Crossrail: The Impact on London’s Property Market
Crossrail is Europe’s largest infrastructure project and its impact on London will be far reaching. It will cut journey times by up to 40 minutes and increase capacity on the capital’s transport network by 10%.

The step change in both connectivity and capacity will open up new parts of London, as well as trigger wider investment and regeneration. As a result, we expect house prices to increase by an average of 2.5% per year around host stations.

In property terms, Crossrail is a game changer. It has already affected key investment decisions, acting as a catalyst for further development and providing a significant boost to property values.

In the West End, retail will be a real winner. This is particularly true around Tottenham Court Road, where a much needed makeover is already underway. Meanwhile, Farringdon is set to become a key transport interchange and as a result, will emerge as one of the most prominent office locations in London. But perhaps the largest beneficiary from an office perspective will be Canary Wharf. Here the public transport capacity will increase by 50%, which will subsequently unlock huge expansion and value potential.

The local housing markets along the Crossrail stretch will benefit from both the improved connectivity and the wider regeneration. As a result, we anticipate house prices will increase by an average of 2.5% per year around Crossrail stations. This equates to a total increase of 13% over and above wider underlying capital appreciation, by the time Crossrail becomes fully operational. In Central London, the overall increase is more likely to be in the region of 20%.
Crossrail will completely transform London’s public transport system. It will increase its capacity by 10%, enabling over 200m passengers to make their way in and around London per year, as well as significantly reduce journey times. These improvements will have a huge impact on the economy of London and the South East, connecting new areas and creating new opportunities for businesses to grow.

Crossrail will cut journey times into Central London by an average of 15 minutes. This time saving equates to roughly 25% of the average London commute. Moreover, the outer suburban stations will make even greater gains, with journey times slashed by up to 40 minutes in Maidenhead, Taplow and Burnham. Generally speaking, the western suburbs will see a more pronounced reduction in travel times, compared with the towns to the east.

Crossrail will not only increase accessibility to and from London’s suburbs, but it will also strategically link up its key business and retail districts. There will be fast links from Heathrow to the West End, through the City and Canary Wharf, and out towards Stratford and beyond. Strengthening these connections will enable these areas to expand, inevitably unlocking further development and value potential.

Since its announcement, Crossrail has given London and the South East a firm economic boost, employing over 10,000 people across 40 construction sites to date. It has also been a key factor in bringing forward investment around Crossrail stations. It will encourage further over-site development and stimulate considerable regeneration. The economic impact will be substantial and it will not just be exclusive to London; it is estimated that 62% of new businesses created as a result of Crossrail will be outside of London.

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<th>ESTIMATED COST</th>
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UNDERGROUND TUNNELS WILL SPAN THE LENGTH OF THE LONDON MARATHON

ESTIMATED TO CREATE 55,000 NEW JOBS
2.5% ANNUAL INCREASE IN RESIDENTIAL PROPERTY PRICES AROUND AFFECTED STATIONS UP TO 2018

13% TOTAL INCREASE IN PRICES UP TO 2018

£100K AVERAGE INCREASE IN PROPERTY VALUE IN CENTRAL LONDON OVER THE NEXT FIVE YEARS

£14.7BN TOTAL INCREASE IN RESIDENTIAL VALUES AROUND CROSSRAIL STATIONS

20% INCREASE IN PROPERTY PRICES AROUND AFFECTED STATIONS SINCE IT GAINED ROYAL ASSENT

26 MILES OF UNDERGROUND TUNNELS

7 NEW STATIONS

10 MINUTES REDUCTION IN TRAVEL TIME INCREASES PROPERTY PRICE BY 18%

AVERAGE REDUCTION IN TRAVEL TIMES TO CENTRAL LONDON

15 MINUTES

1.5 MILLION MORE PEOPLE WILL BE WITHIN A 45 MINUTE COMMUTE TO CENTRAL LONDON

MINUTES

200 PASSENGERS MILLION WILL TRAVEL ON CROSSRAIL EVERY YEAR

200 METRES LONG

EACH TRAIN WILL FIT 1,500 PEOPLE

200 MILLION PASSENGERS

45 MINUTES

1.5 MILLION MORE PEOPLE WILL BE WITHIN A 45 MINUTE COMMUTE TO CENTRAL LONDON

TRAINS WILL BE

LONG

200 METRES

TRAINS WILL BE

LONG

EACH TRAIN WILL FIT 1,500 PEOPLE

200 PASSENGERS MILLION WILL TRAVEL ON CROSSRAIL EVERY YEAR

200 MILLION PASSENGERS
The impact on property

The impact of Crossrail on property will be two-fold. Firstly, the improvement in connectivity will open up new districts and reduce travel times, both of which will directly drive values in the commercial and residential sectors. Secondly, it will act as a catalyst for broader investment and development around the affected stations. These wider improvements will also unlock considerable underlying value.

The impact of Crossrail on property will be far-reaching; it is estimated that it could prompt the delivery of 57,000 new homes, as well as a considerable quantum of commercial space around the central stations. Although the first lines won’t be operational until 2018, its impact is already being felt as the imminent improvements drive confidence and become key considerations in strategic investment decisions.

Crossrail will create new rail linkages, and strengthen existing ones, across London and the South East. The substantial increase in capacity will help key retail and office districts expand, such as the West End and Canary Wharf, as well as allow new markets to emerge. In addition, Crossrail has the potential to reposition many locations that are currently considered tertiary, unlocking their dormant value.

Aside from the actual improvements to the transport network, Crossrail is also prompting a raft of wider investment and development above ground. There are extensive over-site plans for many of the stations, based around the concept of placemaking. Tottenham Court Road is a great example of an area that, despite its inherently good position, has been overlooked historically and its property market has under-performed as a result. However, there are now substantial redevelopment plans underway that will see the creation of much more attractive and pedestrian-friendly public space at street level.

Since Crossrail got the go ahead, house prices around the affected stations have increased by 20%. This is on top of underlying capital appreciation in London and the South East. Although this partly pre-empts the actual transport benefits and value increases that will be felt from 2018, at this stage it mostly reflects the swell of confidence into these areas and the physical regeneration already underway.

A 10% reduction in commuting times can cause house prices to increase by 6%

We anticipate that these factors will continue to drive values around the affected stations, with house price growth in the region of 2.5% per annum until the first lines are operational in 2018. In absolute terms, this growth should add around £60,000 additional value per property on average over this five year build up.

These increases are likely to be even more pronounced in Central London, at 3.7% per annum, or around £100,000 per property, over the next five years. Overall, Crossrail could add around £14.7bn to the residential property sector across the 37 stations.

In the western stations, where the reduction in travel times are the greatest, we expect some of the largest impacts on residential values, outside of Central London. Our model suggests that Crossrail will trigger house price increases of around 2.9% per annum between Maidenhead and Acton, or around £50,000 per property over the five year period. This is roughly four times the average increase in East London, which is likely to be closer to 1.7% per annum, or £21,000 over the five years.

Overall, the biggest winners will be Ealing Broadway, Farringdon, Paddington, Bond Street and Tottenham Court Road. Homes in these areas could see higher increases, of up to £100,000.

We anticipate total house price growth of 13% around Crossrail stations between now and 2018, with up to 20% in Central London. This is expected in addition to underlying capital growth.
In the 1980s, the Isle of Dogs was dominated by low quality, local authority housing stock and there was simply no office market. However, the arrival of the Docklands Light Railway and over a decade later, the Jubilee Line, completely changed this. These large-scale infrastructure improvements helped transform Canary Wharf into one of the capital’s leading office markets and one of the world’s most influential financial districts. The housing market subsequently responded, with high-end developers seizing the opportunity and building tall residential towers like Pan Peninsula and Baltimore Wharf. Crossrail now is likely to play a similar role as a catalyst for investment and development.
Impact on house prices

![Diagram showing time saving and house price increase](image-url)
The central section

The impact of Crossrail will be felt most acutely in its central section, in the heart of the capital. Already a raft of investment and development is underway at key stations, and is starting to transform entire areas.

The majority of these are areas that, despite being inherently well located, have been overlooked historically in terms of investment and development. Subsequently, their property markets underperform relative to their surrounding areas. Improving connectivity in and out of London, as well as increasing the sheer capacity for passenger numbers, will mean a real step change for all central stations.

For example, accessibility at Paddington will change significantly as a result of Crossrail and the addition of a new Crossrail station. These enhancements are also likely to produce a marked improvement to the surrounding residential market, which has struggled to keep pace with its more successful neighbours.

Elsewhere, Farringdon is now more likely to realise its huge potential as a prime business district, having traditionally only performed well when supply in the West End and City has been tight.

In the West End itself, the retail and leisure offering is already by far the most prominent in London. However, key stations like Bond Street do not currently have sufficient capacity to service any increase, despite likely latent demand.

Other stations in the central section, such as Tottenham Court Road, have simply been overlooked and are in desperate need of improvements, particularly in relation to the accessibility and permeability of the public realm.

Crossrail and associated development will transform all of these areas, enabling them to reach their potential, as places people can easily reach, and where they want to work, shop and spend their leisure time. This change is underway, and the property market is responding.
Tottenham Court Road

Tottenham Court Road is set to be a key beneficiary from Crossrail. From 2018, the new station will be able to accommodate 70m passengers a year, putting it on an equal footing with Oxford Circus. This boost to footfall into the area immediately makes it a more attractive retail and office location. In addition to the improvements to connectivity, Tottenham Court Road will undergo real transformation above ground.

Historically, the area has been relatively neglected, despite its inherently good location, and property rents and values reflect this. However, this is all changing, as part of the £1bn investment programme. The immediate area is undergoing a complete overhaul, particularly in regard to the public realm. It currently functions very poorly, so the improvements in permeability, making it a much more user-friendly area, will be of huge benefit.

The pace and scale of change has triggered a huge surge in confidence, particularly in retail. The first in a new wave of anchor stores has now taken occupation, in the form of Primark, which is already strengthening the shopping offer at the east end of Oxford Street. Crossrail is prompting the largest surge of retail stock renewal in the West End for a generation, which will fundamentally shift current shopping pitches; many tertiary pitches will become secondary and secondary pitches prime.

The office sector is also starting to see the benefits, as rents in the eastern part of Oxford Street surpass peak-2007 levels. Significant new development is now underway, or in some cases, has already been delivered. For example, Central Saint Giles demonstrates the importance of major public realm improvements, particularly in relation to permeability. As this continues, in tandem with the delivery of Crossrail itself, rental values in this area are expected to realign with the wider West End market.

Central Saint Giles also highlights the latent demand for high quality residential space in these areas, and the potential values that can be achieved. It is a stand-out scheme in terms of design, particularly with regards to public realm at ground. As a result, the launch of the upper residential units was met with a flurry of international interest in 2011. Averaging £1,385 psf and reaching £5.5m for a penthouse, it easily broke through local price ceilings.

Similarly, Fitzroy Place has been one of the fastest selling schemes in the whole of London over the past few years, with the most impressive value growth, underlying the strong demand in this area.

Almacantar’s revival of Centre Point is set to be the ‘next big thing’ in this neighbourhood, transforming the 1960s office block into 82 high-end apartments with spectacular views across the capital. This will cement the area’s transformation into a prime residential zone.

Our analysis indicates that the substantial upgrade in accessibility at Tottenham Court Road will increase embedded residential values in the area by 2.9% per annum until 2018, or by 15.5% in total over this period. However, given the central location, the opportunity and appetite for prime residential space is palpable. We therefore anticipate that developers will maximise the potential for additional value uplift and focus on delivering high-end products.

Mirroring the wave of new iconic schemes currently underway on the Southbank, the bias towards prime development will most likely prompt a sharper uptick in new build values in the Tottenham Court Road area.

The £1bn spend programme at Tottenham Court Road is the most significant transport investment in the West End for decades. This is also the most extensive over-site development on the entire Crossrail network. The subsequent boost in confidence is already evident in the local property market, across all sectors.
Farringdon

Another pocket of Central London that has been largely overlooked is Farringdon. It has historically underperformed relative to its neighbours across all property sectors. However, it is now on the brink of becoming one of the best connected areas in the capital, thus completely repositioning its property offering.

Farringdon will become one of the major Crossrail hubs, in relation to both connectivity and capacity. With Crossrail, Thameslink and the existing underground network, Farringdon will be the UK’s busiest station, with 140 trains per hour. It will offer the only interchange between the Thameslink and Crossrail, and provide direct access to Heathrow, Luton and Gatwick airports.

This significant enhancement of Farringdon’s connectivity has already had a noticeable impact on its office market, boosting its appeal among occupiers, particularly in the technology, media and telecoms sector. Sixty London is a great example; all 206,000 sq ft was let prior to its completion in Summer 2013 to Amazon, which now looks likely to make Farringdon their London base; it is rumoured to be in the market with a similar size requirement, also in this area.

The transport connections themselves, as well as the street-level placemaking endeavours, are all encouraging further inward investment. Sixty London illustrates how far new developments are starting to elevate Farringdon’s reputation, repositioning it with surrounding markets. We expect rents to continue to rise and ultimately out-perform competing markets.

Crossrail will give Farringdon a huge boost as an office location, making it one of the most sought after occupier locations in London. We expect office rents to increase by an average of 6.1% per annum over the next five years. House prices are also set to surge in this area, by an average of 5% per year until Crossrail becomes operational, or 28% in total, on top of underlying capital growth.
Canary Wharf

Canary Wharf station will be one of the largest on the entire route. It will be the equivalent of One Canada Square - Canary Wharf’s centre piece laid on its side. It is being built on dock water on the North Dock of West India Quay and when complete, will comprise six storeys of retail provision, along with a landscaped park, restaurant and community facility on the top floor. In keeping with its contemporary surroundings, the station will be draped in an elegant, semi-open-air lattice roof, which will allow views out over the dock to the rest of Canary Wharf and beyond.

The capacity of the public transport network at Canary Wharf will increase by 50%. The improvements will bolster the resilience of the current transport connections and overall connectivity, especially to the City and to Heathrow.

Crossrail will unlock the largest development pipeline in the whole of London, with around 8m sq ft of office space potential. The surge in development will help consolidate its reputation as a key business district and assist with attracting a broader range of occupiers to new developments such as Wood Wharf. The additional retail and leisure space that will emerge as a result will reinforce the area’s heavyweight status as a business location.

When Canary Wharf originally emerged as a key business district, a number of residential developers sprang into action. We anticipate the same response this time round, as it expands significantly. The local market will primarily be driven by the increase in the local workforce, which will put additional pressure on demand for high quality housing. However, it will also be boosted by the general enhancement to the quality of the area. We anticipate that this will drive residential growth by 3.6% per annum.

In terms of new development, there are nearly 10,000 units in the planning and construction pipeline in the Docklands. The area is attracting a flurry of interest from high-end developers, looking to build out high density towers and take advantage of its now firmly entrenched prime status.

The capacity of Canary Wharf’s public transport network will increase by 50% as a result of Crossrail. This will completely alter the development potential of the area, making it ripe for expansion. This will fundamentally shift its value proposition.
The main story of the western section of Crossrail is in the residential market. The substantial reduction in travel times on this leg of the route will trigger house price increases in the region of 2.9% per annum.

In residential terms, the western section is likely to benefit much more than the eastern, given the sharper reductions in travel times. Again, this will be supported by associated regeneration work, and in many cases, underpinned by already strong and mature housing markets.

We envisage average uplift in residential values along this western stretch of 2.9% per annum until Crossrail opens, or 15.6% in total over this five year period. The greatest gains will be made in the Southall to Acton corridor where growth of around 3.7% per annum is expected.

Over the next five years, this would equate to an average additional uplift of £80,000 per house, on top of any underlying capital appreciation. Ealing, in particular, could see the greatest increase, with the average property shooting up by £100,000 over this period.
Residential Development Pipeline, Southall and Ealing

**Ealing**

Crossrail will reduce travel times from Ealing into Central London by 32 minutes. This will have an immediate and significant impact on its appeal to commuters. In addition, the area is already undergoing marked improvement: Ealing Broadway station is receiving a makeover, the town centre has substantial regeneration plans, and the Ealing Broadway Shopping Centre is also ear-marked for a major upgrade. So while the improvements are thoroughly cross-sector, the most distinctive improvement will be in the overall quality of the place as a residential district. As a result, we anticipate that underlying values will increase by 3.3% per annum.

Encouraged by such positive underlying growth prospects, the area is seeing increased interest from developers. In residential terms, the most notable scheme underway is the St George’s development on New Broadway, which is currently under construction and will ultimately deliver nearly 700 units, of which nearly 500 will be private.

With regards to the commercial markets, the most significant concentrations of office space within West London are along the M4/A4 corridor. Key hubs are currently in Hammersmith, Chiswick and around Heathrow. However, the marked reduction in travel times into London will elevate Ealing’s offering and both occupiers and developers will be poised to take advantage of this.

**Slough**

Elsewhere on the western route, Slough is well positioned to benefit from the improved transport links into Central London. Currently, the best office space in Slough is just west of the town centre, some distance from the station. This has been popular with a number of large corporate occupiers as their headquarters, such as O2, Blackberry, Reckitt Benckiser and Black and Decker.

However, a significant number of commercial and residential schemes are planned for the town centre, which should see a shift of activity back towards the station. The arrival of Crossrail, in addition to further infrastructure improvements around the station and town centre, is likely to escalate this shift. Two notable office schemes in the pipeline are Heart of Slough and SL1.
The eastern section

Crossrail will deliver a step change to East London’s accessibility when it becomes fully operational. By cutting journey times so significantly in places like Abbey Wood, Crossrail will create new commuter zones that are much more affordable than the current alternatives.

The new services will underpin ongoing regeneration of areas like Stratford, that are already on their way up, having undergone considerable investment relating to the Olympics.

From a residential perspective, there will be a ripple out effect from the transport improvements and associated regeneration works, as the surrounding areas also feel the boost. We anticipate a general uplift in the eastern section in the region of 1.7% per annum until Crossrail opens; or 8.8% over the five year period.

However, this will be felt more acutely in areas that see more drastic cuts in travel times. For example, both Woolwich and Abbey Wood look likely to do very well.
**Stratford**

Already well connected on the rail and tube network, Stratford will now have the additional advantage of being directly linked to Heathrow; an important consideration for international office occupiers. Crossrail will also increase the capacity of the station, which will help ease some of the congestion that currently exists, particularly on the Central Line.

Crossrail will complement the existing infrastructure in Stratford and offer further comfort for the growing office market. There is now 5m sq ft in the development pipeline, with both Westfield and Lend Lease having substantial plans for the area.

There will also be a ripple out effect, as the benefits of Crossrail spill further into East London. For example, Canning Town and Royals Docks will also be serviced by the new line via Custom House. This will totally transform accessibility in these parts and again, act as a major catalyst for further regeneration.

**Abbey Wood**

For Abbey Wood, travel times to Heathrow will be reduced by 40 minutes, and to Bond Street and Canary Wharf by around 20 minutes. This throws the area into a new demand bracket, as it morphs into a serious commuter zone.

It is likely that Abbey Wood will become an incredibly attractive – yet relatively affordable – home for commuters. Average house prices are currently around £180,000 and look likely to increase by £41,000 over the next five years. This reflects an annual uplift of 4.3% and overall uplift of 23% between now and 2018.
Conclusion

There is no doubt that Crossrail will be a game changer in property terms.

By increasing the volume of people travelling into Central London, Crossrail will unlock huge expansion potential. From an office perspective, areas like Farringdon and Canary Wharf are particularly exciting.

The retail provision in the West End will get a considerable boost, as currently underperforming areas like Tottenham Court Road undergo a much needed makeover.

But perhaps the biggest story in the property world is in the residential market. Home owners along the entire stretch of the route will continue to see their homes increase in value, as their neighbourhoods get better and their trips to work get shorter. Overall, house prices are likely to increase by 13% over the next five years in areas around affected stations. This is likely to be closer to 20% in Central London.

Infrastructure projects on the scale of Crossrail are essential to both the London economy and that of the wider UK, ensuring that we keep pace in an increasingly globalised marketplace. With a total cost envelope of £14.8bn and an overall estimated benefit of £42bn, there will surely be plenty of winners.