Railway and Property Model
- MTR Experience

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1. The Integrated “Railway + Property” Development Model and its Merits
Hong Kong is a dense city

- Hong Kong: 6,480
  (11,221 if excluding the 43% reserve of non-development land)
- New York: 10,630
- Tokyo: 14,152
- Shanghai: 2,730
- London: 4,542
- Beijing: 1,310

(persons per square kilometer)
Our Vision

We aim to be a globally recognized leader that connects and grows communities with caring service.
Railway’s need of Government Subsidies

Almost all railways in the world require some form of government support in construction, and often also in operations.
The Financing Mechanism of MTR’s “R+P” Model

- Government grant ‘Land Development Right’ of sites comprehensively planned by MTR on new railways.
- MTR pays land premium to Government on ‘Greenfield – No Railway’ basis.
- MTR builds railway and develops property in partnership with Property Developers.
- Property value goes up with railway.
- MTR benefits from the value enhancement which is used to build new railways.
MTR System and Properties

Route Length: 218 km    Stations: 152     "R+P" Properties: 43
## An Overview of “R+P” Developments

<table>
<thead>
<tr>
<th>Line</th>
<th>Office (sq.m.)</th>
<th>Retail (sq.m.)</th>
<th>Others (sq.m.)</th>
<th>Residential (units)</th>
<th>Total GFA (million sq.m.)</th>
<th>Residential/Commercial ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Line</td>
<td>234,898</td>
<td>299,363</td>
<td>-</td>
<td>31,366</td>
<td>2.6</td>
<td>78%</td>
</tr>
<tr>
<td>Airport Express Line</td>
<td>611,877</td>
<td>306,571</td>
<td>316,473</td>
<td>28,473</td>
<td>3.5</td>
<td>65%</td>
</tr>
<tr>
<td>Tseung Kwan O Line</td>
<td>5,000</td>
<td>105,814</td>
<td>63,030</td>
<td>30,414</td>
<td>2.3</td>
<td>93%</td>
</tr>
<tr>
<td>East Rail Line</td>
<td>67,541</td>
<td>113,238</td>
<td>113,491</td>
<td>4,771</td>
<td>0.7</td>
<td>60%</td>
</tr>
<tr>
<td>West Rail Line</td>
<td>95,800</td>
<td>145,130</td>
<td>50,346</td>
<td>19,206</td>
<td>1.8</td>
<td>84%</td>
</tr>
<tr>
<td>Ma On Shan Line</td>
<td>-</td>
<td>65,193</td>
<td>38,191</td>
<td>10,314</td>
<td>0.9</td>
<td>88%</td>
</tr>
<tr>
<td>Light Rail</td>
<td>-</td>
<td>53,117</td>
<td>-</td>
<td>9,108</td>
<td>0.6</td>
<td>91%</td>
</tr>
<tr>
<td>Kowloon Southern Link</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,500</td>
<td>0.1</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,015,116</td>
<td>1,088,426</td>
<td>581,531</td>
<td>135,152</td>
<td>12.5</td>
<td></td>
</tr>
</tbody>
</table>

The data are extracted from various sources and are for reference only.
2. Integration of Property with Railway
Integrated Property Development

MTR leads and coordinates the development processes including:

- Preparing the development master plan and phasing
- Resolving all interfaces with the railway
- Tendering of the land parcels
- Liaise between different developers
- Monitoring the quality of the developments
- Property management after completion
Tender

Development Agreement

- Cost / premium sharing
- Revenue sharing
- Share-in-kind
- Other obligations
Integrated Property Development

- The provision of the railway greatly enhances development potential along the alignment.
- Proper integration with the railway maximises the development potential and land value.
- Profits generated help to fund the railway construction cost.
GOVERNMENT

Financial benefits

SYNERGY of RAIL + PROPERTY

Finance construction & improve ridership

Improve accessibility & land value

Sustainable urban living & growth generation

SOCIETY & ECONOMY
MTR Property Developments and Skyscrapers

- Crowded population vs scarce land resources leads to compact planning
- High-density development around stations results in skyscrapers
- Promotes sustainability

Building Rail-Based Integrated Community
3. “R+P” Case Studies:

3.1 Kowloon Station Development
3.2 Hong Kong Station Development
3.3 Tseung Kwan O New Town
   (LOHAS PARK)
3.1 Kowloon Station Development
Location

- Airport Express & Tung Chung Line
- West Kowloon Cultural District
- Kowloon Station
- Express Rail Link Terminal
- Austin Station
- Tsim Sha Tsui
Kowloon Station Development
Kowloon Station Development
Kowloon Station Development

- 19 towers, including a 118-storey Landmark Tower accommodating 231,778 sq.m. offices, a deluxe hotel and an observation deck
- A world-class shopping centre of 82,750 sq.m.
- About 6,400 flats and 5,600 car parking spaces
- Transport interchange for public buses, cross boundary coaches, minibuses, taxis, hotel shuttle and tour buses
- Extensive public and private open space and recreational facilities
Integrated Development

- Functional
- Horizontal
- Vertical
Horizontal Subdivision
Vertical Subdivision

CULLINAN
PACKAGE 6

SURRENTO (PACKAGE 2)

ARCH

HARBOURSIDE

PACKAGE 4

PACKAGE 3

PACKAGE 5

PACKAGE 7

ICC
Packaging and Phasing – Other factors considered

Developer affordability

Financial market situation

Conveyancing and legal matter

Sales strategy

Positioning
Packaging and Phasing – Other factors considered

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Positioning
The Landmark Tower Design Statement

Landmark

World Architecture

Unique and Unparalleled New Gateway

Before

After
Awards

• Quality Buildings Award 2008
  – Grand Award/ Residential Category (The Arch)

• Asia Pacific Real Estate Awards 2007
  – Project of the Year (Retail)

• MIPIM Asia 2007 Awards
  – Best Shopping Centre
3.2 Hong Kong Station Development
Hong Kong Station Development – Location Map
Hong Kong Station (Completed 2005)

Central waterfront in early 1990s

Present Central waterfront
Typical “R+P” Project: Airport Express – Hong Kong Station

Successful extension of CBD with this new International Finance Centre

- 5.7 ha site area
- About 416,000 sq. m total floor area
- 2 office towers of about 254,000 sq. m
- About 60,000 sq. m retail area
- 2 deluxe hotel and suites hotel complexes
- Transport interchange
- Extensive public and private open space
Leasing of Two IFC Office Started in 2003: Monthly Rental per square foot lettable (HK$)

Year

HK$

2003 2004 2005 2006 2007 2008 2009 2010

38 43 56 110 140 165 120 160
Inspiration

• Inspired by the relocation of financial district in New York from Wall Street to Battery Park and in London from West Minister to Canary Wharf

• Fundamental changes in technical requirements on buildings over last decade for efficient operation of financial sector

• IFC is Hong Kong’s response to meet the needs of the world financial community
  
  ➢ First Development in Hong Kong designed specifically for financial institutions
  ➢ It will affirm Hong Kong’s status as the financial capital of Asia.
“Gateway” to the Victoria Harbour
3.3 Tseung Kwan O New Town - LOHAS PARK
LOHAS PARK

LOHAS

Lifestyle of Health and Sustainability
“LOHAS Park” in Tseung Kwan O

A township for 58,000 people above a railway depot & station (under construction)

34.8 ha site area
1.6M sq m floor area

50 residential towers
One 45,000 sq m shopping centre
Community facilities including schools
Transport interchange
Extensive landscaped open space
“LOHAS Park” in Tseung Kwan O

Grade-separation created ample open space
The site area of the development is about 35 hectare with a Plot Ratio of 5.

40% of the land, is dedicated for open space/green area provision which is an area twice the size of Hong Kong Park.

3000 specially planted trees would be featured in the Park.

This lush, green site will house a 2,000 square meter Central Park (with green area about twice that of Hong Kong Stadium) which is to be developed and managed by MTR Corporation.
Greywater Recycling

Collection of Greywater:
- Baths and Basins from Residential Towers
- Rainwater from the Central Park
- Condensate from Air-conditioning of Shopping Centre

Treatment:
- 440 cu.m. daily by centralized greywater treatment system

Use of recycled water:
- Irrigation, water features and street cleaning
4. MTR Malls
Mall development is an important component of the R+P model, providing convenience & necessities to residents & office workers.

MTR Shopping Mall Portfolio

12 Shopping Malls in Hong Kong
Totaling over 225,000 sq. m.
Annual rental revenue about to $2.7 billion

And more to come…

Leading retail property developer and operator with solid growth in traffic, rental and patronage

A leading brand in retail management –”MTR Malls” + ELEMENTS
Property Rental Income

HK$ million

2006: 1263
2007: 1581
2008: 2346
2009: 2548
2010: 2758

Property Rental Income
MTR as a Retail Property Operator

Hardware
Project Management, Architectural, Design & Maintenance

New Shopping Mall Conceptualization + Shopping Mall Enhancement through Leasehold Improvement + Unique Shopfront Design
MTR as a Retail Property Operator

Software
Strategic Leasing

- Quality Tenants
- Trade Mix
- Variable Rents & Share of Turnover
- Promotions

Selection of high quality brands and tenants in accordance with the market trend and customer’s preferences
Build partnership with business operators / tenants
Each tenant is selected based on stringent qualitative and quantitative criteria
Provide support and operating environment for tenants
Sharing of rents through turnover rent mechanism
Elements

Opened on Oct 1st, 2007
A unique 1 million square feet luxury lifestyle destination
No. of Shops : 200
No. of Car Parks : 1,700
MTR’s flagship mall – accounting for a substantial portion of the portfolio annual rental revenue
MTR as a Retail Property Operator

Featuring 5 elemental zones

Impressive Duplex Shops

Lifestyle x Luxury Mall

6-star washroom & Babycare Room

Seasonal Decoration

Same Level of Carpark
Elements’ Points of Differentiation

Trademix

Marketing & Promotion

Customer Service

Elements Club Lounge  Babycare Room  Concierge / Redemption Counter  Valet Parking

MTR Corporation Limited
Awards received by MTR Malls & Elements

- Gold Prime Award for Eco-Business 2010 (Prime Magazine and the Business Environment Council)
- Highest Guest Count Award – Whole Market & Commercial (McDonald’s)
- 2010 Outstanding Strategic Performance Awards (Capital & Capital Weekly)
- Hong Kong Service Award (East Week)
- “ELEMENTS Grand Opening” won the Gold Award - Grand Opening, Expansion and Renovation Category (2009 International Council of Shopping Centers (ICSC) Asia Shopping Centres Award)
- GOLD Direct Market Lotus Award in the Asia-Pacific Advertising Festival (AdFest)
- Strategy - Traffic Building, Bronze Award in Cannes Lions International Advertising Festival (IAF)
- Product & Service on Bronze Award - Retail & E-Commerce, incl. Restaurants, in Cannes Lions International Advertising Festival (IAF)
- Distinguished Marketing Leadership Award (HKMA)
- “ELEMENTS Flirting with Sound” Campaign won the Gold Award - Sales Promotion and Event Category (2009 International Council of Shopping Centers (ICSC) Asia Shopping Centres Award)
- Official Honouree distinction in the 13th annual Webby Awards
Conclusion

Creating high quality sustainable communities integrating transportation, working, living and leisure environments through vertically integrated expertise delivering world class products and services.
Thank You