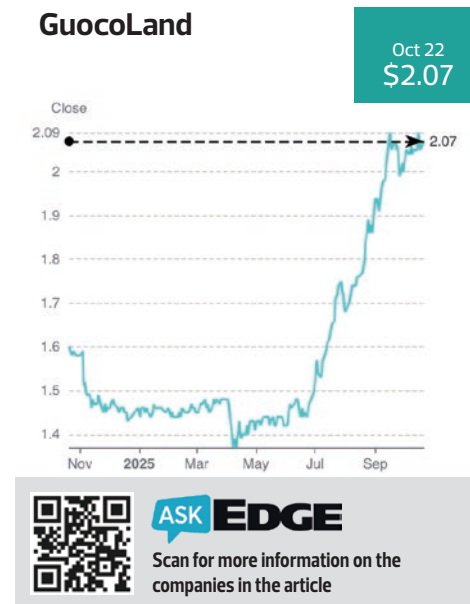
“GuocoLand’s property development business remains highly resilient, underpinned by strong pre-sales across the majority of its projects — a clear testament to its end-to-end execution capabilities,” states Foo in her Oct 21 note. “We expect the group to further strengthen its solid track record with the launch of four upcoming projects in its landbank,” she adds.

GuocoLand’s two recent projects have reportedly enjoyed strong demand. First, Penrith, a development along Margaret Drive, where GuocoLand has a 30% stake with partner Hong Leong, collected 1,905 cheques as expressions of interest, suggesting an oversubscription of 4.1 times of the project’s 462 units.

Next, the 399-unit Faber Residence, in which GuocoLand is again jointly developing with Hong Leong, is also said to enjoy similar levels of interest.

Over the launch weekend, this project saw 344 units, or 86% of the total taken up at an average price of \$2,160 psf. The launch of Faber Residence also marks the final Outside Central Region (OCR) project of 2025.

By assuming that Penrith and Faber Resi-

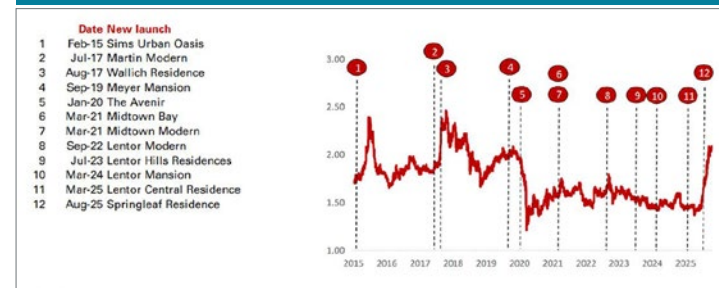


dences are sold at an average of \$2,500 psf and \$2,100 psf, respectively, Foo estimates that a strong sell-through rate for both projects will provide an upside of 10 cents to GuocoLand’s revalued net asset value (RNAV).

Citing historical patterns, Foo says there is an increasing correlation between strong take-up rates of the launches and a share price rerating.

“While talks about government measures could be introduced after a series of strong, robust sell-through rates, we do note that despite the strong volumes, Singdollar psf have not scaled

Correlation between new launches and GuocoLand's stock price



new highs, implying that the focus, if any, will likely be supply-led, especially in the suburban and public housing space,” says Foo.

The company’s other growth engine is its portfolio of commercial properties, namely Guoco Tower, Guoco Midtown and 20 Collyer Quay.

From Foo’s perspective, GuocoLand is also well positioned to capitalise on the flight-to-quality trend in the CBD Grade A office segment, where tight supply-demand dynamics continue to support near-full occupancies and positive rent reversions across its three prime office assets.

According to Foo, this \$6.6 billion portfolio of investment properties — up from \$3.1 billion in FY2017 — now accounts for around 60% of GuocoLand’s asset profile, with high occupancy rates across the properties, with Guoco Tower and Guoco Midtown commanding “impressive” rates of between \$11 psf and \$14 psf.

“With Guoco Midtown coming fully on-stream this year, we expect to see a significant uplift in the group’s recurring rental income,” says Foo.

At current levels of around \$2, Foo observes that GuocoLand is trading at a 60% discount to her RNAV of \$4.50 per share. In addition, the

stock offers a yield of around 4%.

“Given its growing portfolio of commercial assets, a potential conversion into a “stapled security” could serve as a significant share price catalyst. Notably, management has indicated an openness to exploring monetisation opportunities at the right time to unlock further value from its portfolio,” says Foo.

She figures that if GuocoLand monetises Guoco Tower and 20 Collyer Quay, which are worth a total of \$3.3 billion, into a REIT at a gearing of 40%, shareholders are set to enjoy returns of 90 cents per share. If Guoco Midtown is added, the portfolio will be worth \$5.2 billion, which will translate into \$1.60 per share.

Given these potential catalysts, Foo has raised her target price from \$2 to \$2.50, which is a narrower discount of 45% to the RNAV, from 50%. The relatively hefty discount is because this counter is relatively illiquid compared to larger peers. **E**