

The Nomad Group to grow regionally

BY Lam Jian Wyn

Serviced office and residence provider The Nomad Group Bhd aims to boost its office space inventory by 20% to 295,080 sq ft and serviced residence room inventory by 35.6% to 1,000 by the end of this year.

Its general manager of strategic planning Gan Vi King says the group aims to achieve these goals by expanding into new markets overseas.

The Nomad Group's priority this year is the international market as the group sees a need for a network of offices and hotels to enhance synergy between its business locations, facilitating the movement of clients if necessary.

"We'd rather look out of Malaysia as what we need is a network in the region," says Gan, adding that the outlook for emerging markets is good as more businesses flow into these countries.

The group plans to start its expansion by acquiring local serviced office providers and securing long-term rents at new Grade A office buildings coming up in India, China and Taiwan. The group has identified potential parties but has not yet entered into talks, he says.

Meanwhile, it is also looking at acquiring residential properties in Malaysia and hotels in Thailand and Singapore, and while it has approached certain parties in these markets, so far nothing has been firmed up, he tells *City & Country*.

These foreign countries represent new markets for the group, he adds, which is evaluating some targets for its office space.

"We hope to enter some of these new foreign markets towards 4Q2011. There are a lot of things to study... culture, economics and location," says Gan.

The group sees potential in these emerging markets, particularly in China and India, given the rapid economic growth in these economies. There will be increasing demand for serviced offices and residences as more businesses come up.

Gan feels the rents for commercial properties in China are currently high with not much potential for further upside. Hence, establishing its presence there this year will be a calculated risk for the group.

"For China, in terms of [rents] going up, rates for buildings launched in 2010 will be on the high side, so buildings launched in 2011 and 2012 will have lower rates," Gan opines.

The Nomad Group was originally a financial services provider known as Kuala Lumpur Corp Bhd before it was reclassified under trading services on Bursa Malaysia in 2007.

The group decided to make the switch because the stockbroking sector had grown increasingly competitive. It saw good investment potential and stable cash flow in the property sector and found its niche as a serviced office and residence provider.



PATRICK GOH/THE EDGE

Gan: We decided to expand into new markets after a year of strategising in 2010

The Nomad Group practises a "no hidden cost" policy, whereby it clearly states the charges of the items and services offered, from phone lines and conference rooms to catering services, says Gan.

Between late-2009 and this year, the group underwent some changes. Most significantly, Hew Thin Lay stepped down as CEO in October 2009 and was succeeded by Roy Winston George, a chartered accountant.

In 2010, the group re-examined its assets, strengths and weaknesses, says Gan. Following this period of reflection, the group decided that the next step was to look abroad.

"There is no change in our strategy as we believe strongly in our business philosophy. Our CEO has put us on a firm financial footing, which has enabled us to re-energise our focus on expansion. Ultimately, our strategy is to cast our net wider in the market, particularly targeting business travellers," says Gan.

The group had decided to venture into Dubai, Hong Kong and India in 2009. However, its plans for Dubai were aborted because of the emirate's debt crisis as well as its too-rapid pace of development.

"The rate of development there was too high — there were 20 to 30 office buildings coming up in two years," Gan explains.

The group's expansion plans into Hong Kong and India were scrapped as it found the former's office market saturated while its ventures in India were not fruitful.

The group is also looking at expansion in existing markets — especially Indonesia and Vietnam — via securing long-term leases and acquiring local operators.

While he cannot divulge specific

targets, Gan says the group is looking at serviced office providers that will provide the group synergies in terms of location and network.

It intends to grab market share from current serviced office operators in the market, namely Servcorp Ltd, Regus plc, The Executive Centre and local operators, he says.

It will fund the expansion with its own cash reserves. As at Dec 31, 2010, its cash and liquid assets stood at RM102.77 million while its gearing ratio was at 23%.

In office building acquisitions, the group does not rule out buildings with anchor tenants occupying at least 80% of the floor space.

"When we were approached to buy the Menteng (Office Park) in Jakarta, there was already a tenant negotiating to move in," Gan explains.

The group purchased the 9-storey office tower in Central Jakarta for RM27 million cash in March 2009.

On its Malaysian operations, Gan believes that Kuala Lumpur will continue to see demand for serviced offices despite the soft office leasing market.

"This is mainly due to efforts by the government to draw in foreign investments and encourage foreigners to set up operations here, as well as the improving economic environment.

"We believe the products and services we offer will continue to be in demand, especially from business travellers and local businessmen/entrepreneurs, thus ensuring steady income for The Nomad Group," he says.

Gan explains that the group's decision to look outwards for growth is based on its business expansion strategy.



PICTURES COURTESY OF THE NOMAD GROUP



From top: Part of the serviced space provider's portfolio — The Nomad Residences in Bangsar; its serviced offices in Pavilion Kuala Lumpur and PBCOM Tower in Manila, the Philippines

It is also banking on the government's Economic Transformation Programme to drive more businesses into its Kuala Lumpur operations.

Portfolio

The group has long-term leases in 10 office buildings in Malaysia, Singapore, Thailand, Vietnam, the Philippines and Indonesia, and owns Menteng Office Park.

To date, it has long-term leases in Menara Hap Seng, Etiqa Twins, The Gardens and Pavilion Kuala Lumpur (Kuala Lumpur); Raffles Place and Suntec City (Singapore); Wisma Metropolitan II (Jakarta); Interchange 21 (Bangkok); Gemadep Tower (Ho Chi Minh City); and PBCOM Tower (Manila).

The group has 245,900 sq ft of gross office floor area in its portfolio.

Its offices average 80% occupancy, a figure which the group hopes to grow. Refusing to disclose its rents due to confidentiality, Gan will only say the group charges market rates. Meanwhile, potential acquisitions must be Grade A buildings located in central business districts.

The group's serviced office suites

feature individually fitted and furnished suites inside a managed business hub, instant office suites with between one and over 50 workstations, modular furniture set-up and a break-out area.

There are also virtual offices with mailing addresses, as well as fax and phone services for businesses that need more prominent addresses.

Rooms for meetings, conferences and training sessions are equipped with HD video conferencing and business lounges.

The group owns two hotels — The Nomad Sucasa and Novotel KLCC in Kuala Lumpur — and The Nomad Residences serviced apartments in Bangsar. It is also managing Tanjung Bungah Beach Hotel in Penang for property developer Plenitude Bhd.

This brings the total hospitality and serviced residential space in its portfolio to 675 rooms and 66 apartments. The group is looking to acquire hotels with quality hotel management. However, it will continue to maintain its strong focus on business travellers, as well as expatriates looking for an alternative to house their families. ■