

# Hong How to launch \$80 million Armenian Street mixed-use development

| BY CECILIA CHOW |

**A**rmenian Street is in the midst of a major revitalisation, and the catalyst is the block of conservation shophouses at 36 & 38 Armenian Street located directly across the street from the Peranakan Museum (the former Asian Civilisations Museum and once upon a time, Tao Nan School, built by the Hokkien Clan Association in 1906). Other landmarks on and around Armenian Street — a short road starting from the junction of Fort Canning Link and Stamford Road and ending at the point where Canning Rise meets Coleman Street — include the former MPH Building, Substation and Bible House.

The 36 & 38 Armenian Street mixed-use commercial project featuring SOHO-style boutique office units, retail shops and restaurants is owned by Hong How Group, an established privately held mid-sized developer, headed by Daniel Teo, the chairman, and his younger brother, Teo Teck Weng, the executive director of the group. The elder Teo is a prominent figure in the Real Estate Developers' Association of Singapore (Redas) and is a past president of the association. The Teo brothers are also part of Tong Eng Brothers, the developer of the 999-year leasehold, strata-titled Tong Eng Building. The low-profile Tong Eng Brothers still holds about 50% of the strata area in the office building located on the corner of Cecil Street and Boon Tat Street today.

The Teo family is also said to be sitting on a large tract of undeveloped residential land in the Seletar area planned for future landed or cluster housing. Believed to be over 800,000 sq ft, the landholding makes the Teo family the second-largest land owner in that area after SGX-listed Bukit Sembawang Estates, which has a land bank of 3.93 million sq ft in Seletar Hills for landed residential development as at March, 2008.

Hong How's notable projects include the 51-unit Lighthouse — Condo by the Beach in Pasir Ris, completed in 2004; the 61-unit condominium at 90 Holland Road, completed 13 years ago; and its maiden condo development, the 24-unit Coronation Grove on Coronation Road, which was completed in 1983. It also developed four Good Class Bungalows on Ford Avenue, which are already fully sold. Hong How also owns nine freehold flatted warehouses at 15 Little Road, off Upper Paya Lebar Road.

Hong How first ventured into Armenian Street in 1990 when it bought the landmark Mayfair City Hotel, a four-storey conservation shophouse development with a popular lounge on the ground floor and 27 hotel rooms on the second to fourth floors. In 1996, Hong How acquired the neighbouring block of shophouses comprising shops on the first storey and apartments above, which gives Hong How a prominent frontage at the corner of Armenian Street and

Loke Yew Street, just off Hill Street.

The mixed-use development is expected to cost \$80 million, which includes land acquisition costs, topping up the leases to a fresh 99-years with effect from September 2008, the restoration of the four-storey conservation shophouses, and the development of a new six-storey rear extension. When completed in June 2010, the entire project will have a total strata area of around 57,070 sq ft.

The four-storey conservation block at 38 Armenian Street with a strata area of 13,713 sq ft was sold to a Singaporean early this month for an undisclosed sum. The buyer intends to convert the internally linked offices into a private art gallery in the future, says 52-year-old Teo Teck Weng, who is actively involved in the project and can be found onsite almost everyday of the week.

Meanwhile, the top two storeys of the four-storey conservation shophouse at 36 Armenian Street, as well as the fourth to sixth levels of the new extension, will be converted into 24 strata boutique office units. The office suites will be designed as small offices, home offices (SOHOs), with fully fitted kitchen and bathroom, as well as oak timber flooring for each unit. The height from the floor to the ceiling beam is said to be 4.7m, and this gives the occupiers the flexibility of creating a mezzanine floor if they wish.

The developer plans to soft-launch the strata office units, which range in size from 550 sq ft to 1,679 sq ft, for sale in mid-October. According to Teck Weng, the indicative selling price for the office units starts from \$2,160 psf. The group has already received inquiries from boutique funds looking to purchase the units for their own occupation.

Other interested parties are said to include Indonesians who are looking to buy the SOHOs for use as offices, with the longer-term view of a residence for their children if they were to be enrolled in the Singapore Management University on Bras Basah Road nearby. "There have been some inquiries from that segment of the market through agents," says Teck Weng.

Most of the upcoming office units



Artist's impression of the façade of 36 & 38 Armenian Street after restoration

ply have large floor plates and are targeted at multinational corporations with large space requirements, points out Teck Weng. The office suites at 36 & 38 Armenian Street will therefore fill a niche to meet the needs of small-office-space users.

The closest comparison to the Armenian Street development in terms of boutique office and SOHO offerings is Far East Organization's 99-year leasehold Central, which sits on top of the Clarke Quay MRT station. Most recent transactions of units around 624 sq ft to 635 sq ft have been priced at \$988,000 and \$1 million, or \$1,556 to \$1,602 psf in the sub-sale market in August, according to caveats lodged with URA Realis.

Central is located on Eu Tong Sen Street, right at the fringe of the CBD while Hong How's Armenian Street development is located in URA's Museum Planning Area in the civic district of Bras Basah and Bugis, and is in close proximity to seven museums including the National Museum of Singapore, the Singapore Art Museum and the Singapore Philatelic Museum, as well as three MRT stations, namely the City Hall and Dhobi Ghaut Interchanges and the upcoming Bras Basah Station on the Circle Line, expected to open in 2010. The Armenian Street development is also a short way from Raffles City shopping mall and CHIJMES, which has many eateries. Hence, while Armenian Street has its own quiet charm, it's still very accessible.

At 36 Armenian Street, the first two levels of the four-storey conservation shophouse and the first two levels of the new six-storey rear extension will be turned into 13 retail units with a total saleable area of 14,929.53 sq ft. The retail units are located on the first two levels "to retain the charm of the old shophouses as they are on street level and pedestrians can walk straight in", says Teck Weng. Hong How plans to sell this retail space en bloc to a single buyer "in order to preserve the tenant mix", says Teck Weng. The indicative asking price for the retail portion starts from \$2,320 psf.

He notes that already there are some parties who have expressed interest in buying the retail space en-

bloc. Especially keen are German and Japanese boutique funds, which have been negotiating with Hong How for the last three to four months, says Teck Weng. "They need to invest in something that doesn't depreciate too much in value, and so location is very important to them. They want to see the project completed and filled up with good tenants." While most funds have "a plan to exit at some point", says Teck Weng, most of these real estate funds have a longer-term investment horizon and are therefore "not affected by what is happening in the stock market".

The market asking rents for office space is around \$10 psf to \$12 psf per month, while retail space is seeing asking rents of \$12 psf to \$15 psf, says Teck Weng. Hong How may also consider holding the retail portion for rental income in the event it doesn't get its asking price.

Currently, Hong How doesn't have any residential developments in the pipeline. "We're looking to buy [residential sites] perhaps next year," Teck Weng says. "The residential [market] is too volatile right now, while offices seem stable, and [there] seems to be a shortage of retail shops." He is not interested in buying land via a collective sale or participating in government land tenders, but prefers to engage in private treaties when it comes to land acquisitions. "There's still a lot of private land for sale, so we will look into that next year, not now," says Teck Weng.



Artist's impression of a boutique offices with a mezzanine floor