THE STRATEGY ROOM

GuocoLand CEO has his sights set on creating a multi-platform real estate company

Cheng says the company is interested in integrated mixed-use developments, and wants to grow its asset management business too. BY NISHA RAMCHANDANI


GuocoLand chief executive Cheng Hsing Yao says a key feature of GuocoLand's brand is the desire to transform and uplift the districts in which it has a presence. It seeks to do this in two ways - in the way it develops its projects as well as by engaging the neighbourhood where its projects are located. PHOTO: KUA CHEE SIONG, ST

WHILE GuocoLand might be best known as a developer, chief executive Cheng Hsing Yao harbours ambitions to create a premium real estate brand in Asia as GuocoLand builds up its end-to-end capabilities.

Cheng, who assumed the role of CEO in July last year, told *The Business Times* in a recent interview: "To do so, we will continue to build on our end-to-end capabilities to create a multi-platform real estate company. End-to-end means from land acquisition and conceptualisation, to the development and management of our assets."

Over the years, GuocoLand has evolved and today, its investment assets account for more than half of its total assets – making them an important contributor to the top and bottom line.

"With the completion of Guoco Midtown, (that steady income) will grow further," Cheng said. "We are interested to continue to grow our investment portfolio, particularly in integrated mixed-use developments. This in turns sets the stage for us to grow our asset management business."

For instance, it plans to shift towards having more investment assets in Singapore, and is open to joint ventures with external partners so as not to tax the balance sheet. The rationale for the pivot is to create more stability in the bottom line, he said, given the lumpiness and risks that can arise from development projects.

Still, the ability to spot the potential in an empty plot of land, as well as to imagine – and then bring to life – a new development concept has served the group well, he pointed out, adding that this has resulted in unique assets such as Guoco Tower and Guoco Midtown. "These are assets that we are not able to buy from the market as they are not commonly available, but we have the capabilities to create them from scratch."

Prior to joining GuocoLand, Cheng held leadership roles at the Centre for Liveable Cities and the Urban Redevelopment Authority. He was also appointed a Nominated Member of Parliament in January 2021.

Another key feature of GuocoLand's brand, he went on to say, is the desire to transform and uplift the districts in which it has a presence. It seeks to do this in two ways – in the way it develops its projects as well as by engaging the neighbourhood where its projects are located.

"Buildings are to be designed with the end-user as priority, so we look at lifestyle, technological and demographic changes to define our product concept," he said. For instance, while the concept for integrated development Guoco Midtown – which features Grade A office space – was designed prior to the pandemic in 2018, it was created with hybrid working and flexibility in mind.

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>
> GuocoLand chief executive Cheng Hsing Yao

He added: "Our development philosophy is if we help to uplift the neighbourhood, we will also benefit from that uplifting. For mixed-use developments, we always try to introduce public spaces for community activities and will follow up with place-making activities as well."

In Tanjong Pagar, where Guoco Tower is located, GuocoLand joined hands with other key landlords to take part in the Business Improvement District (BID) programme in an effort to enhance the vibrancy of the precinct. A similar approach is being undertaken for Guoco Midtown.

In terms of markets, GuocoLand will remain focused on its 3 core markets Singapore, China and Malaysia, which account for revenues of 80 per cent, 10 per cent and 10 per cent respectively. And while the strategy may differ for each country, GuocoLand is gunning for "more sharing of expertise, knowledge and participation" across the 3 countries, so that GuocoLand performs more like one company.

Where Singapore's private residential market is concerned, Cheng expects it to remain relatively resilient amid the limited supply of unsold inventory, despite prevailing headwinds such as rising interest rates and a possible recession.

The total debt servicing ratio (TDSR) framework, implemented in 2013, has ensured buyers aren't over-leveraged, while a volatile stock market may prompt some to park their money in real estate as a hedge against inflation, he added.

At the same time, he sees demand from genuine home-buyers and HDB upgraders, even as he still expects some investors who are willing to take a long-term view.

While there was a knee-jerk reaction after the cooling measures were rolled out by the government in December 2021, GuocoLand started to see demand returning after Chinese New Year, mostly from local buyers.

Asked whether the steeper Additional Buyer's Stamp Duty (ABSD) of 30 per cent will deter foreign buyers, Cheng offers this perspective. "Any foreign buyer who buys in Singapore now has to take a longer-term view," he said, adding that GuocoLand has noticed most are purchasing homes for personal use.

"Singapore has become very attractive as a centre for family offices or businesses to set up, or even for people to relocate. It's also got a really strong proposition in terms of being in Asia, the access to the South-east Asian market, stability and a very positive business operating environment. I think that is really attractive to foreigners who want to come and live here. Therefore, there's really no choice but to pay the ABSD."

The real estate developer is poised to launch residential units at its integrated development Lentor Modern for sale in the third quarter. Sales for residential units at Wallich Residence at Tanjong Pagar and Meyer Mansion on Meyer Road currently stand at 88 per cent and 86 per cent, respectively, according to the developer.

Meanwhile, Midtown Modern and Midtown Bay, the two residential projects at Guoco Midtown at Beach Road, have achieved sales of 79 per cent and 40 per cent, respectively.

And while the pandemic has changed the way we live, play and work, Cheng remains sanguine that the office will stay relevant, although he expects hybrid working arrangements to remain a fixture. Guoco Tower maintained 99 to 100 per cent occupancy even through the pandemic, he said, while office leasing at Guoco Midtown has been gathering momentum.

Even though there's been a lot of talk in the last year or so about demand from the tech firms, GuocoLand has found demand to be wide-ranging across a diverse tenant mix – which is how it likes to position its investment properties. Still, there have been some tenants right-sizing, although the shift to hybrid working means that even as firms cut down on work stations, they have to bump up collaborative spaces, he noted. Therefore, the overall reduction could be in the range of 10 to 15 per cent.

Cheng also stressed the importance of the quality of offices, which means that "premium and well-located office buildings will be in a better location to attract the best companies, who can afford the rents as well". For their part, companies will likely see rent as a form of investment to attract talent.

But he also acknowledged that office occupiers now have higher expectations for the ESG performance of both the office building as well as the landlord.

There will also be challenges arising with evolving trends in business segments such as office, retail and residential. In tackling change, "a real estate company needs to prioritise innovation and agility to be able to move with, if not stay ahead, of time and trends," he said.

"We need to effectively manage costs and processes, shorten our creative and innovation cycles, constantly pick up new technologies and techniques," he went on to add. "To do so, we need to be able to work effectively across departments, have stronger integration between upstream and downstream activities, and also between internal and external partners."

nishar@sph.com.sg