

THE BUSINESS TIMES

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JOHN
LIM

Shaping ARA's
global vision



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DREAM BIG

ARA Asset Management chief John Lim's vision is to bring the business to the level of a global player

BY GENEVIEVE CUA

JOHN Lim, group chief executive of ARA Asset Management, had no inkling as a boy that he would one day become an early mover in the management of real estate investment trusts (Reits). Nor that he would enter the ranks of Singapore's wealthiest.

He lived in public housing and entrepreneurship was furthest from his mind when he finished school. His goal was simply to get a job and marry.

As he tells it, his proverbial rags to riches trajectory was not all that remarkable. "I lived in a housing board flat, was poor, grew up, made money. Nothing to shout about." Today *Forbes* ranks him among Singapore's 50 richest, putting his net worth at over US\$500 million in 2016.

Now ARA stands on the threshold of bigger things. It was delisted in April following a privatisation offer of S\$1.78 per share, which values the firm at roughly S\$1.8 billion, an astonishing rate of return from the startup capital of US\$1 million in 2002. This time, Mr Lim has a big dream – to take ARA across the S\$100 billion assets under management (AUM) threshold, from the current AUM of about S\$35.6 billion.

Yet Mr Lim's humble beginnings are an inextricable part of who he is today. He is genial, garrulous, replete with homespun wisdom and speaks of millennials with a touch of bemused incredulity. His father was an educator, a discipline master at Tao Nan school. Today Mr Lim's core philanthropic commitment is to education, bursaries for needy students. And, the habit of discipline instilled by his father is deeply ingrained. He was the youngest of six children.

"The person who influenced me most was my father. Being a discipline master at school, he took the mentality home. Our family was brought up very strictly. If you didn't pass your exams you got caned. It didn't matter that you were mum's favourite."

That discipline spelt practicality. He excelled in school and paid his dues, working for 20 years in the real estate business with companies such as DBS Land and GRA (Singapore). By the time

he struck out on his own to set up ARA, he was about 45.

"Every man dreams of starting his own business. In the 1970s and 80s, you don't have rich parents to sponsor you. You pay a mortgage. Today's young generation thinks differently because father is rich and son doesn't need to work. His father gives him \$1 million to set up a restaurant and that's called entrepreneurship."

"In my time... to talk about quitting my job and taking risk was not practical in any sense."

Still, he had a passion for real estate – one of the three "P"s in his business philosophy – that is tempered with familiarity with the nitty gritty of running a property and making it tick.

"Passion is important, but the foundation, knowledge and fundamentals built over the years are even more important. So I advise my scholars, nephews and nieces, if you want to run a restaurant, quit your job. Work for two years in the backroom of a restaurant and learn how people do the purchasing, quality control. Then you have the passion."

Trust and integrity

His track record and work ethic must have caught the eye of Hong Kong tycoon Li Ka-shing. His big break came in 2002 when he partnered Cheung Kong Holdings to set up a real estate fund management company which became ARA. Of the US\$1 million in capital, he put up US\$700,000 and Cheung Kong invested the balance. The first fund to be listed was Fortune Reit in 2003.

"After 20 years I had this opportunity to meet the greatest businessman in the world. It was the opportunity of a lifetime. I'm always asked why he picked me, I don't know. Hundreds of thousands are smarter than me. I assume I have built a reputation in the market for him to trust me. Trust and integrity are the most important for partnerships."

Partners comprise the second "P" in his business philosophy. The firm's AUM climbed steadily from about S\$600,000 in 2003 to about S\$35.6 billion at end-2016, with about 55 million square feet of properties under its purview in 18

cities. Today Reits – S\$22.8 billion worth at end-December – comprise about two thirds of total assets. Another S\$10.7 billion are in private real estate funds.

The third "P" is people, and this is by far the most challenging aspect. ARA has around 50 key management staff and a total staff strength of about 1,300. "The biggest challenge I face because of our skill, size and platform – we're as big as some GLCs (government linked companies) or bigger – is that we become victims of our success. Others pinch our people... People's emotions are very hard to manage. You promote one and the other is not happy. But you can't promote the whole organisation. Everyone thinks he is the best."

Mr Lim says he looks for two qualities in people – passion and integrity. "I believe people who have passion don't job hop. There is a difference between a job and a career. A job is a contract. If you want to build a career you have to commit yourself for the long term, grow with the organisation... At the end of the day I have an open policy. If (staff) find they don't have enough work, they should raise their hand and say, hey I have a lot of spare time. Please give me more work. Or think of an idea, send a proposal, we can evaluate. We're an entrepreneurial organisation. We like ideas."

Meanwhile, Mr Lim is optimistic about the prospects for office and retail real estate. But interest rates, he argues, should "normalise", otherwise the industry is "always in a bubble". "You have such low borrowing costs; people borrow freely and liquidity is high. The price is out of synch with reality. As a real estate practitioner and fundamentalist, I think (US) rates need to normalise to 3 to 4 per cent. Yes, there will be short-term pain, but it's a long-term gain for the industry when assets trade at a normalised yield."

Singapore real estate, he says, is inflated because of cheap borrowed money. "People are prepared to pay for a commercial building at 3 per cent yield, and borrow at maybe 2 to 3 per cent. I feel the asset is overvalued in that sense, because of the low rate. But on the other side of the supply/demand equation, I feel that as long as



'My vision is to build this into a global real estate fund management platform that one day can embrace Europe, the Asia-Pacific and even America.'

Singapore has a stable government and a manageable currency, commercial real estate is ok. I think it has hit bottom. It may or may not bounce back in the next two years, but I don't think it will go down further especially in the prime CBD area."

Retail malls, on the other hand, will have to reinvent themselves to compete with online options. "Consumer behaviour pattern changes because of two things – convenience and value. If a mall can offer value or a different experience, consumers will come back. The retail mall concept has to evolve." Malls under the ARA funds are repositioning towards a lifestyle concept, to appeal to families and an active lifestyle.

"The industry should think about how we can run malls on a 24-hour basis. Half the time, the real estate sits idle. I don't mean to open for business 24 hours. But real estate can be used." Suntec City, for instance, offers laundry collection 24 hours through a laundry locker service. He is also mulling a "millennium corner", where young adults can gather round the clock.

So what is next for ARA? With privatisation, the group has taken on new capital partners in private equity firm Warburg Pincus and Avic Trust, one of China's leading trust managers. Going private enables ARA to tap a new source of long-term stable capital which is seen to be vital for its future growth – and the plans are ambitious.

Being a private entity frees ARA from the pressure to show short-term results amid an ongoing need for long-term investments. "If I build a business in Japan, I'll need to start an office, spend a few million dollars on people and that impacts the bottom line.

Then shareholders say – why are your expenses so high, why so much fat? Your margin has dropped. They can't understand that I need to invest in people for future growth.

"I want to bring ARA to the level of a global player. I think we can do that now that we're one of the largest in Asia... My vision is to build this into a global real estate fund management platform that one day can embrace Europe, the Asia-Pacific and even America. To be a true global player we'll need AUM of over \$100 billion."

Mr Lim laughs off suggestions that he is retiring. "If I was going to retire then ARA should stay listed as I have a few hundred million dollars of equity. On a serious note, the company business has evolved. We took such pains to build our platform to this level. We ask ourselves – where do we want to take the company? We have the infrastructure, reputation, people and partners. If I want to take this to the next level I must be able to raise more capital to grow the business.

"As a listed company, I'm less flexible. I love my shareholders. I'm very touched when I attend dialogues; they love ARA. They voted it down because they don't want to leave us. They want to ride along the growth. It's not that I don't want to take them along, but being listed is not flexible enough for us to grow quickly. We may come back one day." ■

PHOTO: JULIANA TAN

Imparting values, changing lives



PHOTO: JULIANA TAN

MAKING it into the ranks of Singapore's wealthiest may be an event to celebrate for most wealth owners. But for John Lim, group chief executive of ARA, it was cause for concern.

"There is a lot of wealth generated and I feel I have no experience; the key is how to manage the wealth. Wealth management is not just about managing money. It's also about how to build character in the next generation and how to contribute to society.

"To pass millions of dollars in wealth to children is easy – just set up a trust. But how can I be part of the values for the next generation and how can the wealth benefit society as a whole?"

He adds: "My family office and charitable foundation are the key pillars in providing sustainable stewardship to future generations of my family, our investments as well as the community."

The JL Family Office was set up in 2011 with broadly two divisions. The investment side looks after family wealth which sits mainly in ARA shares, and there is also Straits Real Estate, a real estate investment company set up in 2013 with a capital commitment of up to S\$950 million. The firm is 89.5 per cent owned by Straits Trading and the balance by the family office. Other investments are passive in nature, mainly in fixed income and dividend stocks. Mr Lim's son Andy Lim, 32, is the family office's executive director. A second son, Ken, is completing a business degree in Melbourne.

Philanthropy

The second division is the philanthropy endeavour, arguably the heart of the family office. This is centred on the Lim Hoon Foundation, named after Mr Lim's father.

Mr Lim says some may think he is arrogant to say that making money is no longer his objective. "Did I have a big plan for the family office? I take one step at a time to refine it. The basic things must be in place, like building blocks. When it comes to wealth management – hand to heart – actually making money is no more my objective. The wealth is self-generating. To make another million makes no difference to my wealth.

"But how can we make sure that younger generations are imparted the right values? That's my priority. Philanthropy becomes a platform to train my children. My own children were brought up in a housing board flat, they took the MRT and bus to school, flew economy to study and so on. But the third generation is brought up with a silver spoon. They live in a landed home and are chauffeur driven. They think it's the norm, but it's not."

The Lim Hoon Foundation is a charitable trust set up in 2008, dedicated to the support of academic achievement among low income families. "For the lowest 30 per cent of Singa-

poreans, it is quite challenging especially for the sandwich class. The top 15 to 20 per cent get scholarships, and the bottom 5 to 10 per cent also. But for those in between it's hard to get help from anywhere. These people need encouragement and support. So we started in education because of my father's legacy. I feel we are beneficiaries of the meritocratic system implemented by Lee Kuan Yew. We should pay this back to help society.

"Education gives the best multiples of change in people's lives, not just for one person but the whole family. It also contributes to the growth of society big time."

Mr Lim's approach goes beyond writing a cheque. "When you give a cheque you don't know where the money goes and how they use it. I want to directly benefit the recipients."

The main vehicles are a S\$4 million endowment in the Singapore Management University (SMU) to fund scholarships (inclusive of dollar-for-dollar match by the Singapore government); there is also the Community Education Awards in partnership with Jurong Spring Grassroots Organisations. The latter programme began five years ago and the foundation is renewing the partnership for another five years. There is also a similar Community Education Awards at Mountbatten CCC. More than 600 bursaries have been awarded under Jurong Spring and Mountbatten Community Education Awards.

The SMU endowment benefits "needy scholars who are not straight A students". "We look for average students, anyone who passes entry into university; we support them because they are financially very stretched. These are people who are more hungry and resilient." To date S\$2 million has been committed, including the government's share of funding. This is set to double later this year.

Scholars are encouraged to come back and serve the community through activities, for instance, at old folks' homes, and expenses are paid by the foundation. "I want the scholars to commit the time. I hope the alumni will grow and become an organisation that can give back to society." Scholars may also return to support tuition services on weekends.

"Not all scholars will come back to serve. Some people say thanks, but no thanks. But some will return. As long as I get 10 to 20 per cent of people to help and contribute to society, it's good."

For university scholars there is also an internship programme at ARA, that now is expanded to include the prospect of a job at the firm, which normally does not hire fresh graduates. There is also an entrepreneurship fund. Students who want to start a business can go to the fund which is run by the foundation for seed money. "We try to do more. Signing a cheque is easy but to do something meaningful is challenging." **W**

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