

CROSSRAIL

ANALYSING PROPERTY MARKET PERFORMANCE
ALONG THE ELIZABETH LINE **2017**



ELIZABETH LINE

7%
total average outperformance of markets surrounding planned Crossrail stations compared to the wider market Jul 2008 – Dec 2016

40%
outperformance of prime central London Crossrail stations Jul 2008 – Dec 2016

OVERVIEW

The construction of Crossrail, to be known as the Elizabeth Line, is now 80% complete. The line is expected to bring an additional 1.5 million people within a 45 minute journey time of central London, and serve some 200 million passengers per year.

The most recent data, from 2015/16 reveals 1.34 billion people used the London Underground, the highest number in the service's 154 year history, emphasising the need for additional transport infrastructure in the capital. Crossrail trains are expected to be in operation from late 2018, marking the completion of London's largest transport infrastructure project since the Second World War.

Knight Frank's previous Crossrail report, published in 2015, found that house prices along the route had outperformed the wider local markets by an average of 5% since Royal Assent was granted in 2008. An analysis of new data, covering

the period up to the end of 2016, shows that **average outperformance has risen to 7%**. It is acknowledged that Crossrail may not be the sole reason for price uplift, and that other local factors will also have an influence on house prices, but the overall trend of outperformance is notable.

Performance was calculated by analysing house prices within a 10-minute walk of stations in the central section, and within a 15-minute walk of stations in the eastern and western sections.

In addition to house prices, we have also assessed the residential development pipeline along the Crossrail route, using the same parameters, as well as identifying some development opportunity areas.

As the project draws near to completion, attention will turn to possible future transport infrastructure drivers in the market, not least Crossrail 2. We examine the opportunities for this line on pages 4, 5 and 6.

Crossrail

House price performance along the Crossrail route is not uniform. There has been a range of price growth along the line, with prices within 10 or 15-minute walk zones of some stations still showing a slight underperformance compared to the wider local authority – usually in areas where house price increases have been very strong over the last two years.

In central London, property values around Crossrail stations have outperformed Knight Frank's prime central London index by 40% between 2008 and the end of 2016, up from 24% at the time of the last report. While average prime central London prices have dipped by 5.7% since Knight Frank's previous Crossrail report, property values in and around Crossrail stations in central London rose by 10%, further enhancing the average outperformance in this area.

On the eastern and western sections, there has also been a notable step up in performance, in particular in Hanwell, Abbey Wood and Manor Park.

Strong growth at a local authority level has been a key factor in the price performance around stations over the last two years. Average house prices in Maryland and Stratford increased by 41% and 40% respectively between Q3 2014 and the end of 2016, compared to a 45% price rise across the wider borough of Newham, where they are both located. This resulted in a narrowing of the outperformance around these stations.

Areas of opportunity

There is significant development potential along the Crossrail route. At the end of Q1 2017, 24,345 private units were under construction with a further 42,125 with planning permission that have not yet started.

Despite covering just seven stations along the route, there are more private units under construction within a 10-minute walk zone of each station in the central section than the western and eastern sections. Over 10,000 private units are being built from Paddington to Canary

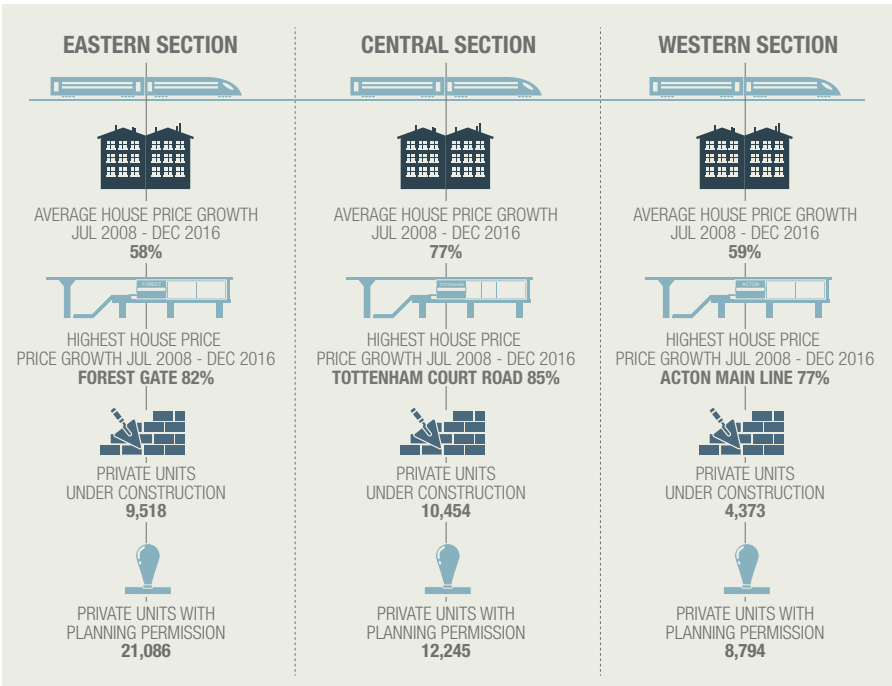
Wharf, though it is worth noting that Canary Wharf accounts for some 6,500 of these units.

The eastern section of Crossrail has the largest development pipeline. Regeneration projects in Stratford and Woolwich encompass a significant proportion of this. In total, 9,518 private units are under construction within a 15-minute walk of each station, which runs from Stratford to Shenfield in Essex, as well as from Custom House to Abbey Wood in South East London. In addition, 21,086 private units have planning permission but have not started.

Along the western section of the line there are over 4,000 private units under construction within a 15-minute walk zone of each station, with double that number in the planning pipeline. In addition, there are plans for some 12,000 new homes to be built at Old Oak Common close to Acton Main Line station.

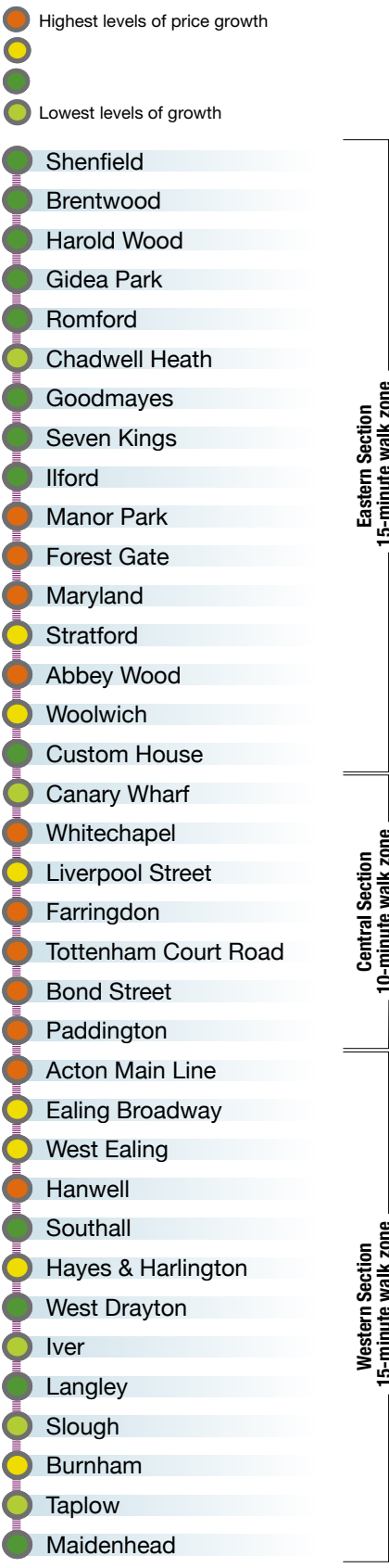
Having examined every station along the line, there are a number of stations along the route that possess the fundamentals to be considered particular areas of opportunity for development. These include Southall and Custom House, which we now consider in more detail.

FIGURE 2
Performance of the Eastern, Central and Western sections of Crossrail



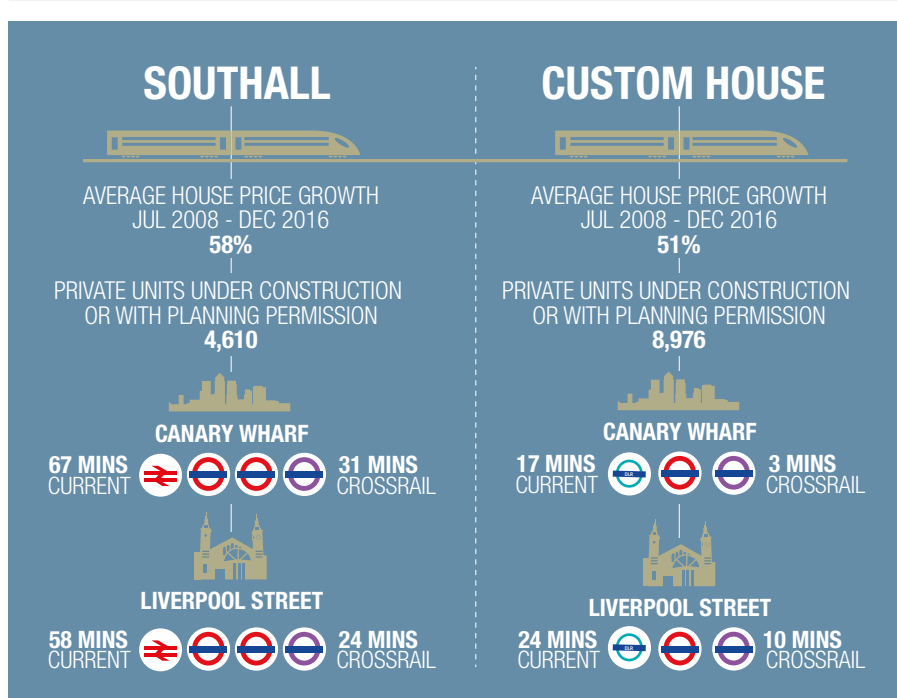
Source: Knight Frank Research

FIGURE 3
House price performance by station
July 2008 - December 2016



Source: Knight Frank Research
*calculated using house price sales regression

FIGURE 4
Key facts: Southall and Custom House Stations
House prices and development pipeline based on a 15 minute walk time from each station



Southall, located in travel zone four in the borough of Ealing, is to see a significant reduction in journey times (figure 4) once trains are in operation in 2019.

House prices within a 15-minute walk of the station have increased by 58% since 2008, underperforming the wider local authority growth of 64%. However, the level of development and regeneration set to take place around the station indicates that Southall has the potential to see a faster rate of growth in pricing once the trains are running.

As of yet, there has been very little development activity in Southall. However, a number of developments are in the pipeline that will enhance the area's amenity offering, as well as delivering new homes. There is currently one development under construction within a 15-minute walk of Southall station, to be followed by eight developments with planning permission containing 4,489 private units.

With journey times to be reduced substantially and a wealth of new amenities to be delivered, Southall is to undergo considerable changes as a result of Crossrail.

In the borough of Newham in travel zone three, **Custom House** station is already served by the Docklands Light Railway.

However, Crossrail will noticeably reduce journey times, particularly to the West End (figure 4).

House prices within a 15-minute walk of Custom House station have risen by 51% since March 2008, below the 62% recorded across the borough of Newham.

However, the Docklands area is transforming. The London Excel Centre is now a major entertainment venue in London and expansion plans are in place for London City Airport.

A number of developments are under way, delivering new homes across a range of tenure types. In addition to this, retail space, new bars and restaurants and public realm improvement works are also to be provided.

Meanwhile, Silvertown Quays is one of the largest regeneration projects in the capital with planning permission. Some 3,000 new homes are planned, a third of which will be affordable housing.

Around 10,000 new homes across 19 developments could be delivered within a 10-15 min walk of the station. The area is fast becoming a new destination in London, and the construction of new homes, amenities and frequent Crossrail services could underpin prices.



"Given the skills shortage affecting the construction industry, the delay in approving Crossrail 2 is a missed opportunity to take advantage of the skilled workers with specialist technological expertise who have been engaged on the Elizabeth Line."

JUSTIN GAZE
Joint Head of Residential Development

Crossrail 2

With consultations on Crossrail 2 underway, the line could follow Crossrail and provide a second high speed rail link through central London.

Based on current estimates, Crossrail 2 trains could be running by the early 2030s. It is expected that the line will increase rail capacity by 10% and serve an additional 270,000 passengers a day during peak periods. This will certainly be needed with London's population forecast to exceed 10 million by 2030.

The latest proposed route, as shown in figure 5, runs from Broxbourne in Hertfordshire to Epsom in Surrey, via Tottenham Court Road and Victoria in central London. A number of regional branches are also included in the proposal.

We have analysed house prices and rental values along the proposed Crossrail 2 route to identify future opportunities. Prices are based on two bedroom flats within a 10-minute walk of stations in London, and a 15-minute walk outside the Capital. The most affordable station along the line is Rye House in Hertfordshire, at an average price of £226,000 and monthly rental values at £940. Conversely, house prices close to the proposed King's Road station in Chelsea average £1.5 million, with Tottenham Court Road the most expensive location to rent at £3,660 per month.

Source: National Rail/TfL

FIGURE 5

Crossrail 2 house prices and rental values

Based on 2 bedroom flats within a 10 minute walk of each station (15 minute walk for stations outside of London)



Source: Knight Frank Research



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The plans put forward for Crossrail 2 suggest there is capacity for 200,000 new homes to be built along the route. It is noticeable that in the consultation papers for Crossrail 2, there is much discussion of how new housing can be delivered along the route.

However, in order to fully utilise the residential development potential of Crossrail 2, calls are being made for planning rules relating to the density of development to be relaxed.

Further to this, pressure is being placed on the Government to approve Crossrail 2. A group of more than 60 housebuilders, including the Berkeley Group and Taylor Wimpey, along with the capital's largest housing associations, wrote a letter to the Government emphasising the importance of the project in helping to address London's housing supply shortage.

Crossrail 2 will provide increased connectivity for outlying stations. Research by Merton Council suggests journey times between Raynes Park and Tottenham Court Road will be cut from 45 minutes to 20 to 25 minutes. Such a reduction in journey times is likely to underpin demand for property and drive development opportunities in outlying northern and southern stations on the proposed route. Almost half of respondents in Knight Frank's latest tenant survey highlighted

good transport links as a key requirement when looking for a rental property.

Outlook

With the Crossrail now less than two years from being fully operational, property along the line is likely to see increased demand from buyers and renters once trains are running. This could be particularly true for stations on the eastern and western sections of the line where values are below the London average, and journey times are to see the most noticeable reduction.

Current estimates suggest construction on Crossrail 2 could commence in 2023. Certain areas on the line are already seeing increased levels of construction and regeneration, Tottenham Hale being one notable example. Meanwhile, by the early 2030s, Clapham Junction could be a station on both Crossrail 2 and the Northern Line, though plans remain very much at discussion stage.

Crossrail has acted as an example of how major infrastructure, supported by wider regeneration – and deliver a boost to new housing. When looking ahead to London's future transport infrastructure projects, Crossrail 2 and the Bakerloo Line extension into South East London, there is potential to create new housing in well-connected areas, provided the infrastructure is delivered first.

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FIGURE 6 Possible impact of Crossrail 2 on journey times from Raynes Park station

| | Current journey times | Crossrail 2 journey times |
|----------------------|-----------------------|---------------------------|
| Tottenham Court Road | 35-45 minutes | 20-25 minutes |
| Stansted Airport | 85-95 minutes | 70-80 minutes |
| Dalston Junction | 55-65 minutes | 25-35 minutes |

Source: Merton Council

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