



The CROSSRAIL effect

How will huge passenger increases courtesy of Crossrail impact the retail property market across the capital? **Jon Severs** investigates

They say that good things come to those who wait, and when it comes to the impact of Crossrail retailers clearly believe there is some truth in that statement.

“The bottom line is that not many people know what is going to happen,” admits Matthew Thompson, associate director for retail investment at property firm Colliers. “As a result, the majority of retailers are waiting to take the plunge closer to the time it is completed, when they begin to see what is really happening around the stations.”

Nick Symons, partner at retail property consultancy MMX Retail, agrees. “Interest from residential investors and developers in hub areas along the Crossrail route appears to be strong, particularly in West London. However, commercial occupiers are lagging behind, especially in areas outside of

the M25 where retailers want to fully understand the market first, and Crossrail’s impact, before committing,” he says.

Areas of certainty

The trepidation is not down to a lack of facts. We know there will be 40 Crossrail stations that will run from Reading to Shenfield and Abbey Wood through central London. We know it is estimated it will carry 200 million passengers per year. And we know there is extensive regeneration work being planned in and around the stations. What we don’t know is how that will impact retail.

Thompson says the complexity arises because it is not necessarily as a direct result of a Crossrail station that a retail opportunity will arise.

“The general view is that it is not the Crossrail stations themselves that will lead to more retail, but the development of office and



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MATTHEW THOMPSON, COLLIERS



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residential space around the stations. The retail proposition depends upon those developments.”

John Percy, head of the retail and leisure development team at Cushman & Wakefield, disagrees in part. “Technology can mean that some brands will be able to operate in spaces that might have historically been too small. Take the Argos kiosk at Cannon Street, American Apparel at King’s Cross or John Lewis at St Pancras.”

A key question is also how far from the station hubs will impact be felt? Charles Owen, Seven Dials portfolio executive at Shaftesbury, is confident there will be an impact as far as his company’s retail development is concerned.

“The Tottenham Court Road Crossrail station is predicted to serve 108 million passengers annually by 2026,” he says. “Seven Dials is just minutes away and we are anticipating a significant increase in footfall as a consequence, adding to the 32 million visitors we currently welcome to Seven Dials every year.”

But how that ripple effect transfers to less central locations is debatable. And Percy adds that the retail opportunity is far from clear cut.

“Where a station simply acts as a transit point going to London, then the uplift is less obvious,” he explains. “It may even lead to further changes in types of retailing – with destination in the centre and convenience/pick-up only around terminus stops. Either way, it is retail taking advantage of the human dynamic – more people able to get to the door or going past the door.”

Camilla Topham, a director in the development and London estates leasing team at Davis Coffey Lyons, believes the clear winners will be central London locations.

“Crossrail will make the central areas that it passes through even stronger,” she says. “In terms of retail values, Tottenham Court Road will be the real winner. There has already been an uplift in restaurant rents in the location and this is only set to increase further once Crossrail arrives.

“Farringdon will be a key Crossrail interchange and, as a result, will emerge itself as one of the most prominent and desirable office locations in central London. As such there will be increased demand for supporting food and drink both from the grab-and-go sector and restaurants and bars.

“A number of key restaurants have already moved into the area in anticipation of Crossrail arriving and these include Granger & Co and Iberica, and Jason Atherton is opening his new Sosharu restaurant in Derwent ↘

CROSSRAIL IN NUMBERS

+10%
central London
rail capacity
supporting regeneration and
cutting journey times across
the city

100km
covered between Reading
and Heathrow in the west,
through new tunnels under central
London to Shenfield and
Abbey Wood in the east

40 stations
including Paddington,
Bond Street, Tottenham
Court Road, Farringdon,
Liverpool Street, Whitechapel,
Canary Wharf, Custom House,
Woolwich and Abbey Wood

1.5m extra
people
will be within 45 minutes
of central London and will link
London’s key employment, leisure
and business districts – Heathrow,
West End, the City, Docklands
– enabling further economic
development

2018
first services
run through
central
London

200m
estimated
annual
Crossrail
passengers



Areas in central London such as Seven Dials are expecting significant increases in footfall as a result of Crossrail



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CROSSRAIL TIMELINE

2015-2017

Major fit-out of stations and tunnels continues, and upgrades to the existing railway network for Crossrail services by Network Rail

2017

The first new Crossrail rolling stock will start to replace existing suburban trains between Liverpool Street and Shenfield

2018

Late in the year, the first Crossrail services will start to run through the central London tunnelled section

2019

In late 2019, the full Crossrail service will be operating from Heathrow and Reading to Abbey Wood and Shenfield

London's Turnmill building next March. Paddington will additionally benefit from increased demand from the restaurant sector. There has always been little demand from restaurant operators to locate there, however that will undoubtedly change, as hubs are created around Crossrail Stations from operators responding to the increased footfall and office workers in the vicinity."

Increasing other areas' appeal

And what about places such as Woolwich and Whitechapel? Thompson believes it will be a mixed bag.

"Whitechapel is a funny one," he says. "It is

so close to the City and the office space and bars are towards Aldgate, so I don't think there will be that much change in retail demand. But in Acton and Woolwich, those two stations are going to be true anchors for development, the equivalent of a John Lewis in a shopping centre. There will be a significant increase in footfall and you will get retail as a result."

Oliver Green, director of central London retail at Savills, disagrees on Whitechapel. "Crossrail and the associated residential and commercial developments taking place at Aldgate and Whitechapel will mean these locations will see their attraction to retailer occupiers intensify.

"For example, around 3,000 residential units are expected to be delivered within the Whitechapel area over the next five years. The associated population increase that will accompany this increase in housing stock will no doubt attract new types of retailers to the area."

This disagreement just shows how up in the air the situation is. There are a lot of "ifs" and "maybes" involved here, and so concrete retail deals are few and far between.

"There are planned retail developments surrounding a number of the new stations including Great Portland Estate's development at New Bond Street and Derwent's development at Tottenham Court Road," says Peter Mace, head of the Cushman & Wakefield Central London Retail team. "[But] at this stage we are not aware of any significant retail transactions that have been concluded in any of these developments."

One retailer that has taken the plunge early is Hotel Chocolat on Tottenham Court Road. While Crossrail was a major driver for the move, it wasn't the only consideration, according to co-founder Peter Harris.

"We wanted to be close to Oxford Street but

Crossrail was also an important part of the decision to open a store in Tottenham Court Road," he says. "It wasn't necessarily just the station itself, rather the regeneration it has brought to the area, too. Some stations you stop at can be like ghost towns, but the regeneration of this area has really moved it on from what it was – cheap electrical stores.

"I think we have gone in at a sensible time. Rents in London are never cheap but similarly landlords are sensible with their plans to work with tenants in a partnership."

It's all in the timing

The question of rent is an interesting one. By going in now, while there is still some doubt in the market, you would think Hotel Chocolat could have got a cheap deal. But, as Thompson says, that really depends on the agreement being made: if rents can rise when the station arrives, then being there early may not matter as much. And he says rents have already increased, particularly around Tottenham Court Road, where average Zone A rent has nearly doubled.

"On Bond Street what you are seeing is a lot more owner occupier demand, so the big premium brands are trying to buy out the units they sit within to safeguard against rent increases in the future," he adds.

Green adds that Moorgate, Old Street and Farringdon have had average annual rental growth over the past three years of 11.6%, 13% and 12.1% respectively.

With a lot of deals still to be done for retail space – some would argue the vast majority of it – those rental increases will be intimidating. At some point, retailers will have to make the leap. Good things may come to those who wait, but wait too long and the good thing may just pass you by.

Crossrail was an important part of Hotel Chocolat's decision to open a Tottenham Court Road branch



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