

GuocoLand's 'twin engines' of growth

Emerging from the pandemic, GuocoLand appears to defy the worries of many market-watchers.

For one, GuocoLand's Singapore investment properties Guoco Tower and 20 Collyer Quay have both achieved almost-full occupancy rates of around 98% despite a shift towards hybrid work arrangements, while Guoco Changfeng City in Shanghai and Guoco Midtown's office tower have achieved take-up rates of 95% and 85% respectively.

In addition, its local property developments, Meyer Mansion, Midtown Modern and Lentor Modern, have all been "substantially sold", according to GuocoLand.

Together, GuocoLand's "twin engines" of property investment and property development businesses helped the Mainboard-listed real estate group post record revenue of \$1.54 billion for FY2023 ended June.

In particular, GuocoLand saw its 2HFY2023 revenue surge 72% y-o-y to \$882.9 million compared to the previous corresponding period. In line with the group's topline growth, FY2023 operating profit grew 39% y-o-y to \$195.0 million. GuocoLand's board has recommended a first and final dividend of six cents per share for FY2023.

Based on GuocoLand's returns to shareholders, growth in profit after tax and weighted return on equity over three years, as well as performance in sustainability, the group has emerged as overall sector winner among real estate listed companies in *The Edge Singapore's Billion Dollar Club Awards 2023*.

The post-pandemic environment calls into question long-held assumptions around interest rates, global supply chains and the impact of climate change, says Cheng Hsing Yao, GuocoLand's group CEO. "At a more intimate level, many people across the globe have re-evaluated their life priorities after experiencing the pandemic. All these will influence the future of real estate products and services."

Flight to quality

Cheng, who was appointed group CEO in July 2021, says hybrid work arrangements are making companies pay more attention to the quality of their work space. This is benefitting GuocoLand's portfolio of prime assets. "The quality of the office environment, and how it helps attract staff to come back to the office to work, has become more important," he says. "Thus, corporations will try to go to the best quality office that their budgets allow."

The group's investment properties, valued at some \$6.20 billion as at June 30, are located across its key markets of Singapore, China and Malaysia. They account for more than half of the group's total assets of \$12.01 billion.

In Singapore, the group's two integrated developments — Guoco Tower and Guoco Midtown — not only contain Grade-A offices, but also boast direct access to MRT stations. "They offer a well-rounded 'live-work-play' lifestyle for office workers, which support the tenants' objective to provide a more engaging office environment," says Cheng, who joined GuocoLand in 2012.

The upcoming Guoco Midtown at Beach Road adds not just an office tower, but also three retail clusters and two residential condos, to GuocoLand's portfolio. The entire development sits on 3.2ha of land with around 1.5 million sq ft of space, and the retail clusters have been "substantially leased", says Cheng.

The property will also debut the Network Hub — a first-of-its-kind, purpose-built busi-



Cheng: Many people across the globe have re-evaluated their life priorities after experiencing the pandemic. All these will influence the future of real estate products and services

ness and social club that offers additional on-demand office spaces and meeting facilities. "The network hub is key to our 'flex in core' leasing strategy that better supports the dynamic workspace demand of our tenants," says Cheng.

The Guoco Midtown office component has a net lettable area of 709,000 sq ft, which is around 80% of the 890,000 sq ft of office space at Guoco Tower. "When both Guoco Midtown and Guoco Midtown II are completed... the projects will introduce an estimated 8,000 office tenants from a wide range of industries, almost 800 new homes and households, and multiple public plazas and gardens for all to enjoy," Cheng adds.

In China, GuocoLand is focusing on two key operations in the gateway cities of Shanghai and Chongqing. In Shanghai, the group has completed the final phase of Guoco Changfeng City — a mixed development in the Putuo District directly linked to Changfeng MRT Station.

The development comprises two 18-storey Grade-A office towers (North and South Towers), two low-rise buildings, a cultural office building, as well as a basement retail mall that has been fully leased to a master tenant. The low-rise buildings and cultural office building have already been successfully sold, while the South Tower is being retained as an investment property.

With a 95% take-up rate, the South Tower will be accretive to GuocoLand's rental income going forward, says Cheng.

In Malaysia, the indirect subsidiary GuocoLand (Malaysia) is developing two mixed developments: Damansara City, located in the Damansara Heights district of Kuala Lumpur; and Emerald 9, located at the prime Batu 9 Cheras.

GuocoLand (Malaysia), which is separately listed on the Main Market of Bursa Malaysia, is eyeing more developments ahead. "We also have large land-banks in the Jasin and Sepang areas. We are in the process of studying the development options for them. The outlook for the property market is uncertain; we are us-

ing this time to strategise a sustainable growth path," says Cheng.

Lentor and beyond

At home, Singapore's residential market has gone through a structural shift "for some time now", says Cheng. "Most of the demand is from owner-occupiers and long-term investors. They are more specific about what they want, in terms of locational attributes, design, accessibility and amenities of the projects they buy into."

Lentor Modern, launched in September 2022, is more than 90% sold to date. As the first and only mixed development in the area, it sets the tone for the entire estate, which has a "very broad-based appeal" to buyers island-wide, says Cheng.

Together with joint-venture (JV) partners, GuocoLand has acquired three more sites in the Lentor area. According to Cheng, owning multiple sites in the same location allows GuocoLand to craft each project to capture different segments of buyers.

Lentor Hills Residences is GuocoLand's second project in the estate, sitting on a site acquired through a JV with Hong Leong Holdings and TID Residential. Launched in July, the development is 65% sold to date.

Additionally, the Lentor Gardens site is set to launch in 1H2024 with 533 planned units as a JV with Hong Leong Holdings, while the Lentor Central site — won in September by a consortium comprising Hong Leong Holdings, GuocoLand and CSC Land Group — is scheduled to contain 475 units in two high-rise blocks.

Next year, GuocoLand will complete works on Midtown Modern, Meyer Mansion and The Avenir.

In Chongqing, GuocoLand has launched Guoco Central Park, a new development with over 1,500 apartments in one of the city's most sought-after residential areas. "Following the positive response for our initial phase of sales, where we sold 91% of the first 200 units launched as at June 30, we are targeting to launch more units towards the end of the year," says Cheng.

Also in Chongqing, GuocoLand's large-scale mixed development Guoco 18T will progressively complete its first phase till 2025. It features five high-rise residential towers with more than 1,000 apartments on top of a lifestyle mall and various heritage buildings, complete with views of the Yangtze River.

Together, the progressive recognition of sales contributed to \$1.30 billion in development revenue in FY2023, 62% higher y-o-y. "We are building up a track record in executing high-quality development as well as in asset management, and we will leverage these capabilities to seek out new opportunities in China," says Cheng. "Amid the overall uncertainty in the property sector and the wider economy, we still maintain our long-term confidence in China's growth prospects."

Green finance framework

High interest rates, sticky inflation and lasting geopolitical tensions weigh heavily on Cheng's mind. "Having said that, Singapore being a hub for Southeast Asia is well-positioned to benefit from the growth in the region. Meanwhile, the real estate market in China is going through a consolidation. We are watching it carefully as it can offer opportunities that may not be available when the market was more buoyant."

GuocoLand has also lowered its debt-to-asset ratio to 0.43 for FY2023. "Our residential inventories are substantially sold, and hence our total debt was reduced from \$5.6 billion to \$5.1 billion. We will continuously pare down our borrowings through progressive cash received from the strong sales for our residential properties," says Cheng.

He adds that GuocoLand's debt for investment properties is backed by strong rental income. "We have interest coverage ratios of between two and three times."

On the sustainability front, GuocoLand secured in June a \$974 million green club facility — the group's largest green facility to date — for the refinancing of the commercial component of Guoco Tower. The group also secured a \$498.6 million green facility for the upcoming Lentor Gardens development.

Both green loans were raised under GuocoLand's new Green Finance Framework, which gives GuocoLand and its subsidiaries access to various fundraising options linked to "eligible green projects".

Initiatives to enhance green building performance at Guoco Tower, for example, include improvements to the energy efficiency of its air-conditioning and mechanical ventilation system, and upgrades to the building management system to better monitor energy consumption.

Prior to the development of the framework, GuocoLand had already secured \$700 million and \$730 million of green facilities for the development of Lentor Modern and Midtown Modern respectively, inclusive of commercial components. With the latest green facility, GuocoLand has secured a total of more than \$2.4 billion of green financing to date.

According to Cheng, GuocoLand is undertaking a carbon accounting and decarbonisation study and will use a "science-based approach" to align its businesses and operations accordingly.

The times ahead are exciting albeit uncertain, says Cheng. "With the continued support from our stakeholders, including home buyers, tenants, investors and shareholders, coupled with the capabilities of our team, we seek to take the business forward and further strengthen the GuocoLand brand." ■