

# MRT and real estate: A union on the right track



## REALTY CHECK

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THE introduction of a rail transit investment brings benefits to the transportation system and accessibility of the population to employment, retail, and recreational facilities. One of the most significant impacts of a rail transit project is the impact on property values.

Numerous accounts on the impact of rail transit on property values have surfaced over the past decades with varied results. Most often appear as isolated anecdotes in documenting the impact of rail transit on property values.

The most prominent way to gauge the value of a property is through the price or value of a home that you own or the rent that you pay. Noteworthy is that the amount of space devoted to residential property is generally greater than that devoted to other uses.

Given that the number of residential property owners and tenants are greater than the number of consumers of other types of real-estate, the effects of rail transit on property values are most acutely felt in the residential sector. Hence, most empirical research on the impact of rail transit on property values focuses on the impact on residential property values.

In a US-based 1999 study to examine the potential for housing near MRT stations, comparisons were made between the property



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values of new housing developments around several MRT stations and developments well outside of MRT stations. Housing units near the MRT stations were found to enjoy higher rents over those away from the MRT system. For example, one-bedroom apartment units within 500 metres of a MRT station in a suburb of San Francisco rented for approximately 10% more per square foot than one-bedroom units away from the station.

Given the positive correlation between rail transit service and property values, is there any potential for negative effects caused by the new transit infrastructure?

Examination of the effects of proximity to rail transit for two neighbourhoods in a Taiwanese city showed that proximity to rail showed a positive effect on property values on the west side, but a negative effect in the neighbourhood on the east side. In the neigh-

bourhood on the west side, property values increased close to US\$1,045 for every 100 metres.

The opposite held true for the east side. For every 100 metres closer to the MRT station, the property values dropped by US\$965. This negative effect might be due to such factors as noise, perceptions of crime, traffic congestion and visual intrusion. In the case of the west side, the value of accessibility provided by the rail line more than compensated for these nuisance effects. On the east side, the value of accessibility was not enough to compensate for the nuisance effects.

Other studies found the rail transit shows positive correlation to property values to areas where the access provided by the transit service is valued.

In Miami, higher growth, higher priced neighbourhoods experienced greater positive effect than stagnant, lower priced neighbourhoods.

In Atlanta, it appeared that the opposite was the case.

The higher income neighbourhoods did not appear to show value associated with being near rail while lower income neighbourhoods did show positive value with that association. While this might appear to be a contradiction, these facts highlight one of the primary reasons why rail transit imparts value to properties. This is the case for the high growth, higher valued districts in Miami and the lower income groups in suburban Atlanta. Positive property value impacts are primarily felt within limited zone around transit stations, generally a reasonable walking distance of up to one-quarter or one-half mile.

Enhancing pedestrian accessibility from the station to the surrounding area can increase the likelihood that properties will be within a reasonable walking distance of the station, hence experience a value benefit.

Improvements to station area accessibility can take the form of increasing the density of streets and pedestrian paths, improving safety, lighting, and other pedestrian amenities, and by providing additional station entrances and portals to allow direct access to the station from more locations.

Although the exact impact of nuisance variables such as noise and visual obstruction caused by terrestrial and elevated rail guide ways has not been extensively reviewed, several studies suggest that such nuisances do lessen the benefits that properties near the rail alignment and rail stations experience. Rail investment planning thus

should seek to mitigate these types of effects through effective design and engineering. Rail transit investments have proven to create positive effects on property values. In fact, the effect of a new fixed guideway transit investment is two-fold. First, transit investments improve the convenience of accessing other parts of a region from station locations.

Second, rail transit accessibility enhances the attractiveness of property, increasing the likelihood that the property can be developed or redeveloped to a more valuable and more intense use.

Documentation of the impact of rail transit on property values primarily focuses on the first effect. Property value premiums due to increases in accessibility range between 3% and 40%.

Property value premiums due to increases in the ability to develop or redevelop property depend on the land use and amount of development allowed on the property.

Slight negative impacts of rail on property values are generally attributed to noise, visual intrusion, and the association of the rail right-of-way with industrial uses.

In the case of our 55km MRT project that will run from Sungai Buloh to Kajang, we expect that property values, for example undeveloped land in key hot spots such as on the north side of the line, would surge more than 100% especially near the four proposed interchange stations (Sg Buloh, KL Sentral, Maluri and Kajang).

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