RDG Stations Summit 2016
Rail plus Property – The Hong Kong MTR approach

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MTR

- Operates in Hong Kong, mainland China, Australia, and Europe
- 5.5m passengers per day in Hong Kong, 9m per day worldwide
- Market capitalisation £20bn, Hong Kong stock exchange
- Operating profit 2015, £1.0bn – approx 50/50 rail and property
- Balance sheet net assets £17bn, gearing 11%
MTR in Hong Kong

Transport Operation

Station Commercial

Property Rental and Management

Property Development

Tung Chung Station Development

Tseung Kwan O LOHAS Park Development
Non-fare box revenue in Hong Kong is over 30% of fare income. Derived from retail outlets, advertising, telecoms, etc.
## MTR Hong Kong Operating Profits 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Transport Operations</td>
<td>39%</td>
</tr>
<tr>
<td>Station retail, advertising, telecoms</td>
<td>25%</td>
</tr>
<tr>
<td>Property rental and management</td>
<td>20%</td>
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<tr>
<td>Property development</td>
<td>15%</td>
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</tbody>
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100%
MTR Approach to Stations

- Putting the railway at the heart of a community
- Designing the station as an integral part of a wider development
Rail and Property in Practice

Integrated Planning, Design and Delivery

- Residential
- Offices
- Shopping Malls
- Schools
- Green Spaces
- Public Facilities
- PTI
- Railway
MTR – integrated approach to station development

• Urban planning capability in-house

• In-house design and architectural/planning capability

• Knowledge of local property market

• In-house retail income management capability

• In-house property management team

• Total asset responsibility for build and maintenance
Kowloon Station Development
Completed in 2010
Integrated Development at Kowloon

MTR Corporation Limited
Integrated Development at LOHAS Park

Residential Towers

Landscape Podium

Road

Shopping Mall

Rail Depot

Public Transport Interchange

Rail Station

Grade-separation creates ample open space
Benefits of MTR R+P development model

GOVERNMENT

Financial benefits

SYNERGY of RAIL + PROPERTY

Finance construction & improve ridership

Improve accessibility & land value

Sustainable urban living & growth generation

SOCIETY & ECONOMY

Property

Railway
Private Sector Capital into Transport

Key benefits can be:

- appropriate transfer of risk (e.g. of construction, of long term delivery)
- take advantage of private sector know-how (e.g. design specification)
- take advantage of private sector procurement benefits
- realise synergy of coordinated and optimal investment (‘rail and property’)
Benefits of Operator-led Development

- Optimise overall design and land-use
- Value engineering of build – materials, build method
- Optimise construction process – disruption, risk mitigation
- Optimise whole-life cost – between up-front build and on-going maintenance costs
- Alignment over build quality, fitness-for-purpose, and eventual system performance (e.g. noise, vibrations, energy)
MTR Rail + Property Model

• Benefits to HK Community:
  - Modern high quality transport service
  - Affordable fares
  - Quality retail / leisure facilities close to housing
  - Sustainable communities

Tung Chung Station Development

Tseung Kwan O LOHAS Park Development
MTR Rail + Property Model

• Benefits to MTR:
  - Increased patronage
  - Increased retail and commercial revenues
  - Enhanced return to shareholders
Conclusion

• Optimal financial model of urban railway construction and operation

• Creation of high quality sustainable communities by integrating transportation for working, living and leisure