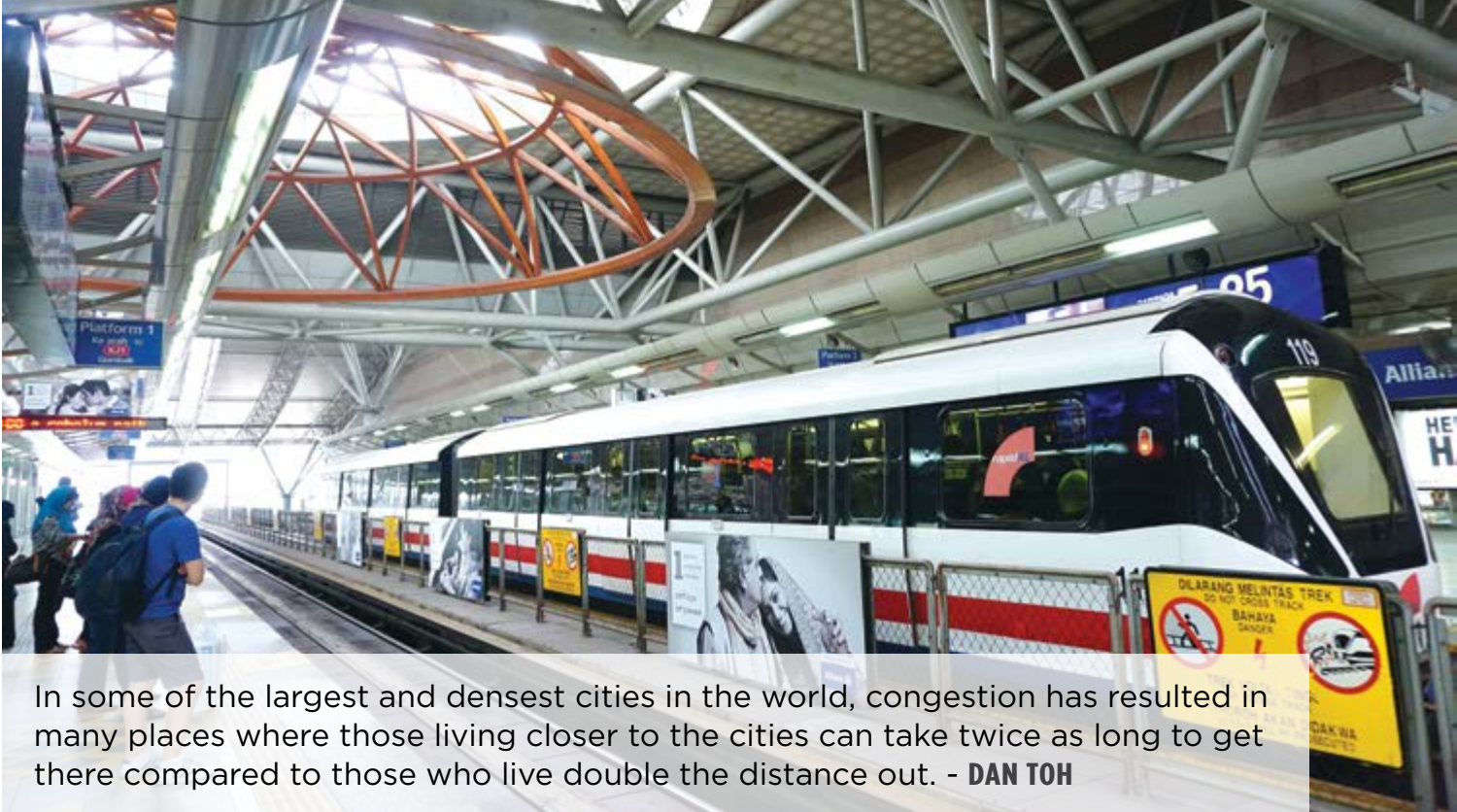


PUBLIC TRANSPORTATION - THE OSMOSIS EFFECT



In some of the largest and densest cities in the world, congestion has resulted in many places where those living closer to the cities can take twice as long to get there compared to those who live double the distance out. - **DAN TOH**

Welcome to the new world where public transportation is no longer just a poor man's option, but an essential service that caters to all walks of life. Whether it be in Singapore, Sydney, Hong Kong, Shanghai, London or New York, it is no longer about how close one is to the city, but how fast you can get there. Hence, the need for Transit Oriented Developments (TODs).

By providing efficient movement of people and goods, transport systems play an important role in encouraging economic prosperity, lifting living standards and equalising people and wealth.

Where transport is easily accessible and efficient, people are less resistant to move into once discriminated zones. This reduces the effect of class differentiation by location while lifting housing demand and prices. Public transportation is not just a matter of convenience. It now holds the power to alter the cultural and economic fabric of our societies.

Let us take a closer look of some major cities to see how transportation has impacted property prices, and learn principles that will serve us well as property investors.

SINGAPORE

Singapore population has seen a boom in the last decade and its train systems is now a key consideration for property purchase. On an average, properties within walking distance of a train station can command a premium of between 10-15%.

In a recent study, it was found that HDB flats located within walking distance to a station command as much as a 20% premium over those further away. It was also found that flat prices nearer to train stations were more resilient, falling by between 5-10% while those further out fell between 12-15% during the bearish period of 2013-15.

The effects on private homes especially in the more affluent areas, on the other hand, were mixed and too inconsistent for any conclusions. It appears that the effect of public transportation seems to have its greatest impact on areas with higher population density and lower affluence.



UK/LONDON

Central London is notorious for its traffic congestion. As the population continues to grow alongside economic prosperity, both housing supply and the transport network is having a hard time keeping up. Rail lines have been expanded both in terms of capacity and reach, yet it never could quite keep up with demand. The Cross Rail project is one of the recent major developments that is already under capacity even before it fully completes.

Not expectedly, developers in London are now focused on regeneration projects next to rail stations especially in socially below par areas beyond zone 1. Lendlease's effort in Elephant & Castle, Deptford and Westfield and Hammerson's partnership in East Croydon are good examples of TODs striving to keep pace with the ever-growing housing and transport demands.

The High Speed Two (HS2) takes public high-speed transport beyond London to the West Midlands (Phase 1) and West Midlands to Leeds/Manchester (Phase 2). The project will cut the Birmingham-London journey to 49 minutes and Manchester-London stretch to 68mins, making both cities commutable to London on a daily basis.

Completion is planned for 2026 but already the project faces opposition from those who fear that the project will move more jobs and people to London instead of away from it. Agencies have been fast to jump on the bandwagon to promote properties in areas such as Manchester and Liverpool although we would strongly encourage investors to tread with much caution as developers can be rather quick to price in the future to maximise their profits.



Dan Toh, CEO of RunningStream and have been involved in various projects across Asia, Australia, Europe and the UK for over a decade. He has coached many investors across Asia and leads a team of highly qualified professionals helping investors with their global real estate portfolios.

AUSTRALIA/MELBOURNE

Australia population is set to exceed 40 million by 2060, from its current 23 million. Melbourne is expected to overtake Sydney and be home to a quarter of that number. Needless to say, transportation is a key concern.

Across the major cities, railways, highways and bicycle paths are being upgraded or developed to enhance capacity and shorten travel time.

TODs provide alternative housing locations without compromising travel time and convenience by locating itself along major train lines. When you consider that most Australians do not like living in the cities, TODs allow them to maintain a suburban lifestyle efficiently. The ability to commute to the city easily combined with significantly lower rent also presents a convincing argument for businesses to seek premises further out, thus reducing the load on transportation and services in the cities.

In Sydney, where public transportation is some of the worst in Australia, TOD's are critical. Plans to increase housing density by the State Government has been identified along the North Shore rail line with Chatswood CBD at its heart. In Melbourne, developments are booming across the Southern and Western suburbs as transportation continues to improve.

In Brisbane, developments are heading South and South East for the same reasons. Such TODs include residential, commercial and retail elements in their plans and are proven to bring regeneration and prosperity to their areas. Investors will do well to take note.

CONCLUSION

Efficient transportation essentially creates an economic osmosis effect, reducing concentration at one end while increasing concentration on the other. The direction of the flow will be different for different aspects be it businesses, jobs, housing demand or retail spending.

This can occur between different cities, countries or even just between suburbs, affecting property prices in different ways. One thing for sure, TODs are inevitable as global urbanisation drives more and more people to cities.

This will be especially true in Asia where rural-urban migration is rampant and if left unchecked, will result in massive urban sprawl, crippling infrastructure and services, causing massive demands in cities and driving up property prices incessantly. While this might be a positive for investors in the short, it will be a nightmare for governments and societies as a whole in the long run. 📍