



Investing in Live-Work-Play Assets: Nanyang Realty Pte Ltd

Nanyang Realty is a real estate and investment holding company that has its origins in Singapore. Founded in 1968, it has, over the last five decades, garnered valuable experience in property development and management, marine and shipbuilding, hospitality and financial investments. As a commercial enterprise, the company is constantly on the lookout for ways to expand its portfolio, such as through collaboration and value creation.

When Nanyang Realty participated in the UOB-SMU Asian Enterprise Institute (UOB-SMU AEI)'s SME Consulting Programme, the goal was to “engage the bright young minds of our nation” to explore future opportunities in real estate development, as shared by Ken Ang, Nanyang Realty's Director of Portfolio & Strategy. The SME was also looking for research data to validate – or invalidate – their strategies in relation to upcoming trends and possible business leads.

Four student-consultants, supervised by an industry veteran and supported by a manager from the Institute, undertook the market research and strategies project.

Digging Deep

The real estate industry is an extensive one that spans development, purchase, rental, lease, management, investment and more. Among the many different types of properties, the commercial, industrial and residential segments are the most common. To obtain a better understanding of the real estate landscape, the student-consultants studied the macro economic trends and government policies as these will shape future developments. From the property sector's growth rates to the volume of foreign direct investment, immigration statistics, companies incorporated and closed, household income patterns, population demographics, healthcare, tourism, property technology and others, 10 trends in total came under their microscope.

Scrutinising the URA Masterplan 2014, a statutory land-use plan which guides Singapore's development over the next 10 to 15 years, the student-consultants discerned the government's three strategies to boost Singapore's growth, namely, through strategies to provide a wide range of jobs and opportunities for its citizens, build more commercial hubs outside the city centre and create industry clusters outside the city centre. Five key growth areas in different parts of Singapore were identified. Since the URA Masterplan 2014 was unveiled, the government has progressively made public the concepts for these five major areas – Woodlands Regional Centre, Jurong Lake District, City Centre, Paya Lebar Central and Punggol Digital District. Work has since commenced. For example, the draft masterplan for the Jurong Lake District was publicly announced in August 2017, on how the industrial town will be transformed into Singapore's second Central Business District. The plans are expected to be realised in 2040 and periodically, milestone progress has been shared in the mass media to keep people updated.

Seletar Aerospace Park is one of several industry clusters the government is developing outside the city centre. Catering to the aviation and aerospace industries, it has a vibrant cluster of over 60 multinational companies and local aerospace enterprises, and is home to a thriving community of more than 6,000 professionals. Progress has been smooth, and Seletar Airport, which is located within Seletar Aerospace Park, welcomed its first passengers through the business aviation wing of the terminal last November.

Solid Foundations

Based on an investigation of macro trends and government plans, the consulting team shortlisted six investment prospects that fulfilled Nanyang Realty's requirements for this project.

Employing modern analytical methods, the student-consultants carried out a cost-benefit analysis as well as risk analysis for each of the six recommended investment options. For instance, they gave an overview of what the term "traditional office spaces" typically describes, where they are located, and an office space's furniture, fittings and amenities. The team also provided a broad summary of the potential benefits and risks facing such traditional office spaces.

To determine if office spaces are a viable investment, the student-consultants explored the segment's profitability vis-à-vis its recent performance and the factors that would impact its continued performance, to forecast its short-, medium- and long-term projections. Its scalability and implementation – from planning office space requirements to renovation costs – were assessed in relation to selected office spaces. Having thoroughly deliberated on all the factors, the student-consultants provided a verdict on the attractiveness of investing in traditional office spaces.

The same width and depth of analysis was carried out to appraise the other five identified investment choices.

Building for the Future

The young people of today are the ones who will be shaping our society in the future, which was why Nanyang Realty's Mr Ang had felt it important to get their input now; it is a logical step to obtain an early understanding of what is to come. The SME had gone into the project without many expectations, cognisant of "how dynamic and multi-faceted the real estate industry can be". After all, "politics, culture, demographics, location, technology and government policies all play major roles in determining the future of the property market". His expectations were for "a good deal of information analysis and mainstream ideas to be generated due to the lack of experience of the undergraduates".

The consulting team surprised him with the high quality of the report, which features "fresh ideas substantiated by data". The analyses were mostly "spot on", and "the breadth of understanding and information provided by the students were very impressive". Overall, it was "outstanding work", as described by Mr Ang.

The students, who are interested in consulting, wanted to "get our feet wet". They brought to this project their knowledge of concepts and frameworks such as financial analysis and strategy tools. "A lot is at stake and expectations are higher" as their report would "actually impact the way the company would grow in future"; it was gratifying to see the client adopt their proposed growth strategies.

The scope of this research project was huge, and it required substantial domain knowledge in the field of real estate, says Project Advisor Dr Jack Hong. The team had to work really hard, and fast, to start their work "using a big net before filtering out the important and relevant data, and shape them into insights," he explains. The team did this admirably – scanning through the macro and business environment, and then consolidating, extracting and refining the massive amount of information they had on hand. "The team was undaunted by this mammoth project, and was able to produce quality results. It has been a pleasure working with them."



Project Advisor

Dr Jack Hong

Student-consultants

Clarissa Cheang Kai Xuan

Bachelor of Business Management / 2015

Justin Chew Yong Sheng

Bachelor of Business Management / 2016

Richie John Ng Pei Yuan

Bachelor of Science (Economics) / 2016

Quang Thi Thuan An

Bachelor of Business Management / 2016