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Quiet elegance

GuocoLand group CEO Cheng Hsing Yao would rather let the occupancy and leasing numbers do the talking for Guoco Midtown, the 'understated' \$2.4 billion mixed-use development on Beach Road

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COVER STORY



Cheng: Guoco Midtown's simplicity gives it a quiet elegance

PICTURES: SAMUEL ISAAC CHUA/THE EDGE SINGAPORE

GuocoLand's understated landmark: Guoco Midtown to uplift neighbourhood

The 30-storey office tower of the mixed-use development on Beach Road has achieved a 92% occupancy rate, while the 50,000 sq ft retail and lifestyle space is 100% leased

BY CECILIA CHOW

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When Singapore-listed property group GuocoLand chose an understated design for Guoco Midtown, its \$2.4 billion mixed-use development on Beach Road, even its appointed architect, Melbourne-based Denton Corker Marshall, was initially concerned about its simplicity.

Guoco Midtown's design is devoid of the more dramatic flair of its neighbours: The curves of South Beach towers (completed in 2016) by

Foster and Partners, the sculptural twin towers of Duo (2018) by Buro Ole Scheeren and the trapezoidal towers of The Gateway by IM Pei.

However, GuocoLand group CEO Cheng Hsing Yao was determined to keep the design simple and to focus on the proportions, materials, detailing and colours. "It's an understated landmark," he says. "The simplicity gives it a quiet elegance."

According to Cheng, the finished project has turned out to be better than he had envisioned seven years ago when GuocoLand won the commercial site on Beach Road with a bid of \$1.62 billion.

Phased completion

The mixed-use development is being completed in phases. The 30-storey office tower with 709,000 sq ft of Grade-A space obtained a Temporary Occupation Permit (TOP) at the end of January 2023. The occupancy rate was 80% at TOP but has since increased to 92%.

There are just pockets of office space left. Indicative rents for the remaining spaces are above \$13 psf per month, based on the latest market report in January by office leasing specialists Corporate Locations.

The Network Hub, completed last November, has amenities exclusive to office tenants and the future residents of the neighbouring 219-unit Midtown Bay and the 558-unit Midtown Modern across the road. It has a members-only lounge, café and concierge service on the first floor. The second level has flexible meeting rooms, hot-desking areas and fully-fitted private office suites. The third to fifth levels have offices with double-volume ceilings. On the rooftop is a 40m lap pool and an exclusive private dining room for 18 persons, with space for up to 100 at the poolside.

Porsche moves

Guoco Midtown's 50,000 sq ft retail and lifestyle space on the first level opened in January and is 100% leased. The anchor tenant, Porsche Studio, occupies an 8,500 sq ft duplex unit with a prominent frontage along Beach Road and Rochor Road.

Porsche Studio houses the first Café Carrera, a collaboration with Baker & Cook, and a display area for Porsche's new "Prototype" collection. It also has a co-working space, two state-of-the-art simulators and a customer ser-

vice area. Porsche Singapore also intends to hold community events in the public square fronting Porsche Studio.

Porsche's entry proved fortuitous for Guoco Midtown. The duplex unit was initially fitted out for restaurant use on both floors. "We thought it would be taken up by a hot-pot or seafood restaurant," says Cheng. "It's a very prominent street front. We wanted it to be vibrant and to draw people."

Blue-chip tenants

Most office tenants at Guoco Midtown have moved in and they are a diverse mix of multinational companies. They include Porsche Asia Pacific, German bank Commerzbank AG, German chemical company BASF, Swiss-based Dutch energy and commodities company Vitol Asia, and Liechtenstein-based private bank VP Bank.

Other tenants at Guoco Midtown include Ant Group, the fintech affiliate of Alibaba Group; Chinese internet technology company NetEase; Japanese brewing and distilling company Suntory (famous for its single malt whisky); Taiwanese Fubon Commercial Bank; and Singapore-based shipping company Pacific International Lines.

British advertising agency Saatchi & Saatchi and French advertising agency Publicis are also tenants at Guoco Midtown.

Tenant diversification

According to Cheng, GuocoLand's approach to tenant leasing ensures diversification across industries and business sizes. "We prefer to have a wide range of sectors and many different tenants rather than one super anchor



The 30-storey office tower at Guoco Midtown has 709,000 sq ft of Grade-A space

PICTURES: SAMUEL ISAAC CHUA/THE EDGE SINGAPORE



The private dining room that can seat 18 at the rooftop of Network Hub



The lounge on the second level of the Network Hub



One of the meeting rooms in the Network Hub



One of the office suites at the Network Hub that can be leased to tenants on a temporary basis of six- to 12-months

or to focus on a particular sector,” he says. “History has shown that either of those strategies — single tenant or single sector focus — poses concentration risk. It’s very similar to the investment principle of risk diversification.”

The property group had adopted a similar tenant diversification strategy at its flagship mixed-use development, Guoco Tower in Tanjong Pagar, and it worked well.

“During Covid, there were sectors that didn’t do well but also sectors that performed better,” he adds. “In a way, they were countercyclical. A high-quality, Grade-A office building also minimises the risk of rental default, even during extraordinary events like the Covid pandemic. Most blue-chip companies will honour their rental obligations. It’s



The 40m lap pool at the roof terrace of the Network Hub

part of their corporate integrity.”

Guoco Tower is a 38-storey Grade-A office tower with 890,000 sq ft and was completed in 2016. It is 98% leased. Sitting on top of Guoco Tower is the 181-unit Wallich Residence spanning the 39th to 64th floors. The mixed-use development includes a 140,000 sq ft, six-storey retail mall that is directly linked to the Tanjong Pagar MRT Station on the East-West Line.

Growing investment portfolio

Since 2010, when GuocoLand acquired the Tanjong Pagar site, the property group had already intended to grow its investment portfolio. “It’s not accidental,” according to Cheng. “In 2010, we already wanted to grow our investment portfolio to have a stable source of recurring rental income. It will, in turn, counter the lumpy cash flow and cyclical nature of the development business.”

GuocoLand’s investment properties were valued at \$6.2 billion, making up over half of the group’s total assets of \$12.01 billion as of FY2023 (ended June 30, 2023).

In its 1H FY2024 financial results, revenue contribution from GuocoLand’s property investment business grew 46% y-o-y to \$109.4 million, mainly due to the progressive commencement of leases at Guoco Midtown and positive rental reversions at Guoco Tower.

Property development revenue in 1H FY2024 was \$918 million, up 67% y-o-y, mainly contributed by higher progressive recognition of residential sales in Singapore: the 200-unit Meyer Mansion (fully sold, average price \$2,655 psf); the 558-unit Midtown Modern (98% sold, average price \$2,803 psf); and the 605-unit Lantor Modern (98% sold, average price \$2,103 psf).

GuocoLand’s 1H FY2024 earnings of \$66.2 million were 12% higher y-o-y, with revenue of \$1.07 billion, up 61% y-o-y, mainly on the strength of the group’s Singapore business.

‘Good concept’

Cheng believes in having a good concept for

its mixed-use development. “We conceptualised Guoco Midtown between 2017 to 2018, before the Covid pandemic,” he says. “But already in our concept were things like the Network Hub to support hybrid work and a lot of landscaped areas and recreational facilities to promote wellness for our office tenants and homeowners. There is 3.8ha of landscaped areas on land area of 3.2ha.”

GuocoLand also incorporated biodiversity and the planting of native species as part of its landscaping, continues Cheng. “This addresses people’s tendency for biophilia.”

He adds that a good concept will attract blue-chip firms willing to pay premium rents to attract and retain talent.

Flight to quality will continue to be the trend in 2024. “GuocoLand [is] well-positioned to capitalise on this trend by sustaining its high occupancy rates and positive rent reversions,” says a DBS Group research report on Jan 31.

Residential community

The next phase to be completed at Guoco Midtown is the 219-unit, 99-year leasehold Midtown Bay, targeted for completion sometime in 2Q2024. The 33-storey Midtown Bay has a mix of one- to three-bedroom units, including duplexes with sizes ranging from 409 to 1,324 sq ft. Since its launch in October 2019, about 60% of the units have been taken up at an average price of \$3,068 psf. Most of the recent buyers are said to be owner-occupiers.

“The concept of Midtown Bay was to introduce a residential community within Guoco Midtown,” says Cheng. “It appeals to those who want to be connected and be part of a vibrant business community.” Hence, Midtown Bay shares the same drop-off area as Guoco Midtown and is near the Network Hub.

Meanwhile, the 558-unit, 99-year leasehold Midtown Modern is targeted for completion sometime in 2H2024. Ipli Architects designed the project in collaboration with ADDP Architects. When completed, the project will

directly link to the Bugis MRT Interchange Station (an interchange for the Downtown and East-West Lines) with an underpass to Guoco Midtown across the road.

Midtown Modern is developed on a 99-year leasehold residential site on Tan Quee Lan Street which GuocoLand, together with subsidiaries of Hong Leong Holdings, Intrepid Investments and Hong Realty, purchased in September 2019 for \$800.19 million.

Community spaces, connectivity

Given that Midtown Modern will be linked to Guoco Midtown, Cheng considers the former as Guoco Midtown II. Once Midtown Modern is completed and residents have moved in, GuocoLand intends to launch activities to foster a vibrant community in the mixed-use development. The developer even has a placemaking and place management team.

There are three public squares within Guoco Midtown: Midtown Square (in front of Porsche Studio), Midtown Market (in front of the conservation building, Midtown House) and Midtown Common (in front of the Bugis MRT Station access). “We want to create spaces for people to enjoy,” says Cheng. “That’s why we have these public spaces and focus on wellness and recreational facilities.”

The developer estimates that the development will eventually have about 10,000 people passing through daily, including those working at Guoco Midtown and residents at Midtown Bay and Midtown Modern.

He also believes in connectivity: a covered overhead bridge will link Guoco Midtown to Suntec City, with another bridge linking it to the upcoming Shaw Tower. Guoco Midtown will also be linked underground to the Bugis MRT Station and Duo.

“Our development philosophy is to connect our project to our neighbours and welcome the movement of people between the different developments,” says Cheng. “When we uplift the neighbourhood, we will also benefit.” **E**