WILL CROSSRAIL CLOSE THE GAP?

Domenica Scordo, retail analyst at BNP Paribas Real Estate, the leading property adviser, questions whether Crossrail will close the differential in rents between West and East Oxford Street:

“Crossrail, when it opens in 2018, will increase London’s rail passenger capacity by 10 per cent, bringing another 1.5m people within a 45-minute commuting radius of Central London and generating £42bn for the UK economy in its first 10 years of operation, according to government forecasts. Some 200m passengers are predicted to use it annually.

This raises the question of could Crossrail close the differential in rents between Oxford Street East and Oxford Street West? Prime rents have always been lower on the East side, representing around a quarter less than prime rent achieved on the West side. The development of Crossrail should close this differential as it encourages redevelopment of the area and attracts further investment.

East Oxford Street is in dire need of improvement to both the units and physical state of the street. Around £1bn is being spent to redevelop Tottenham Court Road station and upgrade the capacity of the tube station. The area is a major London interchange, close to theatres and provides an opportunity for more leisure driven retail to the area, and has the potential to create a thriving cultural and retail destination.

Let us not forget that Crossrail will also have positive implications for Oxford Street West, with Bond Street station being redeveloped. This means that rents are likely to improve for the overall area. Once improvements are made to the East side, we may see rents edge closer to those on Oxford Street West. But it is unlikely that they will match or overtake rents on the West side. Instead it will rebalance the disparity between the two areas and create a more cohesive shopping destination.

In addition, property values in the area will see uplift. The Jubilee Line extension highlights the nature of distance decay effects. Our 2005 report "Assessing the change in values attributable to the Jubilee Line Extension" suggested a greater positive effect on property values with proximity to
the transport nodes but it is highly contained. If this pattern holds, property closest to the stations will benefit the most.”

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About BNP Paribas Real Estate
BNP Paribas Real Estate is a leading international real estate provider. It offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.
BNP Paribas Real Estate has local expertise on a global scale through its presence in 30 countries (15 wholly owned subsidiaries and 15 by its Alliance network, that represent today more than 2,500 people) with 3,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas with more than 150 offices.
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