

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.**

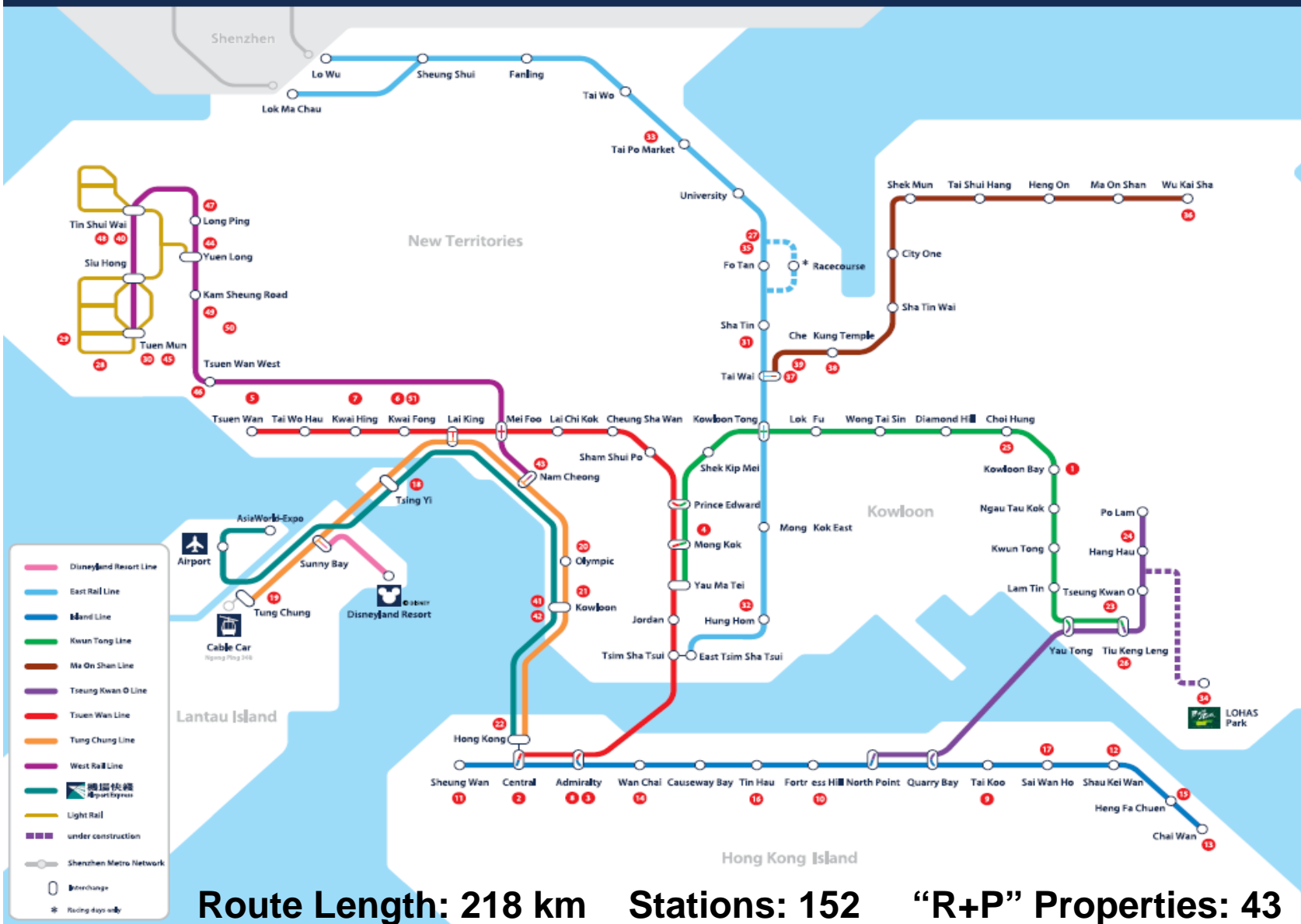
Railway's need of Government Subsidies

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



Properties Owned/ Developed/ Managed by the Corporation

1. Telford Gardens / Telford Plaza
 2. World-wide House
 3. Admiralty Centre
 4. Argyle Centre
 5. Luk Yeung Sun Chuen / Luk Yeung Galleria
 6. New Kwai Fong Gardens
 7. Sun Kwai Fong Gardens
 8. Fairmount House
 9. Kowloon / Kowloon Gardens
 10. Fortress Metro Towers
 11. Hongway Garden / Viewwood Plaza
 12. Perfect Mount Gardens
 13. New Jade Garden
 14. Southern Garden
 15. Heng Fa Chuen / Heng Fa Villa / Paradise Mall
 16. Park Towers
 17. Felicity Garden
 18. Tierra Verde / Maritime Square
 19. Tung Chung Crescent / Citygate / Citygate Nawood / Seaview Crescent / Coastal Skyline / Caribbean Coast
 20. Central Park / Island Harbourside / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
 21. The Waterfront / Sorrento / The Harbourside / The Arch / Elements
 22. International Finance Centre
 23. Central Heights / The Grandiose and The Edge
 24. Residence Oasis and The Lane
 25. No. 8 Clear Water Bay Road
 26. Metro Town
 27. Royal Ascot / Plaza Ascot
 28. Ocean Walk
 29. Sun Tuen Mun Centre
 30. Harford Plaza
 31. CityLink Plaza
 32. MTR Hung Hom Building
 33. Trackside Villas
- Property Developments under Construction/ Planning**
34. Tung Chung Station Package 2 & 3
 35. Kowloon Station Package 5, 6 & 7
 36. Tseung Kwan O Station Area S6
 37. LOHAS Park
 38. Ho Tung Lau Site A
 39. Wu Kai Sha Station
 40. Tai Wai Maintenance Centre
 41. Che Kung Temple Station
 42. Tai Wai Station
 43. Tin Shui Wai Light Rail
 44. Kowloon Southern Link Site C
 45. Kowloon Southern Link Site D
- West Rail Line Property Development (As Government Agent)**
46. Nam Cheong Station
 47. Yuen Long Station
 48. Tuen Mun Station
 49. Tsuen Wan West Station
 50. Long Ping Station
 51. Tin Shui Wai Station
 52. Kam Sheung Road Station
 53. Pui Hung Maintenance Centre
 54. Kwai Fong

An Overview of “R+P” Developments

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

The data are extracted from various sources and are for reference only.

2. Integration of Property with Railway

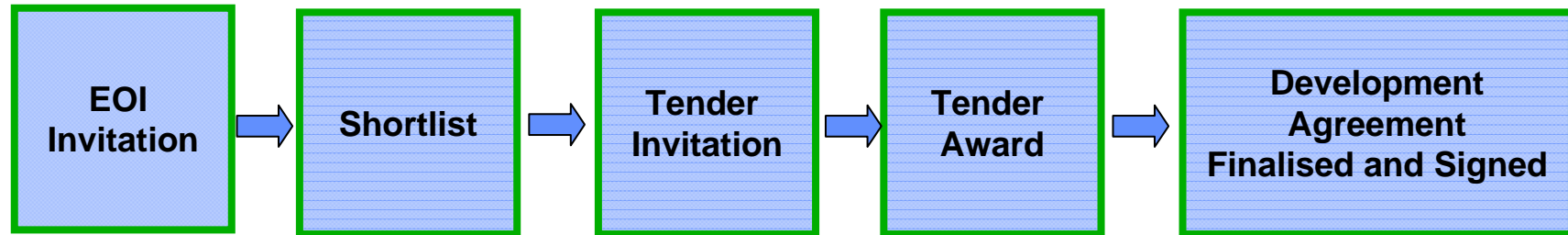
Integrated Property Development

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



MTR Corporation Limited

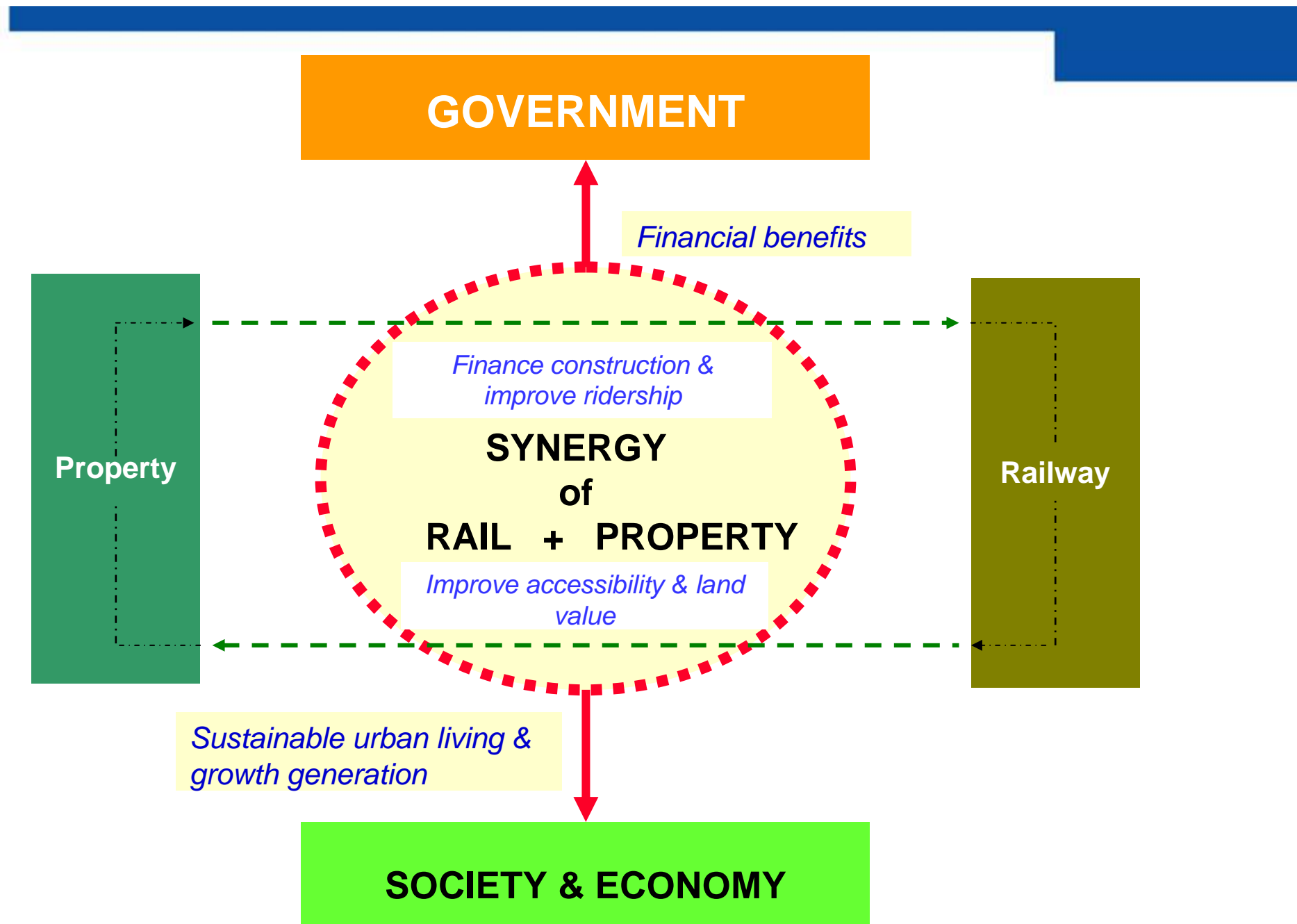
Integrated Property Development

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

Public Transport Interchange

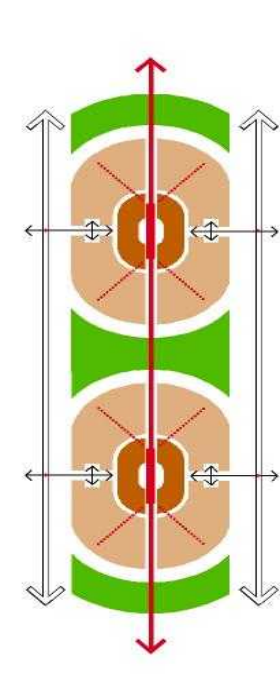
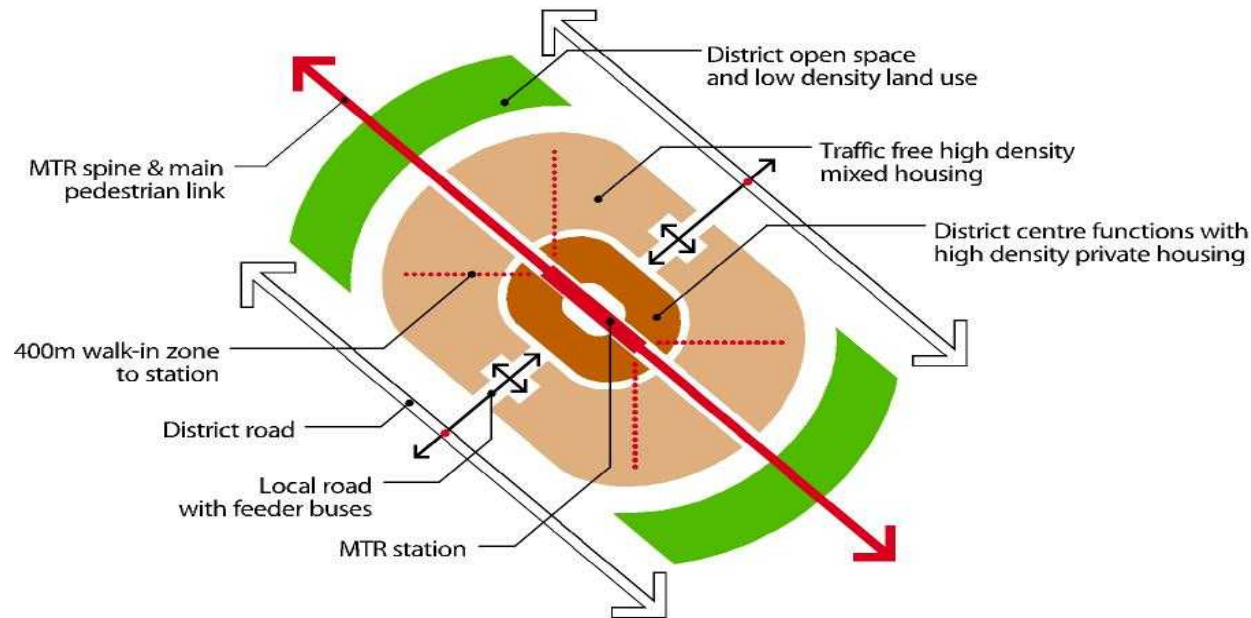
In-Town Check in

MTR Station



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

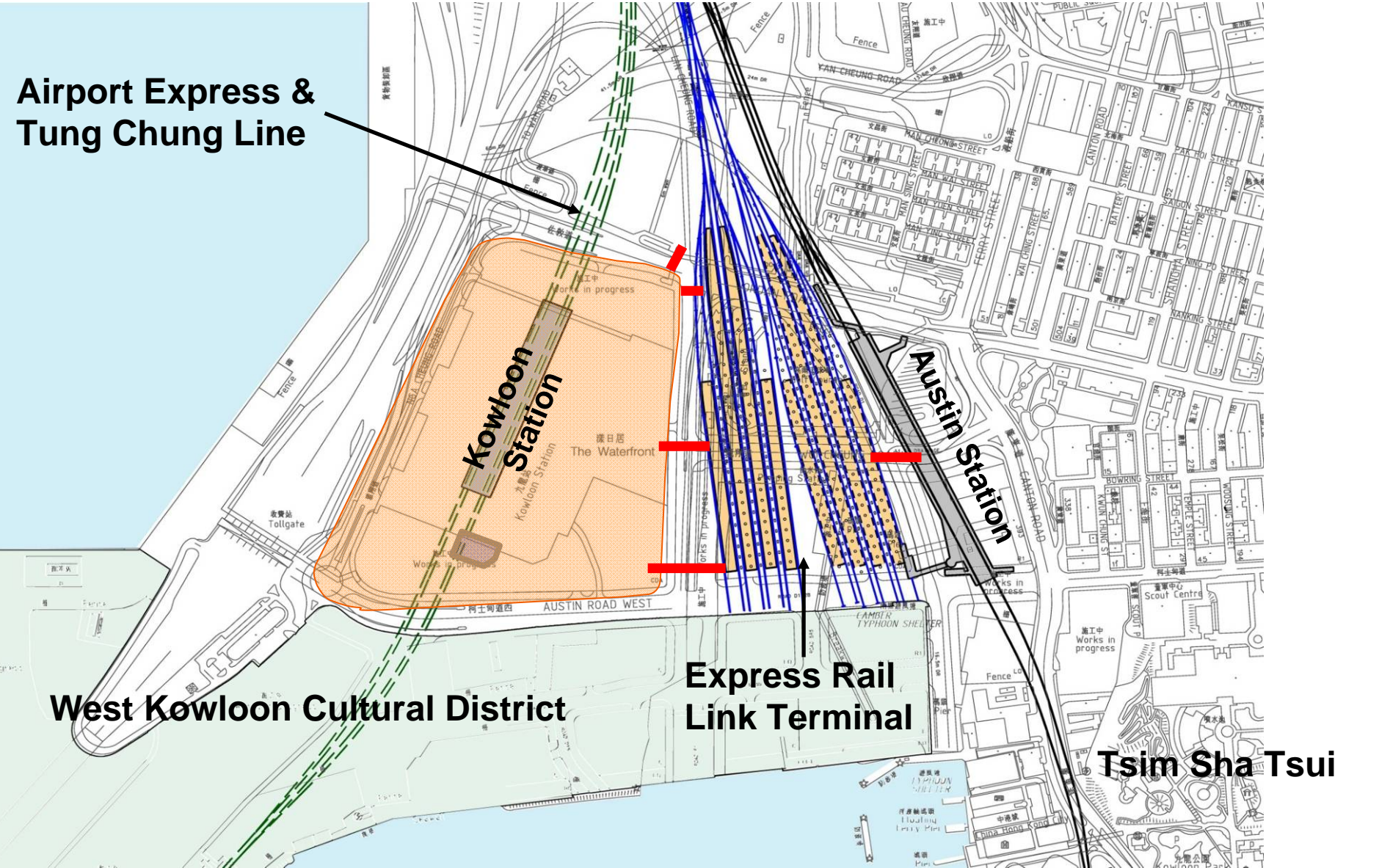
3. “R+P” Case Studies:

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



Kowloon Station Development



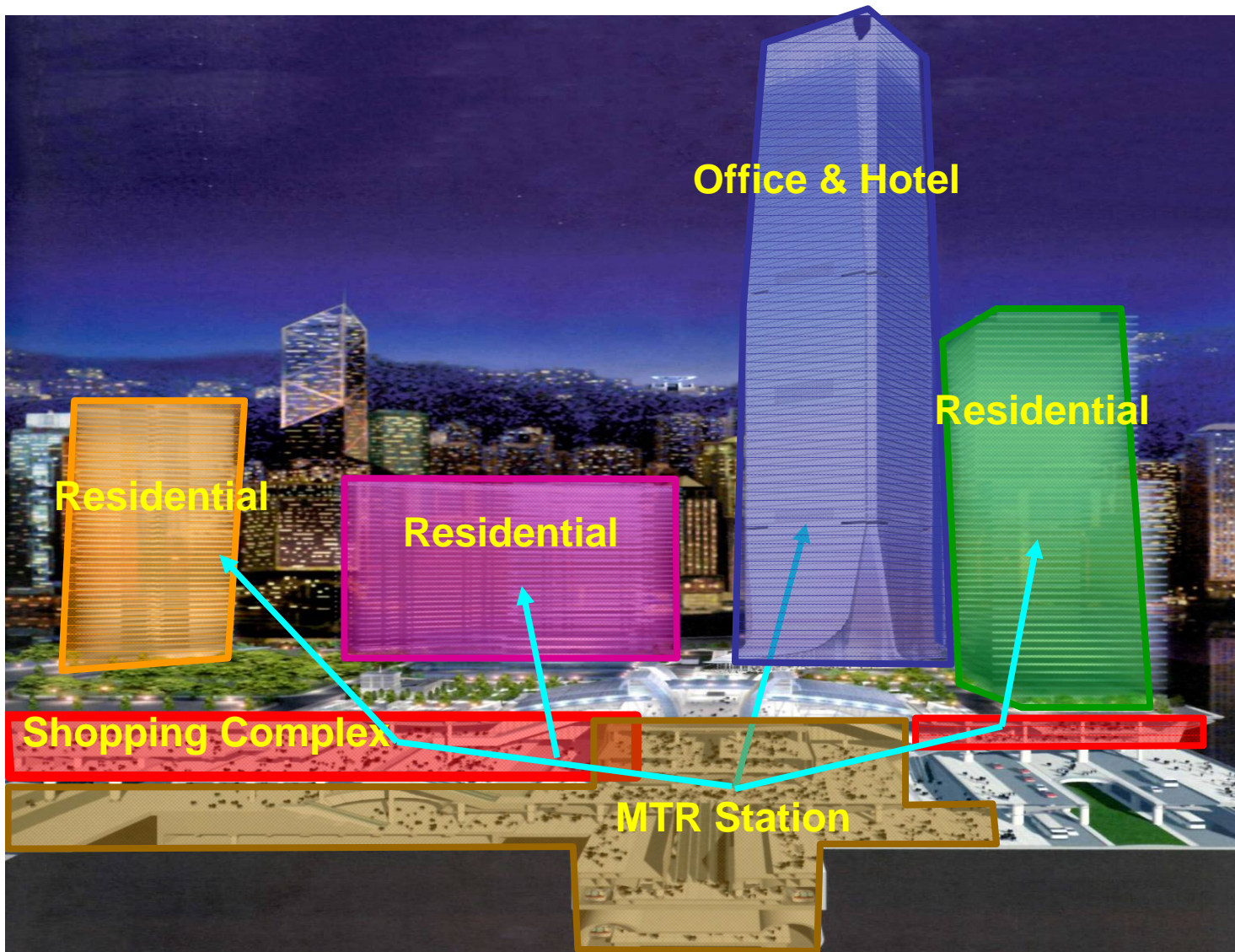
Kowloon Station Development



Kowloon Station Development

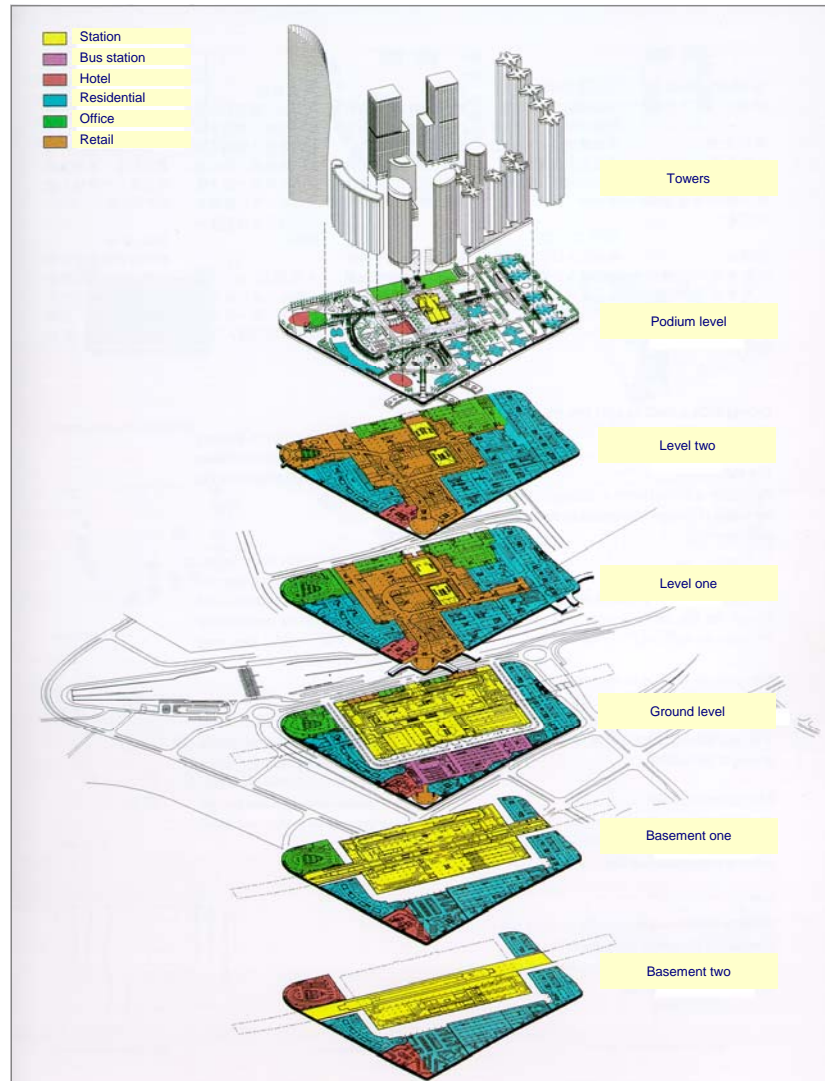
- 19 towers, including a 118-storey Landmark Tower accommodating 231,778 sq.m. offices, a deluxe hotel and an observation deck
- A world-class shopping centre of 82,750 sq.m.
- About 6,400 flats and 5,600 car parking spaces
- Transport interchange for public buses, cross boundary coaches, minibuses,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

Integrated Development

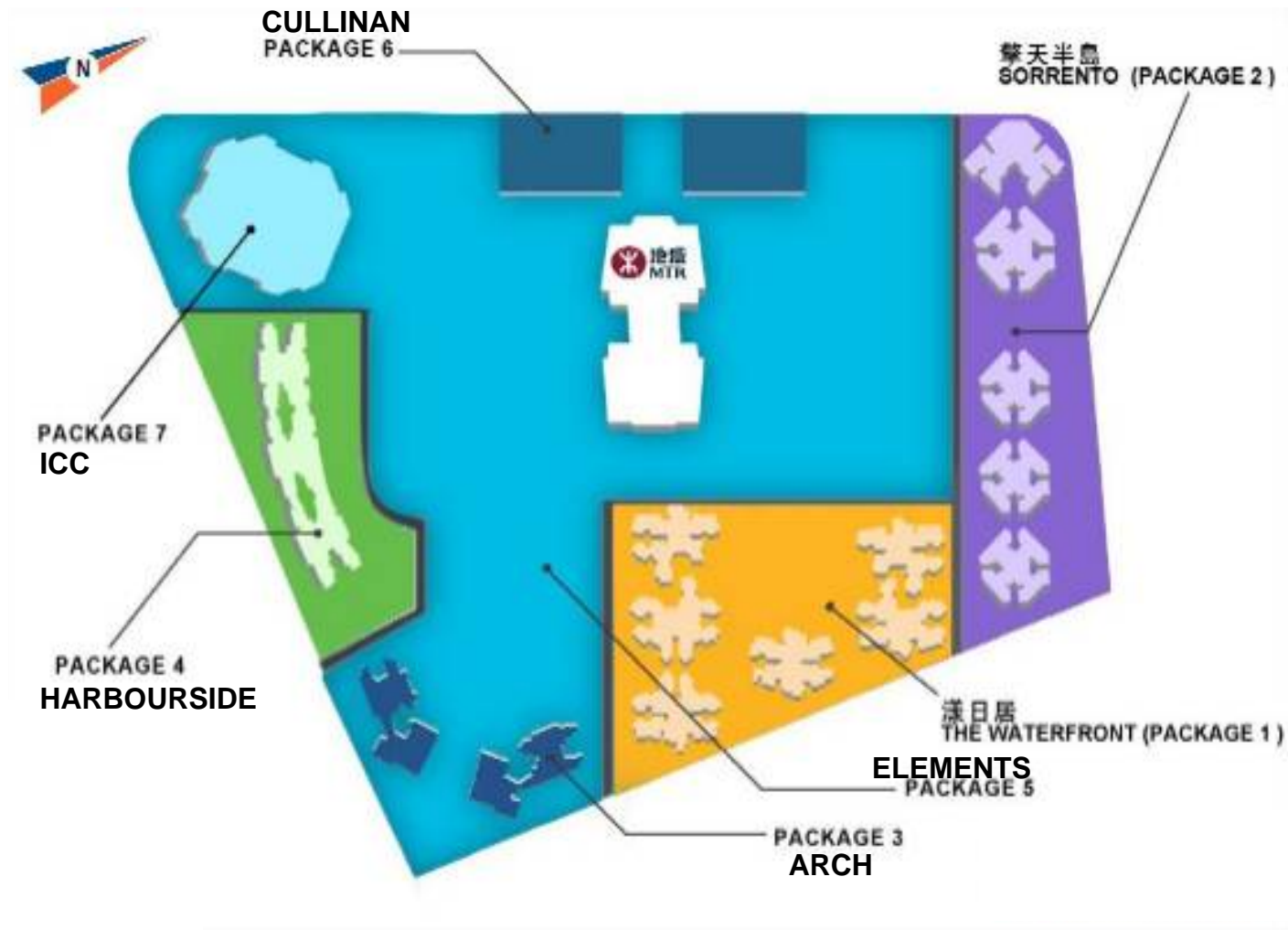


- Functional
- Horizontal
- Vertical

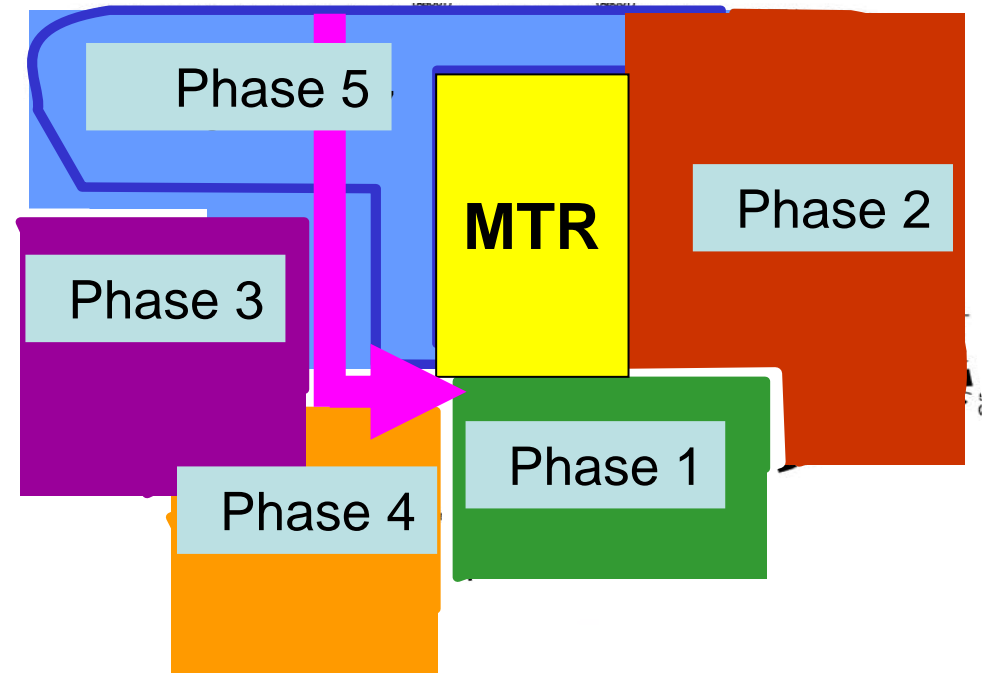
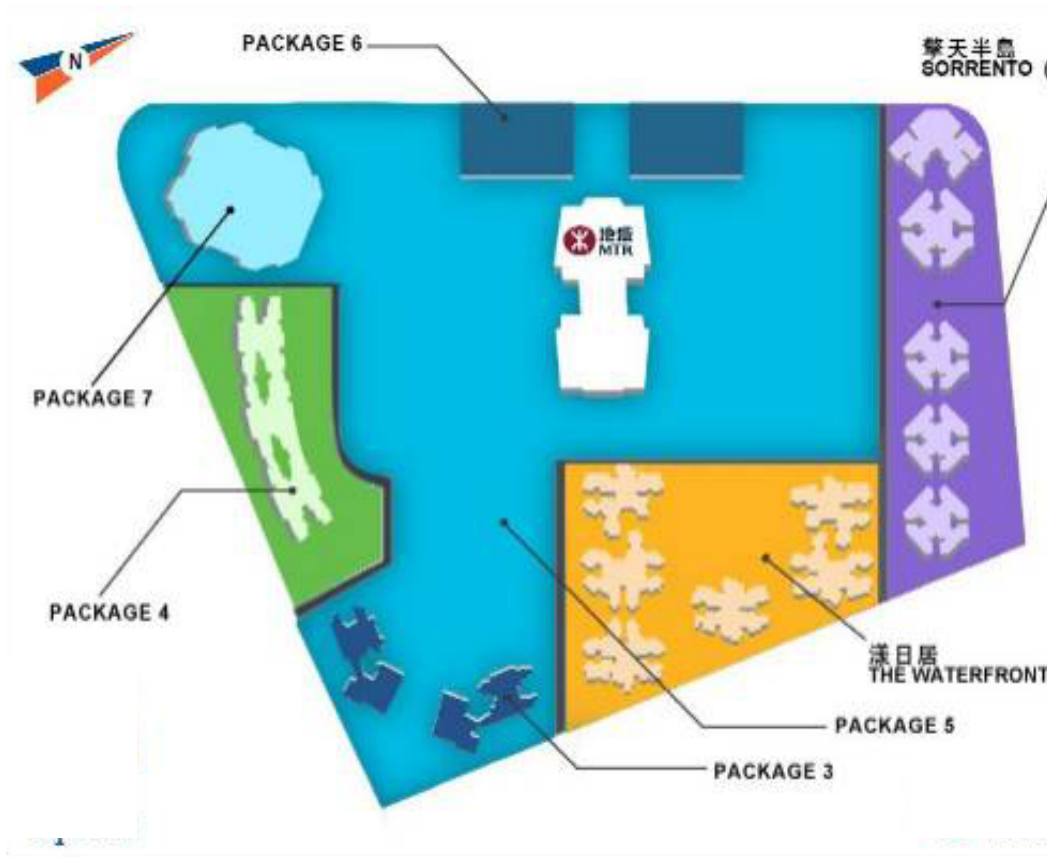
Horizontal Subdivision



Vertical Subdivision



Construction Phasing



Packaging and Phasing – Other factors considered

Developer affordability

Financial market situation

Conveyancing and legal matter

Sales strategy

Positioning

Packaging and Phasing – Other factors considered

Developer affordability

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Packaging and Phasing – Other factors considered

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The Landmark Tower Design Statement



Before

Landmark

World Architecture

**Unique and Unparalleled
New Gateway**



After

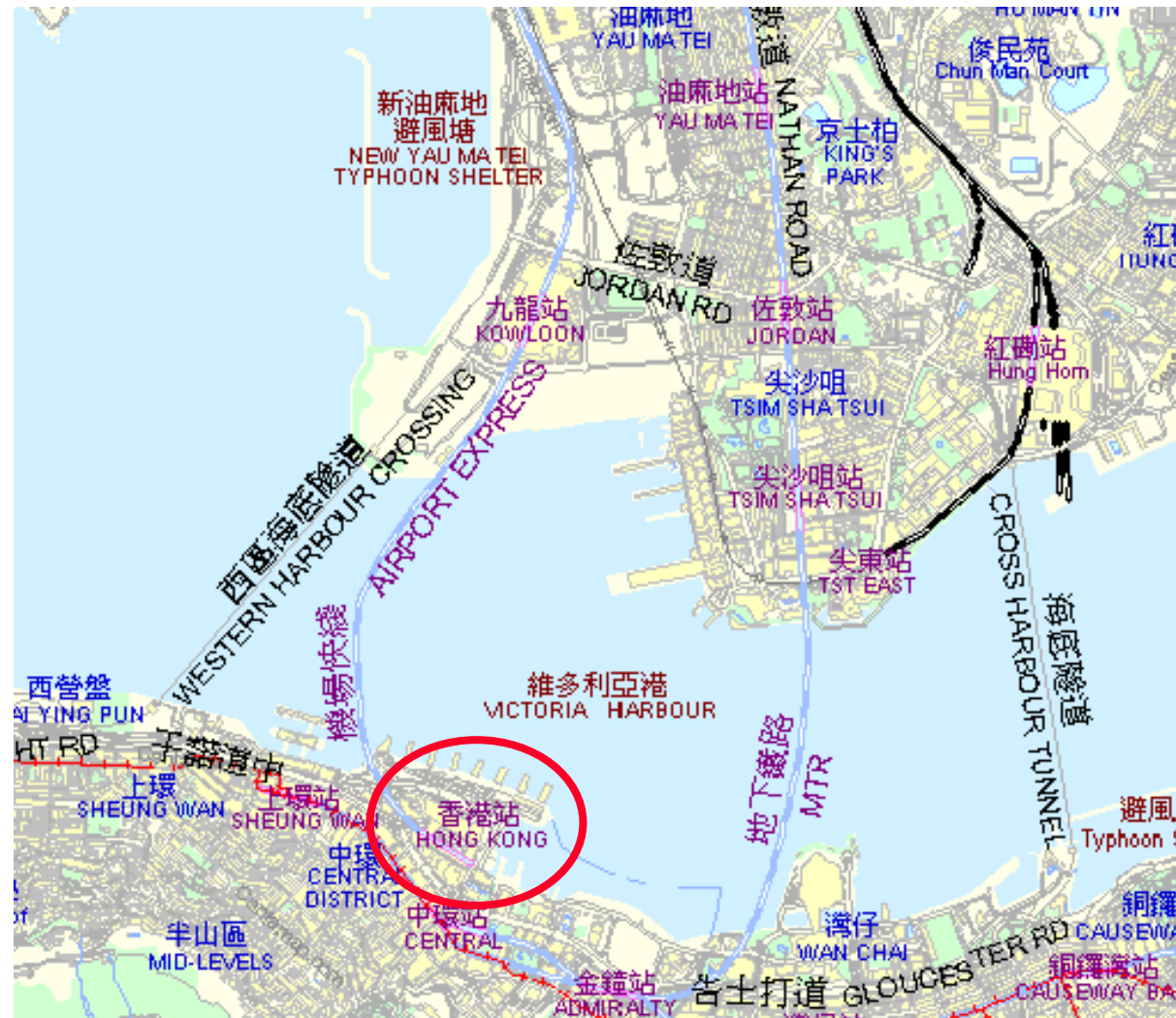
Awards

- 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



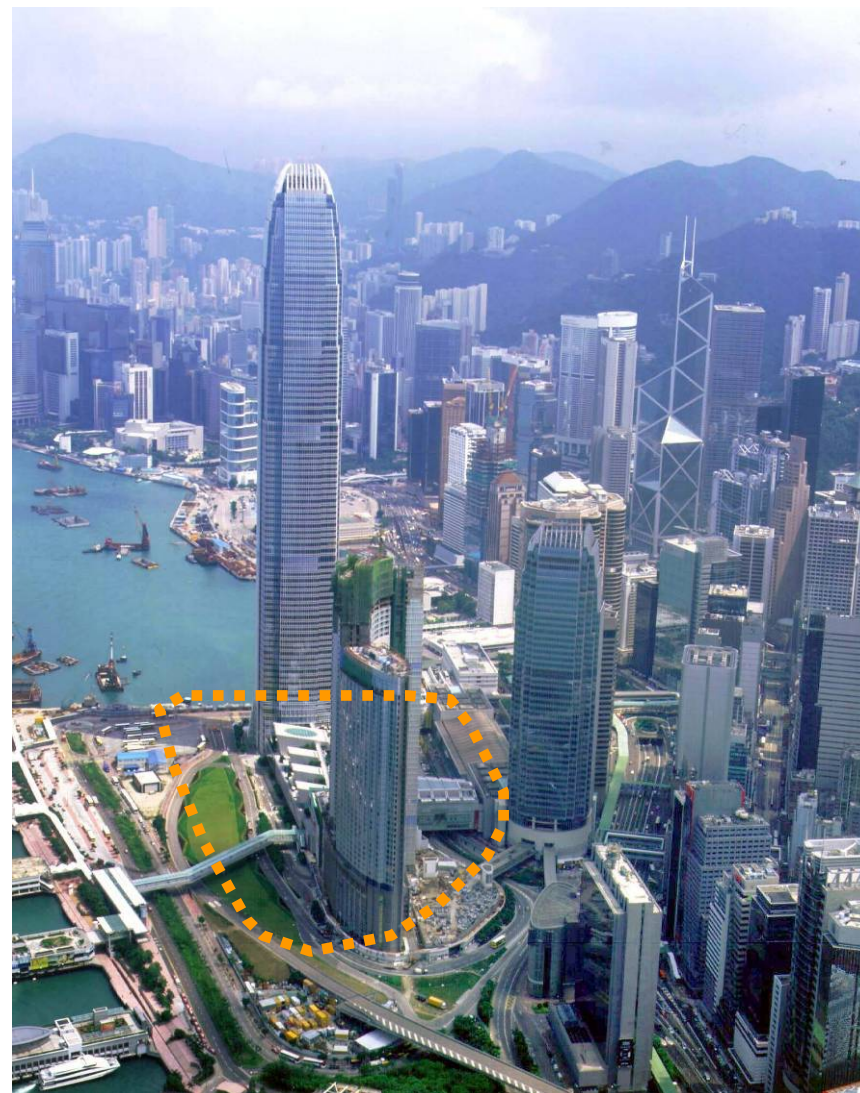
3.2 Hong Kong Station Development

Hong Kong Station Development – Location Map



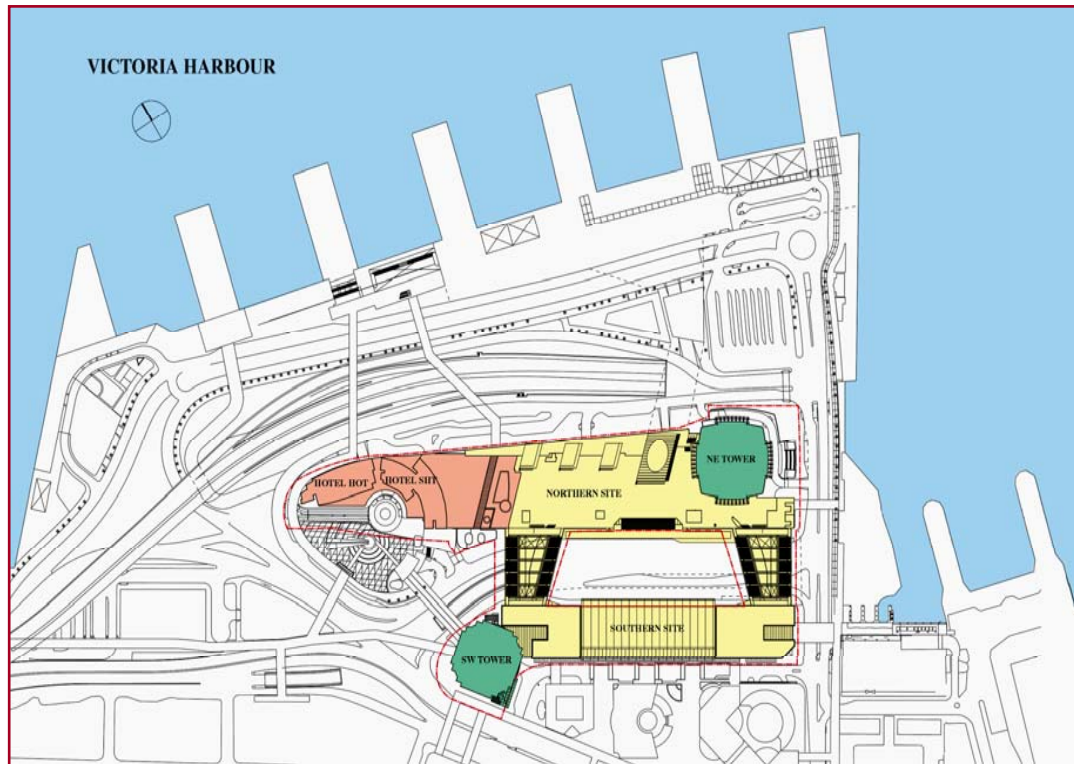
Hong Kong Station (Completed 2005)

Central waterfront in early 1990s



Present Central waterfront

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



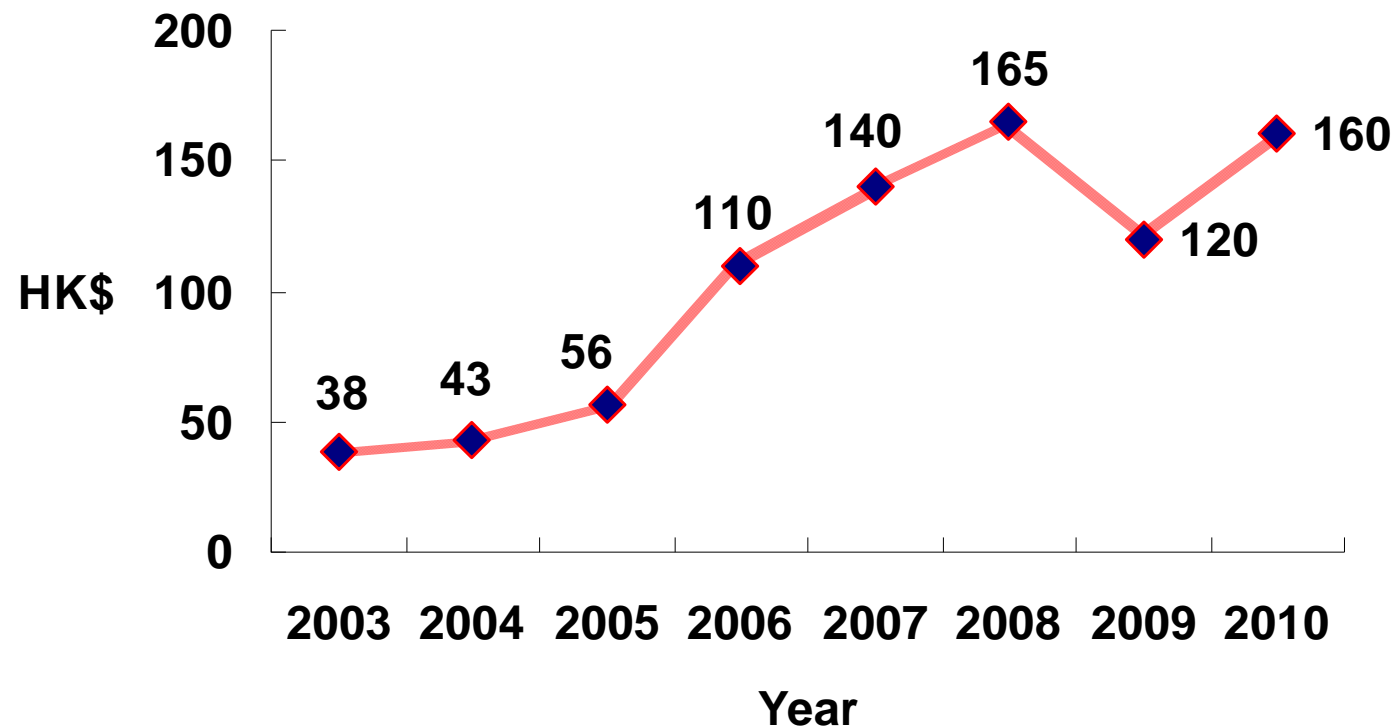
5.7 ha site area
About 416,000 sq. m total floor area

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

**Successful extension of CBD with
this new International Finance Centre**



Leasing of Two IFC Office Started in 2003: Monthly Rental per square foot lettable (HK\$)



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.



Hong Kong Station



“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

Depot

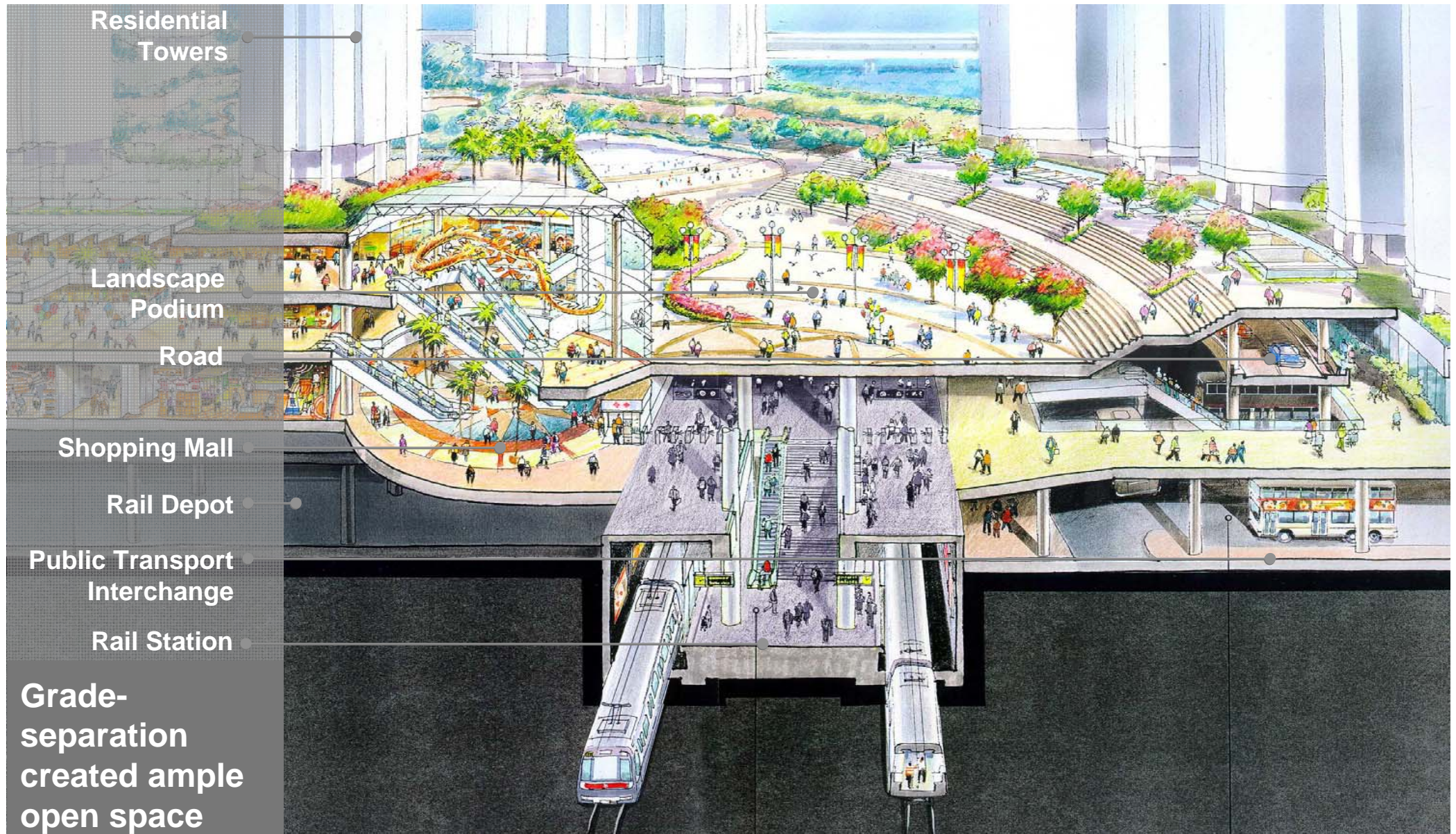
Station

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

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

“LOHAS Park” in Tseung Kwan O



Green Area and District 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:

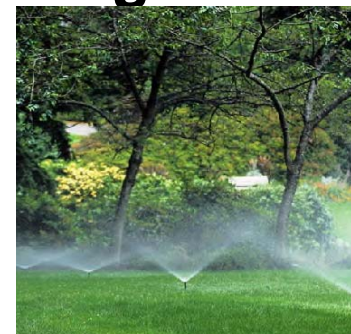
- Baths and Basins from Residential Towers
- Rainwater from the Central Park
- Condensate from Air-conditioning of Shopping Centre

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

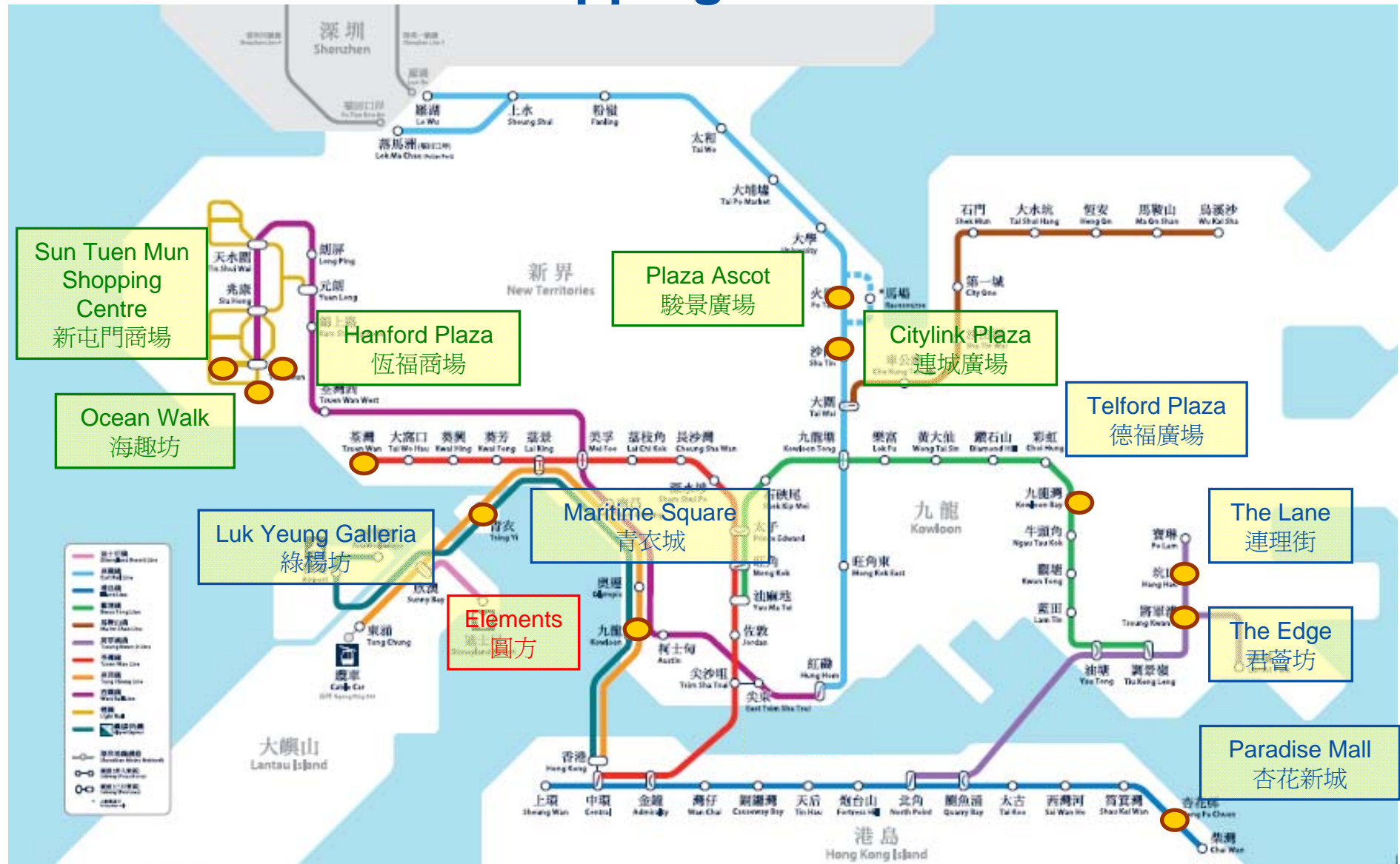
Totaling over 225,000 sq. m.

Annual rental revenue about to \$2.7 billion

And more to come...

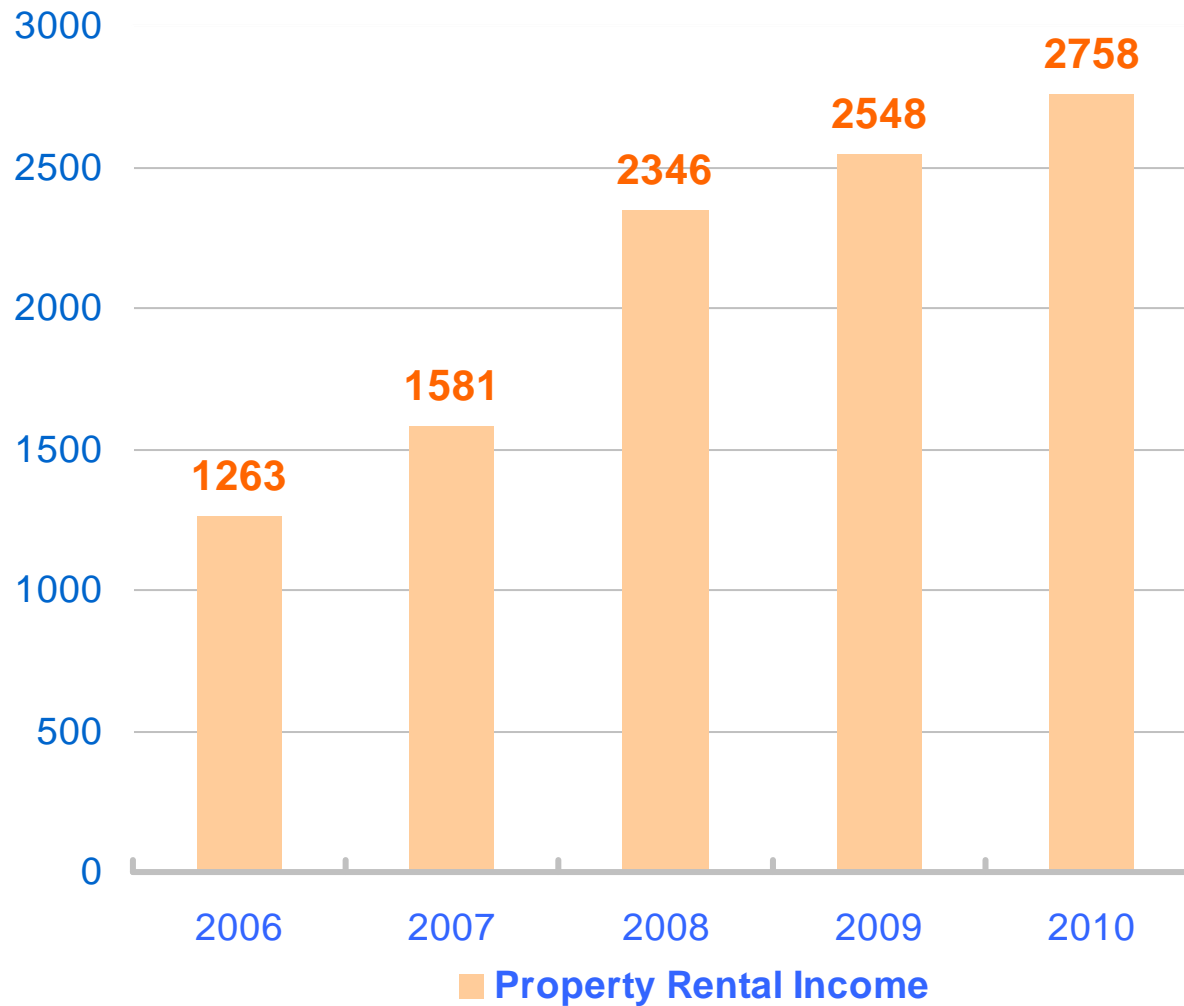
- **Leading retail property developer and operator with solid growth in traffic, rental and patronage**
- **A leading brand in retail management – "MTR Malls" + ELEMENTS**

MTR Shopping Malls Portfolio



Property Rental Income

HK\$ million



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



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



6-star washroom & Babycare Room



Elements' Points of Differentiation

Trademix



Marketing & Promotion



Customer Service



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)



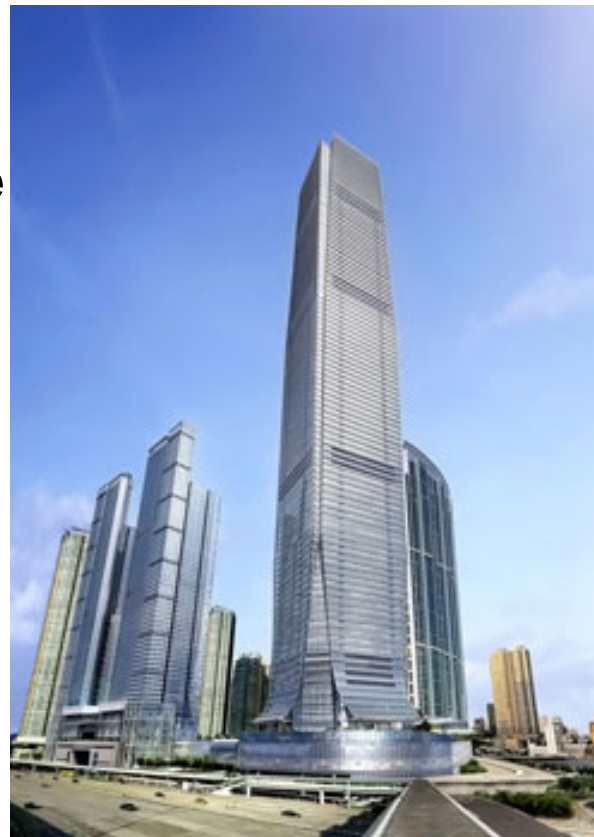
- “ELEMENTS Flirting with Sound” Campaign won the Gold Award - Sales Promotion and Event Category (2009 International Council of Shopping Centers (ICSC) Asia Shopping Centres Award)



- 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