

# GuocoLand mounts drive to be leader in urban rejuvenation

The developer's group MD is considering new asset classes, business lines and possibly a Reit

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Singapore

HAVING gone into building integrated developments in addition to condos in the last decade, GuocoLand is starting to think about the next steps for its Singapore business.

GuocoLand Singapore's group managing director Cheng Hsing Yao said that it is contemplating new asset classes, business lines or even possibly a Reit.

He said: "Whatever new things we do have to be synergistic. So I think we should not buy for buying's sake. I think every step we take should build upon what we have achieved so far."

But for now, one of its main focus is Guoco Midtown on Beach Road, its second integrated development project in Singapore, to be completed in 2022.

The S\$2.4 billion Guoco Midtown will feature a 30-storey office block, a residential tower Midtown Bay and an array of public spaces. Mr Cheng hopes that this – along with its first integrated project Guoco Tower – will build the group's reputation as a leader in urban rejuvenation here and abroad.

## Transformation

For decades, GuocoLand was known for its mass and high-end condos until it won the Guoco Tower site in 2010. The project comprises premium Grade A offices, luxury condo units at Wallich Residence, Sofitel Singapore City Centre and a 150,000 sq ft park.

But Mr Cheng said that building Guoco Tower was not easy as the project was a first-mover in the area, and the developer then lacked a commercial track record in Singapore.

He said: "When we talked to

people, we could only say come here and work and live – they either believed you or not believed you... the proof (was) still in the future".

In late 2015 and 2016 when the project was being marketed, the office sector was in the doldrums with many companies contracting, Mr Cheng recalled.

But in the end, a diversified roster of companies including technology, media and telcos signed on. As at June 30, 2018, the offices had an occupancy of 99 per cent.

Guoco Tower has since been lauded for glamorising the Tanjong Pagar area with its focus on placemaking and large public spaces, and won the 2019 Urban Land Institute Asia Pacific Awards for Excellence.

## Filling a gap

With Guoco Midtown, Mr Cheng's goal is to rejuvenate the Beach Road area, similar to how, he said, Guoco Tower enlivened the Tanjong Pagar area with an influx of corporates and their staff to work and dine.

But there are important differences between the two projects, he noted. Guoco Tower was a first-mover in Tanjong Pagar but at Beach Road, "we are one of the last".

He sees Midtown as the "missing link" connecting the various developments in the City Hall; Bugis and Marina Centre sub-markets.

"For Tanjong Pagar, we (plonked) in something that would precipitate the transformation of the district and radiate outwards, but when we conceptually think about Guoco Midtown, we see a network that is around the site but not linked up."

GuocoLand has been talking to some neighbours to connect their developments with link bridges; though Mr Cheng declined to elaborate more.

Another goal is to build a "definit-

ive public space" for events in the area, which GuocoLand believes is lacking currently.

To that end, it has created an internal street flanked by public spaces. When that street is closed off to traffic, the area can host more than 2,000 people.

## "Core and flex"

GuocoLand hopes to be a trendsetter in the office market in its leasing strategy as well, with a "core and flex" strategy with common facilities and room to scale up and down.

As Mr Cheng put it: "As a landlord, we want to be a one-stop shop to cater to the core secured office's dedicated needs for tenants and to provide the services in terms of their needs for facilities, needs for tenants."

In all, these will comprise around 15 per cent of its office net lettable area (NLA) and include Midtown Hub, a "social and business club"; two floors of "innovation lab" space for existing office tenants to rent out and room across the office tower for companies to expand and contract in line with their business needs.

The company is considering a request for proposal for Midtown Hub from co-working or social club operators.

The flexible leasing approach could also spill over to Guoco Tower where lease renewals will happen "progressively over the next few years".

He said: "As we (work on) Guoco Midtown, we will definitely develop strategy and expertise around the 'core and flex' model – and we can certainly bring that back to our discussion with tenants with Guoco Tower."

## Co-operating with co-working

Co-working operators' ability to provide flexibility to tenants was one inspiration for GuocoLand's "core and flex" approach at Guoco Midtown.

But Mr Cheng said that GuocoLand



Mr Cheng credits GuocoLand's success so far in integrated developments in part to the company's relative newness to commercial developments. BT PHOTO: KELVIN CHNG

does not intend to disrupt or replace co-working. He added: "They are running a very highly operational business for the space they are managing... our core business is still the core office."

In recent years, several of Singapore's big boys in the office market, have made significant investments in coworking players or started their own coworking brands.

For GuocoLand, it will "figure out how to work together" with strong coworking operators but in a more integrated way than "just leasing out

the space to them, they just run the show and collect the rent, and they do what they do and we do what we do".

## Next steps

Currently, investment income makes up about 15 per cent of GuocoLand's business. This is set to grow, Mr Cheng said.

Referring to residential and integrated development businesses, he said: "These two tracks are enough to keep us busy but at the same time, we are looking at what sort of parallel businesses we can extend from here."

Mr Cheng credits GuocoLand's success so far in integrated developments in part to the company's relative newness to commercial developments.

"It boils down to having a very pure view of things – not being coloured by conventions or ideologies, but rather looking at the facts objectively and say: this is the situation that you know, the environment is changing in this direction, then you analyse it step by step... then come up with a solution."

## 'High-rise' schools in the city?

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Singapore

GUOCOLAND Singapore has been trying to push the envelope on what an integrated development here could look like.

For example, at its first such project at Guoco Tower, it created a 150,000 sq ft park in order to create a "clear focal point" for the Tanjong Pagar district.

GuocoLand Singapore's group managing director, Cheng Hsing Yao, said: "We could have built a six-storey building on top of the MRT station but we wanted to preserve the feeling of that large public space."

At Guoco Midtown, it will allow residents at the condo component and office tenants alike to use facilities at Midtown Hub, a "social and business club" at an annexe block with facilities like a swimming pool and jogging circuit.

The idea is to make the integrated

development "an extension of the residential space," he said.

In this year's Draft Master Plan 2019, the Singapore government unveiled plans to increase housing in the city centre like Downtown, Marina South and Rochor.

In the Central Business District, the government is also incentivising developers to convert older offices into mixed-use buildings to promote work, live and play.

But to make city living more attractive, Mr Cheng suggested integrating mixed developments in the city elements like enrichment facilities or childcare centres – or even integrate "high-rise" schools into developments.

For such efforts to become reality it may require not just the private sector but also the Government to play a role, he added.

Mr Cheng used to hold leadership positions at the Centre for Liveable Cities and the Urban Redevelopment Authority before joining GuocoLand in 2012.

He said it is important to study why "certain groups of people are not coming into the city."

Mr Cheng said: "I feel that the families with school-going kids or families with kids soon going to school will find (city-living) not so attractive, because there isn't a lot of the sort of educational, community amenities in the city."

"In order to make the city centre more attractive, we have to make it also more like the housing estate, where it is very well planned with all the social and community amenities."

Fancy infrastructure and parks aside, what else could an integrated development deliver in the future?

Mr Cheng said it may be possible to explore how such developments can help build identity and culture here.

He said: "Using the analogy of Maslow's Hierarchy of Needs, as we keep pushing and pushing we'll get to think about the self-actualisation type of needs in our developments – not just mixed developments, but even residential developments."