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THE UNIVERSITY OF HONG KONG

UNIQUE PROPERTY FORAYS

FROM BHUTAN TO LOS ANGELES, **WILLIAM CHAN-LED RYKADAN CAPITAL IS FILLING THE NICHES.** BONNIE CHEN REPORTS




BALI

Companion Airfare
 Economy from **\$2,220*** KA
 from **\$2,220*** KA
 Taxes from \$ 290.

WORLDWIDE AIRFARES

Bangkok	Economy return from \$690* HX	London	Economy return from \$5,580* BA	Rome	Economy return from \$2,880* EY
Barcelona	\$4,450* QR	Melbourne	\$3,080* SQ	Siem Reap	\$1,750* VN
Chicago	\$4,750* UA	Palawan	\$2,080* PR	Singapore	\$970* CX
Krabi	\$690* HX	Penang	\$1,480* KA	Vancouver	\$3,750* KE

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 <p>BORACAY Accommodation at Fairways & Bluewater Newcastle Boracay with daily breakfast. from \$3,699* PR</p>	 <p>DANANG Accommodation at A La Carte Danang Beach with daily breakfast. from \$2,699* KA</p>	 <p>LANGKAWI Accommodation at Berjaya Langkawi Resort with daily breakfast. from \$2,999* MH</p>	 <p>PHUKET Accommodation at Thavorn Palm Beach Resort Phuket with daily breakfast. from \$3,799* KA</p>
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FLIGHT CENTRE SKI HOLIDAYS - Ski Lift Pass Included

 <p>HARBIN Accommodation at Club Med Yabuli, Heilongjiang of China, return airport transfers and ski group lesson. from \$8,659* CA</p>	 <p>SOUTH KOREA Accommodation at Four Points By Sheraton Seoul and High I Resort - High I Hotel or Valley Condominium, daily breakfast and relevant transfers. from \$7,699* CX</p>	 <p>HAKUBA Accommodation at Hotel Marillen with daily breakfast, return airport transfers, mountain guiding for experienced skiers and snowboarders. from \$14,759* CX</p>	 <p>NISEKO Accommodation at Yama Shizen, Yotel Tracks or Powder Tracks with return airport transfers. from \$14,099* JL</p>
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William Chan Wai-lun firmly believes that properties are far safer and more lucrative than stocks.

With this view, Chan is now steering Rykadan Capital (2288), which is regarded more as a developer than an investment fund. At present, it is undertaking projects in the SAR, China, Britain and even in the United States.

The gains it has reaped from initial forays has given the firm ample momentum to go full steam ahead with more ventures. "We hope to raise at least US\$100 million [HK\$780 million] from investment funds and we need to have an impressive track record," says Chan.



>> William Chan at the kickoff ceremony for The Paseo 2014, left; attending the company's annual dinner, center; taking part in the topping out ceremony of Rykadan Capital Tower in Kwun Tong in 2013.

STRONG CAPITAL FOUNDATION

VISION & STRATEGY

• Bonnie Chen, business news editor, hopes Money Glitz gives readers valuable investment insight, helps institutions boost transparency and allows executives reach their key clients.



Rykadan Capital (2288) aspires to become a real estate investment firm one day and it hopes to launch its first fund in 2018 although it has been regarded by many as a developer.

"We target to have a business model similar to that of real estate private equity firm Gaw Capital which is big and successful. Or to put it in another way, we want to be something similar to Value Partners (0806) which focuses on equity investments, while Rykadan concentrates on real estate," says chairman and chief executive William Chan Wai-lun.

"We hope to raise at least US\$100 million [HK\$780 million] from investment funds and we need to have an impressive track record before making it happen."

Gaw Capital has led the acquisition of InterContinental Hong Kong Hotel for US\$938 million (HK\$7.32 billion) last year.

Rykadan, in partnership with other funds, has already invested in several local and overseas property projects. In the SAR, it has developed and sold out two projects and has two others in the pipeline – one in Cheung Sha Wan and another in Tai Kok Tsui.

It recently acquired three industrial buildings in Tai Kok Tsui for HK\$125.1 million. With a plot ratio of 12 times, the commercial project to be built on the site has a gross floor area of 53,730 square feet.

In September, Rykadan bought an industrial building in Cheung Sha Wan for HK\$680 million which will be redeveloped for sale. Chan says the company will also develop a

new revenue source by providing management services to the building.

Rykadan Capital Tower in Kwun Tong was its debut project. In 2010, it bought an industrial building on the site for HK\$315 million, paying a land premium of HK\$386.5 million to transform it into a 25-storey office building with a GFA of 252,820 sq ft.

Except for two floors and some carparking spaces for its own use, Rykadan in 2012 sold the rest in just a week, generating HK\$1.95 billion or around HK\$8,500 per sq ft. But he did not think it was sold early despite recent remarkable office building deals, stressing the firm looks for high internal rate of return by not keeping a project for long.

Rykadan also sold all 66 flats at its first residential project, The Paseo, in Tsim Sha Tsui in just three months in November. It outbid 13 consortiums to clinch the Tsim Sha Tsui site in 2012 for HK\$193.75 million or HK\$7,373 psf. The flats had an average size of only about 200 salable sq ft and they were sold above HK\$20,000 pssf. "Had we started the sales three weeks earlier in July, we could have sold the units even faster."

He says Rykadan paid a premium for the Tsim Sha Tsui residential site because of its proximity to the Guangzhou-Shenzhen-Hong Kong Express Rail Link station that is due to open in 2018.

"Our projects were usually driven by infrastructure. When we acquired the industrial building in 2010 in Kwun Tong, it wasn't even regarded as Central Business District 2, but we took note of a cruise wharf there."

Another case in point is Rykadan's project at the Kailong Nanhui Business Park in Shanghai, which is close to Disney Resort and the Shanghai Pudong International Airport.

Chan does not rule out investing again in a residential project, but he admits difficulties

in finding fresh opportunities in Hong Kong. "We have reviewed different types of projects, including those from the Urban Renewal Authority. But it's not easy identifying suitable projects."

"When we offer to acquire potential buildings, owners may lift their asking prices. Government curbs have increased costs to acquire old buildings and it takes a long time to redevelop housing estates occupied by civil servants," he says, adding that as the property market turns south, it might be an opportunity to buy.

"We won't have a land bank, but will acquire projects that we find suitable. We prefer sites in well-known areas as we need to attract overseas funds who know Central but probably not Fanling."

Despite the recent interest rate hike in the United States and the sluggish local property market, he thinks a slump is unlikely due to high land prices and construction costs.

Rykadan has maintained a strategic alliance with mainland real estate investment fund manager Kailong REI since September 2010. The two invest together in projects in the SAR and mainland.

Rykadan was transformed from a fitting-out contractor which Chan acquired in 2008 and was listed a year after. But the fitting-out business was sold as it reached a bottleneck in 2011. It then turned to real estate investment and was renamed in 2012.

"Many construction companies have been transformed to developers. But a banker who has seen through our business model said we are not a developer although our products are properties. What we've been doing are investments. We used the word capital in our corporate name as we don't want to become a property developer. Instead, we focus on investments."

REAL ESTATE IS KING

Rykadan Capital boss William Chan personally invests in the property market with great care to ensure they are sound.

"I prefer property investment to equities. A company can lose contact with its chairman, but a property at the Peak will always be there. I only buy properties in high-end residential areas."

While most people panicked when the euro debt crisis erupted in 2012, he did the reverse by acquiring a luxury home. Today, that property's value has doubled.

The father of three stresses the most important thing is not to be over-leveraged. He says homebuyers who forfeited their deposits were mostly those who obtained 90 percent mortgage loans.

Chan joined Hong Kong's commercial sector after completing an MBA degree in California in 2002.

He religiously sticks to a very basic tenet in investing: never put all your eggs in one basket.

Aside from undertaking projects in Hong Kong, Rykadan has invested in 24-suite Dhensa Luxury Resorts in Bhutan.

"Hotel room rates in Bhutan can go as high as several hundred US dollars per night. If we undertake a similar hotel project in Hong Kong, the price of land will cost billions," he explains. Rykadan is also exploring opportunities in Cambodia and Burma.

In the US, Rykadan is developing four residential projects in Los Angeles. It has also invested in a project in startup cluster district Shoreditch in London. It involves renovation and the project will be up for sale this year, reveals Chan, stressing the investment period has to be short.