

## City&Country: The Edge Property Excellence Awards 2011-- IGB Corp: Evolving into an asset builder

Tags: [IGB Corp Bhd](#) , [Robert Tan](#)



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With impressive property development projects behind it, including Mid Valley City and the country's first gated and guarded high-end development Sierramas in Sungai Buloh, IGB Corp Bhd has created a niche for itself as an asset builder focused on harnessing recurring income from its products.

Its property investment and hospitality businesses generate the bulk of its revenue. In FY2010, property investment and management contributed RM425.8 million, hospitality RM202.5 million, property development RM71.3 million and other businesses RM19.8 million.

IGB's biggest property investment product is Mid Valley City, a 50-acre project on the fringes of Kuala Lumpur that has a potential built-up of 18 million sq ft. Its components are hospitality, commercial, office and retail, namely Megamall and The Gardens Mall. It was recently reported that The Gardens Mall will be sold by IGB to its 75%-owned company KrisAssets Holdings Bhd.



Tan aims to build or acquire products for recurring income while developing boutique or niche projects

As IGB is financially stable, says group managing director Robert Tan, it is time to seek opportunities abroad. He reveals that he is discussing large mixed-use developments with joint-venture partners in Taiwan and the UK. He is also looking to expand the St Giles Hotel brand, with possible acquisitions in Europe and the US.

On the local front, Tan reveals that the company's property development arm is looking to do boutique projects on its own or in joint ventures with private investors or the state. The two newest developments to be rolled out are G Residences in Jalan Desa Pandan and a project in Jalan Tun Razak currently named Lot 15&16.

G Residences, which sits on 3.7 acres, comprises two 23-storey blocks of serviced apartments. There is a total of 472 units, with built-ups starting from 1,410 sq ft. The gross development value of the project is RM360 million.

Lot 15&16, meanwhile, is a 23-storey serviced apartments tower that sits on a 0.8-acre site. With a total of 166 units and built-ups starting from 1,072 sq ft, its GDV is RM156 million.

In this interview with The Edge, Tan talks about the direction in which he is taking IGB Corp and how the only competition it faces is the company itself.

### The Edge: What have been the highlights of the year so far for IGB Corp?

**Robert Tan:** There has been improvement in traffic at The Gardens Mall. In the beginning, we were struggling but since the opening of Louis Vuitton and Burberry, things have become more vibrant.

As for the hospitality industry, we acquired two New York hotels 18 months ago. Their valuations have nearly doubled; they were bought for a total of US\$75 million.

In Sydney, Australia, we have just bought an office building on Hunter Street for A\$36 million. We will convert it into a hotel. And in Melbourne, we have put in a tender for an office block which we want to convert into a hotel, but we haven't heard anything yet. This is in line with the expansion of our St Giles hotel brand.

In property development, we are looking to launch boutique project G Residence in Jalan Desa Pandan, Kuala Lumpur, which is under Tan & Tan Developments Bhd, a wholly-owned subsidiary of IGB Corp.

We are looking for joint-venture projects locally, for mixed-use developments in places like Mid Valley but on a smaller scale within KL, as well as in Johor and Penang. We are in discussions with some people in these areas but it takes time to seal the deal as there are many developers vying for the same projects. They can afford to be aggressive; I don't have to because I have Mid Valley as recurring income. So I don't have to go out and take on too much risk.



An artist's impression of IGB Corp's upcoming project called G Residence in Jalan Desa Pandan



An artist's illustration of Jalan Tun Razak's service apartment project presently called Lot 15&16

In the current market you cannot be too aggressive because of the global uncertainties. Having said that, it presents opportunities. So it is time to explore overseas and look at new areas where I can get good value. We have the infrastructure and contacts all over the world, so for us to expand is easier compared to developers who are locally based. For us, we have hotels in New York, in London and we are looking to acquire some in Japan and China. For us to move is very easy because we have the base.

### **Any updates on the final phase of Mid Valley City and its overall performance?**

At the moment, the land has been approved for a 40-storey office building. The land is about 60,000 sq ft. I hope to include some exotic car showrooms, but everything is still in the planning process. The land is facing the Federal Highway, giving the project very good exposure. It will have about 700,000 sq ft of net lettable area with an indicative GDV of RM750 million. Construction should start by 4Q2011.

Megamall has contributed a 10% to 15% increase in revenue from last year, while The Gardens Mall has contributed about 30% more revenue from the previous year. Megamall shows steady growth now as it is more than 12 years old, so high growth cannot be expected. As for The Gardens, we have improved the tenant mix on all the floors which has increased traffic. We have bought in more lifestyle tenants like Tod's and Versace Jeans, as well as furniture stores like iwannagohome!.

### **Any projects next year?**

There will be joint-venture projects in the UK and Taipei if our tenders are successful. The UK project could have a GDV of £1.5 billion, while the Taipei project could have a GDV of RM5 billion to RM6 billion.

### **What about the hospitality division? Any expansion there?**

I plan to have a St Giles hotel in every major city on all five continents. They will be small city-based hotels with about 350 to 400 rooms.

### **What qualities does IGB strive for when it comes to its products?**

We strive for reliability and quality, and being a developer you can trust to deliver products above expectations, depending on the product and price range.

### **How does IGB maintain its customers' trust?**

We have not let our customers down. You can buy a product from XYZ developer, but when there are leaks and

cracks, they ignore you. For us, even with 10 to 15-year-old developments, we still try to accommodate requests and complaints from the homeowners. We are here to stay; not here today and gone tomorrow.

### **How important are creativity and innovation in IGB products in terms of branding and its growth strategies in an increasingly competitive environment?**

They are important. One has to always create. The wheel cannot be stagnant; it has to keep on turning. In real estate, it is not as easy as it takes time to grease the wheel for it to start moving. Once it starts moving, you can improve on the products. But basically, the design must be right, because if it is wrong, it is very difficult to improve. For example, I always say, a good beautician can do wonders to a person's face. Same goes for a building. If the structure is right, and you get a good architect, you can do wonders to the look of a place, which we are doing now to upgrade Megamall in stages. So we always evolve.

It is not just about making money, it is what you can do with the money. It isn't just building something and stressing over it. It is not just doing things for the sake of doing things. And with my experience and vision of the company, I can do a lot of things others can't do.

Think about it, how does a company our size do a project such as Mid valley, and today with this sort of recurring income, with zero gearing and without government support? We have created one of the largest urban developments in the world with zero gearing.

Now it is time for me to move on to the next level, which is doing overseas developments. At the moment, I can do a capital injection for projects both locally and internationally of up to RM3 billion without putting a strain on the company.

### **Once The Gardens is fully acquired by KrisAssets Holding Bhd, how do you see this enhancing value for the stakeholders?**

I can't say more about this at this point of time.

### **Is KrisAssets looking to acquire more assets?**

KrisAssets, after we've done some corporate exercises, will be quite liquid. Then it will be in a position to acquire existing retail assets with good yields from anywhere in the world. Then KrisAssets will become like an investment fund.

### **What do you look for when acquiring assets?**

When I go into acquisitions of existing businesses, I must first be satisfied by the valuation of the business. Second, I must be able to transform the existing operation. If I can't, I should not be in it. The value only comes when I can transform it. It is not just buy and let it sit there. I need to improve and grow the business. Sometimes the companies with good management are under-capitalised or under stress, and when we go in, we learn from them and transfer the knowledge back home here to Malaysia. There is an integration of various cultures and expertise.

### **What is IGB's revenue target for FY2012?**

Every year, my target is on average 20% higher than the previous year's. But as the company grows, it is harder to achieve this 20% compared to when your base is low.

### **How do you aim to achieve this target?**

I am looking to explore new markets. But this doesn't mean a new market is good, like in the US. After going in, I've come across so many negative aspects of it. Sometimes, when you go into a new market that you don't understand, it is very dangerous. Having good partners is very important, but sometimes it is difficult to know the partners you are working with. But in business, you have to look at your upside and your downside.

When I do business, I always look at my downside. If anything happens, will the company be able to stomach the negative aspect of it? You don't look at the upside, it comes naturally. It is the downside that you have to prepare for. A lot of people don't see the downside, they go for the upside. So when you go somewhere or do certain things, you should always look at the downside and see if the company can absorb it.

### **Where are you looking for landbank?**

We are looking for landbank in Penang, KL and Johor, and are interested in doing joint-venture projects on large plots

of land with the state or private individuals. But it is difficult to find land nowadays. When there is land for sale, the sellers ask for very high prices, so JV projects are something we are looking to do.

### **Your thoughts on the current property development trends in Malaysia?**

Too many projects have been launched at the moment, people are getting too aggressive and the property market is becoming too speculative. So one has to be careful; in this sense, don't over-gear. If you are going to buy, make sure you don't borrow up to the hilt.

It comes to a stage when a speculative market can turn the other way, so when it turns the other way, you must be able to finance it for a certain period. The market is very fickle and uncertain at the moment as to which way it is going to go. If you want to expand, expand within your means.

The trend in the market is coming to a level where gains will be capped somewhat. If you buy property today, I don't see an upside because there are many things happening globally. In Europe, it is a mess at the moment. In the US, it isn't doing well even after pumping so much money into the economy. So things could become very inflationary. One has to be very cautious; it is not a market to be aggressive in.

### **What challenges will developers, including IGB, face in the future?**

At IGB, we don't consider ourselves a property developer now because our property development contribution is very small. We are becoming more like an asset builder. Now we are going for recurring income and not development income anymore. However, we will do some boutique and niche projects for sale in the future.

### **What does IGB need to do to stay ahead of the competition?**

We don't have competition. We are in our own little world and not competing with others; we are competing with ourselves. With Mid Valley City, you will see how we grow. It will give birth to many projects all over the country and the world. This is because the company is now stable. I couldn't expand earlier because I had to stabilise the company financially. With this good foundation, I can go to the next phase. Because I have zero gearing I can confidently say I can acquire projects of up to M3 billion, if I wanted to, without stressing the company.

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