

# Super Stations

Lessons for Euston station – how mixed-use developments can transform a community



"Irrespective of whether HS2 goes ahead", the Euston Opportunity Area Planning Framework "aims to plan creatively for the future of the station and wider area to capture potential benefits and minimise any negative impacts to existing communities. The challenge for the Framework is to secure an exceptional, world-class, environment at ground level, which raises the profile of Euston and creates a place people want to live and work in and visit, while taking account of the engineering requirements of the station and railway operation."

**Boris Johnson, Mayor of London**

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# Super Stations

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# Foreword

The challenge of modernising Euston station presents a fantastic opportunity.

There is an opportunity for new jobs, investment and growth.

To achieve this, we need to create a station that transcends its basic transport functions and emerges as a destination in its own right capable of reinforcing and supporting the surrounding community.

A development that acts as a magnet for investors who will create a place of employment for thousands of London's workers.

The danger is that this opportunity will be missed. That a vision gives way to piecemeal developments that pack in an additional platform here and a new concession stall there, but eventually leads to bigger crowds squeezing into smaller spaces. Investors and workers will look elsewhere. Local residents will remain excluded.

Within this report we set out the growing body of evidence from across the UK, Europe and Japan showing how mixed-use developments can transform a community. They reveal the ingredients needed to deliver a successful station redevelopment and, when compared to the challenge of modernising Euston, show that the opportunity stands ready and waiting.

To deliver change, policy-makers must look beyond immediate operational considerations of meeting booming train demand and treat Euston as a site of broader social and economic importance.

They must recognise that the success of transformational developments like the Olympics requires an integrated planning authority that is empowered to deliver real change.

They should embrace the legacy of Sheffield, where every £1 invested in the station has generated £3 in return for the local economy. They should ensure that Euston provides a wide range of services that cater for the needs its local residents, as well as its passengers.

A dense, mixed-use overstation development at Euston will deliver significant benefits to the local community whether or not the HS2 proposal goes ahead. If it does, the station redevelopment has the potential to contribute to the funding of HS2.

**Richard Anning**

Chief Executive, Euston Estate Limited Partnership

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"Realising the commercial potential of a station can ... result in a 'win-win' alignment of social, economic and commercial objectives, helping to ensure the deliverability and success of a station investment scheme."

Network Rail, 2011

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# Executive Summary

Euston station's future could be bright. Redeveloping the station is more than just rebuilding a vital transport hub, crucial though that is. The Euston plan can attract private sector investment and expertise in an exciting way that will deliver local jobs and a stronger local economy.

This report sets out the lessons learned from station redevelopments in the UK and around the world.

This report argues that a mixed-use station development scheme could unlock the economic potential of Euston station and transform it from an ageing transport gateway into a multi-functional, efficient, community asset. Investing in Euston station represents a low-risk, high-return policy for all of the stakeholders.

Chapter one shows how Euston station could become a magnet for private sector investment at a time when capital is scarce. It looks at infrastructure policy in the UK and argues that austerity measures and a lack of public sector capital means that Government bodies do not have sufficient resources to finance station redevelopments from the public purse. They must rely on attracting new sources of capital from private sector investors, like pension funds, which are only attracted to low-risk assets with guaranteed rates of return on their investments. Euston is a significant infrastructure investment opportunity even if HS2 does not proceed.

The report makes four recommendations to ensure that Euston does not become another missed opportunity. First, the Government must learn the lessons from previous schemes and harness the knowledge within the property development industry. Second, the mixed use development should be structured to meet HM Treasury guidelines for underpinning projects to attract overseas investment. Third, legislators should incorporate an appropriate planning regime within the HS2 hybrid bill. Fourth, stakeholders' needs should be aligned and integrated via an empowered body like the Euston Opportunity Area Planning Framework or a similar body.

Chapter two shows how Euston can create jobs and transform the local economy. Realising the commercial potential of Euston station will transform it into a destination in its own right that supports wider economic growth. Case studies show that well planned station redevelopment projects that are integrated into a city strategy will create jobs and support wider economic growth. Station redevelopments generate direct and indirect employment opportunities and increase the local authority's tax base. One of the examples used is the £62 million overstation redevelopment at Manchester Piccadilly station. The new station attracted 28 million retail users per annum, up from 19 million, experienced increased rental values of £10 million per annum and local property values rose 33%.

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Chapter three shows how Euston can build a stronger local community. It argues that Euston's developers must embrace urban design principles and offer a carefully selected range of services tailored to meet the needs of the passengers, and the local residents. The best way to achieve this is a three pronged strategy: invest in a mixed-use development, invest in local community services and ensure the new station is undertaken via modern urban design principles. This approach will improve the perception of the area, create a community hub and lead to better cohesion between the station and its surrounding networks.

Euston station is a low-risk, brownfield infrastructure asset, that with an appropriate density of development will have the characteristics to attract meaningful private sector investment. This investment can be used to defray some of the upfront capital cost and minimise the public sector contribution to redeveloping one of London's most outdated and deteriorating transport gateways.

The most effective way to unlock Euston's potential is to have a well-designed, mixed-use development of the station and its environs. But to maximise the social and economic returns, there must be an integrated planning approach from the very beginning of the development process. This will enable investors, users and operators to realise the commercial potential of the station and transform it into a community hub that supports wider economic growth and the regeneration of the Euston townscape.

# Chapter one

## Creating a magnet for private sector infrastructure investment

In 2004, before it was earmarked for development, Stratford station sat on the edge of a 73 hectare semi-derelict wasteland.

Successful infrastructure must attract capital and doing this requires a specific set of conditions. Canary Wharf and Stratford show how to structure schemes to defray capital costs and deliver inclusive planning. This chapter looks at the secrets of success in these projects and explains how to create a magnet for private investment on the Euston station site.

### 1.1 Creating the right planning environment to attract private sector investment

#### 1.1.1 Seeing the potential at Stratford

The recent redevelopment of Stratford station is ‘an excellent example of what can be achieved through proper collaboration and leadership’.<sup>1</sup>

In 2004, before it was earmarked for development, Stratford station sat on the edge of a 73 hectare semi-derelict wasteland. The land was heavily contaminated and restricted by poor access. Developers set themselves



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"I am especially proud of the investment brought to the borough through major redevelopment in Stratford, Canning Town and the Royal Docks. I believe the 2012 Olympic and Paralympic Games coming to Newham has accelerated the pace of change, representing a unique chance to bring the scale of growth and prosperity to significantly improve quality of life for Newham's people."

**Sir Robin Wales, Mayor of Newham**

a challenging task of trying to win planning permission for a £3 billion project to transform Stratford from a vast inner-city brownfield site into ‘one of the largest mixed-use developments in the UK’.<sup>2</sup> The site was forecast to have space for over a hundred retail outlets, two department stores, cafes, schools, hotels, health centres and the largest new park built in Europe in the last 150 years. The development aimed to create 13,000 jobs, 10,000 of which would be long-term and up to 30,000 new housing units.

### 1.1.2 Assessing the planning challenge

There were three major challenges to realising this investment project. First, the project needed to balance the needs of all of the parties with an interest in the scheme: Stratford City Development Partnership, the London Borough of Newham, Greater London Authority, Network Rail and Transport for London (TfL). Second, the new interchange had to be ready before the Olympics started in 2012. Third, an early feasibility study by TfL found that the new development would need to double the station’s capacity, which was considered to be prohibitively expensive.<sup>3</sup>

### 1.1.3 Matching the planning authority to the challenge

To overcome this, a strategic forum was established to facilitate and manage stakeholder relationships and their various demands and aspirations for the site. This resulted in the formation of a universally backed ‘interchange team’. The Olympic Delivery Authority was then created by primary legislation which included a unitary planning authority to handle all matters related to Olympic delivery and legacy.

Developers set themselves a challenging task of trying to win planning permission for a £3 billion project to transform Stratford from a vast inner-city brownfield site into ‘one of the largest mixed-use developments in the UK’.





'The value of the Shinkansen system has been so great that the entire country of Japan has benefitted equally, even those [areas] without a station.'

The Canary Wharf Group contributed £150 million to the £500 million development of the new Crossrail station.



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“The speed and efficiency of the partnership planning model ‘enabled Westfield to bring forward their development of Stratford City by around 5–7 years’.”

Volterra

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Having all the vested interest groups under one planning board with open lines of communication coupled with inclusive ‘leadership, coordination and planning’ delivered an efficient, accessible interchange with minimal risk to the scheme promoters and developers. The speed and efficiency of the partnership planning model also ‘enabled Westfield to bring forward their development of Stratford City by around 5–7 years’. Volterra calculated this to be worth £1.1 – 2.2 billion to the London economy.<sup>4</sup>

Westfield Stratford City opened in September 2011, cost £1.45 billion and created 8,500 permanent jobs for one of the most deprived areas in the UK.<sup>5</sup>

#### 1.1.4 How integrated planning delivered Tokyo’s Shinkansen Station

The picture on p. 12 shows Tokyo’s Shinkansen station was upgraded as part of a new high-speed rail development in 1991. The redeveloped station increased local land values and property prices soared. This had two effects. First, the initial construction costs of the station have already been recovered from sales of surrounding development land. Second, the increase in property values resulted in higher local taxes and contributed towards public service provision in healthcare and education. ‘The value of the Shinkansen system has been so great that the entire country of Japan has benefitted equally, even those [areas] without a station.’<sup>6</sup>

#### 1.1.5 Defraying capital costs from the public purse

Big infrastructure usually means a big bill for Government. However, the Canary Wharf development shows that by working together some of the capital costs can be defrayed. The Canary Wharf Group (CWG) and Crossrail negotiated to allow the creation of a mixed-use six storey station with a landscaped park, retail areas and community facilities on top of the proposed Canary Wharf Crossrail station. As a result, CWG contributed £150 million to the £500 million development.<sup>7</sup>

Having an integrated planning framework approach for a new Euston station is crucial. Without it, there may be a repeat of Argent Estates’ experience at King’s Cross where they spent over £14 million in simply obtaining the necessary consents for their development. The private sector will not contemplate that again. However, an integrated planning framework would allow the station redevelopment to acknowledge that HS2 is likely to happen whilst simultaneously incorporating the wishes of Camden, TfL, Mayor for London and Network Rail into the appropriate designs for the station redevelopment. The investment scheme would have a lower risk profile for private investors because it is more likely to get constructed. This investment would defray some of the upfront capital costs of the total development for Network Rail and the Department for Transport. Finally, by only having one development period the impact on London and the local community would be minimised.



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"Euston station is a low-risk, brownfield infrastructure asset, that with an appropriate density of development, will have the characteristics to attract meaningful private sector investment."

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## 1.2 Attracting private sector investment when capital is scarce

### 1.2.1 The UK's National Infrastructure Plan

Investing in economic infrastructure, like train stations, is especially important during a period of austerity. On the demand side, it creates an asset ‘to offset against the borrowing, whilst at the same time contributing to aggregate demand’.<sup>8</sup> For example, the CBI estimates that every pound spent on the construction phase within the infrastructure cycle will translate into £2.84 for the economy.<sup>9</sup> On the supply side, upgraded networks improve the quality and resilience of Britain’s supply chains, which raises the competitiveness and productivity of the economy. These improvements reduce business costs, diversify the means of production and create jobs.<sup>10</sup> These benefits explain why improving the UK’s economic infrastructure has extensive cross-party support.

The most significant policy initiative to mitigate private sector risk has been the Government’s decision to reform the UK’s planning and consenting systems. The Commercial Secretary, Lord Sassoon, said the new National Planning Framework (NPF) ‘cut [Britain’s] fifty year-old planning rules from over 1,000 pages to 50’ and included two crucial innovations. First, as of November 2011 planning authorities must give a presumption in favour of sustainable projects. Second, HM Treasury gave a guarantee that the new planning application process will not exceed a year.<sup>11</sup> By implementing the NPF and ‘taking forward the recommendations of the Infrastructure Cost Review’, the Government estimated that it could ‘realise savings of £20 to £30 billion over the next decade’.<sup>12</sup>

The Government’s decision to develop the NPF is a move in the right direction. If a development project has a sustainable design that improves the quality of life and the built environment for the community, it will win planning permission in less than a year. However, the successful delivery of Stratford City demonstrates that reforming the planning system is not enough. Euston station will not attract private sector investment and become a meaningful transport interchange unless there is an inclusive planning model that brings all of the interested parties around one table and allows them to come to a mutually beneficial resolution. A universally-backed planning forum should have the authority to elect a leadership team which has their full support to redevelop the station in such a way that maximises the social returns and minimises the cost. Clear leadership at the planning stage will also have the effect of bringing complementary investment forward, reducing the impact of construction on the local community and delivering identifiable socio-economic benefits to the local economy.



Lord Sassoon, the Commercial Secretary, said the new National Planning Framework ‘cut [Britain’s] fifty year-old planning rules from over 1,000 pages to 50’!

### 1.2.2 Attracting new sources of capital to the UK

Infrastructure UK forecast that almost two thirds of expected investment in 2011–2015 would need to come from the private sector if it was to successfully bridge the public funding gap and deliver the NIP pipeline on time.<sup>13</sup> However, the financial crash has resulted in traditional sources of private sector investment becoming more risk adverse. Crucially, regulatory changes, like Basel III and Solvency II, changed the liquidity profiles of institutional investors. Higher capital reserve requirements have impacted on their willingness to take on risk.<sup>14</sup>

This has forced the Government to look for new sources of capital. Infrastructure UK recognised these changes and began targeting a large and relatively untapped pool of private finance: pension funds. Attracting these investors could unlock considerable private sector investment as the OECD estimates that UK pension fund assets have a market value of £1.589 trillion, or 73% of the UK's Gross Domestic Product (GDP).<sup>15</sup> The Treasury hopes to convince pension funds to 'increase their allocation to infrastructure from the historical level of 2.5%' and raise £20 billion towards infrastructure projects.<sup>16</sup>

Despite the risks, infrastructure can be 'a long-term, stable investment class that closely matches the long-term nature of [pension] funds'.

Table 1.1 summarises the characteristics that makes infrastructure assets attractive to investors:<sup>17</sup>

**Table 1.1**

Opportunity	Explanation
Stable and long-term revenue stream	The rate of return profile for an infrastructure asset follows a J curve. The longer the asset is functional, the more profitable it gets. This suits pension funds that look for investment profiles that mature over time.
Linked to inflation	Regulated asset bases and RPI+ regulatory regimes mean that infrastructure assets are not susceptible to short term fluctuations in the market.
Low GDP correlation	Regulation, limited competition and a captured market reduce the impact of economic troughs on the profitability of infrastructure assets.
Rate of return	Depending on legal framework conditions, infrastructure sector and political risk etc. infrastructure investments have expected absolute returns of 8–11% net of fees.
Brownfield site	Brownfield investments are more attractive to private sector investors than new builds on greenfield sites because the upfront, high risk construction costs have been removed from the equation. Any supplementary construction costs that would need to be made can be mitigated by the asset's existing revenue stream.



### 1.2.3 Why Euston can be a magnet for private sector investment

The challenge for the Treasury is that many of its target infrastructure projects, especially those on greenfield sites that need construction, are unattractive because the ‘high upfront costs, lack of liquidity and long asset life involved in infrastructure projects, require significant scale and dedicated resources to understand the risks involved’.<sup>18</sup> Table 1.2 identifies the main barriers to greater private sector investment in UK infrastructure and explains how the Euston scheme overcomes those barriers.

**Table 1.2**

Type of risk	Explanation	Why Euston is low risk
Political	A lack of cross-party political commitment often leads to one party’s flagship project being ditched by the opposition when they come into power, creating long-term instability for the asset owner or PFI contractor.	HS2 has cross-party support at a national level. The redevelopment of Euston has been identified as a priority by the local stakeholders. Even if HS2 were to be abandoned, it is agreed by stakeholders that it is necessary to develop Euston Station.
Regulatory	Infrastructure assets contain market failures and externalities. To ameliorate these, they are often highly regulated when in private ownership. A shift in political expedient or fortune can affect their bottom line if their operating profits rely on a regulated asset base or are RPI-pegged by a government controlled regulator.	Investors are well versed in the UK rail regulations and perceive the regulatory risk to be within acceptable limits as evidenced by the value achieved for the redeveloped St Pancras Station as part of the sale of HS1 Ltd.
Pricing	Many institutional investors have not developed adequate price risk assessment strategies for infrastructure projects and many suffer from unrealistic demand and income projections.	Investors in the UK and overseas have a good understanding of how to price risk in brownfield developments.
Construction and procurement	Any unexpected delays during the bidding process or unanticipated interruptions to fixed-term contracts can lead to considerable losses and uncertainty.	Creating a unitary planning authority in the Hybrid Bill would provide relative certainty.
Liquidity	High bidding costs, large initial capital outlays and constrained cash flows can reduce institutional resilience to market changes and create inflexibilities.	There is clear market appetite for brownfield mixed-use schemes as demonstrated by the recent £450m bond transaction for Stratford City.

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### 1.3 Increasing the chances of success

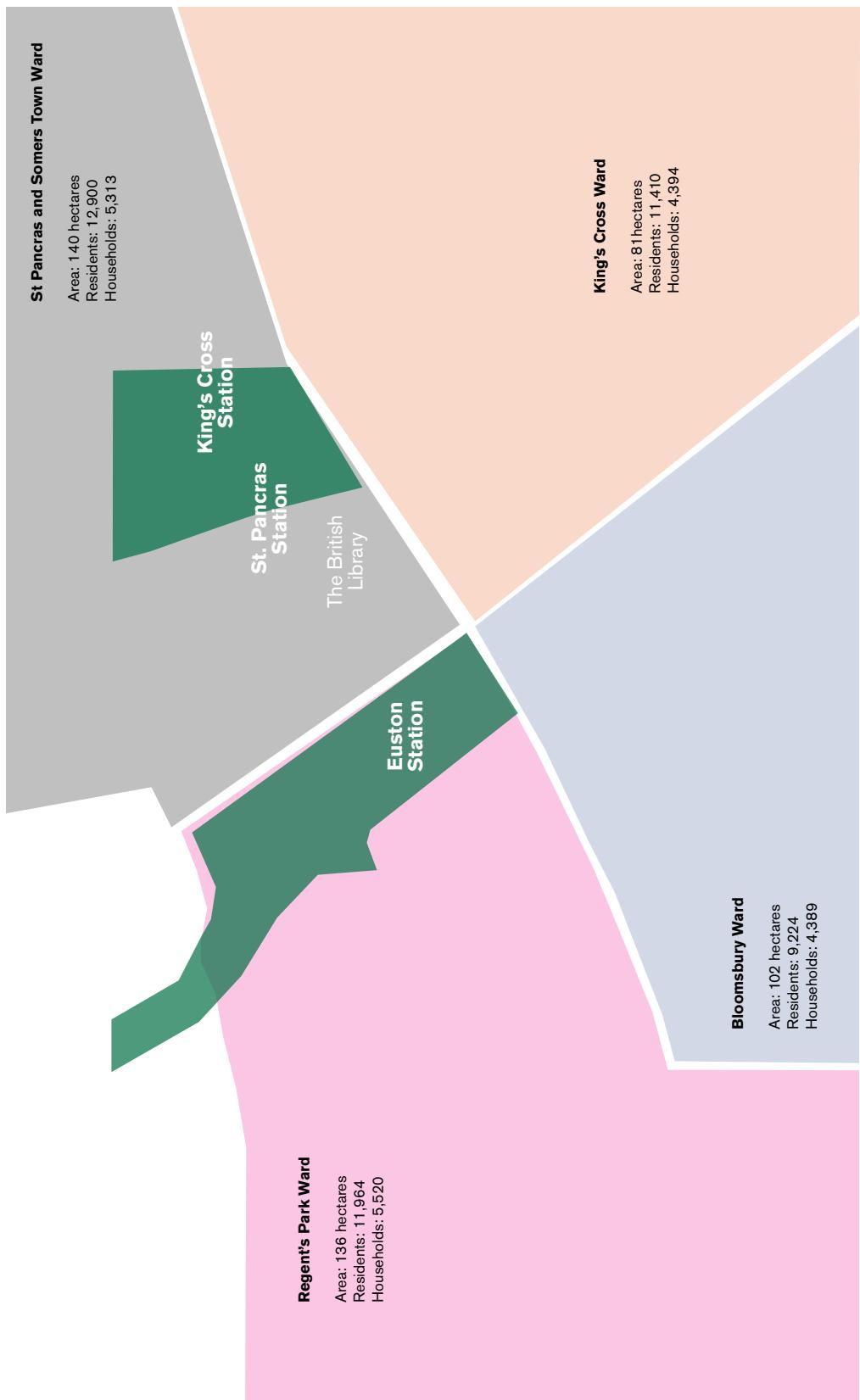
This chapter has shown how other projects have attracted private finance and explored the ways that Euston station can learn these lessons. There are three specific actions that could be taken to make sure that the project is delivered most effectively.

1. Structure the mixed use development to face HM Treasury guidelines for underpinning projects to attract overseas investment.
2. Incorporate an appropriate planning regime within the HS2 hybrid bill.
3. Align and integrate all interested parties via an empowered body like the Euston Area Opportunity Framework or similar body.

It should be recognised that Euston presents a significant infrastructure investment opportunity even if HS2 does not proceed.

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"Unlocking the retail and commercial potential of Euston alongside improved capacity could transform the station into a destination in its own right."



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# Chapter two

## Building a stronger economy in and around Euston

Unlocking the retail and commercial potential of Euston alongside improved capacity could transform the station into a destination in its own right. This would act as the catalyst for a ripple effect that creates employment, attracts inward investment, increases local land values and generates increased business rates. Better station facilities would also attract more passengers away from cars and on to rail, which has significant environmental benefits.

Case studies from Britain and France show that well-planned station redevelopment projects that are integrated into a city strategy will transform a transport gateway into a destination in its own right and support wider economic growth. Station redevelopments generate employment opportunities and increase the local authority's tax base.

The evidence is incontrovertible; station redevelopments generate jobs and economic growth both at the development site and for the local area.

**Table 2.1**

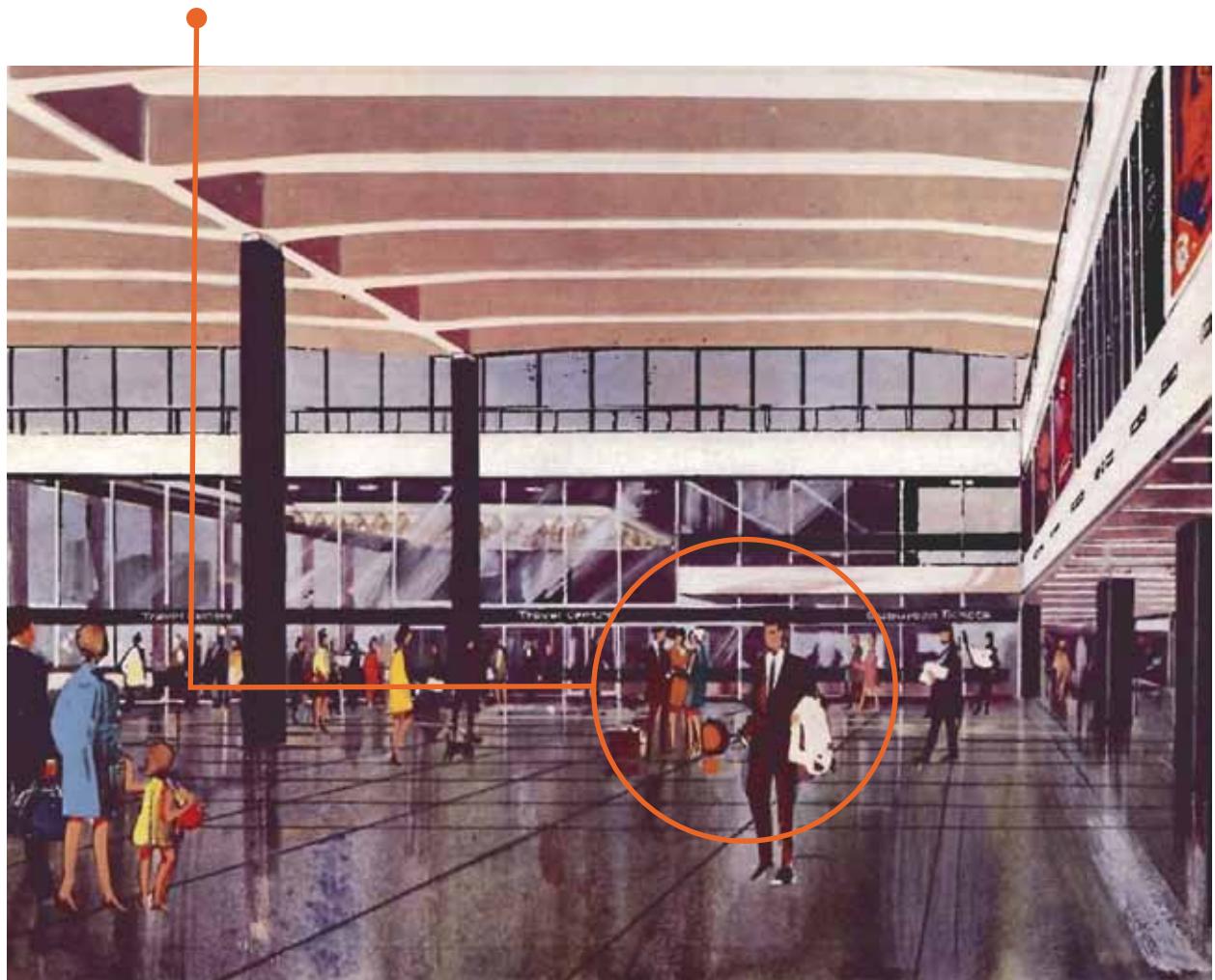
Case Study	Jobs	Economic Benefit
Manchester Piccadilly	Data not available	£62 million overstation development attracting 28 million retail users per annum increasing rental values by £10 million per annum and local property values rose 33%
King's Cross	22,100 new permanent jobs	Contribution to GDP £1.3 billion per annum
Stratford	34,000 new permanent jobs	Contribution to GDP £1.8 billion per annum
Sheffield	2,800 new permanent jobs	67% rise in land rental values within 0.5km of station
Lyon	Data not available	43% increase in investment in office space
Lille	6,000 new permanent jobs	Data not available

## 2.1 Not redeveloping a station site can harm local jobs

Over the last three decades, the British economy has moved away from manufacturing towards high-value added services. To succeed, service-sector businesses require a rich supply of labour, ready access to transport networks and a high footfall. City centres are an ideal location for businesses to achieve these ‘agglomeration benefits’, which become self-sustaining over time. As a result, ‘cities now account for 70% of private sector jobs’, with London accounting for 22.5% of UK GDP and the Core Cities contributing a further 27%.<sup>19</sup> The inner-city location and connectivity offered by train stations combined with this structural shift has reversed the fortune of the rail industry.

For much of the post-war period, rail demand was declining, but from 2000–2010 it increased by 37% with passenger flows between major cities rising by 60–90%.<sup>20</sup> The problem for most cities is that their mainline stations, like Euston, were redeveloped in the 1960s and their ‘brutalist’ designs prevented them from keeping ‘pace with the demands of passengers and the needs of modern towns and cities’.<sup>21</sup> Today, these stations suffer from capacity constraints, restricted mobility, impermeable space and poor design. This impacts on the surrounding area and can lead to a vicious cycle of low value economic activity characterised by underinvestment and underdevelopment.

Euston station was a modern vision in the 1960s but has failed to keep pace with the demands of twenty-first century London.



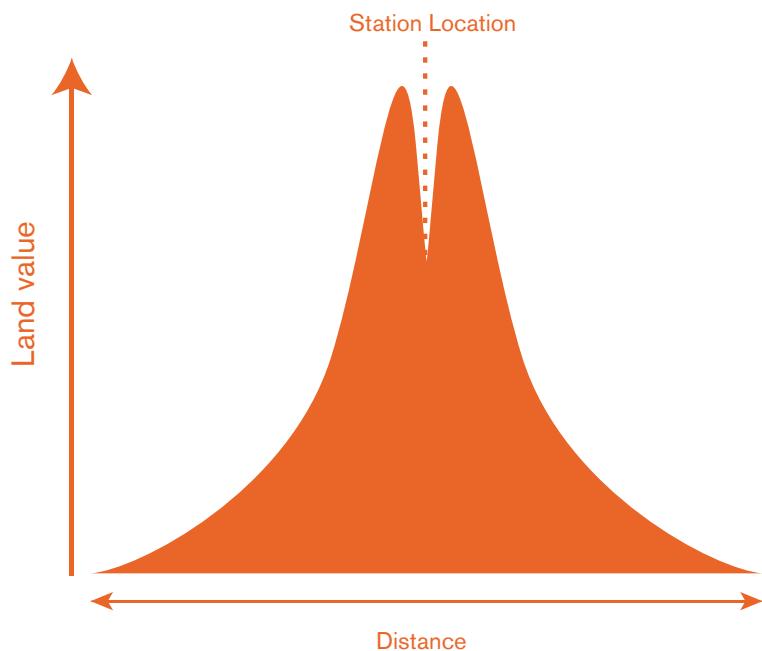
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"The problem for most cities is that their mainline stations, like Euston, were redeveloped in the 1960s and their 'brutalist' designs prevented them from keeping 'pace with the demands of passengers and the needs of modern towns and cities'."

The old St Helens station discouraged investment and reduced land values in the local area.



St Helens station is the principal gateway to and from the local economy. Before the station was redeveloped, a legacy of poor design, underinvestment and a failure to keep pace with wider urban developments left a run-down dysfunctional building giving visitors a poor first impression of the town. This discouraged inward investment and restricted the level of private sector interest in the town. The figure below illustrates how this can affect land values around a station. The volcano-shaped pattern indicates how proximity to a station with outdated infrastructure can have a negative effect on local land values.<sup>22</sup> A similar pattern can be seen across the London termini where redevelopment has not yet occurred.



Reference – Steer Davies Gleave for Network Rail, The Value of Station Investment Report, November 2011.





## 2.2 Identifying the potential for the local economy

Stations are more than just gateways to the national rail system. They are 'nodes within a transport network and places within the city'.<sup>23</sup> They have the potential to attract people in vast numbers which, in turn, means that exploiting commercial opportunities during a station redevelopment will 'have a direct impact on the level of economic activity in the area that it serves, stimulating investment as well as creating employment'.<sup>24</sup> There are two principle ways of achieving this: enhancing the retail offer within the station and developing land adjacent to, and airspace above, the station.

St. Pancras and Manchester Piccadilly are good examples of UK station investment schemes where the successful exploitation of the commercial potential has transformed the transport gateway into a destination in its own right.

The transformation of St. Pancras from a declining station with a listed façade into London's premier international railway station led to the creation of 1,800 residential units, a five star hotel and new retail and office space. Although the Grade 1 Listed Building status meant that the retail offerings were limited by the physical space available after the installation of the transport network, St. Pancras differs from other domestic stations. The range and quality of the eating and retail opportunities are designed to meet the needs of Eurostar travellers who are expected to spend a substantial amount of time in the station itself. Euston, with its intercity traffic has similar dwell times to St. Pancras. While the retail offering can be criticised for not servicing the needs of the local communities in and around King's Cross, a recent Network Rail report found that 'approximately one quarter of station users have no intention of catching a train and visit the station entirely for the shopping, cafes and restaurants'.<sup>25</sup> Euston does not have any listing restrictions. It is possible to create a modern transport hub and a destination in its own right without any future adverse effect on the transport undertaking.

Before it was redeveloped, Manchester Piccadilly station was described as 'really oppressive, shabby, dirty, out-dated and without scale or retail offer'.<sup>26</sup> The station had low grade retail, leisure and commercial space and exhibited the same volcano-shaped land value pattern as St Helens. The £27 million modernisation of the operational aspects of the station in time for the 2002 Commonwealth Games included a further £62 million mixed-use overstation development. This created a 75,000 square foot concourse with 21,500 square foot of high quality, easily accessed retail space. The development succeeded in turning the station into a valuable local amenity serving local workers and residents, as well as passengers, who did not previously have access to a major shopping area. Within three years, the station's footfall increased from 19 million to 28 million and the average rate of spend at the station was 40 percent higher than the national average. This confirms that creating a retail mix that services the local community as well as travellers and destination visitors can also result in a station delivering maximum social value.<sup>27</sup>

By comparison, the opportunity at Euston station is much larger than either St Pancras or Manchester Piccadilly. The footprint available for development is similar in size to the initial phase of Canary Wharf.

St. Pancras differs from other domestic stations. The range and quality of the eating and retail opportunities are designed to meet the needs of Eurostar travellers who are expected to spend a substantial amount of time in the station itself.





## 2.2.1 How France has got the most out of its station redevelopments

The second way in which to exploit the commercial potential of a station redevelopment is to develop land adjacent to the railway estate. This development allows investors to secure higher returns than would otherwise be the case. However, the previous chapter showed that to maximise the return for investors, station redevelopers must seek to understand and incorporate the relationship between these factors at the planning stage. Evidence from France shows what can be achieved if this process is implemented. In 1982, France opened Europe's first high-speed rail link (called TGV) between Paris and Lyon. It was designed to limit the impact of excessive growth on Paris and disperse economic opportunities towards other French cities.<sup>28</sup>

This encouraged the Government to try and turn Lyon into a new service sector hub. Having a high-speed rail link to Lyon was particularly beneficial for a budding service sector economy because the two hour journey time to Paris lowered the social cost of travel for businesses, goods and services and brought inward investment and a high footfall to the city. These features were harnessed by an integrated city strategy, which allowed Lyon to maximise the gains from the development. A Greengauge21 report found that the 'scale of business and commercial activities relocating to Lyon created its own momentum in attracting further such activities'.<sup>29</sup> A different study revealed that Lyon experienced a 43 percent increase in the amount of office space near Gare de Lyon Part-Dieu. This confirms the benefits of investing in land adjacent to the station.<sup>30</sup>

Lille has a similar history to Lyon. The French Government wanted to create a new connection to the TGV network to pull Lille's economy away from its declining industrial base. Incorporating TGV Nord into a redeveloped Gare de Lille allowed the station to become the central node between London, Paris and Brussels. Investment into the surrounding area also meant that 'disused public and industrial buildings were modernised for reuse as commercial offices, leisure and community centres'.<sup>31</sup> New connections to the public transport system allowed these services to be concentrated and acted as a spur for the wider regeneration of the city's economy. The multi-use development has created 6,000 permanent jobs and Gare de Lille is now 'more successful as a destination than as an interchange'.<sup>32</sup>

The Government wanted to create a new connection to the TGV network to pull Lille's economy away from its declining industrial base.

The redevelopment of Gare de Lyon helped spread economic growth away from Paris and turned Lyon into a service sector hub.

These case studies show what can be achieved by successfully exploiting the commercial potential of a station. When stations are redeveloped as part of an integrated development strategy, transport gateways can be transformed into destinations in their own right. The fact that high-speed rail redevelopments are particularly beneficial and stimulate service sector economies is pertinent to Euston station given that it is already the gateway to the West Coast Mainline and is set to be the London terminal for HS2. However, a redeveloped Euston station would accrue these benefits even if HS2 did not go ahead.

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"The multi-use development has created six-thousand permanent jobs and Gare de Lille is now more successful as a destination than as an interchange."



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## 2.3 Redeveloping stations has wider benefits

The previous section demonstrated that an intense, mixed-use development of the station and its environs has the potential to act as a magnet to attract investors to adjacent land. This investment has significant regenerative implications because it ‘can be the first step in a virtuous cycle towards the regeneration of an area’.<sup>33</sup> As a report into the economic impacts of High-Speed 1 explains:

Regeneration is about more than just increasing employment amongst currently unemployed residents of regeneration areas. It also relates to reinvigorating areas that are not fulfilling their potential or whose economic focus has been lost. This requires ensuring that a focus is placed on productive new economic activities, thus attracting inward investment from developers and appealing to new residents as places to live and work. Public transport infrastructure can play a crucial role in this, facilitating sustainable and efficient travel patterns and enabling economies to be connected to one another.<sup>34</sup>

While it is difficult to attribute regenerative effects directly to the impact of a station redevelopment, the ripple effect is most easily understood by looking at the impact on local land values, changes in employment and the level of inward investment.

### 2.3.1 Land values

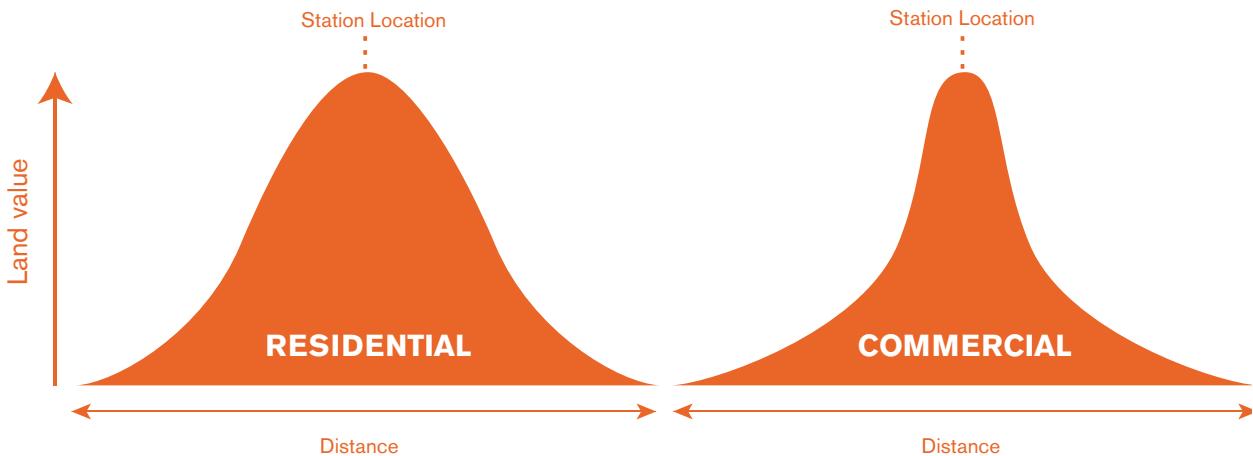
In general, there is a positive correlation between redeveloped stations and land values. This relationship is based on three mechanisms:

- Accessibility – being in close proximity to the station increases land values because the monetised value of commuting time savings can be capitalised into the value of real estate.
- Facilities – transport hubs offer access to high value, retail and commercial facilities which attract inward investment.
- Environment – stations that have aesthetically appealing design and permeable spaces remove urban barriers and reduce crime rates.<sup>35</sup>

These mechanisms make land in and around stations a ‘natural focal point for additional development due to its inherent accessibility and associated commercial potential’.<sup>36</sup> However, the impact of stations on land values differs depending on whether the land is commercial or residential and how close the land is to the station. The figure opposite shows that station developments can impact on residential properties within a three mile radius, but only impact on commercial properties within a half mile radius of the station.



A closer look at the impact of the redevelopment of Sheffield station supports the notion that station investment schemes can have a permanently beneficial impact on employment in the local area.



Reference – Steer Davies Gleave for Network Rail, The Value of Station Investment Report, November 2011.

A report for Network Rail compared land values before and after the redevelopment of Sheffield Station. It found that 'within a 400 metre radius, the total rental value of the land increased from £8.7 million to £14.7 million, representing a 67% rise that was three times the corresponding increase in Sheffield as a whole.'<sup>37</sup> A similar analysis of the impact on land values of the Manchester Piccadilly station redevelopment found that the 'additional 650,000 square foot of new or refurbished office space generated an increase in annual rental values of £10 million. Local property values also increased 33% following the completion of the station.'<sup>38</sup> The report concluded that 'our research suggests that the redevelopment of major city centre stations can support increases in property values of 30% or more.'<sup>39</sup>

Table 2.2 shows how this type of property value uplift would deliver significant benefits for several of a station's stakeholders:

**Table 2.2**

Stakeholder	Benefit
Developer	Rental incomes from retail concessions would increase
Local resident	The value of their property will increase
Local authority	Higher property values will increase the council tax base
City authority	The overall quality of the city will improve and attract further investment



### 2.3.2 Jobs

Station investment schemes generate temporary employment during the construction phase and permanent employment opportunities when the new facilities are operational. A study into the regenerative effect of High-Speed 1 in the UK forecasted that the four major development areas and stations affected by the new route – King's Cross, Stratford, Ebbsfleet and Eastern Quarry – led to the creation of over 70,000 permanent jobs and 10,000 temporary jobs. Although Ebbsfleet and Eastern Quarry are yet to fulfil their potential, the report estimated that the total value of the additional earnings from employment was £62–£360 million. Table 2.3 shows the breakdown of impact of the development schemes associated with HS1:<sup>40</sup>

**Table 2.3**

	<b>King's Cross (under way)</b>	<b>Stratford (under way)</b>	<b>Ebbsfleet (pending)</b>	<b>Eastern Quarry (pending)</b>
Permanent jobs	22,000	34,000	24,000	7,200
GDP per annum	£1.3bn	£1.8bn	£1bn	£275m
Homes	2,000 (plus some student housing)	Up to 5,500	2,100	6,250
Household spending per annum	£50m	£140m	£49m	£144m
Temporary jobs during construction (FTE)	2,500	4,000	3,500	

A closer look at the impact of the redevelopment of Sheffield station supports the notion that station investment schemes can have a permanently beneficial impact on employment in the local area. From 2003–2008, 34% of the total employment growth in Sheffield was attributable to the construction and operation of the new station and there was a doubling of the city-wide employment rate for the area surrounding the station. In total, the redevelopment of Sheffield station generated approximately 2,800 jobs.<sup>41</sup>



The redevelopment of King's Cross station created 22,000 permanent jobs.

### 2.3.3 Inward Investment

The Network Rail report provides compelling evidence about the impact of inward investment resulting from the redevelopment of Sheffield station and Manchester Piccadilly station. In the case of Sheffield, the upfront capital investment was valued at £25 million. The report calculated that the level of investment resulting from the additional employment, higher property values and the development of adjacent land added up to £75 million. That means for every £1 invested in the redevelopment of Sheffield station, the local economy received £3 back. The report came to a similar conclusion for the impact of the Manchester Piccadilly redevelopment. It suggests that the 'development enabled by the station gave rise to investment of around £130 million', which compares favourably to the £62 million originally invested in the scheme. This translated to a return of £2.10 for every £1 spent.<sup>42</sup> This level of return on the initial investment for the local economy helps explain why station redevelopment schemes can have such a transformative effect on the local economy.

### 2.4 Measuring the impact of station redevelopment schemes

In the past, UK station redevelopments have focused on 'the directly attributable economic performance of the transport service itself'.<sup>43</sup> In comparison, most continental European countries give equal weight to the wider economic and strategic impacts of the redevelopment and include sustainability and urban regeneration within their planning remit. The challenge for local and national policy makers is to understand that stations are sites of interdependent networks where negative externalities are easily transmitted, but opportunities to lower costs and create value can be magnified throughout the economy. In 2010, the Government published

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"For every £1 invested in the redevelopment of Sheffield station, the local economy received £3 back."

a report entitled ‘Valuing Infrastructure Spend’ in which it identified some of the wider impacts of non-specific infrastructure programmes. These are summarised in table 2.4:<sup>44</sup>

**Table 2.4**

<b>Wider impact</b>	<b>Explanation</b>
Labour market participation	Infrastructure can create jobs, reduce journey times and minimise the costs associated with reaching employment centres. However, slow, costly and unreliable networks discourage participation and reduce labour productivity.
Resilience	Efficient infrastructure can minimise the potential fallout from economic shocks and prevent network failure.
Environmental	Infrastructure projects can have positive and negative effects on the environment. For example, new train lines reduce CO2 emissions but may increase noise pollution for local residents.
Linked networks	Infrastructure systems compete. For example, a new train link may attract new passengers and reduce congestion on the corresponding road network.
Regional and local	New transport routes or manufacturing capacity facilitate economic activity for a local economy, but associated environmental impacts may damage growth.
Innovation	Faster, cheaper internet access stimulates innovation and growth in a new economic activity.

HM Treasury’s Social Cost Benefit Analysis has a fundamental caveat. It does not make any reference to the relationship between infrastructure investments and urban regeneration leading to skewed outcomes. Every effort must be made to collect, calculate and communicate the wider regenerative impact of a station redevelopment. This will enable the Government and implementation bodies to better understand how they can defray some of the upfront capital outlay for the operational facilities, reduce the public sector finance obligation and attract investment into an underdeveloped surrounding area.

## 2.5 Increasing the chances of success

There are three “must do’s” to ensure that Euston station becomes a catalyst for economic growth:

1. Learn the lessons from successful station redevelopment schemes to fully exploit the commercial potential of the station via a dense mixed-use development of the station and its environs.
2. Identify the wider regenerative effects of the development and communicate its benefits to the local community and authority.
3. Ensure that the scheme has an integrated approach that balances the needs of passengers and local residents, with the need to maximise profit for the station developers and operators.



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# Chapter three

## Building a stronger local community resource

This chapter shows that poorly designed stations act as physical barriers within a city and stifle inward investment. It argues that redeveloping Euston station to meet the needs of local residents and passengers will transform a transport gateway into a community hub of wider social significance. Improving the quality of the built environment will create permeable and mobile spaces that improve the relationship between the station and the surrounding townscape. This will reduce anti-social behaviour and improve the perception of the destination.

### 3.1 Design matters

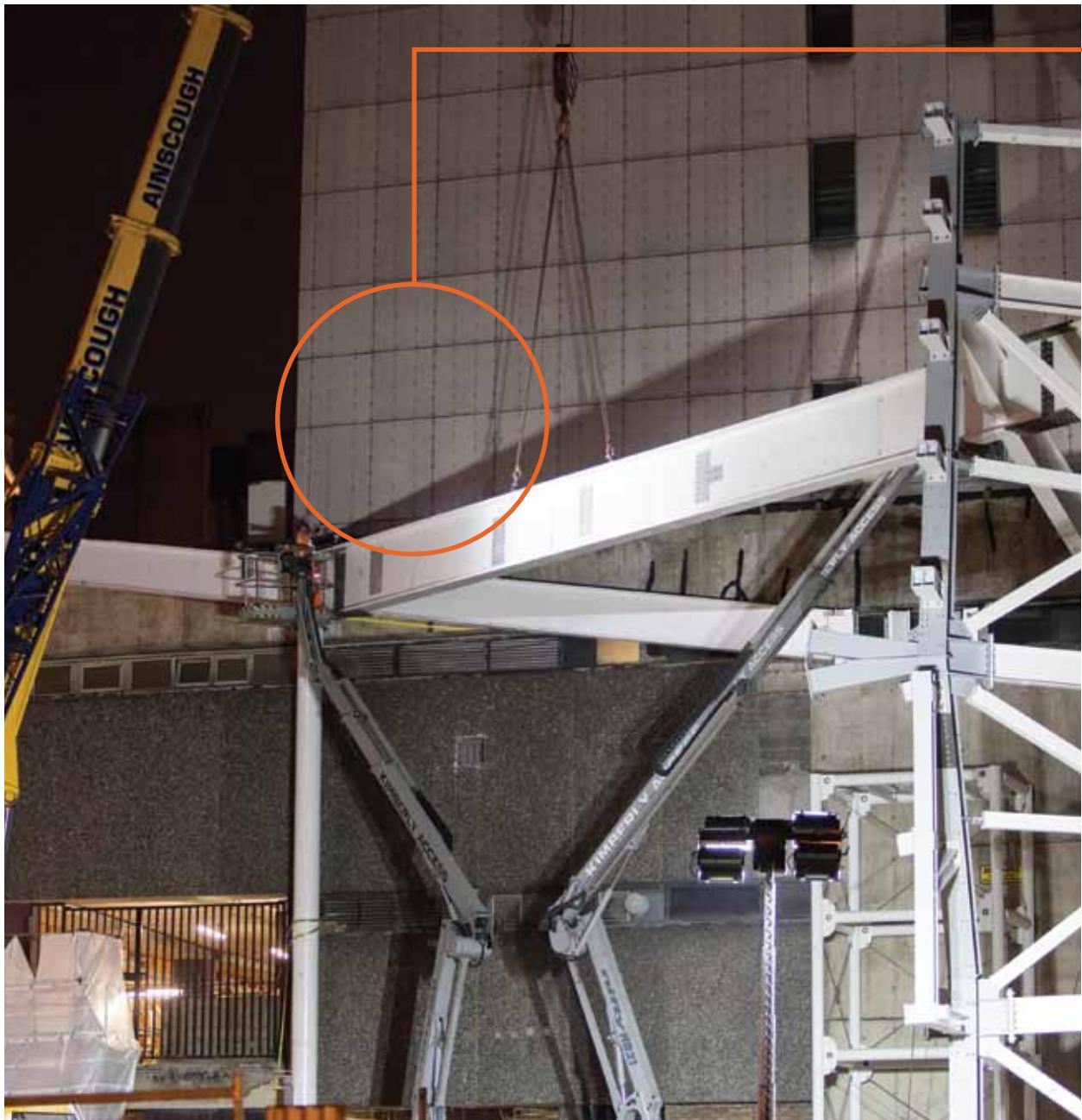
Stations act as a gateway for goods, services, businesses and passengers arriving and departing from a city. This interchange function means that the quality of the station's design and the overall built environment can have a profound impact on the economic viability and social cohesion of the surrounding communities. Outdated stations suffering from a legacy of underinvestment will have unattractive and disabling spaces. This will induce a vicious cycle in the surrounding area, which will be characterised by low economic activity, high levels of crime and negative perceptions.

#### 3.1.1 Birmingham New Street and Leige-Guillemains

Before the decision was taken to invest £500 million in the redevelopment of Birmingham New Street station, it was a leading example of a station that added little or no value to the community that it served.

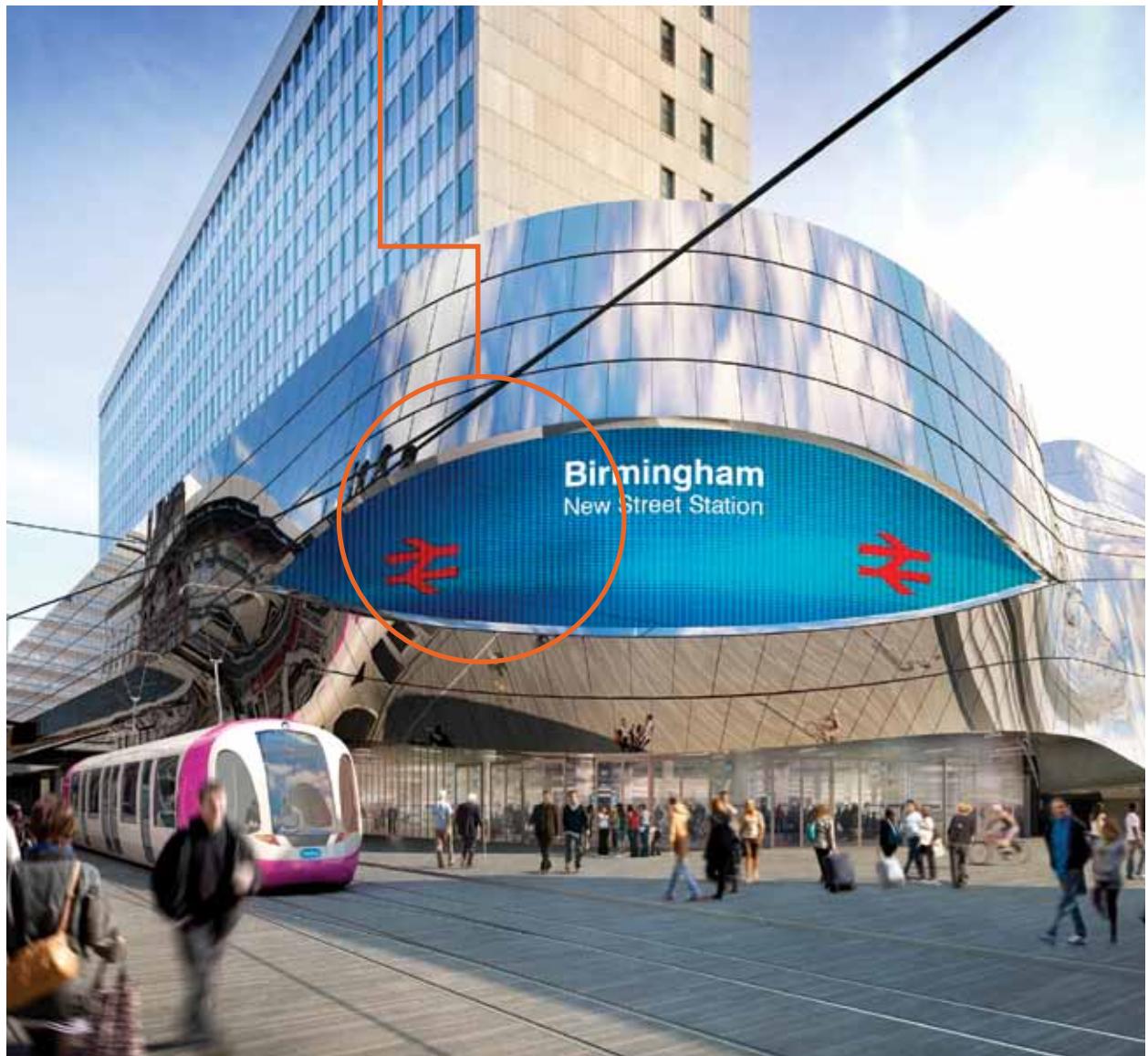
A legacy of underinvestment and underdevelopment meant that the station was characterised by poor accessibility, limited interchanges and restrictive permeability. The station acted as a cliff edge between the more affluent areas in central Birmingham and the disadvantaged areas in Birmingham South. Jerry Blackett, then Chief Executive of Marketing Birmingham, said the station did 'not present the image of the conurbation which is attempting to sell itself as the "city of business"'. Chris Haynes from Birmingham Chamber of Commerce said 'there was a limit to what investment could go forward unless something was done about New Street due to its barrier effect and quality of the built environment'.<sup>45</sup> BBC Radio 4 voted it the 'second most hated eyesore in Britain'.<sup>46</sup>

The two stage £500 million redevelopment scheme recognised the importance of design and focused on improving the quality of the built



Birmingham New Street Station was a leading example of a station that added little or no value to the community that it served ...

The proposed scheme aimed to triple the station footprint and use modern, urban design principles to integrate the station with the surrounding area.



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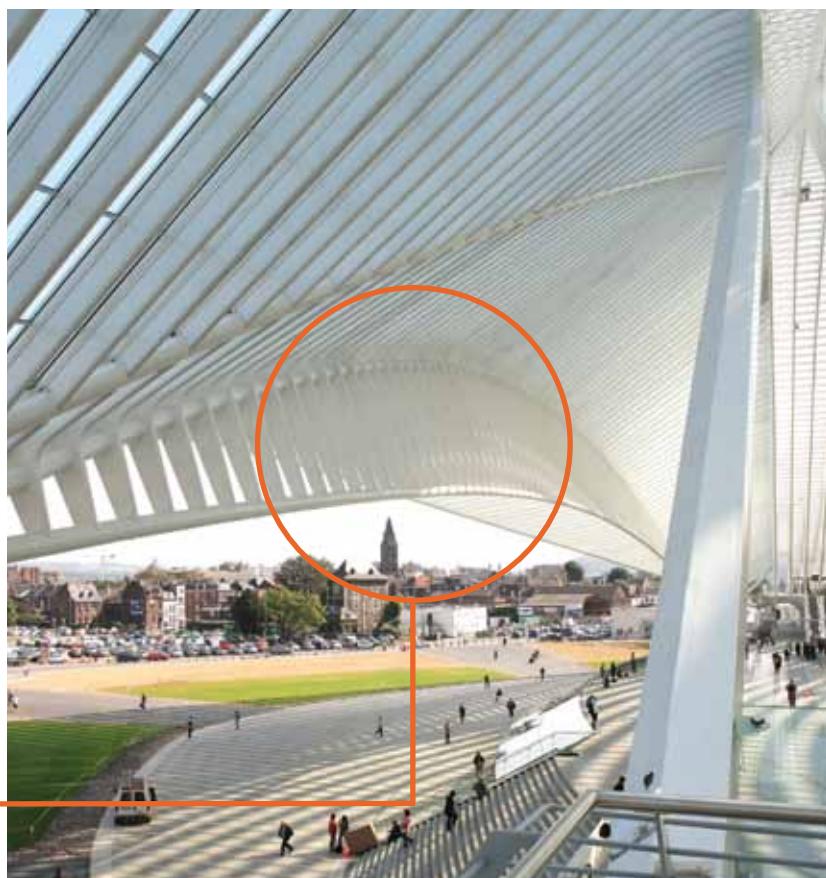
"To complement economic activity and support local communities, a station should have bountiful natural light, a variety of retail facilities, easily accessible interchanges and permeable, mobile spaces that flow into the surrounding transport and urban networks."

environment to unlock the station's development potential. All of the major stakeholders – including Network Rail, Birmingham City Council, Advantage West Midlands, Centro and the Department for Transport – joined together and used an integrated planning approach to remove Birmingham's 'concrete collar'. The proposed scheme aimed to triple the station footprint and use modern, urban design principles to integrate the station with the surrounding area to enhance the city's cohesion and act as a catalyst for the city centre redevelopment.<sup>47</sup>

Phase one of the development is nearing completion and phase two is set to be finished by 2015. One of the secrets to the station successfully receiving funding, planning permission and widespread support for redevelopment was that it consciously engaged with the station's barrier effect. Designers targeted the quality of the built environment and looked to create enabling spaces that connected the city centre conurbation with Birmingham South. This attracted investors and the decision by John Lewis to establish a flagship store inside the station was a 'clear signal pointing to increased investor confidence'.<sup>48</sup> Growing confidence removed the negative perception of land adjacent to the station and encouraged further regenerative inward investment. Local businesses stood to benefit so much from increased business confidence that they agreed to pay a 2% business rate levy to the council to help fund the development and invest in the betterment of the community.<sup>49</sup>

In 2009, Liege-Guillemens Station was redesigned to accommodate a new TGV connection. The new station balanced the need for natural light, with spaces for shade and shelter. The station's internationally acclaimed design

In 2009, Liege-Guillemens Station was redesigned to accommodate a new TGV connection. The new station balanced the need for natural light, with spaces for shade and shelter. The station's internationally acclaimed design has made it a tourist attraction in own right.



has made it a tourist attraction in own right. The spacious concourse created a smooth and efficient interchange with easy access to a variety of retail units without obstructing passenger flow.

To complement economic activity and support local communities, a station should have bountiful natural light, a variety of retail facilities, easily accessible interchanges and permeable, mobile spaces that flow into the surrounding transport and urban networks. A report by the Scottish Executive found that ‘well designed and constructed buildings are economic to operate and minimise overheads. They are energy efficient, require only minimal maintenance and are easily adapted’.<sup>50</sup> A study by CABE examining the impact of good design on property prices found that ‘in London an achievable improvement in street design quality can add an average of 5.2% to residential prices on the case study high streets and an average of 4.9% to retail rents’.<sup>51</sup>

### 3.1.2 Designing a safer future

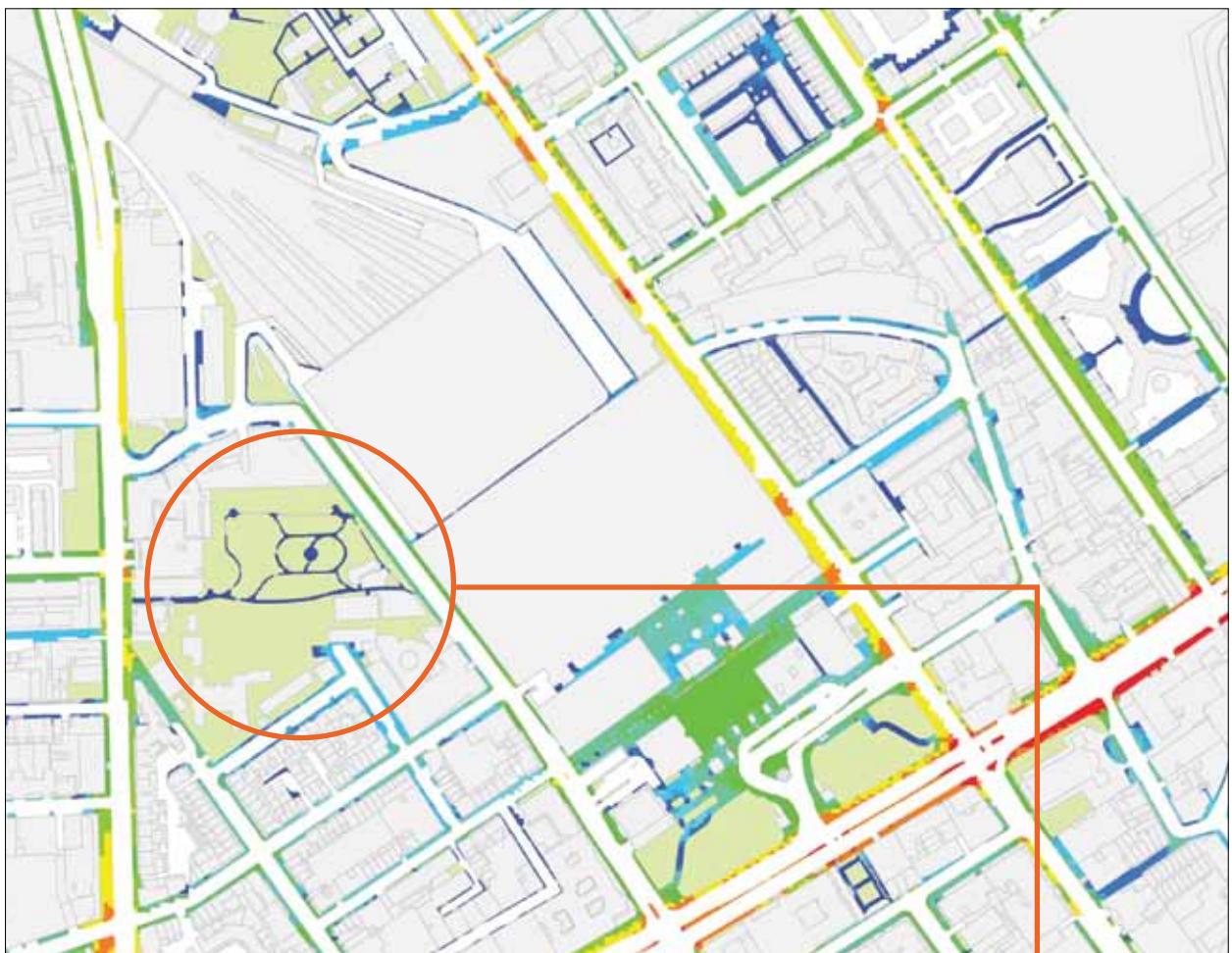
The quality of design can have a recognisable impact on crime levels around the station. A study by the New Zealand Ministry for the Environment found that good design can drastically reduce incidents of anti-social behaviour and low level criminal episodes.<sup>52</sup> A report by Birmingham City Council also found that improving the lighting and widening the footpaths in a location can lead to a reduction in theft of 70%.<sup>53</sup> This type of positive externality is especially resonant with residents around Euston station.

When the decision was made to redevelop King’s Cross and St Pancras, Camden Council, Network Rail and the British Transport Police invested in an exercise known as ‘moving on’. This process uses design and new policing tactics to push anti-social behaviour away from a station’s periphery. The outcome is a safe, approachable atmosphere around the two stations. To all intents and purposes, the scheme worked. King’s Cross and St Pancras are now open, light and spacious landscapes with lower crime levels and fewer incidents of social disorder. But one man’s solution is another man’s problem, and the lack of complementary investment in Euston meant that the problems of King’s Cross were only moved a kilometre or so down the Euston Road. Many local residents mentioned that they still feel unsafe and excluded by Euston station. One community leader said they had witnessed gang fights in the past and another discussed the high levels of homelessness in the vicinity.<sup>54</sup>

Railway tracks can represent a physical divide and lead to community severance. A station investment scheme that engages with design has the opportunity to bridge this divide and cultivate a sense of community.



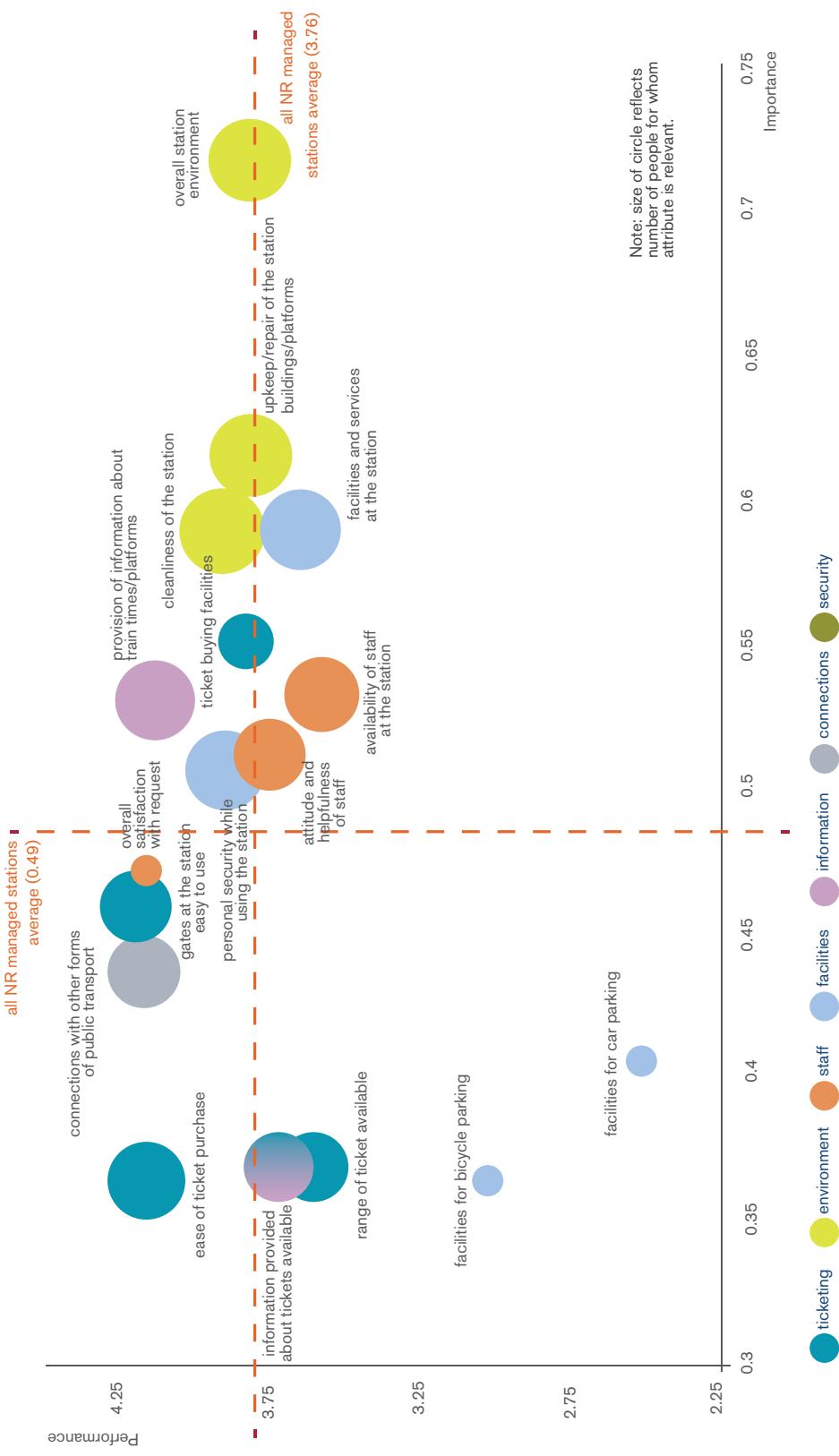
The redevelopment of Euston Station will improve the permeability between the surrounding communities.



Reference – Atkins, Euston Estate vision masterplan, May 2008.

This map shows the visibility levels around Euston Station. It confirms that the present station suffers from disabling frontages and a lack of active space.

## Network Rail survey – what aspects of a station do passengers most value?



### 3.2 Creating a destination for local residents

A recent Network Rail survey asked passengers which aspects of a station they most valued. The table on p. 52 shows that ‘facilities and services at the station’ are more important to passengers than ‘ticket buying facilities’ and ‘provision of information about train times’. In the case of Euston station, ‘only 25% of [its] users [were] very satisfied with the station facilities’.<sup>55</sup>

The previous chapter noted that one of the features of St Pancras International was that the range and quality of the eating and retail opportunities were targeted at Eurostar travellers who are expected to spend a substantial amount of time in the station itself. Despite the evident profitability of St Pancras, the decision not to tailor its services towards the local community has important ramifications for Euston station, less than a kilometre along the Euston Road.

Evidence taken from local residents living around Euston station demonstrates that the current station facilities are failing the community:<sup>56</sup>

**Table 3.1**

Facility	Local attitude
Station amenities	<ul style="list-style-type: none"><li>▪ The outside and inside seating areas are inadequate</li><li>▪ The station amenities are “squalid”, “overcrowded”, “grimy” and “poor”</li><li>▪ A lack of internet access</li><li>▪ Poor standard of facilities</li></ul>
Retail Options	<ul style="list-style-type: none"><li>▪ There is no easy pedestrian access to one of the big four supermarkets</li><li>▪ “Euston and the surrounding areas currently provide retail for travellers<ul style="list-style-type: none"><li>– we want to see retail outlets serving the local community”</li></ul></li><li>▪ “It’s about providing something for people from the local area rather than just having a Westfield parachuted in from somewhere”</li></ul>
Accommodating business	<ul style="list-style-type: none"><li>▪ “Our experience with other major schemes is that in order to make it stack up economically you have to create significantly increased amounts of office floor space in order to make it viable.”</li></ul>

This feedback was reiterated by Sue Vincent, former Deputy Leader of Camden Council, who said “when you look at St Pancras and King’s Cross you can quite clearly see the benefits, although I do have concerns about how much it is for locals shopping”.<sup>57</sup>



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### 3.3 Challenges

#### 3.3.1 Removing physical barriers

The harsh, concrete design of Euston station has made it a physical barrier in the Camden townscape. It is a socially excluding site characterised by restricted permeability, deteriorating public spaces and a predisposition towards incidents of anti-social behaviour. On the other hand, Birmingham New Street demonstrates that a well-designed station development scheme can boost the perception of an area and sense of place. One of the beneficial side effects of improving the quality of the built environment is that it reduces anti-social behaviour by creating permeable and mobile spaces that flow into the surrounding transport and urban networks.

A study for *Urban Design* made four recommendations on how to transform a poor station environment into a meaningful destination for the local community that it serves:

- A station should provide easy access to multiple modes of transport and disperse transient passenger flows across the city without overcrowding or congestion.
- A station should flow into the local network, making it an essential urban centre.
- To create a community hub, stations should provide access to grocery shops, cafes, housing, retail, hospitality and information centres.
- Stations can enrich the social and cultural realm by offering services where knowledge can be created and exchanged.<sup>58</sup>

To successfully redevelop Euston station, developers must learn from Birmingham and integrate urban design principles into their approach.

#### 3.3.2 Creating a socially significant station

The redevelopment of St Pancras has improved the profitability of the station and transformed a deteriorating Victorian building into London's premier international railway gateway. It is a destination in its own right with at least a quarter of all visitors only there to visit the shops, restaurants and hotel. However, the restrictions associated with developing a listed building and the choice of facilities and amenities means that the station fails to meet the needs of the local population. Feedback from local community and passengers reveals that this is a high priority consideration. The lack of a proper supermarket is a particular gripe.

#### 3.3.3 Delivering good design and a community hub

This chapter has argued that Euston station's developers must value urban design principles and look to offer a selection of services that meet the needs of the passengers, and the local residents.

If the new facilities are of good quality design, the change in perception will attract inward investment into the surrounding area and improve the viability of local businesses. In return for improving the economic viability of local businesses, Birmingham City Council received funding in the form

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"Anyone who has been to Euston Station knows that the place is falling down and it was built for capacity which is half that projected to use it, and of course there is also a need for massive additional underground capacity at Euston as you're going to have much longer trains."

**Lord Adonis**

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of a voluntary business levy. The income from this helped defray some of the upfront capital costs associated with the redevelopment project and demonstrates that the public and private sectors can be mutually reinforcing. St Pancras shows that station redevelopment schemes often replace services aimed at one section of society with services that can only be afforded by other sections. The challenge is to redevelop Euston station in such a way that it realises its potential to become a profitable destination in its own right, but it does not lose sight of its wider meaning and offers services and facilities that will allow it to become a valuable community hub.

### 3.4 Increasing the chances of success

The three “must do’s” to ensure Euston station becomes a transformative community hub are:

1. Invest in a mixed-use development using modern urban design principles to improve the perception of Euston.
2. Invest in the local community and replace anything that the redeveloped station takes away.
3. Invest in a mixed-use development using modern urban design principles to improve the perception of Euston.

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# Concluding remarks

Investing in Euston station represents a low-risk, high-return policy for all stakeholders and is a significant infrastructure investment opportunity, even if HS2 does not proceed. Realising the commercial potential of the development will transform it into a destination in its own right that supports wider economic growth. This will create a stronger local community. It is an opportunity that should not be missed.

But there are risks. A phased approach to the HS2 work at Euston would be costly and disruptive. If the Euston Opportunity Area Planning Framework fails to provide momentum to push ahead with the wider regeneration of the area, any development will lack the type of integrated planning authority that successfully delivered the Olympics. If the Department for Transport ignores the commensurate benefits to the tax-payer that can be achieved through providing political confidence to potential investors, it will have to fund the operational and transport improvements from the thread-bare public purse.

To increase the chances of successfully redeveloping Euston station, this report makes nine recommendations:

1. Structure the mixed use development to face HM Treasury guidelines for underpinning projects to attract overseas investment.
2. Incorporate an appropriate planning regime within the HS2 hybrid bill.
3. Align and integrate all interested parties via a unified planning authority like the Euston Area Opportunity Framework or similar body.
4. Learn the lessons from successful station redevelopment schemes to fully exploit the commercial potential of the station via a mixed-use overstation development.
5. Identify the wider regenerative effects of the development and communicate its benefits to the local community and authority.
6. Ensure that the scheme has an integrated approach that balances the needs of passengers and local residents, with the need to maximise profit for the station developers and operators.
7. Invest in a mixed-use development using modern urban design principles to improve the perception of Euston.
8. Invest in the local community and replace anything that the redeveloped station takes away.
9. Ensure the new station has a well-planned, sustainable and aesthetic design to allow Euston station to flow into the surrounding networks and reduce local crime rates.

If these recommendations are followed, we have a once in a generation chance to deliver a mixed-use development at Euston station that will transform the local community.



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