

BEACH ROAD MAKEOVER

GuocoLand to redefine office leasing at Guoco Midtown

It plans to be more flexible with leases as a landlord, having drawn this idea from Guoco Tower

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MORE companies, finding that they may need to scale up and down following business imperatives, are realising that the traditional long-term lease for their office space may hamper this.

Or they may want a long-term lease on the space for most of their core operations, but also the flexibility of taking on more space to start a new project.

GuocoLand, taking this into consideration, wants to be more flexible with its office tenants at its S\$2.4 billion, mixed-use Guoco Midtown in Beach Road.

In this development to be completed in 2022, GuocoLand will set aside 15 per cent of the 650,000 sq ft of net lettable area (NLA) of office space as flexible, adaptable space. This will include two floors for tenants to use to establish "innovation labs" or start-ups.

GuocoLand has not decided whether it will run this space or team up with flexible working operators.

The developer said the floor plates of the offices are built to be flexible and can be sub-divided, and that it will work with tenants to design and sub-divide the floor space according to their needs. The squarish floor plates range from 27,000 sq ft to 30,000 sq ft in size.

The office block has 30 storeys, and a total gross floor area of 770,000 sq ft.

Cheng Hsing Yao, the group managing director of GuocoLand Singa-



An artist's impression of Guoco Midtown, comprising Grade A office space, public and retail spaces, exclusive residences and the former Beach Road Police Station, a conserved building. PHOTO: GUOCOLAND

pore, told reporters on Monday: "A lot of Grade A office buildings are managed in very contractual ways. You sign a contract for five years, and that's it. We will be working with different tenants here to structure contracts in keeping with business plans."

"The co-working business has been able to grow to a large extent because landlords have been rigid."

He acknowledged that setting aside 15 per cent of the NLA for flexible contracts may mean more volatility, but considers the 15 per cent "manageable".

Attracting tenants from different industries would help, and the flexibility would retain tenants who might otherwise move out.

The idea of becoming a flexible landlord came from feedback from tenants at the developer's Guoco Tower in Tanjong Pagar. Mr Cheng said some tenants reported running out of space; others stopped needing as much as they signed up for.

When GuocoLand bid for the Beach Road site in 2017, the company already knew it wanted to change up its leasing model, he said.

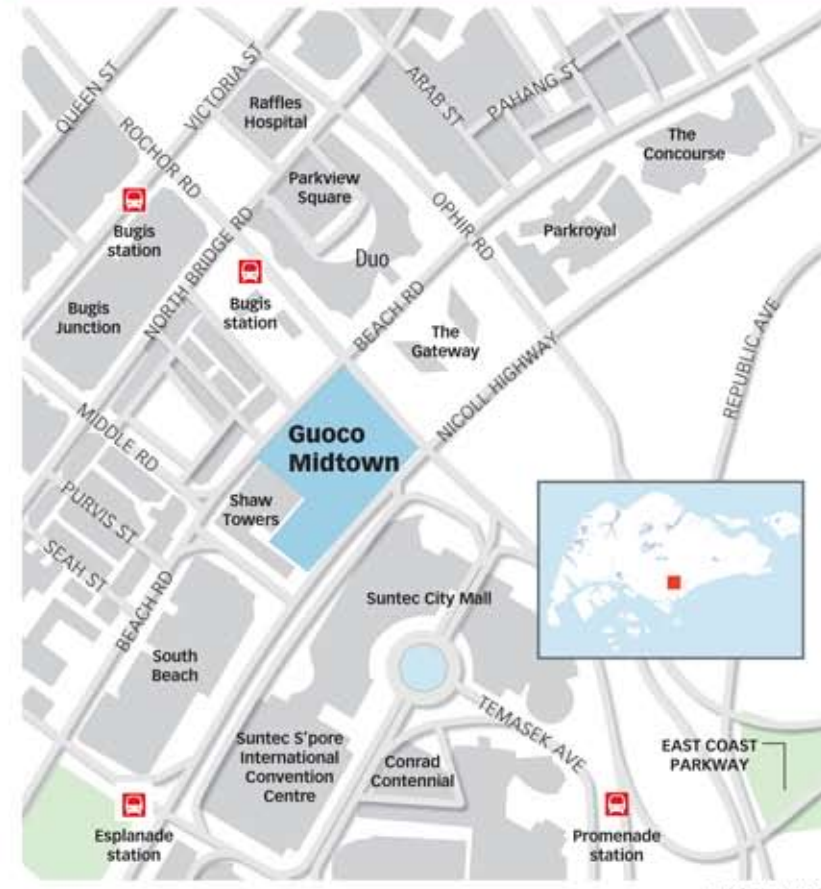
The company also recognised companies' drive to attract and keep talent with amenities, and the changing ways of working and living.

In response to this, Guoco Midtown will have networking lounges, collaborative workspaces, seminar and training rooms as well as facilities for townhall meetings.

This can help tenants "save on absolute rents" as well, because they do not have to build such facilities for themselves, Mr Cheng said.

The development will also be equipped with a sky garden, a

Beach Road's rejuvenation



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40-metre swimming pool and a jogging circuit to help keep workers engaged.

These amenities will also be open to residents of Midtown Bay, which is part of the development. The 32-storey residential tower with more than 200 units is targeted at "trendsetters who enjoy luxurious living in a vibrant community".

The former Beach Road Police Station, which will be conserved, is also part of the development. It will house F&B and boutique office spaces, suitable for tenants such as hedge funds. There will also be a retail area of 32,290 sq ft.

Taking a leaf from the developer's Guoco Tower in Tanjong Pagar, Guoco Midtown will include more than 170,000 sq ft of landscape and public spaces, and more than 34,000 sq ft of vertical greenery.

GuocoLand and Guoco Group had bid S\$1.6 billion, or S\$1,706 per square foot per plot ratio (psf ppr) in September 2017 for the plot for Guoco Midtown – a sum perceived as bullish, Mr Cheng acknowledged.

But he said the bid had factored in the "very balanced" pipeline in the supply of office space in the next four to five years, and also the government's move to decentralise business space.

He added that the Guoco Tower project had given the group confidence. The development is now fully let, though it had opened between 2016 and 2017 – a challenging time in the office market.

CBRE's managing director for Singapore Moray Armstrong said about 1.4 million sq ft a year of supply is under construction, including about 22 per cent that is already pre-let. (The average absorption of office space is about 1.5 million square feet a year.)

"From now through to 2022, Singapore's office supply pipeline appears commensurate with the expected level of demand," he added.

JLL said that by 2030, flexible work spaces could make up 30 per cent of corporate commercial property portfolios worldwide.