



HATCH
REGENERIS

South West Herts Economic Study Update

A Final Report by Hatch Regeneris
5 September 2019

South West Herts Authorities

South West Herts Economic Study Update

5 September 2019

www.hatchregeneris.com

Contents Page

Executive Summary	i
Aims of the Study	i
Functional Economic Market Area	i
Policy Context	ii
Recent Economic Performance	iii
Commercial Property Market Trends	iv
Future Growth Scenarios	v
Demand and Supply Balance	viii
2. Introduction and Purpose of Study	1
3. Economic Geography of South West Herts	2
Functional Economic Market Area	2
Relationship with neighbouring areas	6
4. Recent changes in policy	15
Planning Policy	15
Economic Policy	17
5. Economic and Labour Market Performance	21
Recent Economic Performance	21
Analysing the Five Foundations of Productivity in South West Herts	26
6. Commercial Property Market Trends	54
Office Market Review	54
Industrial market review	65
7. Future Growth Scenarios	72
Employment-led Scenario	72
Labour Supply Scenario	87
Higher Growth Scenario	92
Trends Based Scenario	99
Replacement Demand	104
Conclusions	105

8.	Supply of Employment Land	112
9.	Demand and Supply Balance	126
	Office market balance	126
	Industrial market balance	128
10.	Conclusions and Recommendations	131
<hr/>		
Appendix A - Inaccuracies in Employment Datasets		
<hr/>		
Appendix B - Ratios for converting total employment in to FTEs		
<hr/>		
Appendix C - Method for allocating sectors to use classes		
<hr/>		
Appendix D - Site Reviews		

Executive Summary

Aims of the Study

- i. This report provides an update of the South West Hertfordshire Economic Study which was published in January 2016. The key requirements were to produce an updated economic study which provides the councils (Dacorum Borough Council, Hertsmere Borough Council, Three Rivers District Council, St Albans City and District Council and Watford Borough Council) with:
- An understanding of the functional economic market area and relevant policy context;
 - An objective assessment of long term employment land and premises needs over the period 2018 to 2036, and the current and future supply of employment land; and
 - Possible local authority planning and strategic economic development responses, including the quantum, location and type of jobs and land use allocations required to meet these identified needs.
- ii. The research has involved analysis of recent economic and property market trends in South West Herts, a fresh look at the scenarios for future growth and a more comprehensive assessment of the current and future supply of employment space and land. This has drawn upon data analysis, consultations with commercial agents and site reviews.

Functional Economic Market Area

- iii. The 2016 study identified a functional economic market area made up of **Dacorum, Hertsmere, St Albans, Three Rivers and Watford**. This was based on evidence of strong commuting and migration relationships and shared leisure, retail and public sector catchment areas. There has been limited data published since the 2016 study which would allow us to update the assessment, however the data which is available continues to suggest the definition of the FEMA is valid. This includes:
- Recent migration data continues to point to strong relationships between the five authorities. The only strong relationship outside the FEMA is between St Albans and Welwyn Hatfield which was also the case in the 2016 study.
 - The refreshed Strategic Economic Plan continues to identify an M1 growth corridor which includes each of the local authority areas.
 - The 2018 South West Herts Retail and Leisure Study shows a significant proportion of each district's convenience and comparison shopping expenditure is within the FEMA, with a large amount of comparison spending occurring in Watford.
- iv. The FEMA also shares strong relationships with other areas which could exert a growing influence on economic and labour market trends in South West Herts. How these relationships might change in future is highly uncertain, however we would note the following:

- **London:** Given the high level of housing growth planned for South West Herts and continuing affordability challenges in London, it seems likely that the strong in-migration and out-commuting flows between the FEMA and the capital will continue to grow. The loss of employment floor space in London also presents opportunities for South West Herts to attract jobs and businesses. Although this would be dependent on South West Herts authorities first addressing their own undersupply.
- **Luton/Central Beds:** significant employment and housing growth is planned around Luton, including ambitious plans to grow the capacity of the airport. However we do not anticipate this undermining growth in South West Herts. The economies of the two areas are sufficiently different for this growth to complement rather than compete with growth in the FEMA.
- **Cambridge-Milton Keynes-Oxford Corridor:** this high performing area has been identified for significant growth up to 2050. This would involve significant investment in new infrastructure and housing and would look to capitalise on the area's knowledge assets. While any effects on South West Herts would be long term there may be a risk that the scale of development and new infrastructure investment could make this a more attractive investment location for certain sectors where there may be competition with South West Herts.

Policy Context

v. Key policy developments since the 2016 study include:

- **Changes to the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG).** This does not include any changes to the method for assessing employment land. However there is a significant change in the way that housing need should be estimated. This is likely to result in much higher housing targets and population growth for the FEMA. The economic study needs to take account of this to ensure there is not a significant imbalance between population growth and jobs.
- **Publication of the UK Industrial Strategy:** the primary aim of this strategy is to turn around the poor productivity performance of the UK economy. It includes a requirement for all mayoral combined authorities or local enterprise partnerships (LEPs) to produce local industrial strategies (LIS) which respond to local challenges and opportunities. The Hertfordshire LEP is in the early stages of preparing its LIS which is likely to have a particular focus on building on its knowledge assets and developing its science based industries.
- **Envirotech Enterprise Zone:** Hertfordshire's Enterprise Zone includes sites in Dacorum and St Albans and aims to encourage growth in the LEP's priority sectors, with a particular emphasis on environmental technology. Development to date has all been at the Prologis site in Maylands Business Park which has developed large sheds. Demand for this space has been very strong although none of the confirmed occupiers are from environmental technology sectors.

Recent Economic Performance

- vi. There are a number of errors and inaccuracies in the employment data for South West Herts which makes it difficult to understand recent economic and labour market trends. Our analysis suggests standard employment datasets overestimate employment by as much as 20 to 30 per cent (up to 90,000 jobs). We have made adjustments to the employment data for this study but the analysis should be treated with caution.
- vii. With these caveats in mind, recent trends show:
 - **Employment has continued to grow at a strong rate:** the long-term growth rate is around 0.4% p.a. but recent levels of growth are much stronger (1.5 to 2.8% p.a. based on the average growth rate over the last ten and five year periods)
 - **Productivity has fallen and is now lower than the UK average:** average GVA per job has fallen by £1,000 and is now 2% lower than the national average, having been 8% higher in 2001.
- viii. To understand the recent poor productivity performance, and to identify how this could be reversed, the report analyses the “five foundations of productivity” identified in the UK Industrial Strategy (ideas, people, infrastructure, business environment and places). The lessons for South West Herts are as follows
 - **Ideas:** South West Herts has a number of research and innovation assets on which to build, with particular research strengths in agri-tech and buildings research. However these sectors are still small and developing. Supporting their long-term growth should be a priority, but this should be alongside measures to support South West Herts’ established strengths in professional services and ICT. These are high value sectors with significant potential for further growth and should be the main focus for South West Herts.
 - **People:** the FEMA has a very highly skilled workforce and continues to attract talented residents, however this has not been matched by growth in highly skilled and high value jobs. A large proportion of recent jobs growth have been in lower and intermediate skilled jobs which explains why productivity has fallen.
 - **Infrastructure:** the key infrastructure priority is improving east-west links in the FEMA (centred on the A414 and A405). Both road and rail links are in need of improvement, and the stress is likely to increase as a result of future population and jobs growth. This will affect business productivity and will make it harder to attract investment to some of the key growth locations, including the Enterprise Zone sites.
 - **Business environment:** South West Herts has a highly entrepreneurial population with business start-up rates well above the national and regional average (particularly in ICT and professional services). This suggests a need for flexible and affordable workspace to support the growth of these businesses.
 - **Places:** each of the districts has distinctive sector strengths (science and R&D in St Albans, TV and film in Hertsmere and Three Rivers) meaning a range of tailored responses are required to support growth and productivity. However a common challenge is a shortage of development sites for new office development which has

constrained the growth of professional services and ICT in Watford, St Albans and Three Rivers.

Commercial Property Market Trends

Office Market

- ix. Recent demand for office space in South West Herts has been strong, with net take-up of 9,000 sq m p.a. between 2013 and 2018. Demand is still strongest in Watford town centre and St Albans city centre because of their connections to London and town centre amenities. However the limited supply of office space has seen a number of large deals in out of town locations including Croxley Park and Westside in Apsley.
- x. **High quality amenities and access to a rail station are key requirements for attracting high value office occupiers.** This is demonstrated by the experience of Apsley, which is a small suburban centre but has seen strong demand for office space because of its rail connections. This contrasts with Maylands which has a large supply of office space but has seen limited demand due to its poor public transport connections.
- xi. **The availability of office space is now at very low levels;** 5.8% of office space is currently available but this has fallen by 11 percentage points since 2010 and is at critically low levels in St Albans and Hertsmer. The very limited supply of office space is now acting as a **significant barrier to growth and investment**, and will make it increasingly difficult to attract and retain growing businesses. The fall in supply has been driven by a combination of growing demand and a significant fall in the stock of office space, with some data sources indicating this has fallen by as much as 20% in the last decade.
- xii. A large part of recent losses have been due to changes to permitted development rights which have resulted in large scale conversions of office space to residential dwellings. While this has helped to remove poor quality vacant stock and improve the viability of new development, vacancy rates are now so low that any further losses are likely to result in the displacement of jobs and businesses. **We would therefore encourage all South West Herts authorities to resist pressure for further changes of use in key employment areas**, and explore the potential for imposing Article 4 directions in the most at-risk locations.
- xiii. Analysis of office rents and market trends show that speculative development is viable in Watford, St Albans and Croxley Park. Prime rents have also been increasing at Maylands and in Borehamwood, although these are not yet at a level where new development is viable.

Industrial market

- xiv. The industrial market has also seen very strong growth in demand. Average net take-up of industrial space was 17,000 sq m p.a. between 2009 and 2018, and over 22,000 sq m p.a since 2013. The market can be segmented in to:
 - Small requirements (up to 1,858 sq m). These have accounted for 44% of leased space since 2013. Demand for these units is widely distributed across the FEMA and is driven by small businesses serving local markets. There is a **severe shortage of available space in this market** with an average availability rate of only 3% across the FEMA. Availability is below 5% in each district in South West Herts.

- Medium requirements (1,859 to 9290 sq m). This includes a mix of national, regional and local companies serving regional and local markets. Demand has been distributed across the FEMA in locations with good transport connections, with a particular concentration at Maylands. 6% of space in medium sized units is currently available indicating **a shortage of space**.
 - Large requirements (over 9,290 sq m). These tend to be strategic warehouses occupied by national or global companies who prioritise access to the strategic road network and look for higher quality state of the art premises. This market is dominated by Maylands Business Park which offers good access to the M1. This has an availability rate of 4.7% indicating **a shortage of space**.
- xv. With such limited space available, it will be **very difficult to accommodate demand for even modest amounts of space**. There is therefore a significant danger that the FEMA will lose out on potential investment. There may also be knock-on consequences for productivity if local businesses are dependent on a supply of local storage and distribution facilities for their supply-chains.
- xvi. Although there have been a number of recent completions of industrial space, most notably the Prologis development at Maylands Business Park, overall there has been a net loss of space since 2008/9 (-195,000 sq m). This represents a 10% decrease in South West Herts' industrial stock since 2008. Permitted development rights have also contributed to this fall although not to the same extent as office space.

Future Growth Scenarios

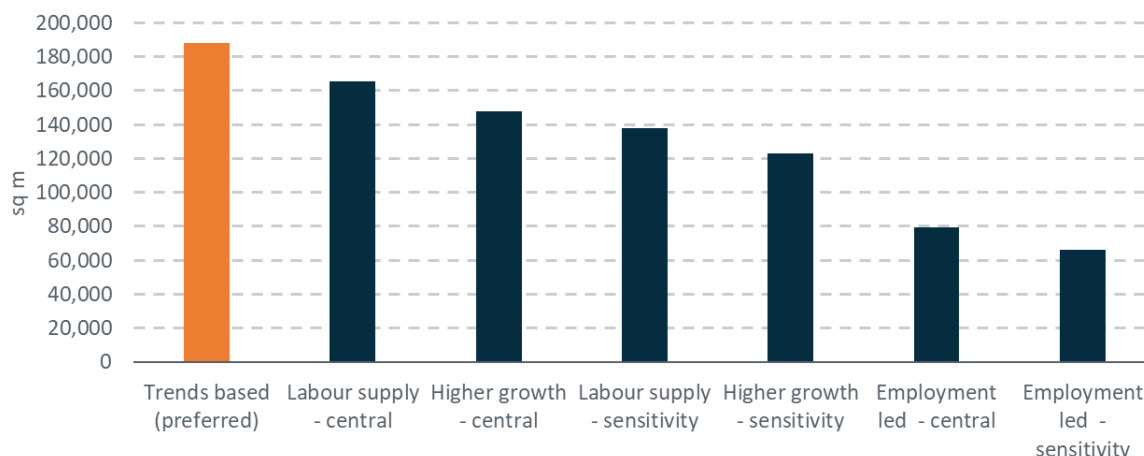
- xvii. We have considered a range of scenarios to arrive at our objective assessment of need. These have taken a number of different approaches including:
- Employment led scenarios - using adjusted EEFM forecasts to assess the potential future demand for floorspace and land.
 - Labour supply scenarios - assessing how employment might change in light of the projected growth in an area's resident workforce. This scenario has drawn upon the 2019 Local Housing Need Assessment (LHNA) and its findings in relation to future population growth.
 - Higher growth scenarios – this is also an employment led scenario but assumes a higher rate of growth.
 - Trends based scenario – this derives future demand for employment space based on past rates of net take-up, using CoStar data.

Office development

- xviii. We conclude that the South West Herts authorities should aim to provide 188,000 sq m of additional office space between 2018 and 2036. This is based on the trends-based scenario but is also only slightly higher than the labour supply and higher growth scenarios. This means it would support an aspirational level of growth for South West Herts and would provide high quality job opportunities for its growing workforce. We estimate this scenario could support office-based jobs growth of around 11,000 FTEs between 2018 and 2036.

- xix. The office space requirement of 188,000 sq m is a significant reduction from the 2016 study (460,000 sq m) which was based on very strong jobs growth in professional and business services and assumed that nearly all of those jobs will require office space. This updated study has used a more robust, data-driven method for allocating jobs to use classes and has been able to sense-check the labour demand and supply-led scenarios by comparing the outputs with past trends in take-up.

Figure 1: Summary of scenarios for future office space requirements, 2018-2036



Source Hatch Regeneris

- xx. The primary focus of this study has been on assessing the requirements of the FEMA. However it is necessary to provide some breakdown of the possible distribution of demand for office space across the five districts to inform the local plan preparation process. Forecasting demand at district level is subject to significant uncertainty, not least because a large proportion of demand for employment space is strategic and footloose in nature, and could be accommodated anywhere in the FEMA, as long as the site met certain requirements (such as access to a train station). Therefore the distribution of office space in Table 1 should only be treated as a guide. The final decisions on floorspace and land requirements in each authority's local plan should also be informed by duty-to-cooperate discussions which take account of the availability of land for new development across the FEMA.

Table 1 Indicative distribution of office space by district, 2018-2036 (sq m)

	Total 2018-2036	p.a.
Dacorum	45,100	2,510
Hertsmere	35,700	1,980
St Albans	39,500	2,190
Three Rivers	30,100	1,670
Watford	37,600	2,090
Total	188,000	10,440

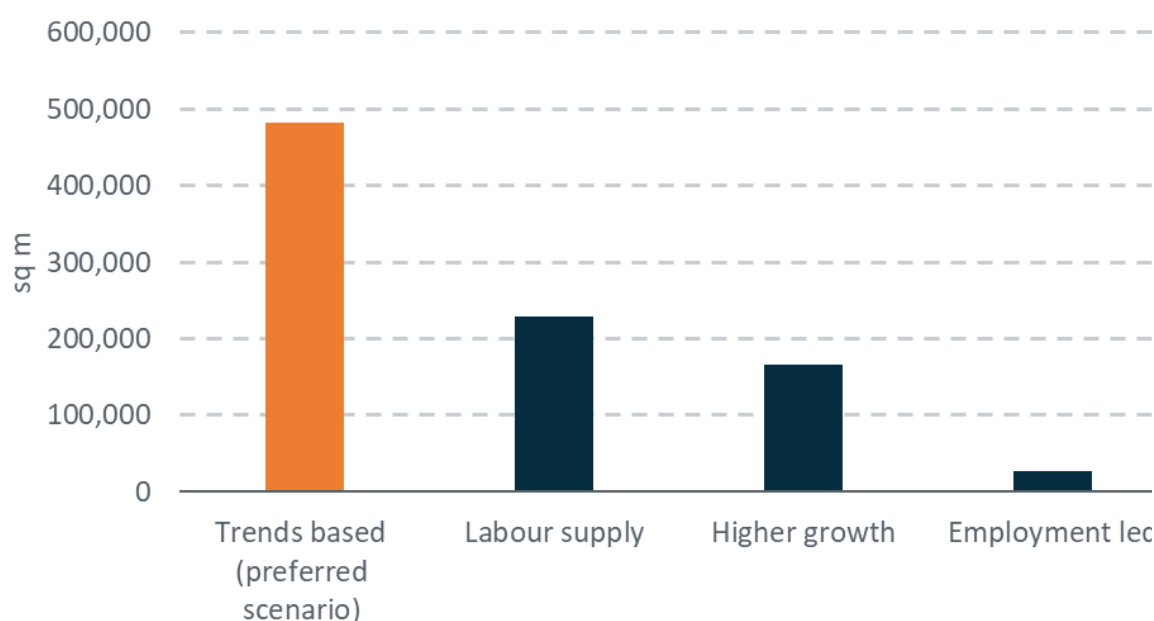
Source: Hatch Regeneris. Note: floor space has been apportioned to districts based on the share of occupied office space in each district in 2018

Industrial space

- xxi. We identify a need for 481,500 sq m of industrial space between 2018 and 2036. This can be further divided into 152,000 sq m of B1c/B2 space and 329,500 sq m of B8 space. We estimate this could support around 7,400 new FTEs between 2018 and 2036.

- xxii. This requirement is based on past trends in the take-up of industrial space in South West Herts. The target is not aligned with any of the labour-demand or supply-led scenarios and marks a significant uplift on the estimates from the 2016 study (a net change of 11,300 sq m although this was made up of a fall in B1c/B2 space of 122,300 sq m and a positive requirement for 133,600 of warehouse space).
- xxiii. Although this is a considerable change we believe it is justified by the consistently strong levels of demand for industrial space in South West Herts, which could have been even higher if the market was not undersupplied. The continued growth of online shopping is also likely to mean this strong demand is sustained. The previous assessment was based on employment forecasts which underestimate growth in industrial sectors (particularly those requiring B8 space) and are inconsistent with recent market trends. Taking a similar approach in this updated study would risk imposing significant constraints on demand.

Figure 2: Summary of scenarios for future industrial space requirements, 2018-2036



Source Hatch Regeneris

- xxiv. Again, the distribution of industrial space in Table 2 should be treated as a guide. The final decisions on floorspace and land requirements in each authority's local plan should also be informed by duty-to-cooperate discussions which take account of the availability of land for new development across the FEMA.

Table 2 Indicative distribution of industrial space by district, 2018-2036

	Total	p.a.
Dacorum	196,500	10,920
Hertsmere	81,900	4,550
St Albans	75,900	4,220
Three Rivers	28,800	1,600
Watford	98,400	5,470
Total	481,500	26,750

Source: Hatch Regeneris. Note: floor space has been apportioned to districts based on the share of occupied industrial space in each district in 2018

- xxv. The indicative floorspace figures for both office and industrial space relate to the net-change over the period 2018-2036. We have not made additional adjustments to take account of future losses of employment space because there is no way of robustly estimating the level of replacement demand over an 18 year period. However we recommend that the South West Herts authorities regularly monitor this and adopt a policy which assumes no further losses of employment space unless there is clear evidence that further losses are likely to occur.

Demand and Supply Balance

- xxvi. Our assessment of current and future supply includes the following:
- Existing commitments (eg unimplemented planning permissions which could increase or decrease the supply of employment space)
 - Capacity on existing allocated sites (land with further development potential).
 - Land safeguarded or proposed for employment development but not yet developed.
- xxvii. Our conclusions on the balance between demand and supply have considered the quantity of floorspace/land with development potential and the quality of these sites (based on their deliverability and market attractiveness). Both the quantitative and qualitative assessments have drawn upon the site reviews carried out by GL Hearn (see Appendix D), although we have also drawn upon separate employment land assessments carried out in Dacorum and St Albans.

Office development

- xxviii. Our analysis of current and future supply has identified a number of high quality sites for office development which are already committed or allocated in South West Herts (eg further development at Croxley Park and on Clarendon Rd/Watford Junction in Watford). Beyond this, the future supply is dependent on 136,000 sq m new office development coming forward at the East Hemel Hempstead site.
- xxix. Although it is likely that new offices will be brought forward at this location over the plan period, there is still significant uncertainty about the timing and scale of development. Therefore, while there is not currently a need to allocate additional sites for office development, we recommend that the South West Herts authorities undertake further technical work to identify potential reserve sites suitable for strategic office development should delivery issues arise at East Hemel Hempstead. This should plan on the basis of requiring 10 ha of land for office development, which should ideally be in close proximity to a train station offering fast journey times to London.
- xxx. Although our main focus is on the overall balance for the FEMA, the analysis also highlights some notable district level gaps in Hertsmere. While this district is not home to the FEMA's main office markets (and there are likely to be viability issues with any new development in the short term), the future supply is so limited that the area would not be able to meet local requirements. The council should identify additional sites to meet these needs over the plan period.

- xxxi. The table also shows an oversupply of office space in Watford and Three Rivers, which could potentially be used to address shortfalls in other areas, although this will need to be agreed through duty to cooperate discussions. We would also note that this will only help to meet that demand which is footloose in nature. All authorities should also aim to ensure that they have the minimum level of supply required to support local businesses.

Table 3: Demand-supply balance for office space (sq m)

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	South West Herts
Demand						
Net change	45,100	35,700	39,500	30,100	37,600	188,000
Supply						
Commitments	-24,592	-8,142	-15,364	36,363	64,656	52,921
Allocated sites	1,400		2,750	18,000	52,806	74,956
Safeguarded/ proposed sites			136,000			136,000
Total supply	-23,192	-8,142	123,386	54,363	117,462	263,877
Balance	-68,292	-43,842	83,886	24,263	79,862	75,877

Source: Hatch Regeneris.

Industrial development

- xxxii. We have identified a shortfall of over 211,000 sq m of industrial space which equates roughly to 53 ha (although this is dependent on the proportion of warehouse/industrial development which is permitted at East Hemel Hempstead).
- xxxiii. There is therefore a clear need for additional sites suitable for strategic industrial development with good access to the strategic road network. This study has identified a small number of sites which meet these criteria. However, this has not been based on a comprehensive assessment of potential sites, and there are questions over the deliverability of large scale industrial development at each site. We therefore recommend the authorities undertake further technical work to identify potential options for meeting the demand for industrial uses.
- xxxiv. In addition to this shortfall in land for strategic industrial uses, we have identified a lack of supply of land suitable for small scale industrial uses in Dacorum, Watford and Three Rivers. These authorities may wish to consider allocating additional sites that can meet the needs of businesses serving local markets. Of the potential future sites that have been reviewed in this study, the following may be suitable, although these are all also in the Green Belt:
- Maple Cross (Three Rivers)
 - Dunsley Farm, Tring (Dacorum)
 - Land East of A41, Hemel Hempstead (Dacorum)
 - Bovingdon Brickworks (Dacorum)
 - Adjacent to A41 Service Area, Stoney Lane, Bourne End.

Table 4: Demand-supply balance for industrial space

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	South West Herts
Demand						
Net change	196,500	81,900	75,900	28,800	98,400	481,500
Supply						
Commitments	46,769	16,730	-1,853	-11,145	-12,588	37,913
Allocated sites	29,600		5,850			35,450
Safeguarded/ proposed sites		44,800	152,000			196,800
Total supply	76,369	61,530	155,997	-11,145	-12,588	270,163
Balance	-120,131	-20,370	80,097	-39,945	-110,988	-211,337

Source: Hatch Regeneris.

2. Introduction and Purpose of Study

- 2.1 Dacorum Borough Council, Hertsmere Borough Council, Three Rivers District Council, St Albans City and District Council and Watford Borough Council commissioned Hatch Regeneris to provide an update to the South West Hertfordshire Economic Study published in January 2016.
- 2.2 The study will form a key part of the evidence base for the Joint Strategic Plan being prepared for South West Herts, and the associated Local Plans.
- 2.3 The key requirements were to produce an updated economic study which provides the councils with:
- 1) An understanding of the functional economic market area and relevant policy context;
 - 2) An objective assessment of long term employment land and premises needs over the period 2018 to 2036, and the current and future supply of employment land; and
 - 3) Possible local authority planning and strategic economic development responses, including the quantum, location and type of jobs and land use allocations required to meet these identified needs.
- 2.4 The report is structured as follows:
- Chapter Two focuses on the economic geography of South West Herts. It revisits the definition of the Functional Economic Market Area (FEMA) from the 2016 study and tests whether this is still valid. We also look at South West Herts' relationship with neighbouring areas, particularly London, Luton and the Oxford-Cambridge corridor.
 - Chapter Three reviews the changes in economic and planning policies at a national and local level since the 2016 study was published and identifies the implications for South West Herts.
 - Chapter Four reviews recent economic trends and performance in South West Herts. This is done through the lens of the five foundations of productivity, which are set out in the UK Industrial Strategy.
 - Chapter Five reviews recent commercial property market trends in South West Herts. It analyses the factors which are influencing the demand for and supply of B class employment space, distinguishing between the office and industrial market.
 - Chapter Six provides updated scenarios which set out potential growth trajectories in South West Herts and the implications for the demand for employment floorspace and employment land.
 - Chapter Seven provides a review of the supply of employment land within South West Herts.
 - Chapter Eight assesses the balance of demand and supply of employment land and provides recommendations on planning and economic development responses.

3. Economic Geography of South West Herts

- 3.1 A key requirement of the 2016 report was to identify the Functional Economic Market Area (FEMA) for South West Herts, as required by PPG. The need to define FEMAs arises because the geography of local economies rarely adhere to local authority boundaries. There are important cross-boundary relationships in local labour markets, housing markets and supply chains which means the policy decisions taken in one authority have an effect on its neighbours. This means the need for employment land needs to be considered across a more functional geography than looking at each district in isolation.
- 3.2 This section revisits the conclusions of the 2016 report about the FEMA in South West Herts in the light of recent evidence and tests whether this is still valid. We also look at some of the important relationships that South West Herts has with neighbouring FEMAs, particularly London to the south and Luton and Central Bedfordshire to the north, and how future economic trends and plans could affect the economy and labour market of South West Herts.

Functional Economic Market Area

- 3.3 The 2016 report concluded that the South West Herts FEMA is made up of the following local authorities:
- Dacorum
 - Hertsmere
 - St Albans
 - Three Rivers
 - Watford
- 3.4 This was based on a detailed analysis of each of the criteria that PPG recommended should be used to identify FEMAs. Paragraph 61-011 of the updated PPG shows that the criteria that should be used to determine the FEMA are the same as those that were used in the 2016 report. It states: *“since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area, however, it is possible to define them taking account of factors including:*
- *extent of any Local Enterprise Partnership within the area;*
 - *travel to work areas;*
 - *housing market area;*
 - *flow of goods, services and information within the local economy;*
 - *service market for consumers;*
 - *administrative area;*
 - *catchment areas of facilities providing cultural and social well-being;*
 - *transport network”*
- 3.5 Although a number of these factors are likely to have changed since the 2016 report was produced, there is limited up to date data available for a number of the indicators. For example, travel to work areas are defined using data on commuting patterns. The 2016 study used data from the 2011 Census which remains the most up to date source of

information available for commuting. This means it has not been possible to update our analysis or test whether our conclusions are still valid. This section therefore focuses only on those criteria where more up to date information is available.

Local Enterprise Partnership Growth Areas

- 3.6 All five of the commissioning authorities lie within the Hertfordshire LEP area. The 2016 report noted that the LEP segmented the county in to a number of different local commercial property markets or ‘growth areas’. These were defined spatially around the key transport corridors and settlements which offer strong growth potential.
- 3.7 The refreshed Strategic Economic Plan for Hertfordshire continues to recognise the importance of these key transport routes on the economic geography of the area. It states that economic growth opportunities “*coalesce around the three principal radial corridors that cross the county*”. These include:
- The M1, West Coast Mainline and Midland Mainline cut across the west of Hertfordshire, close to three of the county’s largest towns, Watford, Hemel Hempstead and St Albans.
 - The A1(m) and East Coast Mainline/Great Northern Route pass through central Hertfordshire, close to Hatfield, Welwyn Garden City, Stevenage and Hitchin
 - The A10 and West Anglia Mainline cut across the east of Hertfordshire, with links to Hertford, Ware, Broxbourne, Cheshunt and Bishop’s Stortford; and the M11 is also nearby
- 3.8 These radial corridors correspond with the growth areas identified in the 2016 report. The M1 corridor which cuts across the west of Hertfordshire includes the districts of Dacorum, Hertsmere, St Albans, Three Rivers and Watford (the five commissioning authorities). Although there are differences between these areas, their access to the M1 and connections to Luton, Milton Keynes and London are shared locational strengths which will help to drive future economic growth.
- 3.9 This therefore lends weight to the conclusions of the 2016 study; that the **FEMA is made up of Dacorum, Hertsmere, St Albans, Three Rivers and Watford.**

Migration

- 3.10 Although migration is not explicitly identified as one of the factors for defining FEMAs, it is important insofar as it is a key indicator for determining the housing market area (which is one of the considerations for defining the FEMA).
- 3.11 The 2016 Strategic Housing Market Assessment for South West Herts analysed flows between the districts and with neighbouring authorities. It identified moderate or strong flows between each of the five authorities (where a moderate flow is defined as at least 3 people per 1,000 population commuting between two districts), but also identified significant relationships with other areas such as St Albans and Welwyn Hatfield.
- 3.12 The report showed that, if long distance moves and moves to and from London are excluded, the level of self-containment within the five authorities of Dacorum, Hertsmere, St Albans, Three Rivers and Watford was 84%, well above the 70% threshold for an area to be considered a self-contained housing market area. This increased to 86% if Welwyn Hatfield was included. Although the SHMA went on to state that Welwyn Hatfield has other influences outside of St Albans and the other South West Herts authorities, leading them to conclude that it sits in a separate HMA.
- 3.13 ONS publishes annual data on migration flows between local authority areas which means it is possible to analyse recent change in migration flows. However this data does not

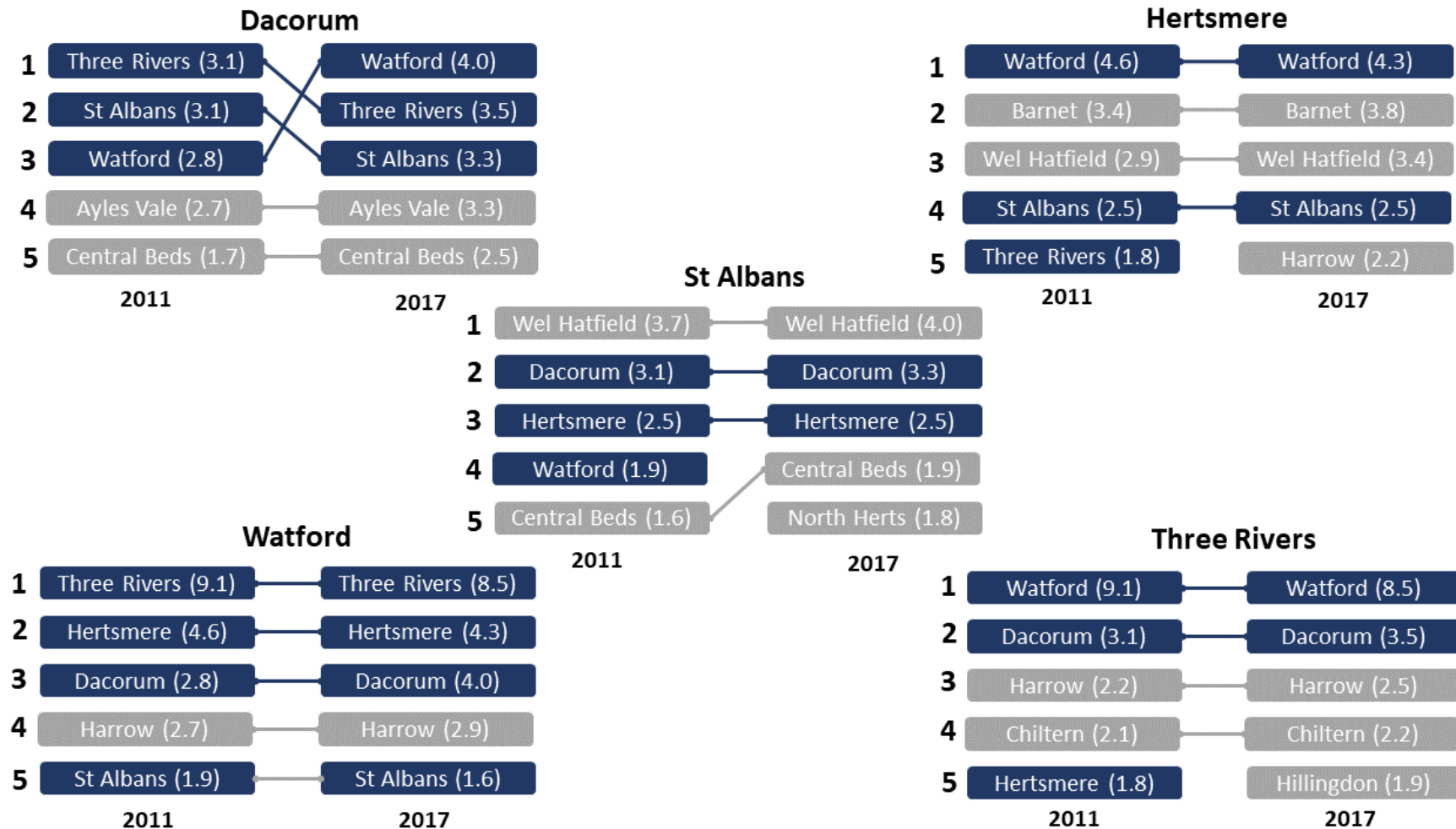
include internal moves within local authority areas. This means it is not possible to calculate up to date self-containment rates since a large proportion of moves occur within local authority areas.

3.14 Figure 3.1 compares how the migration flows between local authorities have changed between 2011 (the Census year) and 2017. Districts have been ranked according to the scale of migration flows per 1000 population to show which local authorities have the strongest relationships. The key points to note are as follows:

- The top three districts for migration flows in 2017 are the same as in 2011 for all five of the commissioning authorities (although the order of the top three has changed in Dacorum).
- The scale of the migration flows per 1,000 residents shows a similar pattern to 2011. There is still a strong relationship between Watford and Three Rivers (more than 8 people per 1,000 population) and moderate relationships of at least three moves per 1,000 residents between a number of the five commissioning authorities including Dacorum and Watford, Dacorum and Three Rivers, Dacorum and St Albans and Hertsmere and Watford.
- The main cross-boundary relationships outside the five commissioning authorities are between St Albans and Welwyn Hatfield, Hertsmere and Welwyn Hatfield and Hertsmere and Barnet.

3.15 The nature and scale of relationships between local authority districts is therefore very similar to the position in 2011. Although it is not possible to calculate up to date self-containment rates, these patterns suggest that the conclusions of the 2016 SHMA are still valid. This points to a **FEMA made up of Dacorum, Hertsmere, St Albans, Three Rivers and Watford**, but which also has important relationships with Welwyn Hatfield.

Figure 3.1 Ranking of strongest migration flows between local authority areas in 2011 and 2017 (numbers in brackets show gross flows per 1,000 residents)



Source ONS

Retail spending patterns

- 3.16 The South West Herts Retail and Leisure Study (2018) provides some up to date information on the shopping habits of residents. The key findings which are relevant to this study are as follows:
- Although most convenience expenditure is very local, a significant proportion of expenditure by Three Rivers and Hertsmere residents occurs in Watford (29% and 10% respectively). St Albans is also an important convenience centre for Hertsmere residents, attracting 10% of their expenditure while 9% of Three Rivers expenditure occurs in Dacorum. St Albans is the only district where there is significant leakage outside South West Herts (13% of resident expenditure)
 - Watford is the dominant centre for comparison goods expenditure and accounts for sizable proportions of spending by Three Rivers (65%), Hertsmere (34%), Dacorum (11%) and St Albans (7%) residents. Again leakage outside South West Herts is highest for St Albans, with 41% of resident expenditure going to other locations, with the main beneficiary being Welwyn Garden City.
- 3.17 The study also looked at leisure spending but did not provide data on where people choose to spend their leisure time or money meaning it is not possible to comment on relationships between areas.
- 3.18 This evidence is consistent with a **FEMA made up of Dacorum, Hertsmere, St Albans, Three Rivers and Watford**, but which also has important relationships with Welwyn Hatfield.

Relationship with neighbouring areas

London

- 3.19 The 2016 study examined South West Herts' relationship with London through the lens of migration of people and businesses and changing commuting patterns. This showed:
- **Large increases in in-migration from London.** The number of people moving from London to South West Herts increased sharply between 2011 and 2014, particularly among people in their 30s which rose by 40%. This could be taken as evidence that the relative affordability of housing is resulting in many Londoners leaving the capital for South West Herts when they want to start a family. This is increasing demand for housing in South West Herts but also increasing the supply of skilled labour, which is a competitive advantage at a time when many areas are experiencing a fall in the working age population.
 - **Small increases in rates of out-commuting.** Although there was an increase in out-commuting from South West Herts to London between 2001 and 2011, the *proportion* of residents who work in London only increased by 0.4 percentage points. This was lower than many consultees perceived (given the high rate of jobs growth in the capital) although it was unclear whether this has changed since 2011
 - **Inconclusive evidence of businesses relocating to South West Herts:** the report cited survey evidence which showed growing numbers of businesses are considering leaving London. However there was no clear evidence of relocations to South West Herts or other parts of the East/South East. Although high rents are one push factor, the survey evidence suggested the cost of housing and the constraints this placed on local labour supply are the main reason why many businesses are considering relocation.

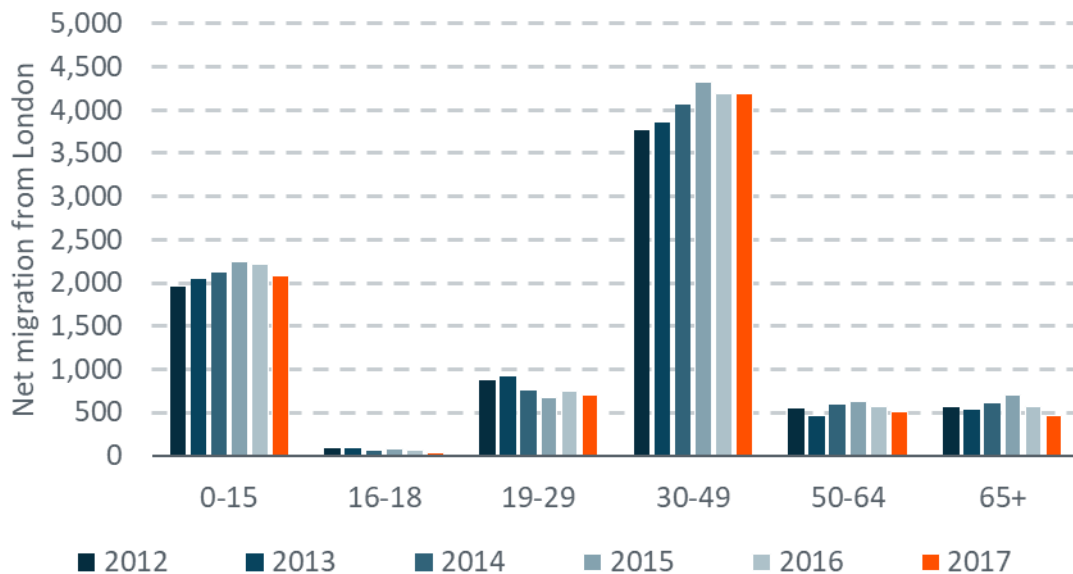
3.20 A number of developments since the 2016 report was published mean there is value in re-examining the relationship between South West Herts and the capital and how it might change in the future. These include:

- **Growing housing affordability challenges in London:** although there are some signs that the housing market has cooled in recent months, the affordability ratio (measuring the ratio of median house prices to median earnings) increased from 11.8 in 2015 to 13.2 in 2017 meaning affordability has got worse.
- **Loss of commercial floorspace:** there has been a loss of some types of workspace in London, particularly industrial space but also some types of office space which have come under pressure as a result of permitted development rights. This could increase pressure for businesses to relocate all or parts of their functions outside London.
- **Publication of the London Plan:** this sets out the GLA's response to some of the trends above and also outlines proposed transport improvements. Both of these could affect the future relationship between South West Herts and London

Migration

3.21 The latest data shows that net-migration from London to South West Herts peaked in 2015 at 8,700 and has since fallen back slightly to 8,000. However the trends by age group remain broadly similar to the position in the 2016 report, with large numbers of people in their 30s relocating to South West Herts.

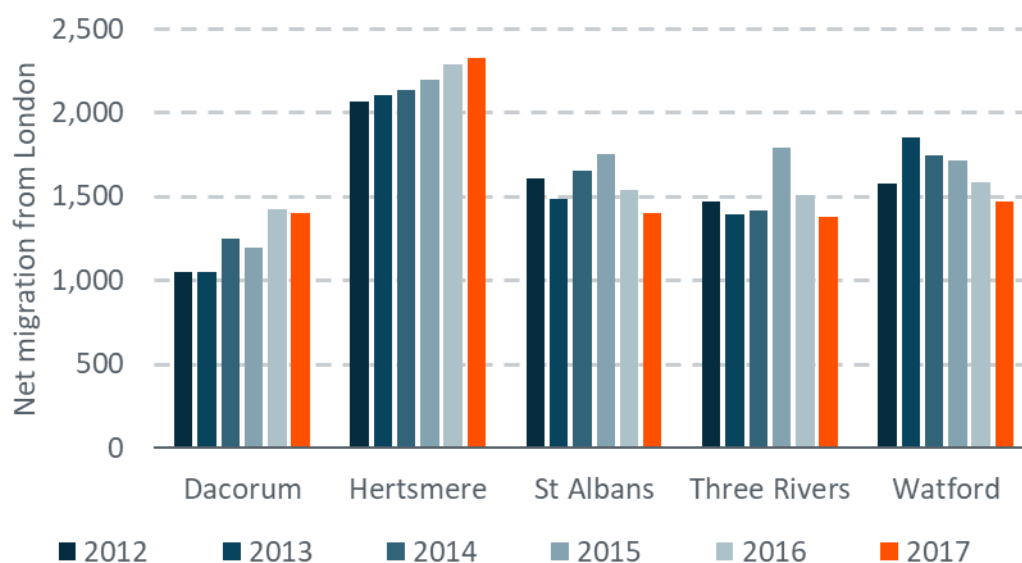
Figure 3.2 Net migration from London to South West Herts by age group



Source

3.22 The analysis by district shows net migration from London has fallen in recent years in St Albans, Three Rivers and Watford. In each of these areas the gross number of in-migrants from London has remained broadly constant, but the number of out-migrants has grown. Net-migration into Dacorum and Hertsmere, however, has continued to grow despite increasing numbers of people leaving South West Herts to move to London.

Figure 3.3 Net migration from London to South West Herts by district



Source

- 3.23 This data shows South West Herts continues to be a highly attractive location for people looking to relocate from London. The recent fall in some areas does not change the conclusions of the 2016 report, however it may suggest that the level of out-migration has now peaked, particularly in St Albans and Watford.
- 3.24 Predicting how this could change in the future is complex and highly uncertain. The new London Plan aims to accommodate all London's Growth within its boundaries, which means neighbouring authorities will not need to contribute to meeting the needs of London and should minimise out-migration. However a key determinant will be the relative cost of housing in London and South West Herts. As stated above there is some evidence that house prices are falling in the capital, with five consecutive quarters of falls as of October 2018. This may be due in part to uncertainty about Brexit which is deterring some international buyers and increased stamp duty on second homes.
- 3.25 In the long run, there are also grounds to believe house prices will be more stable than they have in the past. The new London Plan sets ambitious house-building targets which are much higher than previous targets, and states that 50% of these homes should be affordable. Although the housing policies have been criticised as being unachievable. If prices did remain stable then we might expect to see further falls in net-migration in future.

Commuting

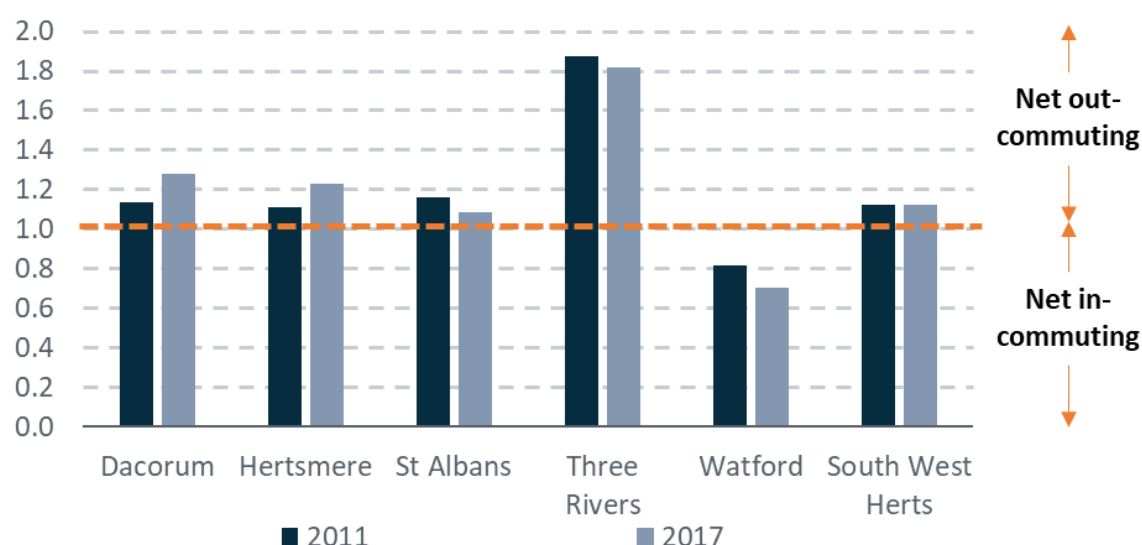
- 3.26 As stated above, it is not possible to analyse how commuting patterns have changed since the 2011 Census. However the Annual Population Survey does allow us to review whether the overall net-commuting balance has changed. This measures the ratio of resident based employment to workplace based employment so represents the difference between people commuting out and people commuting in. Although this measure cannot be used to analyse flows between London and South West Herts, the magnitude of commuting flows from South West Herts to London¹ is such that, if there had been a large increase in

¹ According to the 2011 Census, when taken as a whole, 65% of commuting flows out of South West Herts were to London.

commuting to London (as is perceived by many) we would expect this to be reflected in the overall commuting balance.

- 3.27 However this is not the case. The overall commuting ratio for South West Herts remained more or less constant between 2011 and 2017 (1.13 to 1.12). In some areas, including St Albans and Watford, there has been a significant fall in the commuting ratio which means these areas have seen a reduction in net out-commuting. To be clear, this does not mean that these areas have seen a fall in commuting to London over this period (the number of rail passengers on routes between London and these key towns suggests otherwise). But it does mean that any increases in out-commuting have been more than matched by inflows. This is important because it challenges the perception that some parts of South West Herts are increasingly becoming dormitory towns for London.

Figure 3.4 Change in commuting ratio between 2011 and 2017



Source Annual Population Survey. Note: APS is subject to large margins of error due to low sample sizes. To minimise this, we have taken the average of the four quarterly surveys undertaken in 2011 and 2017

- 3.28 The London Plan sets out a number of transport investments which could change commuting patterns in the future. The investment with the most direct link to South West Herts is the Thameslink Programme due for completion in 2019 which will upgrade and expand the Thameslink rail network to provide new and longer trains between a wider range of stations. This will improve rail links between London and St Albans and could encourage more out-commuting from the district. Crossrail 2 will also provide a direct link between London and Herts, although this will not connect with stations within the FEMA. Nevertheless it could have indirect effects on commuting, albeit not until the 2030s. Similarly, improved train services on the West Coast Mainline in Hertfordshire post HS2 could also increase commuting to London.

Business Relocations

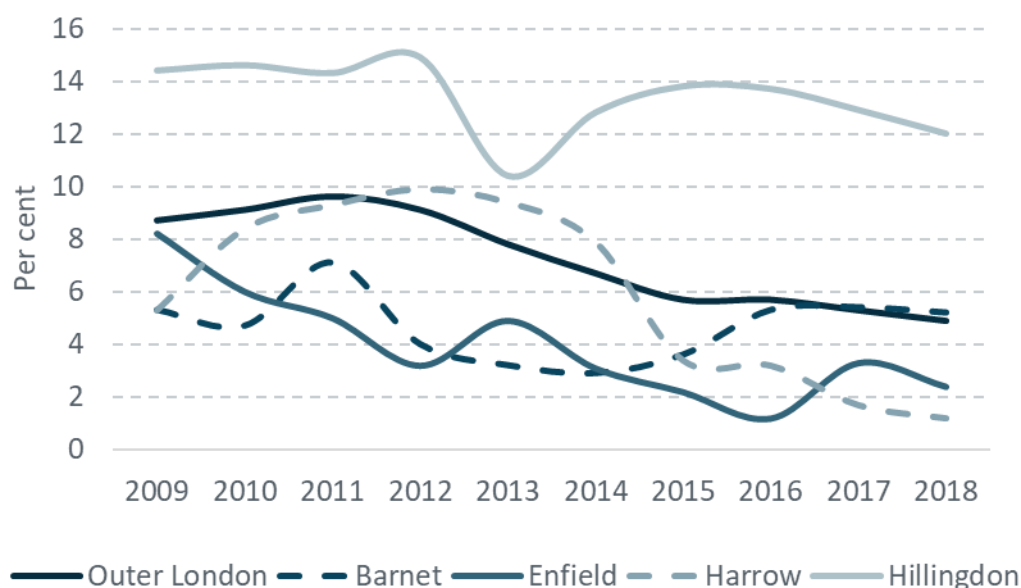
- 3.29 A report by the London Assembly's Economy Committee in 2017 showed that the pressure on the supply of affordable workspace in the capital has increased. Sixteen per cent of industrial land was lost over the period 2001-2015. The report estimated that if these trends continue industrial land stock in London could fall by 33 per cent by 2041. The relaxation of planning rules has also contributed to the decline, especially of traditional office space and particularly in outer London, where almost one fifth of workspace could be lost to residential dwellings. The availability of workspace in outer London, particularly for start-ups and for businesses looking to grow, is now considerably lower than in inner London.

This suggests that areas which neighbour outer London such as South West Herts districts could see growing demand from London businesses.

- 3.30 However the effects of this on business relocations are still poorly understood. A 2016 report for the GLA² did show there has been a net outflow of firms from London to other areas since the late 2000s, however there was no evidence that this was increasing over time and the data for employment showed that London actually gained jobs as a result of firm migration (implying that the firms that move in to the capital employ more people than those that leave). It should also be noted that this data used in this study was only available up to 2012-13 which means it predated the introduction of permitted development rights and the increased pressure on workspace. This led the Economy Committee to identify the need for more research to understand recent trends and the characteristics of businesses that are leaving London.
- 3.31 Although the London Plan anticipates demand for between 4.7 and 6.1 million sq m of office space between 2016 and 2041, it does not set targets for individual districts or even for the city as a whole. Policy E1 states that *“increases in the current stock of offices should be supported, where there is authoritative, strategic and local evidence of sustained demand for office-based activities”*. It also responds to the growing pressure on workspace supply from PDRs by stating that viable office floorspace *“should be retained, supported by borough Article 4 Directions to remove permitted development rights where appropriate”*. Policies E2 and E3 also set out actions to secure low cost and affordable workspace to support SMEs.
- 3.32 It remains to be seen whether these policies will be adequate to increase supply of office space or alleviate the pressure on existing space in London. Unlike with housing, the London boroughs do not have targets for the delivery of new office space which may provide an incentive to prioritise housing over new office stock. Furthermore, exactly what constitutes *“authoritative, strategic and local evidence of sustained demand”* is open to interpretation which may result in undersupply in some areas.
- 3.33 Of the four London boroughs which neighbour South West Herts, Harrow and Enfield have particularly low office vacancy rates (just over 1% in Harrow) which are well below the average for Outer London (5%). This suggests there is significant pressure on supply in these areas which could result in increased business relocations to South West Herts if the relevant authorities do not increase the supply of office space in future.

² Trends Business Research Ltd, 2.41 The Changing Spatial nature of Business and Employment in London, Greater London Authority, February 2016 2016: https://www.london.gov.uk/sites/default/files/working_paper_73.pdf

Figure 3.5 Office vacancy rates in London boroughs which neighbour South West Herts



Source CoStar

- 3.34 As for industrial space (including logistics), Policy E4 states that the current supply of industrial space in London should be maintained. It cites evidence that, by ensuring no net loss of industrial space across London, this should be sufficient to meet anticipated demand. It also provides guidance to individual local authorities on whether they should plan to retain, increase or release capacity. Of the four boroughs which neighbour London, three are advised to maintain capacity while one (Enfield) is advised to increase capacity. If this occurs in practice it should minimise the number of businesses displaced by a lack of industrial space.
- 3.35 Policy SD2 (Collaboration in the Wider South East) also states that the Mayor will work with partners in the Wider South East on a number of issues, including the “*wider needs for freight, logistics and port facilities*” although what this will mean in practice is unclear.

Luton and Central Beds

- 3.36 The commissioning authorities have noted a number of developments in Luton and Central Beds which could affect the future relationship with South West Herts. These include:
- Plans for a substantial increase in the supply of both housing and employment land
 - A significant expansion in capacity and passenger numbers at Luton Airport and growth linked to the Enterprise Zone.

Housing and Employment Growth

- 3.37 The need for housing in Luton and Central Bedfordshire was determined in the 2018 Strategic Housing Market Assessment by ORS. This identified the need for 18,810 new homes in Luton between 2015 and 2035 and 31,778 new homes in Central Bedfordshire. This was based largely on trends-based projections, although a 10% adjustment was made in response to market signals (eg worsening affordability).
- 3.38 The latest versions of the local plans for these areas set the following housing targets:

- Luton Local Plan (adopted November 2017) makes provision for 8,500 dwellings by 2031, representing a shortfall of 9,300 homes relative to the OAN.
 - Central Bedfordshire Local Plan (submitted April 2018) identifies a target of 39,350 homes to be delivered by 2035. 32,000 of these are to meet the OAN for Central Beds, while 7,350 will be to help address the unmet need in Luton. The remainder will be met by North Herts District Council.
- 3.39 It is proposed that Central Beds's contribution to Luton's unmet need will be delivered mainly through an urban extension north of Luton, which will include 4,000 homes.
- 3.40 The local plans also set out plans to deliver:
- Around 69 ha of employment development in B use classes in Luton. This includes recent permission for up to 42,000 sq m of office development at Newlands Park (Junction 10 of the M1) and a planning application for New Century Park business park, adjacent to the airport.
 - 325 ha of employment development in Central Beds. This includes 20 ha of development north of Luton and 45 ha of B8 development at junction 11a of the M1 which are both in reasonable proximity to South West Herts.
- 3.41 This level of housing and employment development has the potential to affect South West Herts in a number of ways:
- A change in commuting patterns between Luton/Central Beds and South West Herts. This could work both ways, as the jobs created in the new employment allocations could attract South West Herts residents, while the increase in housing could increase the labour supply available to South West Herts employers.
 - An increase in economic activity. Significant housing and employment growth in Luton/Central Beds could generate additional economic activity in South West Herts through an increase in household and supply chain expenditure in the local economy. Some of this will inevitably be captured in South West Herts.
 - Competition for investment. There is a risk that the increased supply of employment land could attract businesses that would otherwise have invested in South West Herts.
- 3.42 It is very difficult to reach any robust conclusions on what the impact of this growth might be on South West Herts or how the relationship between the two areas could change. However, in our view the risks for South West Herts are low for the following reasons:
- Both the housing and employment growth targets have been based on an objective assessment of need for Luton/Central Beds. In theory, this should mean that they provide enough housing and employment land to meet the needs of their own FEMA without displacing workers or jobs from neighbouring FEMAs. In practice this will depend on whether the assumptions in the OAN about future growth prove to be accurate.
 - A large quantity of the employment land in close proximity to South West Herts is for strategic B8 development. This is an undersupplied market across the East and South East of England. Therefore the risk of displacing B8 investment from South West Herts is low.
 - The structure of Luton and Central Beds' economy is very different to South West Herts being geared more towards manufacturing and less towards high value services. It is unlikely that future housing and jobs growth could fundamentally change the relative strengths of each area or mean that Luton/Central Beds is likely to attract investment from South West Herts' established sectors.

- There is a risk that the proposals for new office development at Newlands Park and New Century Park could compete for investment with South West Herts (high value office occupiers). However we consider that this poses a low risk given that both sites are likely to have longer travel times to London than most of South West Herts's established office locations. This is a key factor influencing investor location decisions.

Expansion of Luton Airport

- 3.43 London Luton Airport has published its growth plan which sets a target of doubling its capacity from 18m to 38m by 2050. It is anticipated that this would create around 18,500 new jobs. As above, this has the potential to benefit South West Herts through an increase in economic activity but could also undermine growth if it attracts investment or workers from the FEMA. In February 2019 London Luton Airport Limited (LLAL) announced its preferred option would be to build a second terminal on Wigmore Valley Park beyond the north of the runway.
- 3.44 Based on an earlier economic impact assessment carried out for the airport we estimate an expansion of this magnitude could support around c. 900 new jobs in South West Herts. This is as a result of multiplier effects due to increased supply chain and salary expenditure in the local economy.
- 3.45 Again we consider the risks to South West Herts from this expansion to be low. The expansion of the airport is likely to lead to increased investment from occupiers that require rapid access to the airport (the economic impact report found that most of the employment directly associated with the airport was in transportation, storage and manufacturing). Access to an airport is not a key driver of most firms' decisions to invest in South West Herts and both the manufacturing and transport sectors are not particularly well represented in the FEMA (both sectors have a location quotient of less than one). Therefore we consider there to be a low risk that the airport expansion could lead to increased competition for investment.
- 3.46 While there is a risk that the jobs growth could result in increased out commuting from South West Herts, this is not likely to be significant. The 2011 Census shows that only 5% of Luton Airport workers lived in South West Herts. Assuming the development created 11,000 direct jobs (based on the economic impact study), this would result in an increase of 550 out-commuters from South West Herts. This is a small change in the context of the scale of the South West Herts labour market.

Cambridge-Milton Keynes-Oxford Growth Corridor

- 3.47 The Cambridge-Milton Keynes-Cambridge Corridor encompasses a line of towns and cities some 50 miles out from London. In addition to the three key towns, the corridor includes Northampton, Luton and Peterborough and large parts of Beds, Bucks, Northants, Oxfordshire and Cambridgeshire.
- 3.48 The corridor is characterised by its highly skilled labour market and world-class knowledge assets, which has resulted in very high rates of economic and population growth. This growth is threatened by a lack of suitable and affordable housing and the appropriate connective infrastructure to strengthen links between the key towns. As such the Government has identified it as a major growth corridor and commissioned a number of reports to explore how its potential can be maximised.
- 3.49 Estimates by the National Infrastructure Commission (NIC) suggest that, with the right interventions, annual output of the corridor in 2050 could be £163 billion higher than in 2014 – approximately doubling the growth expected without intervention. To achieve this, their report found that up to 1 million homes will need to be built in the corridor by 2050 alongside

significant investment in new infrastructure to improve connectivity within the corridor. The Government is currently considering its response to the NIC report and will make recommendations in due course.

- 3.50 The proposals would see the Oxford-Cambridge corridor become a major engine of growth in the UK economy. Given South West Herts' location between London and the corridor, there is clearly potential economic benefits for the sub-region. The main risk for the FEMA is that the scale of development and investment in infrastructure may mean that South West Herts becomes a less attractive location for investment than areas within the growth corridor.

4. Recent changes in policy

Planning Policy

Revised National Planning Policy Framework and Planning Practice Guidance

- 4.1 The revised National Planning Policy Framework (NPPF) was published in July 2018 and updated in February 2019. This retains the three overarching objectives contributing to sustainable development from the earlier 2012 framework; building a strong, responsive and competitive economy, supporting strong, vibrant and healthy communities and protecting and enhancing the environment.
- 4.2 The framework continues to highlight the importance that local planning authorities adopt policies which support economic growth in their area, stating “*Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development*” (para 80). It also states that planning policies should “*seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment*” (para 81).
- 4.3 The Planning Practice Guidance was also updated in February 2019. This includes guidance on how the economic needs of FEMAs can be assessed and quantified, although there are no substantive changes from the earlier guidance. The key points are as follows:
 - Economic needs should be assessed for the best-fit FEMA, meaning most assessments will need to be carried out on a cross-local authority boundary basis.
 - Assessments should involve close liaison with the business community to understand their current future requirements. This should include analysis of recent changes in the demand and supply of commercial property which identifies undersupplies or oversupplies of particular types of space.
 - A number of different methods can be used to assess future needs including sector based employment forecasts (labour demand), demographically derived assessments of future employment needs (labour supply techniques) and analysis of past trends.
- 4.4 The most substantive change in the revised framework and PPG relates to housing. The revised framework retains the explicit and unambiguous target to significantly boost the supply of housing (para 59), but introduces a new standard method for determining the minimum number of homes needed in local areas. This takes household projections as the starting point but makes an adjustment based on the relative affordability of housing in an area (with the most unaffordable areas given the greatest uplift).
- 4.5 The main change to the previous method is that local plan makers are no longer compelled to align their housing need figure with anticipated jobs growth. This would now be a discretionary policy decision for the local planning authority: “*the standard method for assessing local housing need provides the minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore there will be circumstances where actual housing need may be higher than the figure identified by the standard method. Where additional growth above historic trends is likely to or is planned to occur over the plan period, an appropriate uplift may be considered*” (paragraph 10).

- 4.6 This effectively means that a council's employment land and housing policies no longer need to be aligned, as was the case under the previous method. However this still needs to be a consideration – if there was a significant misalignment between an area's employment land and housing policy it could give rise to labour market imbalances such as skill shortages and could also lead to unsustainable commuting patterns. We consider the relationship between housing, labour supply and economic growth in Chapter 6.

Local Plans

- 4.7 We have not looked in detail at the planning policies and strategies of each of the constituent local authorities in South West Herts as most of these have not been updated since the 2016 report was published. Key developments are summarised below.

St Albans City and District Council Local Plan 2020-2036, Publication Draft

- 4.8 SADC's Publication draft Local Plan was published in September 2018 and submitted for examination at the end of March 2019. This sets a housing target of 14,608 dwellings over the 16 year plan period (913 dpa), representing a significant uplift on the target for the previous draft plan (436 dpa).
- 4.9 Policy S5 states that *"provision is made for a significant new employment development within the East Hemel Hempstead (central) Broad Location (55ha, up to circa 10,000 jobs).... Provision for significant development and redevelopment opportunities is also made in the Special Employment Locations in the Green Belt. All of these areas are also designated as part of the multi-site Hertfordshire Enviro-Tech Enterprise Zone"*. The special employment locations refer to the BRE site in Bricket Wood and Rothamsted Research site in Harpenden.
- 4.10 No new allocations are identified outside these locations. Although the submitted plan does add that:
- *"Within designated Strategic Office Locations, planning applications for development and redevelopment to provide additional Class B1 (a) uses will be supported in principle"* and that loss of office accommodation will be refused under Article 4 of the General Permitted Development Order. However it does not provide a list or map of these Strategic Office Locations.
 - Loss of land and premises in Class B use in Primarily Business Use Areas will also be refused under Article 4. Again, these areas are not listed or defined but appear to refer to the East Hemel Hempstead, BRE and Rothamsted sites.

Issues and Options Consultation Local Plan to 2036, Dacorum Borough Council

- 4.11 This issues and options consultation was published in November 2017. It provides the key findings from the Strategic Housing Market Assessment and the 2016 Economic Study and seeks views on the potential options for responding to the recommendations in these reports.
- 4.12 In relation to office uses, it states the only option for significant new office development in Dacorum is located south west of Kings Langley, but also notes *"the site in St Albans District at Green Lane, Hemel Hempstead next to M1 junction 8 also has potential to meet wider South West Hertfordshire needs³. Green Lane is likely to be brought forward for development in the near future. Consequently the Kings Langley site should be held in reserve and brought forward if Green Lane fails to attract significant office development"*.

³ This is the East Hemel Hempstead site from the SADC Publication Draft Plan

- 4.13 For industrial and warehousing uses it concludes that land at Maylands Gateway should be acceptable for industrial development as well as offices. It includes options for additional allocations at Two Waters, Hemel Hempstead and Dunsley Farm in Tring.
- 4.14 The Publication draft Local Plan is due to be published in May 2020.

Issues and Options Consultation Local Plan, Hertsmere Borough Council

- 4.15 Following an initial 'launch' of the new Local Plan in late 2016, HBC published an Issues and Options document for consultation in November/December 2017. There has been subsequent engagement on 'Potential sites for housing and employment' (October / December 2018). Whilst the majority of sites put forward by landowners within this consultation were proposed for residential use, a small number were suggested for employment. The Publication draft Local Plan is due to be published in Spring 2020.

Local Plan Issues and Options and Call for Sites (2017, 2018), Three Rivers District Council

- 4.16 The Issues and Options and Call for Sites Consultation Document identified some of the issues and challenges facing Three Rivers and the possible options that could help to address them. The Council also sought views on the content of the document and how best to balance the delivery of growth across the District. Alongside this consultation, and again in 2018, the Council invited land owners, agents and developers to submit new sites that could be developed to meet future demand for homes and jobs.
- 4.17 The Call for Sites was followed by a 'Potential Sites' consultation in October 2018 which identified a potential extension to the existing site at Croxley Park, and new sites at Maple Cross and Station Road, Kings Langley. Potential land to be safeguarded for Leavesden Studios expansion was also identified. The draft Local Plan is expected to be published in late 2019.

Issues and Options for the New Watford Local Plan Consultation

- 4.18 The Issues and Options Consultation was the first step towards preparing a new Local Plan or Watford. This set out the key issues and possible approaches to growth for public consultation. The consultation closed in October 2018 and a first draft of the Local Plan is due in Autumn 2019.

Economic Policy

UK Industrial Strategy

- 4.19 Published in November 2017, the aim of the Industrial Strategy is to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK. The White Paper identifies "**five foundations of productivity**" which are seen as the essential attributes of every successful economy and around which the Industrial Strategy is structured. These are:
- Ideas – the strategy aims for the UK to become the world's most innovative economy
 - People – good jobs and greater earning power for all
 - Infrastructure – providing a modern and accessible infrastructure throughout the country
 - Business Environment – to be the best place to start and grow a business

- Places – to have prosperous communities throughout the UK
- 4.20 The White Paper also identifies four **Grand Challenges** which, as a result of global forces, will shape the UK's rapidly changing future. Responding to these challenges, the White Paper argues, will not only drive productivity but deliver significant societal benefits.
- 4.21 Through the Grand Challenges the Government commits to:
- putting the UK at the forefront of the **artificial intelligence and data revolution**;
 - maximising the advantages for UK industry of the shift to **green growth**;
 - becoming a world leader in shaping the **future of mobility**; and
 - harnessing the power of innovation to help meet the needs of an **ageing society**.
- 4.22 The White Paper also commits to agreeing **Local Industrial Strategies** which will be led by mayoral combined authorities or local enterprise partnerships. These strategies will “*identify local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness. This might include addressing skills issues, improving infrastructure, harnessing the potential of world-class science and innovation, supporting new high-value businesses, or identifying leading sectors to inform the development of deals*”.

Hertfordshire Strategic Economic Plan

- 4.23 The refreshed Strategic Economic Plan (Hertfordshire Local Enterprise Partnership, 2017) sets out a vision that “*by 2030, Hertfordshire will be among the UK's leading economies, helping to realise the full potential of the assets and opportunities of the Golden Triangle*”. To achieve the vision it identifies four priorities:
- **Maintaining Hertfordshire's global excellence in science and technology** – the SEP states that the growth of these sectors is crucial if the county is going to achieve a step-change in productivity. This includes life sciences, advanced engineering, agri-tech, sustainable construction and creative industries. Of these, creative industries and agri-tech are the sectors most relevant to South West Herts.
 - **Harnessing its relationship with London and elsewhere** - the SEP recognises that the southern parts of the county are “functionally linked” to London. It segments the LEP area in to three growth corridors based on the main transport corridors from London. The South West Herts authorities are included in the M1/West Coast Mainline corridor which links London with the high growth towns of Luton and Milton Keynes.
 - **Reinvigorating places for the 21st century** – it recognises the important role of Hertfordshire's largest towns which “*need to become vibrant, lively, urban hubs underpinned by new models of both living and working*”. It notes the progress that has been made in the regeneration of Hemel Hempstead and major projects in Watford, but that there is still “some way to run” on these long term projects.
 - **Providing the foundations for growth across both businesses and people** – this is focused primarily on improving workforce skills, addressing skill shortages, strengthening relationships between employers and training providers and improving labour market intelligence. These challenges apply across Herts.

Hertfordshire Local Industrial Strategy

- 4.24 The development of Hertfordshire's local industrial strategy is still in its early stages and will be developed over the course of 2019. Early presentations have indicated that the LIS

will focus on supporting the growth of the science and technology-based sectors, which it recognises as being key to raising productivity. The LIS will also look to exploit the following opportunities:

- **East-West Growth Axis** – the A414 corridor cutting across Herts (including the towns of Hemel Hempstead, St Albans and Welwyn Hatfield) will accommodate 50% of Hertfordshire's housing growth and is home to a number of economic assets including the Envirotech Enterprise Zone sites and a cluster of science and tech sectors. This corridor therefore has a key role to play in driving economic growth – although poor transport infrastructure is recognised as a potential constraint.
- **Stevenage Innovation District** – Stevenage is home to a significant cluster of science and tech sectors and could act as a testbed for delivering a place based integrated approach to supporting sector and productivity growth.

4.25 The work done to date has also identified a number of key challenges which will need to be addressed through the LIS:

- **A shortage of employment land**, particularly in London fringe areas which is acting as a constraint on growth and investment. The loss of employment land to residential uses has put particular pressure on supply in some areas and means it is difficult to attract businesses which might be displaced from London.
- Hertfordshire ranks particularly poorly in relation to **small businesses ability to grow**. The reasons for this are not well understood but could include access to premises, skills or finance.
- There is **significant variation in skills and school-level attainment** across the county, which is likely to affect earnings and productivity. There is also a need to equip young people with the attributes they need to adapt in the face of rapidly changing skill requirements (driven by technological change).

4.26 It is too early in the development of the LIS to highlight any particular implications for South West Herts, although we would note the following:

- The focus on science and technology based sectors in the LIS is perhaps more relevant to other parts of Herts than it is for South West Herts. Although there are notable assets and sector strengths in the FEMA (eg creative industries) these sectors only account for a small proportion of jobs and GVA. There is limited focus so far on professional services which is a key part of the South West Herts economy (see Chapter 5).
- The challenge relating to a shortage of employment land is particularly relevant in South West Herts. As we show in Chapter 6, some of the key employment locations in the FEMA have extremely limited supply of both office and industrial land which will act as a constraint on investment and productivity.

Envirotech Enterprise Zone

4.27 Hertfordshire's multi-site Envirotech Enterprise Zone aims to encourage growth in the LEP's priority sectors, with a particular emphasis on environmental technology. The definition of this sector is as follows:

4.28 “Environmental technologies; companies operating in environmental technology fields broadly related to the built environment, the green environment and agri-tech, digital technologies which could be applied in these fields, and the supply chains to these companies.”

4.29 In practice this includes a wide range of different sectors including:

- Agri-tech
 - Research and development
 - Construction – with a particular focus on advanced building processes and offsite manufacturing
 - Advanced materials and manufacturing
 - Digital technologies
 - Energy technologies (design and manufacture)
 - Consultancy and related services
 - Environmental management (eg waste management, water supply etc)
- 4.30 The aim of the EZ is to support and develop the existing enviro-tech sector in west Hertfordshire and attract more businesses to the area thanks to its national and international transport links. The multi-site zone covers Maylands Business Park, Hemel Hempstead, and land in St Albans District, east of Green Lane (the East Hemel Hempstead site). Other sites include underused land and buildings at the Building Research Establishment (BRE) and Rothamsted Research. The EZ is expected to deliver over 8,000 new jobs, 800 new businesses and an uplift in land values of £120m.
- 4.31 Preparatory work started in April 2016. Prologis Park, on the Maylands Business Park, is the first site under construction and delivered new commercial space from the end of 2018. So far there are five confirmed occupiers at Prologis Park:
- consumer delivery company Hermes signed a lease agreement for an 7,500 sq m distribution centre
 - Riwal UK, an aerial platform and telehandler specialist will take a 1,900 sq m unit from 2019.
 - Vitabiotics, a supplier of vitamins and supplements, has signed a lease for a 15,900 sq m distribution centre.
 - Nile Trading, importers, stockists and distributors of natural stone and quartz, has taken a 1,000 sq m unit.
 - Chiltern Timber has also take a 1,000 sq m unit.
- 4.32 Although the new units being occupied have very high sustainability credentials, none of the confirmed occupiers are from the enviro-tech sector.

5. Economic and Labour Market Performance

- 5.1 This section reviews recent economic and labour market trends in South West Herts, drawing upon a wide range of socio-economic datasets. The section starts by assessing the overall economic performance of South West Herts before focusing on the ‘five foundations on productivity’ which are set out in the UK’s industrial strategy. As noted in the previous chapter these are seen as the essential attributes of every successful economy, and help us to understand the factors that constrain or strengthen economic performance

A note on the accuracy of employment data

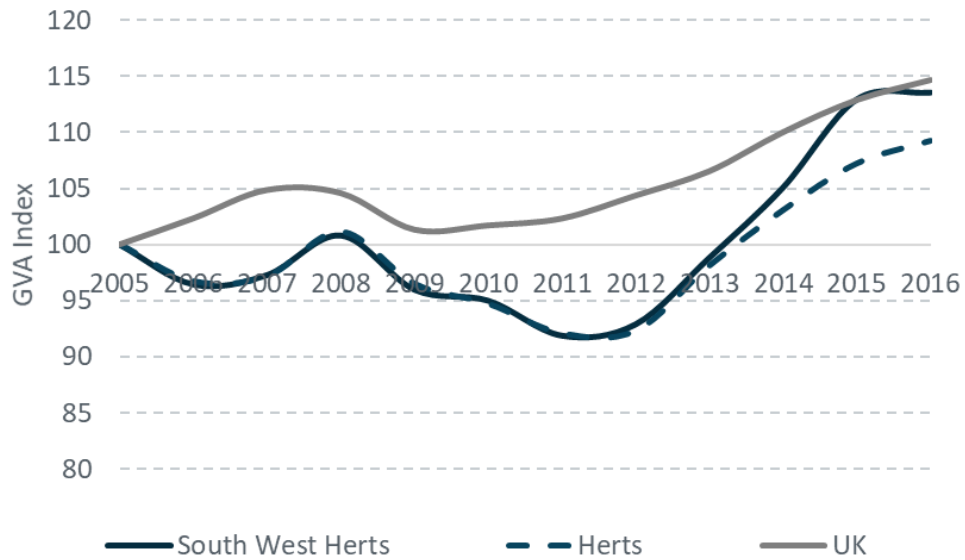
This section relies on third-party datasets to assess the recent economic and labour market performance of South West Herts. A number of these datasets draw upon the Business Register and Employment Survey (BRES), either to provide an estimate of employment in an area or as a proxy to allocate economic activity to particular areas or sectors. We have reason to believe that the BRES data for South West Herts overestimate the scale of employment and economic activity by around 20 to 30 per cent. This is because of the way in which jobs are allocated to locations in BRES. We believe the results particularly affect the professional and business services and construction sectors. While we have taken steps to adjust the data, the analysis in this section which relies on BRES data should still be treated with caution. See Appendix A for a full description of the issue and the steps we have taken to address it.

Recent Economic Performance

Gross Value Added

- 5.2 Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. It is the key metric used to understand the overall size and economic performance of an area.
- 5.3 The ONS data in Figure 5.1 shows that the economies of South West Herts and Hertfordshire were particularly badly affected by the economic downturn. Both areas experienced a real-terms fall of around 8% between 2008 and 2011. Since then, the data suggests both economies have undergone a strong recovery, particularly in South West Herts where **real GVA has grown by around 4% per annum**.
- 5.4 According to ONS, this recovery has been driven by the strong performance of a small number of sectors, particularly professional and business services which has accounted for a third of the growth in GVA since 2011. The value of this sector has grown by over 70% during this period, which is more than twice the national average (31%).
- 5.5 This data should be treated with caution. It is very difficult to estimate GVA at sub-regional level, and the estimates produced by ONS rely on BRES data to apportion regional GVA estimates to local areas.

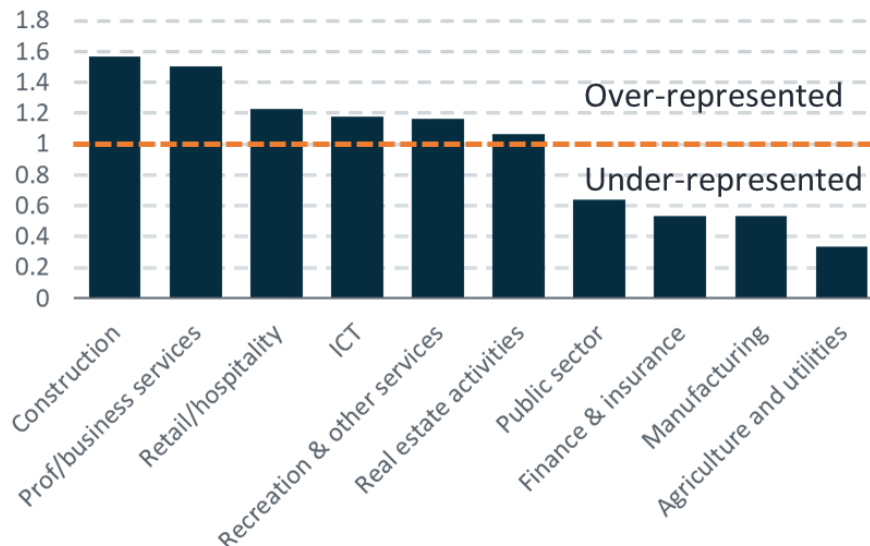
Figure 5.1 Change in Real GVA 2005-2016



Source: ONS

- 5.6 The ONS data also suggests the **South West Herts economy is highly dependent on professional services as a source of wealth creation**, as well as construction and retail and hospitality. Figure 5.2 shows that professional and business services and construction both had a location quotient of over 1.5 meaning the proportion of GVA contributed by these sectors was over 50% higher than the UK average⁴.

Figure 5.2 Location Quotient for GVA by Sector

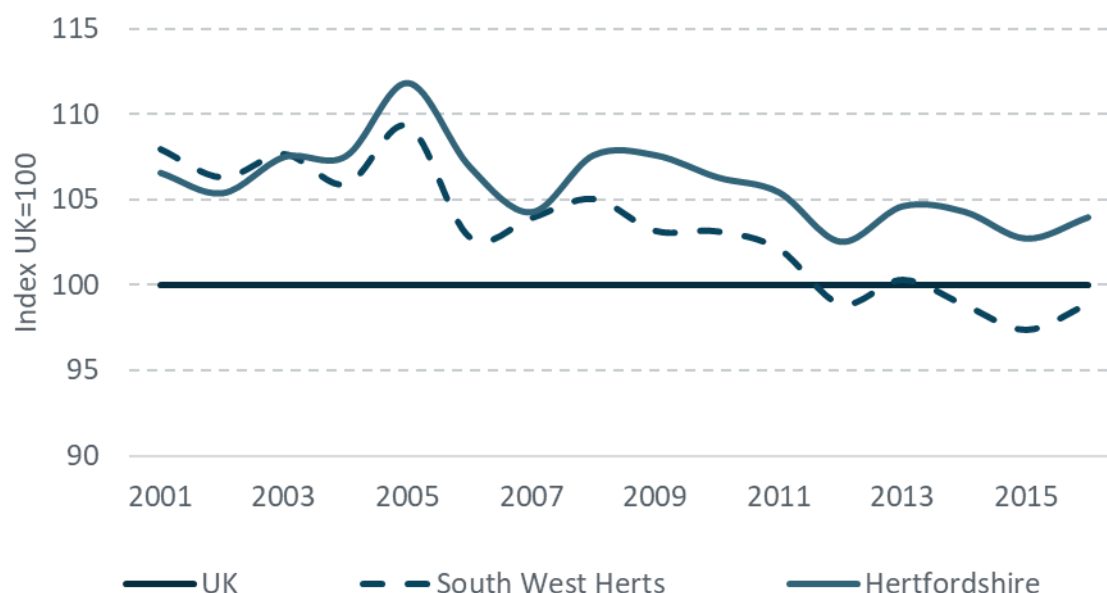


Source ONS. Note: location quotients measure the relative concentration of a sector in a particular area. In this case an LQ of 1 means that the sector accounts for the same proportion of GVA in South West Herts as the UK average. While an LQ of 2 would mean it accounts for twice as much GVA.

⁴ As noted above, the overestimate of employment in South West Herts particularly affects the construction and professional services sector which may result in an overestimate of GVA in these sectors.

- 5.7 Although the size of the South West Herts economy has been growing, labour productivity (as measured by GVA per job) has fallen from £49,000 to £48,000 between 2001 and 2016⁵. Figure 5.3 shows that **labour productivity in South West Herts is now lower than the UK average**, having been 8% higher in 2001. GVA per job is also £2,000 lower than the average for Hertfordshire.

Figure 5.3 Labour Productivity Index (UK = 100)



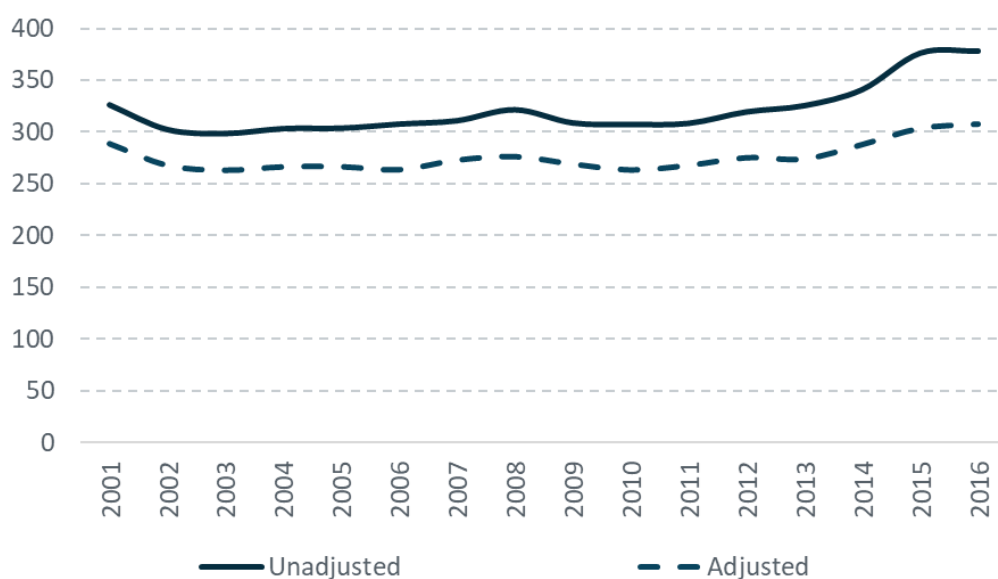
Source EEFM

Employment

- 5.8 We have made a number of adjustments to the EEFM employment data due to inaccuracies in BRES. These are all described in Appendix A. Figure 5.4 shows the effect of these adjustments on total employment in South West Herts. In 2016, the latest year for which data is available in EEFM, total employment is 70,000 lower (22%) in the adjusted estimates than the original EEFM estimates. Over 30,000 of the difference is in Watford.

⁵ The caveats about inaccuracies in employment datasets also apply to labour productivity. However, since employment data is used to estimate GVA at sub-regional level (the numerator) and the number of workforce jobs (the denominator) these two should cancel each other out.

Figure 5.4 Effect of Adjustments on Total Employment in South West Herts



Source EEFM, with adjustments made by Hatch Regeneris

- 5.9 These adjusted employment estimates mean that **jobs growth has not been as strong as EEFM suggests**. Table 5.1 shows that employment grew by 0.4% p.a. between 2001 and 2016 compared to 1.0% per annum in EEFM. Growth rates over the last five and ten year periods are also much lower than the EEFM estimates, although at 2.8% p.a. and 1.5% p.a. respectively, these still represent a very strong rate of growth and are above the UK average.

Table 5.1 Average employment growth rates per annum

	15 year	10 year	5 year
Original EEFM	1.0%	2.1%	4.1%
Adjusted estimates	0.4%	1.5%	2.8%

Source: EEFM with adjustments made by Hatch Regeneris

- 5.10 Figure 5.5 shows that **professional services has been the main driver of jobs growth**, creating over 10,000 jobs between 2006 and 2016. Although there is uncertainty about the jobs data for a number of professional service sub-sectors (bookkeeping and head offices), BRES shows that growth has also been very strong in the accounting and consultancy sectors where the data should be more reliable. Other growth sectors include health and social care and education. Growth in these sectors is likely to reflect high levels of population growth between 2006 and 2016 and an ageing population, which both create demand for public services.
- 5.11 The sectors which have experienced job-losses include public admin and manufacturing. Employment in this sector has been in long term decline, although it should be noted that GVA in this sector has grown which means job losses are due in part to productivity improvements.

Figure 5.5 Employment change 2006-2016



Source EEFM adjusted by Hatch Regeneris

Key Points

- There are a number of inaccuracies in employment datasets for South West Herts which results in significant overestimates of the number of jobs in the FEMA. This is particularly likely to affect professional services, employment activities and the construction sector. While we have made adjustments to the data, the analysis should still be treated with caution.
- Bearing in mind these caveats, both jobs and GVA growth have been strong in South West Herts, particularly in the last five years. However productivity has declined and is now below the UK average.
- Professional services is a very important sector for South West Herts and has been the main driver of GVA growth and job creation over the last ten years.

Analysing the Five Foundations of Productivity in South West Herts

- 5.12 The UK Industrial Strategy identifies five foundations of productivity – the essential attributes of every successful economy. These are:
- Ideas – the strategy aims for the UK to become the world’s most innovative economy
 - People – good jobs and greater earning power for all
 - Infrastructure – providing a modern and accessible infrastructure throughout the country
 - Business Environment – to be the best place to start and grow a business
 - Places – to have prosperous communities throughout the UK
- 5.13 This section looks at each of these foundations in turn, analysing the performance of South West Herts to understand why productivity lags behind some of its neighbours, and how it could be improved.

Ideas

- 5.14 The ability to turn ideas in to strong commercial products and services is key to the success of modern, knowledge-based economies and a key determinant of productivity. The Industrial Strategy puts a strong emphasis on using scientific research to help solve some of the grand challenges facing the world, such as an ageing population and climate change, and translating this in to new products and services. However innovation should be seen as being wider than the development of new hi-tech products. It can also refer to identifying new and better ways of doing things and therefore applies to all sectors of the economy.

Innovation indicators

- 5.15 Innovation is difficult to capture and measure for a number of reasons. It is a complex, dynamic and continuous process, involving a wide range of different actors and can take time to materialise. Measurement is even more complex for an area such as South West Herts because of the lack of data available at sub-regional level. For example, data on business expenditure on R&D and findings from the UK Innovation Survey are only available for LEP areas.
- 5.16 The indicators which are available provide a mixed picture:
- **Innovate UK funding received:** organisations in South West Herts have received £34m for innovation projects from Innovate UK since 2003/4 (£2.1m per annum). This represents 5.8% of innovation funding committed in the East of England. This is significantly lower than South West Herts’ share of employment (10%) suggesting that other parts of the region are more active in innovation projects and secure more funding than the FEMA.
 - **Patents:** South West Herts organisations have had 740 patent applications granted since 2015, representing 22% of all successful applications in the East of England. This suggests businesses in the FEMA are more active than the regional average. However it should be noted that over 250 of these applications have been submitted by a single organisation (Imagination Technologies in Kings Langley). If these are excluded, the FEMA’s share of patent applications falls to 12%.

Knowledge assets

- 5.17 The East of England Science and Innovation Audit was published in September 2017. The aim of this report was to undertake a comprehensive and in-depth review of the East of England's science and innovation strengths and to identify mechanisms to realise their full potential. Although the report covers the whole of the East of England, it provides valuable insights in to South West Herts' innovation strengths and capabilities and how these could be maximised.
- 5.18 The key message of the report is that the East of England is home to some of the world's foremost scientific assets and has strong and distinctive innovation capabilities. The report highlights particular strengths in four sectors:
- Advanced materials and manufacturing
 - ICT
 - Life sciences
 - Agri-tech.
- 5.19 A key strength of the region is its eight universities (including Cambridge University) which play a key role in the region's innovation ecosystem and have contributed to the development of a number of local clusters, for example in Cambridge and Hatfield. Universities are often central to clusters of innovation activity, as they provide a source of high skilled labour and research infrastructure, which in turn attracts business investment.
- 5.20 The absence of a university in South West Herts is therefore one of the main challenges preventing the sub-region from matching the innovation performance of other parts of the sub-region. Nevertheless, the FEMA has a number of innovation strengths:
- It is **home to two of the top 20 most active research organisations** in the East of England. These are Rothamsted Research, which is a major player in the agri-tech sector and the largest contributor to research in the East of England, and BRE which is engaged in research and innovation in building science. BRE also possesses an innovation park in Watford (South West Herts) that attracts and supports innovative businesses (e.g. Sonobex, Geolabs, Aquobex)
 - It has **four major science-focussed innovation centres** (the highest concentration in the East of England), one major science park, at least five business incubators, and two accelerators/co-working spaces – these are all significant clusters within the wider region.
- 5.21 South West Hertfordshire stands to benefit from the new Green Triangle project, a collaboration involving both BRE and Rothamsted as well as the University of Hertfordshire. The Green Triangle *“aims to establish Hertfordshire as a globally renowned centre of excellence in green technology”* by linking green research, science, engineering and technology enterprises. The Hertfordshire LEP has also recognised the growth potential of green sectors and was successful in its application for the BRE and Rothamsted sites to be included in the Enterprise Zone, which is focused on environmental technologies. If successful this could lead to a step change in South West Herts innovation performance.

Activity in innovative sectors and occupations

- 5.22 Although there are limited datasets which explicitly measure levels of innovation in South West Herts, we can measure the scale and concentration of activity in innovative sectors, such as manufacturing, life sciences and agri-tech. The table below measures total employment in these sectors in addition to creative and digital industries and environmental

goods and services (a proxy for environmental technologies), which are both recognised as innovation and sector strengths of South West Herts⁶.

- 5.23 It shows that **each of the main science-based sectors account for a very low share of employment** in South West Herts (less than 1.5% for each). Only life-sciences has a location quotient above 1, indicating the sector accounts for a higher proportion of employment than the national average.
- 5.24 There are a much larger number of jobs in **creative and digital industries** and the LQ of 1.2 indicates this is a **particular strength of South West Herts**. This sector has also been a key driver of jobs growth, creating 4,400 new jobs in the last five years. This sector therefore accounts for around 90% of jobs growth in innovative sectors.

Table 5.2 Employment in Science and Innovation Sectors

	Total jobs in South West Herts	% total jobs	Location Quotient vs GB	Change since 2012
Agri-tech	3,400	1.0%	0.8	+100
Life-sciences	2,600	0.8%	1.1	+500
Advanced materials and manufacturing	2,900	0.9%	0.4	+500
Environmental good and services	4,300	1.3%	0.7	+500
Creative and digital industries	18,800	5.2%	1.2	+4,400
All innovative sectors	24,900	7.4%	0.9	+5,000

Source : BRES. Note: all innovative sectors does not add up to total because some sector definitions include the same SIC codes. For example, R&D is included in all of the science based sectors

- 5.25 This suggests that South West Herts's research strengths and knowledge assets in agri-tech and advanced materials have **not yet translated in to strong sector growth**. Environmental goods and services (the focus of the Envirotech Enterprise Zone) is also a small and developing sector and not yet at a stage where it makes a significant contribution to economic output. The size of this sector also **raises questions over whether there will be sufficient market demand to support the level of growth anticipated at the EZ (8,000 jobs)**⁷.
- 5.26 Although there is clearly strong growth potential in these science-based sectors, the fact they are starting from such a low base means that even high rates of growth would only make a modest contribution to GVA and the productivity performance of South West Herts. The FEMA is likely to see a **much greater economic return if it can support the growth of its well-established and high performing sectors**, including creative and digital industries and professional services.

⁶ We have defined each of these sectors using SIC codes and estimated total employment using BRES. SIC codes are an imperfect way of measuring employment in a given sector because lots of the activities relevant to some sectors do not fit neatly in to the existing codes (eg advanced materials and manufacturing) and may cut across multiple sectors. These caveats should be borne in mind when analysing the data. Where sector definitions were provided in the Science and Innovation Audit, we used these definitions in our analysis. For creative industries, we adopted the definition used by DCMS in its Creative Industries Economic Estimates, 2016 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/523024/Creative_Industries_Economic_Estimates_January_2016_Updated_201605.pdf). For environmental goods and services we used the definition provided by ONS (<https://www.ons.gov.uk/economy/environmentalaccounts/bulletins/ukenvironmentalaccounts/2015-04-15>)

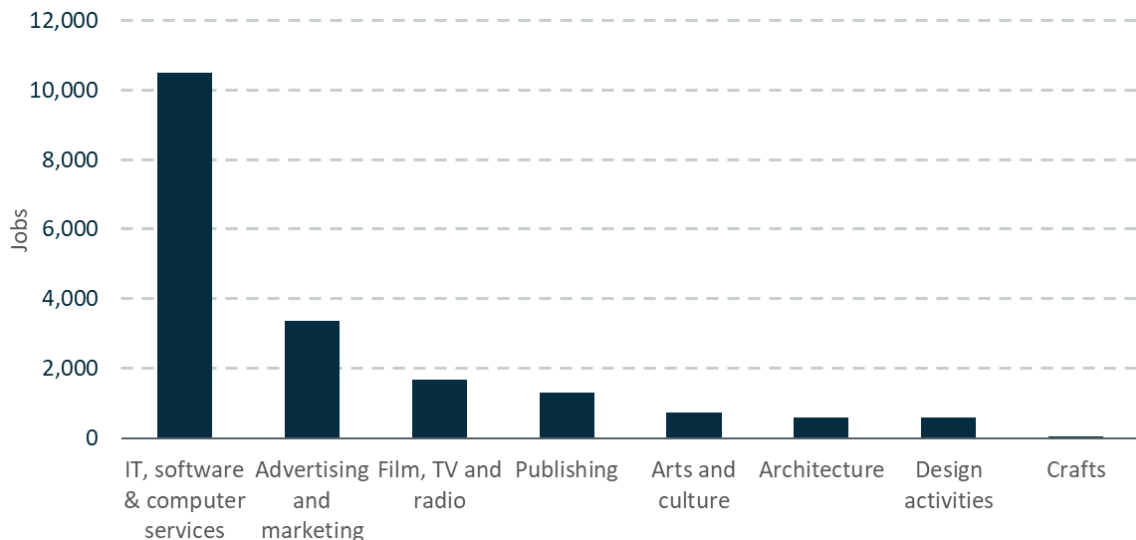
⁷ No market demand assessments have been undertaken for the EZ

- 5.27 To be clear, this is not stating the South West Herts authorities are wrong to encourage the growth of science-based sectors. These are highly skilled, future-proofed sectors where the FEMA has established research strengths. However, these measures are unlikely to be sufficient on their own to address the recent poor productivity performance in South West Herts in the short term.

Creative and Digital Industries

- 5.28 Given the importance of creative and digital industries in South West Herts, we have looked in more detail at the composition of this sector in Figure 5.6. Although the area is recognised for its strengths in film and TV production, this sub-sector only accounts for a small number of jobs in the FEMA (around 1,700⁸). The largest subsector by some margin is IT, software and computer services which accounts for over 10,000 jobs, a large proportion of which is in IT consultancy rather than the more creative sectors such as software development. It has also been the major driver of jobs growth over the last five years, creating around 2,800 jobs.

Figure 5.6 Employment in Creative and Digital Industries by sub-sector in South West Herts, 2017

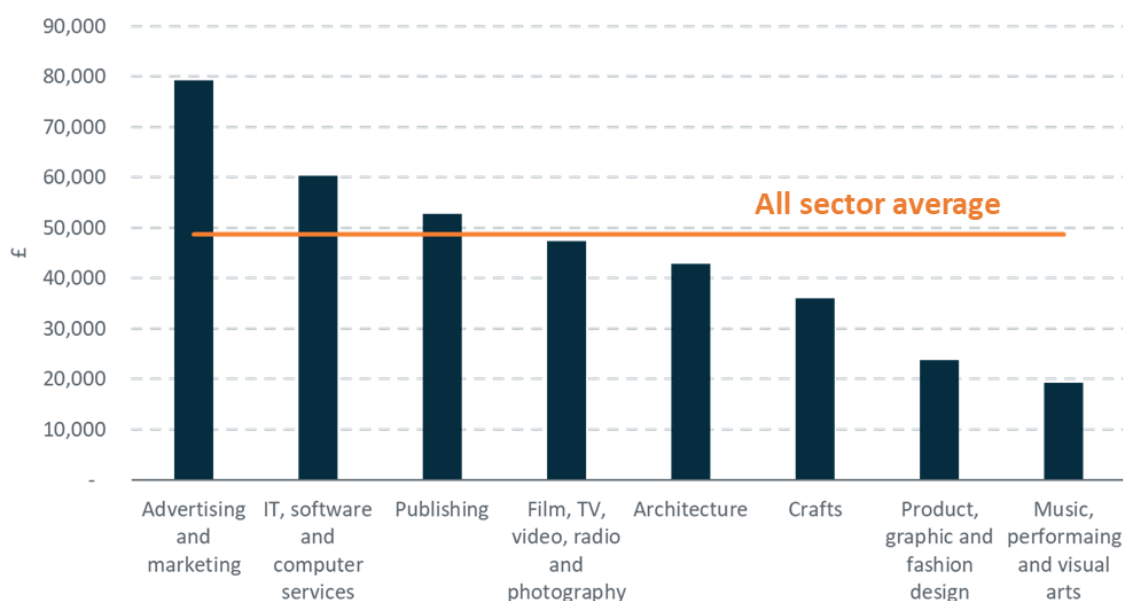


Source BRES

- 5.29 Figure 5.7 shows that the IT sector generates high levels of GVA per employee and is therefore one of the most productive sub-sectors in the creative and digital industries. Advertising and marketing generates the highest value added per employee and is also one of the largest and fastest growing subsectors in South West Herts. **Supporting the growth of these sectors could therefore make a substantial contribution to improved productivity performance.** Given that both IT and advertising/marketing tends to include office based activity, this underlines the importance of providing high quality sites and premises capable of attracting investors and/or encouraging start-ups.

⁸ Employment in this subsector is prone to large fluctuations from year to year.

Figure 5.7 Average GVA per employee for Creative and Digital Subsectors



Source Department for Business Innovation and Skills

Key points

- South West Herts has a number of research and innovation assets, particularly the BRE and Rothamsted sites which are global leaders in agri-tech and building research. The FEMA is also home to prominent businesses in the digital sector which are among the most active licensors of intellectual property in the country (Imagination Technologies).
- Businesses in the FEMA also have access to a highly skilled workforce with a large concentration of scientific and technical skills. A large proportion of these people work in IT occupations.
- Despite these strengths, the science and R&D based industries are still small and developing sectors in South West Herts. They currently account for a small share of employment and make a limited contribution to GVA.
- The Envirotech Enterprise Zone should encourage the growth of these sectors in future, although it is likely to be some time before they make a substantial contribution to the economic performance of the FEMA.
- South West Herts has clear strengths in creative and digital industries (particularly IT). This is a high productivity sector and supporting its development could make a significant contribution to economic growth.

People

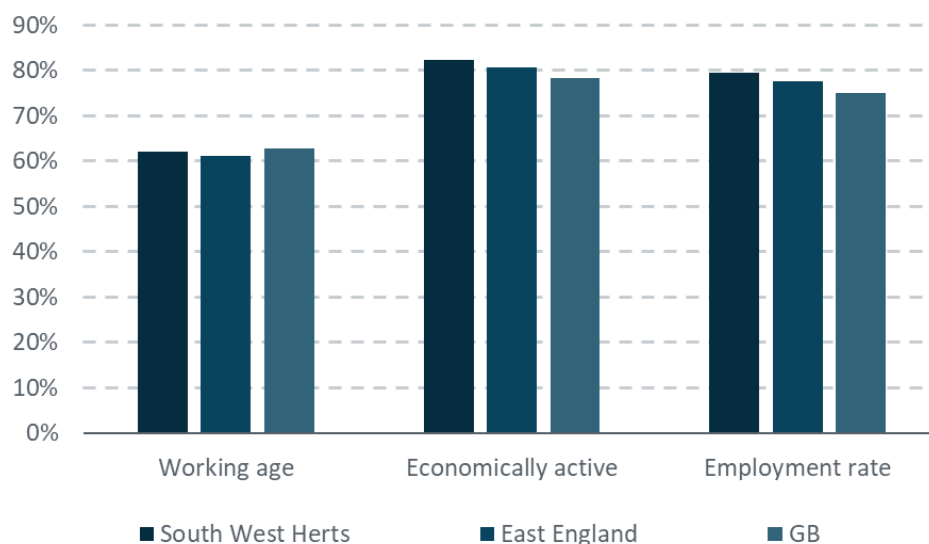
- 5.30 The skills of the South West Herts workforce are crucial for the productivity of the economy and a significant determinant of earnings and quality of life of its residents. In a rapidly changing jobs market it is essential that workers have the right mix of abilities and knowledge that are required by local employers, and that they have the tools to adapt to changing skill requirements. A mismatch between the needs of employers and local workers can result in skill shortages which affects productivity and competitiveness.

- 5.31 It is also important that employers make the best use of the skills available to them. Under-utilising the skills of the workforce means an area is not reaching its full potential and that the rewards of work (both financial and intrinsic) are not as great as they could be.

Labour Supply

- 5.32 South West Herts had a population of 594,000 in 2017 and has grown by around 60,000 people since 2007 (+11%). 65% of the population is below the age of 49, compared to a regional and national average of 62%. The number of young people below 49 has also grown at a much faster rate in South West Herts than the national or regional average (7% since 2006 compared to a national average of 3%). This trend is forecast to continue; the 2016 sub-national population projections show the number of people under 49 will increase by around 10% between 2016 and 2036, compared to a national average of 5%. **This ability to attract young people to South West Herts is one of its key labour market strengths.**
- 5.33 Another strength is the **high rate of labour market participation among South West Herts residents**. 82% of the working age population are economically active compared to a national average of 78%, and just under 80% are employed compared to 75% in Great Britain as a whole.

Figure 5.8 Labour Supply Indicators, 2018

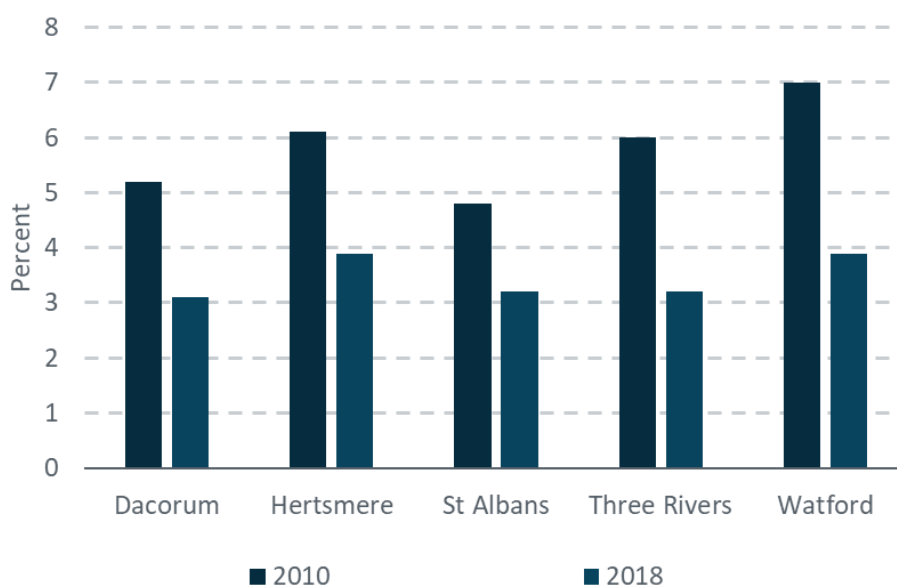


Source: Annual Population Survey (ONS)

- 5.34 Around 3.5% of working age residents are unemployed in South West Herts (compared to a national average of 4.2%). All districts have seen a significant fall in unemployment since 2010 and are now at or close to full-employment⁹. This **limited labour market capacity is one of the key challenges facing South West Herts**, as it could act as a potential constraint on future growth.

⁹ The full employment rate is the economy's long-run employment rate where the cyclical unemployment is zero and the only remaining unemployment is frictional (people moving between jobs).

Figure 5.9 Change in Unemployment Rate, 2010-2018



Source ONS model based estimates of unemployment

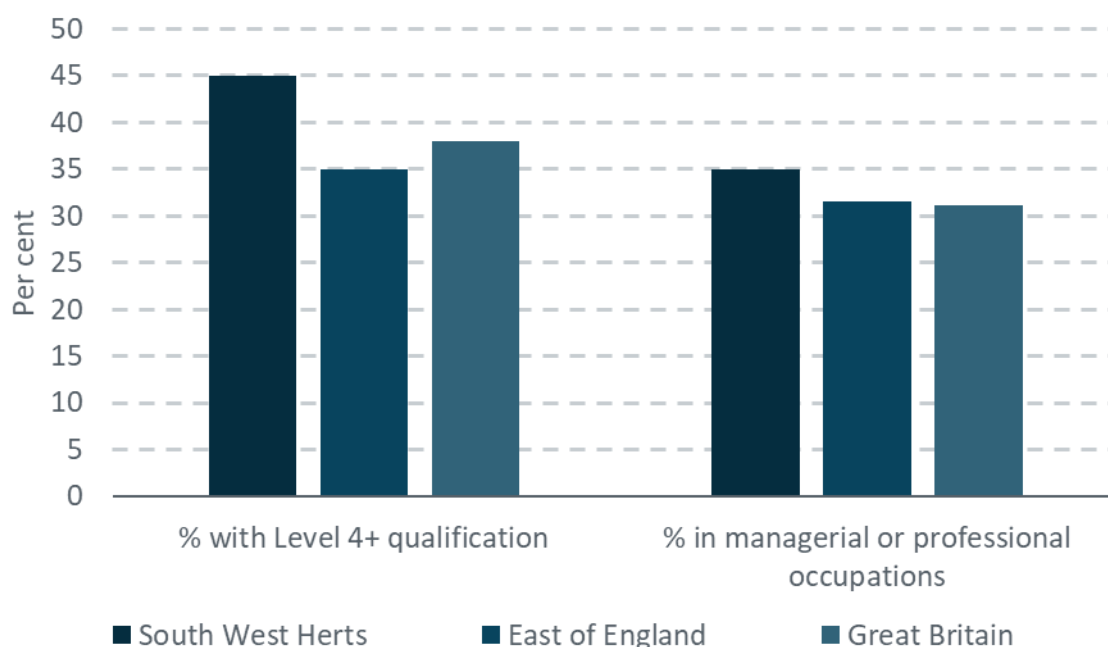
- 5.35 **Future migration controls as a result of Brexit could also act as a constraint on growth.** There is limited up to date data available on the number of EU migrants in South West Herts or the sectors that they work in. However the Annual Population Survey shows around 14% of residents who are employed in 2018 are not UK nationals (this includes people from the EU and the rest of the world)¹⁰.
- 5.36 Of particular concern is that **around 63% of the growth in employment between 2010 and 2018 was among non-UK nationals.** This suggests the recent growth of the South West Herts economy has been dependent on access to migrant labour, and any migration controls would restrict another potential source of labour supply for employers. Although it should be noted that, at a national level, the number of in-migrants from outside the EU has been increasing in recent years.

Skills of the Workforce

- 5.37 South West Herts has a **highly skilled workforce.** 45% of working age residents have a Level 4 qualification or higher (equivalent to a foundation degree), which is significantly higher than the national and regional average. Less than 15% of the population have basic or no qualifications which is lower than the regional or national average.
- 5.38 35% of residents work in professional or managerial occupations, the two highest skilled categories. This is also well above the national and regional average (both around 31%). Further analysis shows South West Herts has particularly high concentrations of corporate managers and directors (LQ of 1.5) and business and media professionals (LQ of 1.3).

¹⁰ Data is not available on the nationalities of people who fill jobs located in South West Herts

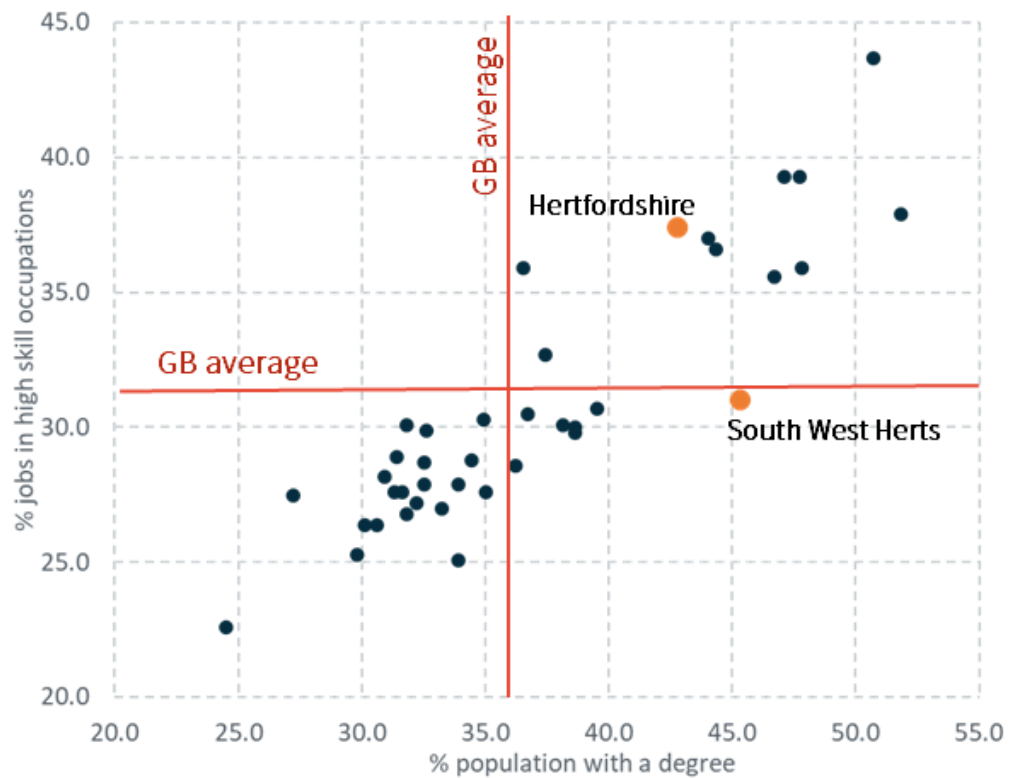
Figure 5.10 Skills Indicators, 2018



Source: Annual Population Survey (ONS)

- 5.39 Although the supply of high level skills is strong in South West Herts, the **demand for these skills by South West Herts employers is much weaker**. Figure 5.11 compares the proportion of the population with a degree (a supply indicator) with the proportion of jobs in the FEMA which are in highly skilled occupations (a demand indicator) in all LEPs in England. It shows a strong correlation between the two which shows how demand and supply interact and reinforce each other. The LEPs in the top right quadrant are in *high-skill equilibrium*. These LEPs tend to have high rates of productivity and include the Hertfordshire LEP as well as London, Thames Valley Berkshire and Oxfordshire.
- 5.40 While a large proportion of South West Herts residents hold a degree level qualification, the proportion of managerial or professional jobs is below the national average and over five percentage points below the Hertfordshire average, indicating a demand-side weakness. This means that measures which increase the qualifications of residents may only have a limited impact on productivity. These need to be matched with measures which increase the demand for skills, such as attracting new investment to the FEMA or supporting the growth of indigenous businesses in high value sectors.

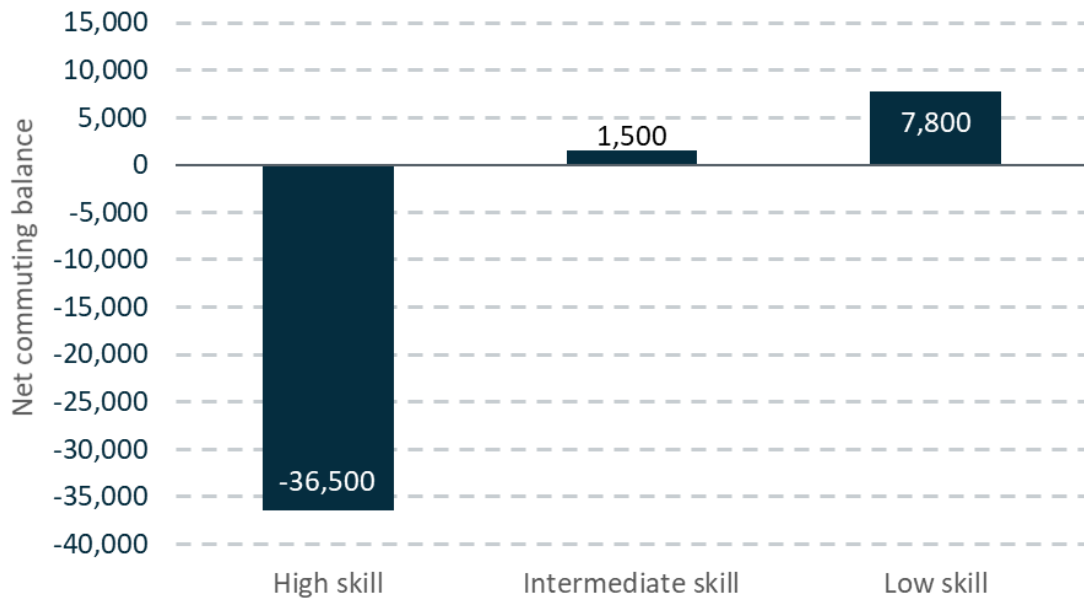
Figure 5.11 Comparison of demand for and supply of high level skills



Source Annual Population Survey

- 5.41 Figure 5.12 helps to explain the demand-supply imbalance in South West Herts. It shows there are around 27,000 more employed residents in South West Herts than there are workplace jobs, implying that the FEMA is a net out-commuting area. This is driven by a large number of highly skilled residents (those working in managerial, professional or associate professional occupations) commuting out of South West Herts to London and other areas. The reverse is the case for intermediate and lower skilled occupations, where there is a small net in-commute.

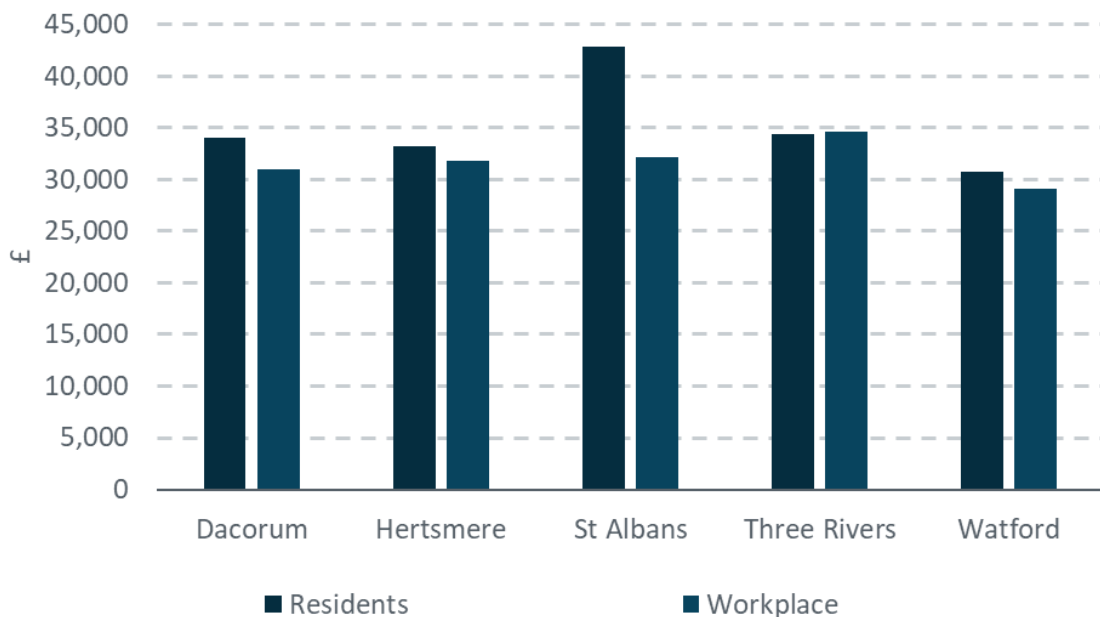
Figure 5.12 Net commuting balance (employed residents and workplace employment) in South West Herts by skill level of occupation, 2017



Source Annual Population Survey (comparison of residence based and workplace based surveys). Note: High skill occupations refer to SOC 1-3 (managers, professionals and associate professionals), intermediate skill occupations include SOC 4-6 (skilled trades, admin and secretarial and caring occupations), low skill occupations include SOC 7-9 (customer service, process and machine operatives and elementary occupations)

- 5.42 The large net-out commute of highly skilled, highly paid workers helps to explain why the median annual salary of Hertfordshire residents is over £3,000 higher than the salaries of people who work in the county and over £10,000 higher in St Albans. Given the strong link between skills, earnings and productivity, this is a key factor explaining why South West Herts has a lower rate of productivity than neighbouring areas. Increasing the number of high quality job opportunities in professional occupations could help to address this.

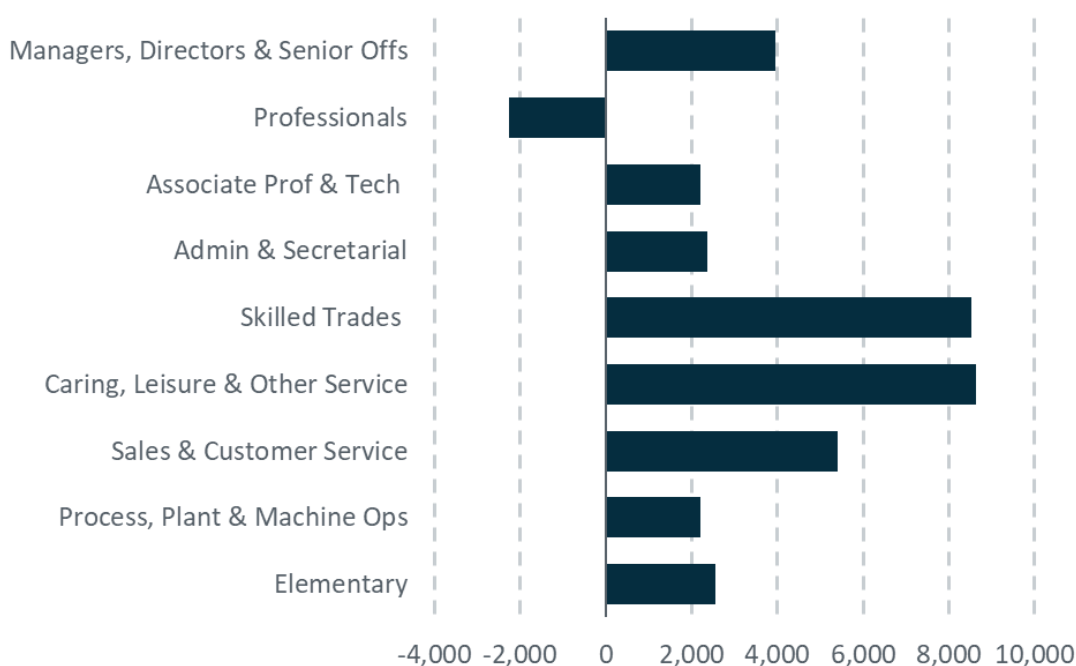
Figure 5.13 Comparison of workplace and resident based earnings, 2018



Source Annual Survey of Hours and Earnings

- 5.43 Figure 5.14 shows that **demand for high level skills in South West Herts has changed little since 2010**, and has fallen for some high skill occupations such as professionals. The largest increases in demand have been for intermediate skilled occupations including skilled trades and care occupations.
- 5.44 It should be noted that the data on occupations appears to tell a different story to the data on sectors. BRES indicates that professional services has been the main driver of growth in South West Herts. If so, we would expect that to translate into increased demand for professional occupations, however this has not been the case.

Figure 5.14 Change in workplace employment by occupation, 2010-2018



Source Annual Population Survey Workplace Analysis

Skill shortages

- 5.45 Skill shortage vacancies (SSVs) are another indicator of labour market imbalance (in this case supply not meeting demand). There is limited information available on skill shortages in South West Herts. The key dataset is the UK Employers Skills Survey which is only published for Hertfordshire. The 2017 survey shows employers reported 11 SSVs per 1,000 employees. This is higher than the national average (10 SSVs per 1,000 employees) but below some of the highest performing LEPs.
- 5.46 The data suggests that skills shortages are particularly pronounced in the ICT sector, with over 20 SSVs per 1,000 employees. This is consistent with anecdotal evidence which suggests there is a shortage of high level IT skills, particularly programming skills.

Key points

- South West Herts has a highly skilled workforce and high levels of labour market participation. This is one of the FEMA's main strengths and has helped to develop a knowledge-based economy, driven by professional services and digital industries.

- Recent years have seen large falls in unemployment which is now at historically low levels. This, combined with potential controls on immigration after Brexit, could limit the growth of the labour supply and act as a constraint on growth in the FEMA.
- These constraints could be alleviated by future growth in the working age population in South West Herts. The changes to the method for calculating housing need are likely to result in a significant boost to the local labour supply available to employers.
- A key reason for the poor productivity performance in South West Herts is the low demand for high level skills relative to supply. Much of the recent jobs growth has been in low and intermediate level occupations. Measures which boost the demand for high level skills are likely to have a greater effect on productivity than improving the skills of the local workforce.
- Nevertheless there are some sectors where employers struggle to recruit the skills they need, particularly in the ICT sector which has high levels of skill shortage vacancies.

Infrastructure

5.47 The Industrial Strategy describes how providing the right infrastructure in the right places can boost the earning power of people, communities and businesses. This includes:

- **Efficient transport systems:** these are essential for linking people with jobs and bringing goods from suppliers to markets. Inadequate investment in infrastructure leads to congestion on roads and poor reliability on trains. This affects business productivity and investment.
- **High speed digital connectivity:** access to full fibre broadband, 5G networks and smart technologies are essential for the industries of the future, and will ensure the UK remains globally competitive.
- **Housing:** the UK needs to ensure that affordable, high quality housing is provided where it is most needed. This is essential for ensuring the wellbeing of communities and that local economies have access to the workforce they need to grow.

Transport

5.48 Hertfordshire County Council's Local Transport Plan sets out some of the key transport challenges facing the county and the future priorities for investment. The key challenge is meeting the increase in travel demand as a result of the significant housing growth planned over the next twenty years. In South West Herts, the population is forecast to grow by 74,000 between 2016 and 2036. Given there is already significant road congestion issues and capacity constraints on the rail network this population growth will increase this pressure unless capacity on the road and rail network improves. The Plan also recognises the need to support economic growth, including improved transport connections to the locations which will drive economic growth (eg the Envirotech Enterprise Zone).

5.49 The Plan looks at some of the priorities affecting each of the main transport corridors in Hertfordshire and the actions which are being taken to address these. One of the key priorities identified for South West Herts relates to the **corridor linking Hemel Hempstead, Watford, St Albans and Harlow**. This corridor forms one of the primary east-west routes in the county, centred on the A414 and A405. This corridor includes the three largest towns in the FEMA, will accommodate 50% of Hertfordshire's housing growth and is home to a number of economic assets including the Enterprise Zone sites, other major employment sites and a cluster of science and tech sectors. This corridor therefore has a key role to play in driving economic growth.

- 5.50 The current transport infrastructure is inadequate to meet future demand:
- There is only partial rail connectivity in the corridor provided by the Abbey Line branch of the West Coast Main Line and Hertford East branch of the West Anglia Main Line. Several relatively nearby towns along the corridor have inter-urban public transport journey times of 45 minutes or more despite their proximity.
 - The A414 and A405 contains some of Hertfordshire's most congested sections of the road network, including particular congestion hotspots in Hemel Hempstead and St Albans and the Bricket Wood Triangle¹¹.
- 5.51 The Plan identifies the need for a *“significant improvement in interurban passenger transport connectivity in the corridor notably through delivery of an east-west bus rapid transit scheme, with park and ride provision implemented alongside this”*. It also states *“highway improvements to support growth will be needed in East Hemel Hempstead, at multiple junctions along the A414, at Hertford and north of Harlow”*.
- 5.52 Other priorities affecting South West Herts towns include the **Aylesbury-Watford-London corridor**, linking the west of the FEMA with the capital. The main priorities it identifies are improving *“rail and bus services and connectivity such as with the Metropolitan Line Extension and Watford North Curve rail schemes, in addition to improved rail station access and interchange including Watford Junction and Hemel Hempstead stations”*. The Metropolitan Line extension has since been cancelled and a number of alternative options are being considered, including a light rail or rapid bus transit scheme.
- 5.53 On the **London-Watford-Luton-Milton Keynes corridor**, the main priorities are improving interurban public transport and increasing rail capacity and service levels to London (eg via the Thameslink Programme which will improve train services to London from Harpenden, St Albans, Radlett and Elstree and Borehamwood) and improving connections to the M1 to enable economic development in north-east Hemel Hempstead.
- 5.54 Five separate Growth and Transport Plans (GTPs) have been produced for different areas within Hertfordshire (South West, North Central, South Central, South East and East). These GTPs provide the transport strategy to help direct and plan transport improvements and investment in each of the areas up to 2031.
- 5.55 The GTP for South West Herts identifies nine packages of improvements which are required to support sustainable economic growth, improve quality of life and reduce carbon emissions. The most relevant packages in the context of this study include:
- Creation of a multi modal east-west corridor which will facilitate journeys by all modes between Hemel Hempstead railway station, the town centre, Jarman Park and Maylands industrial area.
 - Improved access to the Maylands industrial area through the creation of a Multi-Modal Transport Interchange.
 - Improved access to Watford and Croxley Parks through a new southern access route for buses/cyclists and making use of a disused railway alignment.
 - Improved public transport connections between Watford and Hemel Hempstead to discourage journeys by cars on inappropriate routes.
 - Reducing traffic congestion in Watford town centre
- 5.56 Other major transport investments which could affect South West Herts include:
- HS2: although the development of HS2 will not provide direct connections to stations in South West Herts, there are likely to be indirect benefits as it is expected to free

¹¹ AECOM (2017): A414 Corridor Strategy, Stage 2 Report – Evidence Review and Gap Analysis

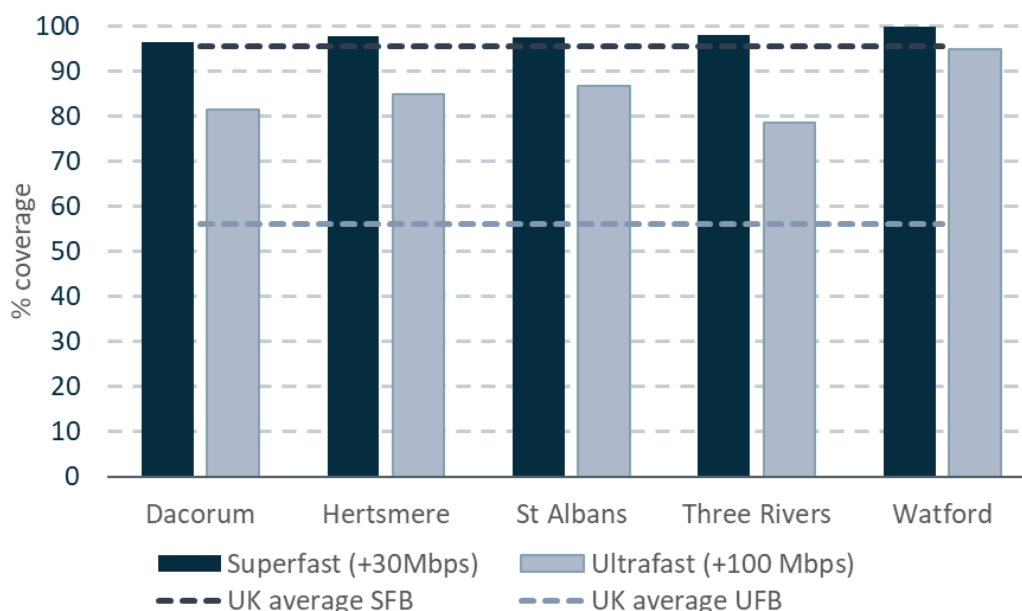
up capacity to allow improved services on the Euston line from Watford and Hemel Hempstead.

- Strategic highway network improvements: there are currently no major proposals, however Highways England's Road Investment Strategy is due to be published in late 2019 and could include some proposals which affect the FEMA.

Broadband

- 5.57 **Coverage of broadband in South West Herts is very good.** Around 98% of premises have access to superfast broadband (download speeds of at least 30 Mbps) compared to a UK average of 95%. Around 85% of premises have access to ultrafast broadband (speeds of at least 100 Mbps) which is well above the UK average (56%). Figure 5.15 shows that coverage is well above the national average in each of the five local authority areas in South West Herts.

Figure 5.15 Percentage of premises with access to superfast and ultrafast broadband



Source thinkbroadband coverage statistics

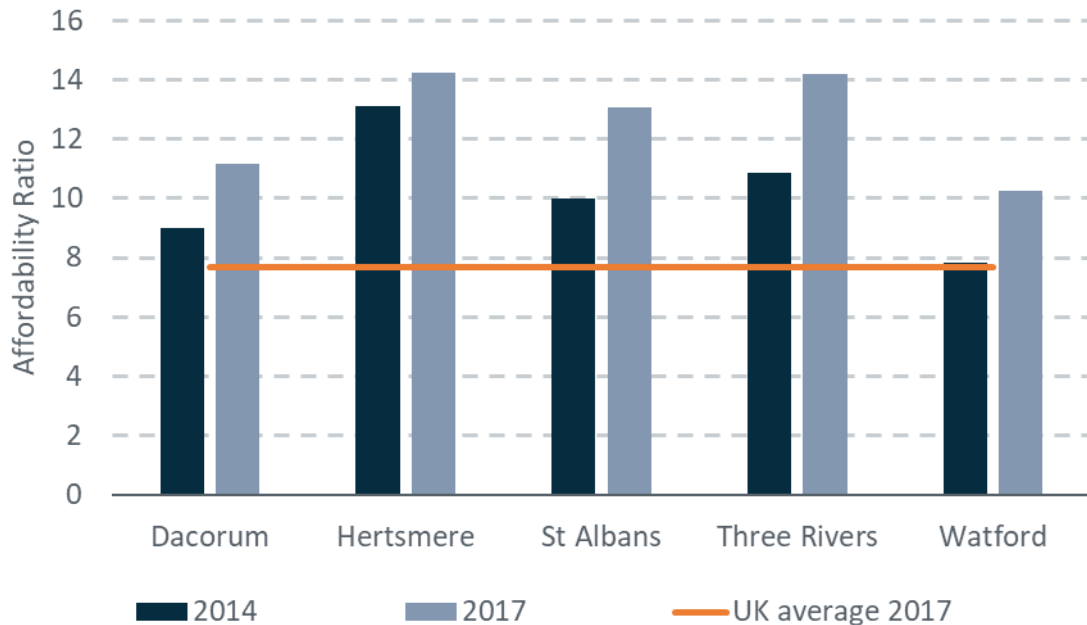
- 5.58 Data is not available on take-up of broadband at a local level. However, across the Connected Counties programme area (which includes all of Herts and Bucks), 58% of premises have a superfast or ultrafast broadband subscription. This is one of the highest rates of take-up in the country and is well above the UK average (49%).

Housing

- 5.59 The 2019 Strategic Housing Market Assessment provides a full review of housing market trends and challenges which are not repeated here. The key challenge facing the FEMA is the cost and affordability of housing. The affordability ratio (which measures the ratio of median house prices to median earnings) is over 10 in each of the districts in South West Herts and has increased in each district since the 2016 SHMA was produced. This is much higher than the national average (7.7) and suggests there is a significant misalignment between the demand for and supply of housing.
- 5.60 This is likely to have a negative effect on the quality of life of residents as it implies a significant proportion of their income is spent on housing costs. It also means employers

may find it increasingly difficult to recruit the workers they need, particularly to fill lower skilled and lower paid roles as these people could be priced out of the local housing market.

Figure 5.16 Affordability ratio in South West Herts districts, 2014 and 2017



Source ONS

- 5.61 The 2019 LHNA identifies a housing target of 4,048 p.a. across the FEMA. This is on the basis of the current standard method and 2016 population projections. This would represent a significant uplift in housing delivery in South West Herts and would help to address these challenges.

Key Points

- The key transport challenge in South West Herts is improving east-west links along the corridor linking the FEMA's three largest towns. Both road and rail links are in need of improvement, and the stress is likely to increase as a result of future population and jobs growth. This will affect business productivity and will make it harder to attract investment to some of the key growth locations, including the Enterprise Zone sites.
- The cancellation of the Metropolitan Line extension is also likely to have a significant impact on Three Rivers and Watford. This scheme was key to improving the attractiveness of key employment sites which would unlock the value needed for redevelopment. There is therefore an urgent need for an alternative scheme which improves links to London and encourages regeneration.
- Digital connectivity in South West Herts is very good and unlikely to present a barrier to growth. In particular, the coverage of ultra-fast broadband is much better than the national average and take-up of fibre broadband is high.
- There is evidence of an undersupply of housing in all districts in South West Herts, leading to growing affordability challenges. There is a risk that this could affect employers' ability to recruit, although this should be alleviated by the significant uplift in housing identified in the LHNA.

Business Environment

- 5.62 A supportive business environment can support productivity by making it easier to start a business and addressing the barriers that prevent business growth (eg access to finance). The UK Industrial Strategy commits the government to address these barriers through a number of sector deals which will identify interventions which could boost productivity. It also identifies the need to improve the management and leadership skills across a wide range of sectors and business sizes.

Business characteristics

- 5.63 There were 34,000 businesses operating in South West Herts in 2018. This is based on businesses in the Inter Departmental Business Register (IDBR) which is the list of businesses used by government for statistical purposes. It covers businesses in all sectors of the UK economy other than very small businesses (those without employees and with turnover below the tax threshold).
- 5.64 The business base is weighted heavily towards small to medium enterprises (SMEs). In total SMEs account for 99.6% of businesses and 50% of employment. The latter is significantly higher than the UK average (40%) meaning SMEs play a vital role in the South West Herts economy. Of these, roughly 90% are micro businesses, meaning they employ fewer than 10 employees.
- 5.65 Table 5.3 shows the count and size breakdown of businesses by sector. Professional, scientific and technical activities and ICT are the largest sectors, accounting for over 12,000 businesses (35% of the total). In both of these sectors, 96% are micro-businesses and a large proportion of employment is in SMEs. A large number of these businesses are very small consultancies (management, IT or other disciplines), many of whom are likely to be freelancers or home-based businesses that do not employ any staff.
- 5.66 This has implications for the type of office space required in these sectors. A large proportion of the smallest SMEs are not likely to require office space at all, while others will prioritise space which is affordable, local and flexible (eg available on short-term leases).

Table 5.3 Size of businesses by sector, 2018

	Businesses	% Micro	% Small	% Medium	% Large	% of jobs in SMEs
Agriculture	295	92%	7%	2%	0%	81%
Production	1,410	85%	12%	2%	1%	62%
Construction	4,470	95%	4%	1%	0%	47%
Retail	2,815	91%	7%	1%	1%	41%
Wholesale	1,550	80%	16%	3%	1%	54%
Accommodation & food services	1,225	76%	21%	2%	1%	48%
Transport storage	1,065	92%	6%	1%	0%	27%
ICT	4,580	96%	4%	1%	0%	54%
Professional, scientific & technical	7,610	96%	3%	1%	0%	64%
Business admin	3,020	90%	8%	2%	0%	79%
Financial Insurance	700	91%	6%	1%	1%	26%
Property	1,330	94%	6%	0%	0%	83%

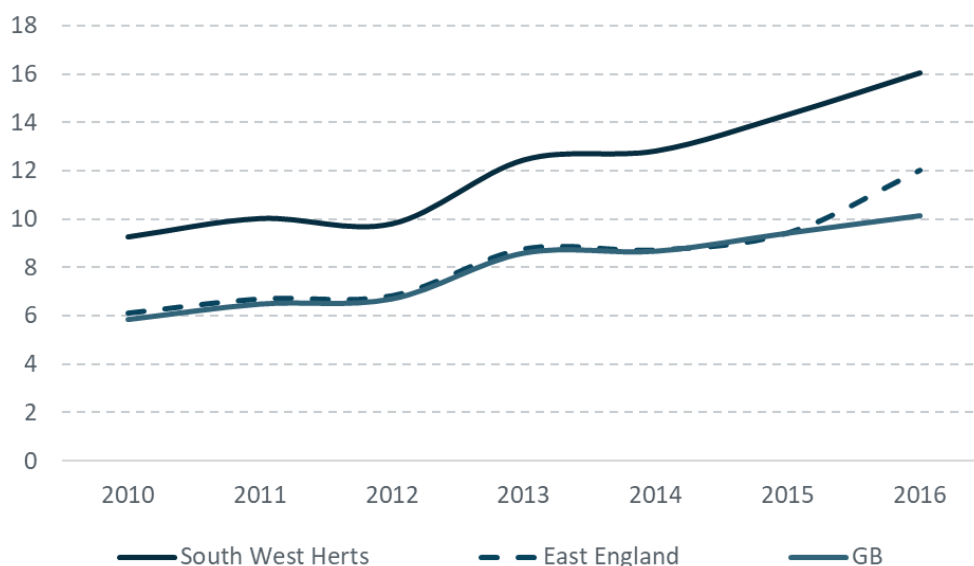
Education	565	75%	12%	11%	2%	38%
Health	1,315	78%	18%	4%	1%	44%
Public admin	35	71%	14%	0%	14%	2%
Arts, entertainment & recreation	2,055	88%	10%	1%	0%	50%
Total	34,040	90%	8%	2%	0%	50%

Source: ONS Business Counts. SME employment from Nesta, the State of Small Business, 2018

Business starts and survival

- 5.67 Figure 5.17 shows **South West Herts has a highly entrepreneurial population**, and that rates of enterprise have almost doubled since 2010. In 2016 there were 16 new businesses started for every 1,000 working age residents in South West Herts. This is well above the UK and East of England average (10 and 12 respectively). The highest business start-up rates were in Hertsmere with 22 new businesses for every 1,000 working age residents, followed by St Albans with 19.

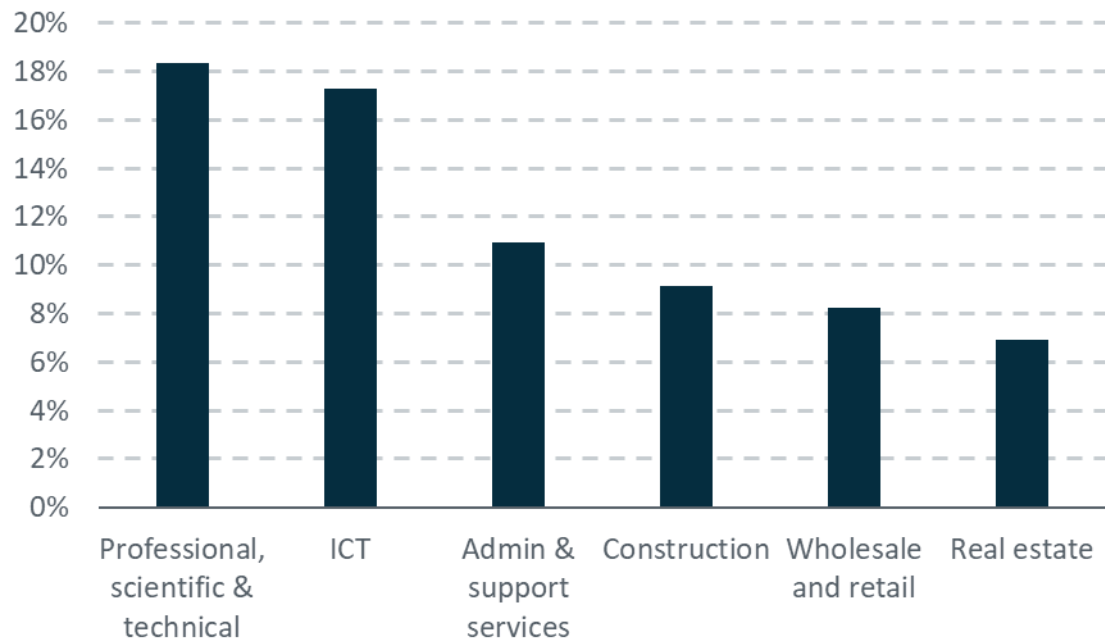
Figure 5.17 New businesses per 1,000 working age residents, 2010 – 2016.



Source: ONS Business Demography and mid-year population estimates

- 5.68 Analysis of Companies House records shows the sector profile of businesses that have been incorporated in the last year. The **sectors with the highest number of business starts were professional services and ICT**, which accounted for over a third of new businesses in 2018, compared to 26% in the UK as a whole. This provides further evidence of South West Herts's strengths in these two sectors. It also underlines the need for office premises targeted at small businesses and entrepreneurs

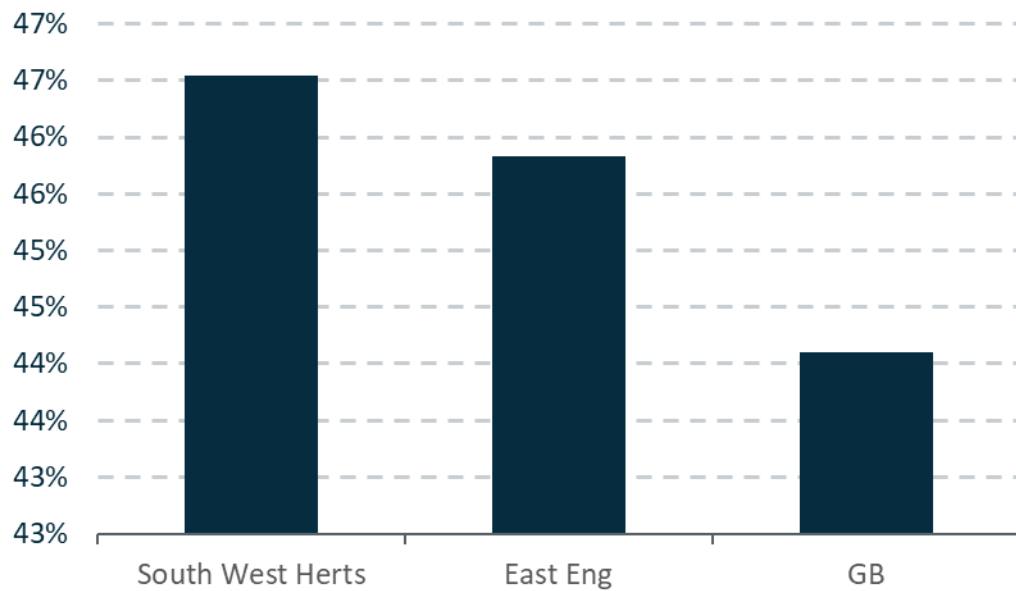
Figure 5.18 Top sectors for businesses incorporated in South West Herts in 2018



Source Companies House

- 5.69 South West Herts also has a **higher business survival rate than the UK and regional average**. 47% of businesses started in 2012 were still operating in 2017 compared to 46.4% in East of England and 44.5% in the UK as a whole.

Figure 5.19 Percentage of new businesses still active after 5 years.

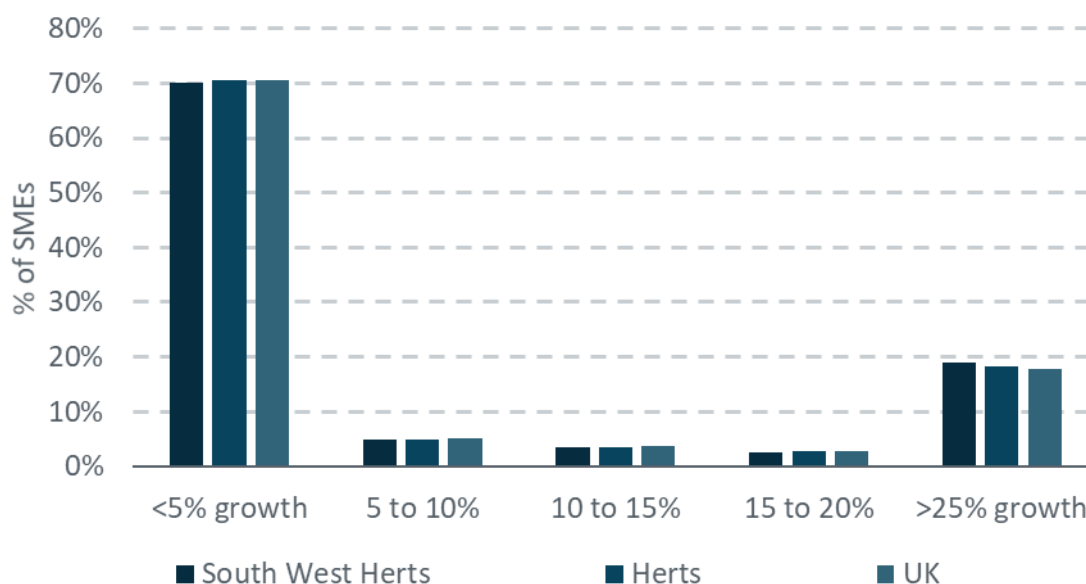


Source: ONS Business Demography and Annual Population Survey

Business growth

- 5.70 Research by the Hertfordshire LEP to inform the development of the LIS has identified a very low proportion of small high growth firms in the county (defined as a small business which has added at least eight employees in the last three years). The analysis found that Hertfordshire had the lowest incidence of small high growth firms of any LEP area in the country, leading to concerns that SMEs face particular barriers to growth which are not experienced elsewhere.
- 5.71 It has not been possible to replicate this analysis for South West Herts, however Figure 5.20 shows the proportion of SMEs achieving growth in turnover between 2015 and 2016. It shows very little difference between the performance of businesses in South West Herts, Hertfordshire or the UK. The majority of SMEs have experienced limited growth in turnover (less than 5%) however around one in five businesses achieved a very high growth rate of over 25%. This was marginally higher than the national average.

Figure 5.20 Proportion of SMEs experiencing turnover growth between 2015-16 by growth size band



Source Nesta (2018) The State of Small Business

- 5.72 There is very little evidence available on the main barriers to growth experienced by businesses in South West Herts. The University of Hertfordshire is undertaking a major business survey in 2019 which will explore this in more detail, however the findings have not yet been published.

Inward Investment

- 5.73 There is very limited data available on inward investment trends in South West Herts, or the sectors and characteristics of businesses that have invested in the FEMA. Data for Hertfordshire shows there are currently around 670 foreign owned businesses in the county, supporting 130,000 jobs (13% of total employment).
- 5.74 The Hertfordshire LEP reported a 38% growth in the number of successful Foreign Direct Investment (FDI) projects in 2016/17 compared to the previous year. 22 projects were secured across three key sectors including healthcare and medical, B2B software and computer services and business and consumer services. A full breakdown of projects is

not provided, although the LEP did report that the Gowan Group, an agri-tech business had relocated its international hub to the Rothamsted site from Portugal.

Key Points

- South West Herts has a highly entrepreneurial population with business start-up rates well above the national and regional average. This is a key strength of the FEMA.
- The FEMA has very high concentrations of small businesses in the professional service and ICT sectors (particularly consultancies). This underlines South West Herts' strengths in these sectors and its appeal to high skilled freelancers and home based businesses attracted by the quality of life in the FEMA.
- There is limited evidence that SMEs face significant barriers to growth relative to other parts of the country. However the significant concentration of small businesses in professional services and ICT suggest a need for flexible and affordable workspace to support the growth of these businesses.

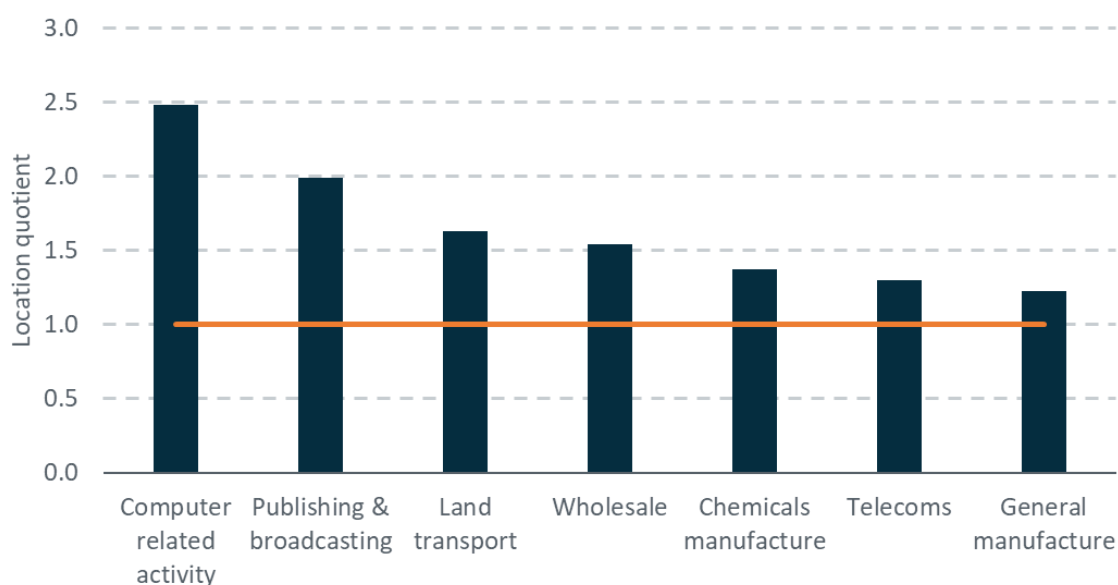
Places

- 5.75 The UK has greater disparities in regional and local productivity than other European countries. A key focus of the Industrial Strategy is therefore ensuring that all parts of the country meet their full potential. This can be achieved by understanding and building on the distinctive strengths and competitive advantages of different places, and addressing the specific challenges that are acting as a barrier to growth.
- 5.76 The five local authorities have a number of shared challenges (an ageing population, low unemployment rates etc) but each one has distinctive strengths and growth opportunities which we summarise here.

Dacorum

- 5.77 Dacorum is the largest district and has the lowest population density in the FEMA. Over 60% of the population live in Hemel Hempstead, with the other main towns being Berkhamsted, Tring and the western part of Kings Langley. The main employment areas in the Borough are in Hemel Hempstead town centre and Maylands Business Park.
- 5.78 One of Dacorum's key strengths is its road connectivity. The borough's location on the edge of London and at the intersection of the M1 and M25 means it is within easy reach of all parts of the country. This has made Dacorum (and particularly Maylands Business Park) a highly attractive location for large companies looking to serve major population centres in the South East and East of England. This is reflected in the industrial profile which shows large concentrations of manufacturing and distribution activity (see Figure 5.21), with notable firms including Amazon, Next, Kodak and UTC Aerospace Systems.
- 5.79 Dacorum is also home to a large concentration of employment in computer related activities. The Borough accounts for a third of South West Herts' jobs in this sector and has an LQ of nearly 2.5 meaning it accounts for a much higher proportion of jobs than the national average. This is due in part to the presence of two large companies (Sopra Steria and Northgate Information Solutions) which employ around 1,500 people in the Borough, with a further 3,000 sector jobs supported in SMEs. Again Dacorum's access to the road network is likely to be a key reason for the success of this sector. This gives firms access to a highly skilled workforce but also puts them within easy reach of clients in the major markets in London and the South East. This is particularly important for software providers and IT consultancies which make up the majority of jobs in this sector.

Figure 5.21 Industry specialisation in Dacorum (LQs above 1.2)



Source EEFM with adjustments by Hatch Regeneris

- 5.80 Outside ICT, Dacorum has had less success in growing its high value office-based sectors. Professional, business and financial services all account for a relatively small share of employment, particularly when compared to the other large towns of Watford and St Albans. A key reason for this is that both of the main employment centres (Maylands and Hemel Hempstead) have poor public transport access compared to these other towns, particularly for rail (the rail station is not directly in Hemel Hempstead town centre). This means connections to London are poor and makes it more difficult to attract a young workforce which have lower levels of car-ownership. Those locations in Dacorum which do offer access to a rail station (eg Apsley, Kings Langley) have had more success in attracting this type of activity (eg HSBC at Apsley).
- 5.81 Future growth in Dacorum's office-based economy is therefore likely to depend on identifying sites which offer good access to rail stations (later sections of this report identify a potential opportunity at Kings Langley). However the scale of investment required to improve connections to Maylands means further large scale growth in high value office uses in this location is unlikely.
- 5.82 The inclusion of parts of Maylands Business Park in the Envirotech Enterprise Zone is likely to create future growth opportunities. The development to date has all been at Prologis Park and in the short term will result in the continued growth of distribution, logistics and wholesale sectors. In the longer term the EZ status mean there may be potential to attract investment from a wider range of high value sectors linked to environmental technologies. The commercial feasibility study for the site identified the following opportunities:
- **Offsite construction:** this is an existing strength of the area due to the research expertise at the Building Research Establishment. BRE has identified the potential for an offsite manufacturing facility at Maylands, linked to the systems development, testing and R&D that they carry out at the BRE site,
 - **Agritech:** although there is currently limited employment in this sector in South West Herts, there are opportunities for future growth centred around Rothamsted. Agri-tech clusters in other parts of the country have been shown to have large space requirements which could make Maylands an attractive site for future investment.

- **Digital:** the feasibility study identifies opportunities for businesses that provide digital services, products, platforms or hardware to deliver technical solutions for other environmental technology sectors eg construction, agritech and engineering. The study refers to these as 'digital enablers' and highlights particular opportunities in sensors, ICT software development, big data and AI. Given Maylands existing strengths in digital industries this stands out as a particular growth opportunity for Dacorum.

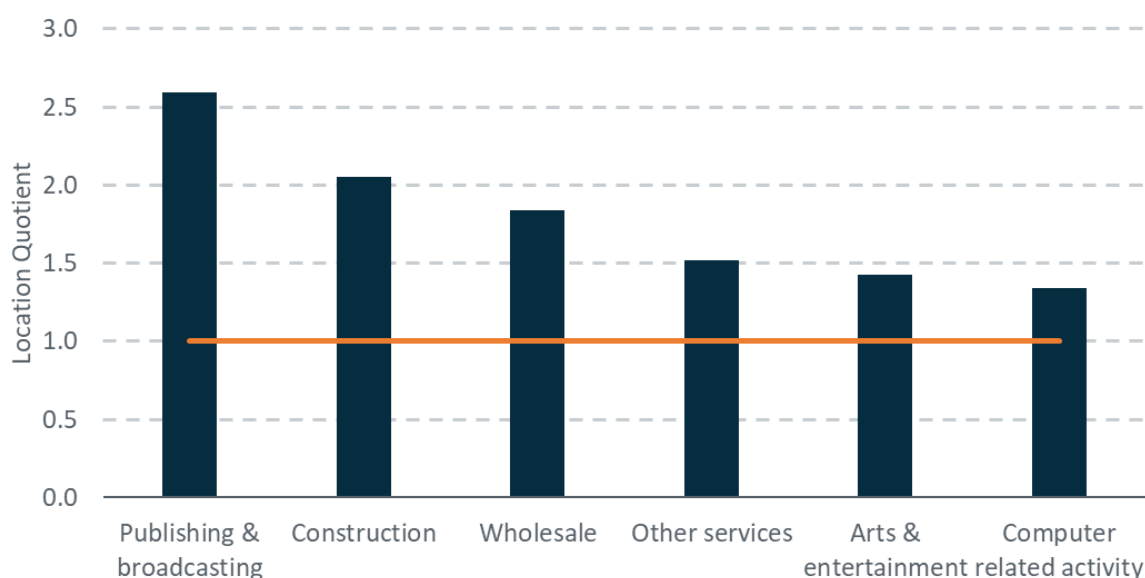
Hertsmere

5.83 Hertsmere is in the south-west of the FEMA and has a border with three London authorities (Barnet, Enfield and Harrow). The Borough is largely rural in land terms; 80% of the Borough is in Green Belt land, although the majority of residents live in the four major settlements of Borehamwood, Bushey, Potters Bar and Radlett. These towns are all relatively small compared to the main towns of Watford, St Albans and Hemel Hempstead. Hertsmere therefore lacks the scale and density to attract large investors from sectors such as professional services, particularly given its proximity to Watford. As a result a high proportion of employment is in small businesses. Research by Nesta found that 65% of employment was in SMEs which was one of the highest proportions in the country and well above the FEMA average (49%).

5.84 Hertsmere has a number of notable strengths:

- **High rates of enterprise:** Hertsmere has consistently had the highest business start-up rate in South West Herts, with 22 new businesses per 1,000 working age people in 2016. Companies House records show a large number of registrations of professional and business services companies.
- **Good transport connections:** Hertsmere is well connected to the strategic road network, with the A1 (M), M1 and M25 all running through the borough. The rail network links Borehamwood/Elstree and Radlett to Kings Cross in 18 to 21 minutes and Potters Bar to Kings Cross in 20 mins.
- **Strengths in TV and film production:** Figure 5.22 shows that Hertsmere has high concentrations of employment in creative industries with high LQs in publishing and broadcasting and arts and entertainment. This is due to the presence of Elstree Studios and the BBC studios in the borough.

Figure 5.22 Industry specialisation in Hertsmere (LQs above 1.2)



Source EEFM with adjustments by Hatch Regeneris

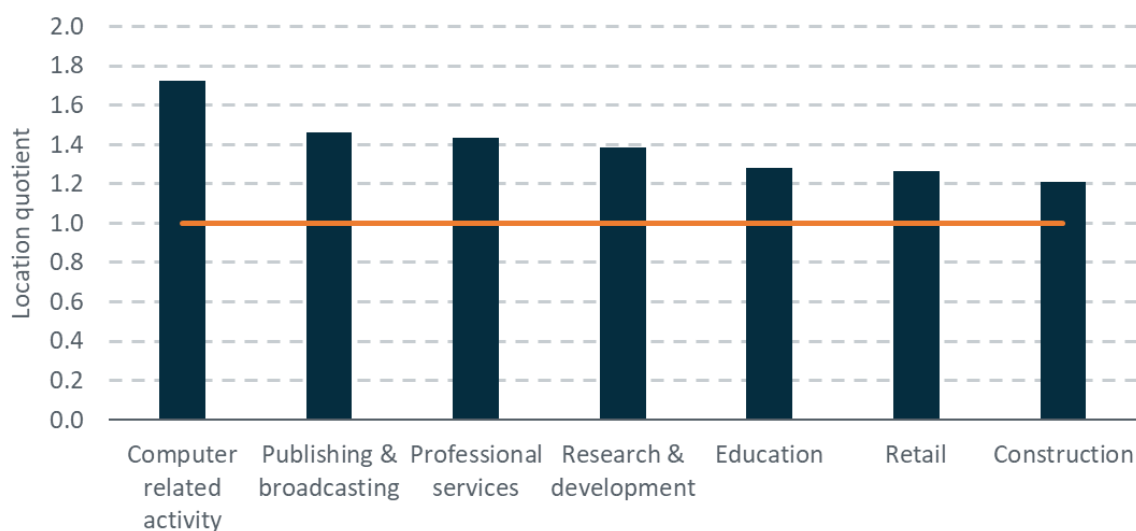
- 5.85 A key priority for Hertsmere is to capitalise on the expected growth in film and TV production over the next twenty years. Lambert Smith Hampton estimate that the UK will require between 1.6 and 1.9 million sq ft of additional film studio space by 2032 if recent growth rates are sustained¹². Given that the FEMA is home to two major studios (in Hertsmere and Three Rivers), South West Herts is well positioned to capture this growth if sites can be identified.
- 5.86 Hertsmere BC could also look to maximise the potential supply chain and employment benefits of this growth for Hertsmere residents and businesses (eg supporting the Elstree University Technical College which is an industry school for the Creative Production Arts). Previous supply chain studies for film and TV production have identified significant expenditure on digital technologies and hospitality, and strong synergies with a number of other creative industries, including the arts, media, publishing, advertising and design.
- 5.87 The challenge in capturing supply chain benefits from TV and film production in South West Herts is that demand for labour and services tends to operate in peaks and troughs. Given the uncertain and unpredictable nature of work, many people working in creative industries have to be flexible, both geographically and in the type of work they do, meaning many choose to locate in large cities where the opportunities are greater and more certain.
- 5.88 Outside the creative industries, the high proportion of employment in SMEs and high start-up rate in Hertsmere suggests the need for low cost, flexible business accommodation targeted at small and growing businesses. Indeed, research by Nesta identified 22 workplaces in Hertsmere offering co-working or flexible service space (a third of all flexible workspaces in South West Herts) and one of the highest levels of flexible workspace provision for any local authority area outside London. This suggests demand for flexible workspace is already very strong in Hertsmere.
- 5.89 Finally, the very limited supply of commercial floorspace in neighbouring London boroughs (particularly Harrow) means there may be opportunities for Hertsmere to attract businesses which have been displaced or are under pressure to relocate outside London.

¹² Sites, Camera, Action – The UK Film and TV Studio Property Market 2018 (Lambert Smith Hampton, 2018)

St Albans

- 5.90 St Albans City and District includes the urban settlements of St Albans and Harpenden. The district is a wealthy and highly desirable residential location, reflected in the high average salaries of residents and the highest house prices in the FEMA.
- 5.91 St Albans has a number of economic strengths and competitive advantages, making it one of the most attractive locations for business in the FEMA:
- **High skilled workforce:** 49% of the population hold a degree level qualification or higher compared to a South West Herts average of 38% and a UK average of 31%
 - **High rates of enterprise:** with 19 new businesses per 1,000 working age people, St Albans has the second highest business start-up rate behind Hertsmere. There are particularly high concentrations of businesses in the professional services and ICT sectors. These two sectors account for 40% of the business base in St Albans compared to 32% in South West Herts and a UK average of only 23%. A large proportion of these are micro businesses, underlining the appeal of St Albans for freelancers and lifestyle businesses.
 - **Rail connections to London:** St Albans's train station is on the Thameslink, offering fast and frequent connections to central London.
 - **Research and innovation assets:** St Albans is home to two of Hertfordshire's main research and innovation assets in BRE and Rothamsted, both of which are included in the Envirotech Enterprise Zone. R&D and science-based sectors account for a higher share of employment here than other parts of the FEMA.
 - **Concentrations of high value industries:** St Albans has a diverse employment base and notable strengths in a number of high skill, high value industries including ICT, media, professional services in addition to R&D (see Figure 5.23).
- 5.92 Despite these strengths, a high proportion of recent jobs growth has been in low skilled and low value sectors. EEFM shows over 7,000 jobs have been created since 2010, but a high proportion were in the public sector (health and education) or low value sectors such as hospitality business admin and support services. In contrast, only 900 jobs have been created in ICT, professional services, media or R&D.
- 5.93 Over the same time period, the number of residents with a degree has risen by roughly 7,500 people. There is therefore a growing disconnect between the skills profile of residents and the number of good quality job opportunities in the local area. This is reflected in the large difference between the median earnings of residents and local jobs (see Figure 5.13). If this continues it is likely to result in growing numbers of people commuting out of St Albans to work in London.

Figure 5.23 Industry specialisation in St Albans (LQs above 1.2)



Source EEFM with adjustments by Hatch Regeneris

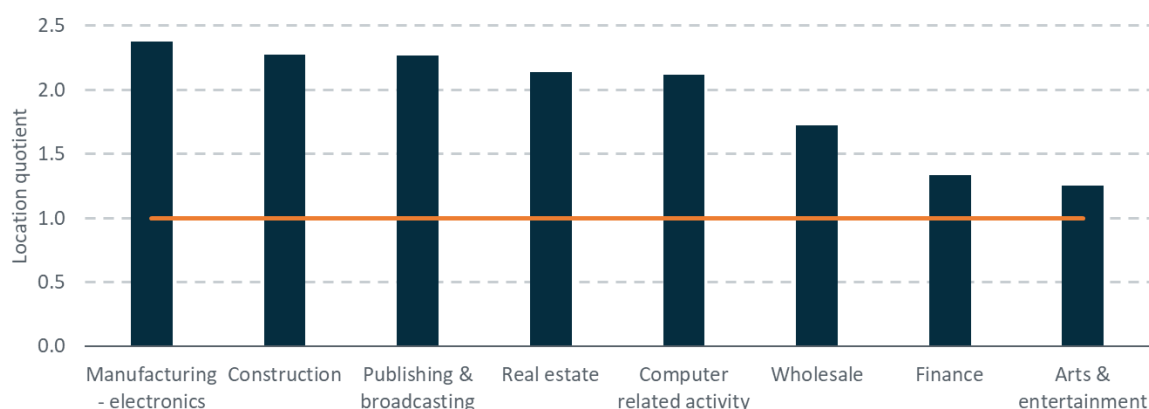
- 5.94 The recent growth of high value sectors is likely to have been constrained by the limited opportunities for new commercial development in St Albans, particularly for office space. As we show in Chapter 5 of the report, there has been a significant net loss of office space in St Albans in recent years due to changes to permitted development rights which have resulted in large scale conversions of office space to residential uses. A lack of development sites in the city centre, coupled with Green Belt constraints in other parts of the district means there is limited potential for new office development in those locations where demand is greatest i.e. close to the two rail stations.
- 5.95 A number of the Envirotech Enterprise Zone sites are located in St Albans and offer the potential for future growth in high value industries. These include the BRE and Rothamsted sites and the East Hemel Hempstead site which adjoins the existing Maylands Business Park. The commercial feasibility study for the EZ found that the existing research strengths at Rothamsted and BRE meant that they are likely to be the focus of demand from research focused businesses from the offsite construction and agri-tech sectors. At East Hemel Hempstead, the opportunities are likely to be similar to Maylands and geared more towards offsite manufacturing facilities for construction and digital industries.

Three Rivers

- 5.96 Three Rivers has the smallest population, employment and business base in the FEMA. It shares close economic and labour market links with neighbouring Watford, and a high proportion of Three Rivers residents work in the town. The largest settlement is Rickmansworth but the main employment centres are at Croxley Park, Kings Langley, Maple Cross and Leavesden.
- 5.97 Three Rivers has a predominantly office-based economy; 55% of jobs are in offices which is the highest in South West Herts (the next highest is Watford with 35%). It also has a high concentration of knowledge-based industries. The main employment locations offer very high-quality office space in large floorplates which, combined with its access to a high skilled workforce, has helped to attract a number of large headquarters. This includes Skanska and Clancy Docwra (construction), Imagination Technologies in Kings Langley (ICT), GE Money (finance) and Medtronic, a medical technology manufacturer. The presence of these large companies' headquarters in Three Rivers explains the concentrations of activity in these sectors in Figure 5.24.

- 5.98 Three Rivers is also home to Warner Brothers Film Studios in Leavesden, one of only a few locations in the UK where large scale film productions can be made. The site has also become a major visitor destination since the opening of 'Warner Bros. Studio Tour – The Making of Harry Potter' which receives over 6,000 visitors a day at peak times.
- 5.99 As described above, there is likely to be significant growth in demand for studio space over the next 15 years and there is still significant growth potential at the site. This is therefore a key asset for South West Herts and key to the future growth of creative industries in the FEMA. Warner Bros has already invested significantly in Leavesden Studios and has further plans to increase its size by around a quarter, including new sound stages workshops, post production facilities and an extension of the studios tour.

Figure 5.24 Industrial specialisation in Three Rivers (LQs over 1.2)



Source EEFM with adjustments by Hatch Regeneris

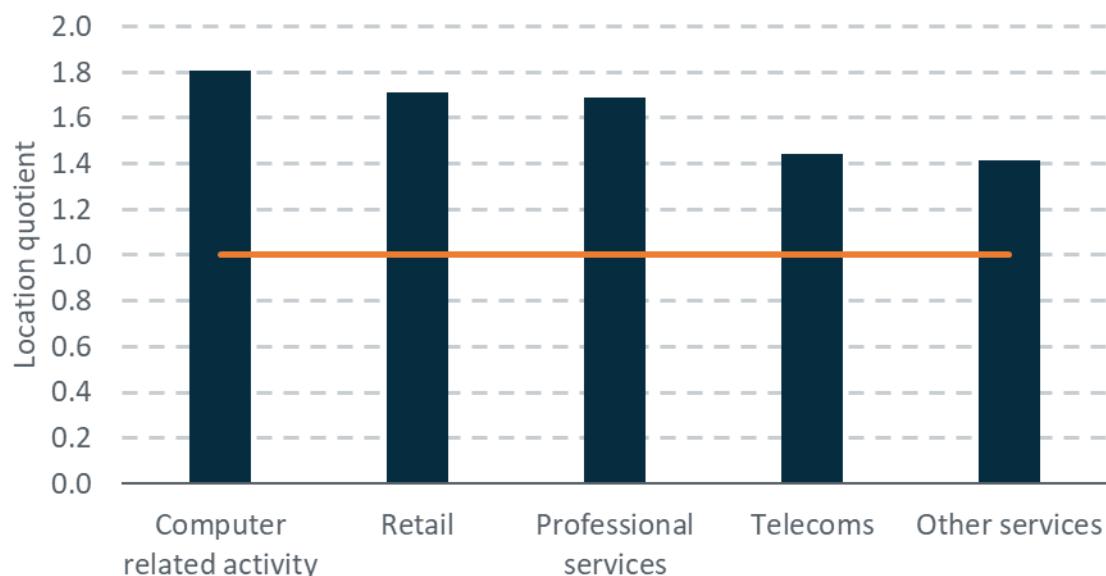
- 5.100 Beyond film production, there are likely to be further opportunities to develop the office-based economy in Three Rivers. Recent speculative development at Croxley Park and significant deals such as ASOS taking an additional 125,000 sq ft at Leavesden has shown there is strong demand for office space in these locations. However, the ability to accommodate this demand is limited by a shortage of sites and premises for expansion. Office vacancy rates are low, there is limited development potential remaining at the key employment sites and 77% of the district is designated as Green Belt.
- 5.101 A further challenge for Three Rivers is improving public transport connections to employment areas. This is particularly the case for Croxley Park which was set to benefit from the proposed extension of the London Underground Metropolitan line from Croxley to Watford Junction and would have included a new station in close proximity to the site. This extension has now been cancelled and alternative options are being explored.

Watford

- 5.102 Watford is the major sub-regional centre in South West Herts and a significant retail, leisure and commercial hub, serving the needs of a large part of Hertfordshire. The town has excellent transport links, providing businesses with fast and frequent connections and access to a large and highly skilled workforce. This, combined with its local retail and leisure amenities, has seen the town become a highly attractive location for the headquarters of major national and international companies including JD Wetherspoon, TK Maxx, Hilton, Vinci and Beko. As a result, large businesses employing more than 250 people account for a much larger share of employment in Watford than other parts of South West Herts (30% compared to a FEMA average of 18%).

- 5.103 Watford's industrial profile is geared towards knowledge-based service industries, particularly professional services¹³ which accounts for 14% of employment, compared to a South West Herts average of 10%. Retail is also a large employer, reflecting the fact that Watford is the main comparison retail centre for a large catchment area in Hertfordshire.

Figure 5.25 Industrial specialisation in Watford (LQs over 1.2)



Source EEFM with adjustments by Hatch Regeneris

- 5.104 Like other boroughs in South West Herts the main barrier to growth in Watford is a shortage of development sites. The main development opportunity is at Watford Junction; this would provide a natural extension to Watford town centre's main office district. The site is being promoted as a mixed-use development which could include up to 74,000 sq m of employment space adjacent to the train station¹⁴. Although there are likely to be a number of complexities in bringing this site forward, the scale of the development and its status as the only town centre scheme in the FEMA with significant development potential means that it should be viewed as a priority project. Based on the current plans, new office space should be available from 2023.
- 5.105 Beyond this site, the 2016 study also identified redevelopment opportunities at Watford Business Park, which adjoins Croxley Park but is currently geared more towards industrial uses. Redevelopment would allow greater intensification of employment on the site and reorient the park towards higher value office uses (in line with Croxley Green Park). However this was contingent on the site benefiting from a new Metropolitan Line connection which has now been cancelled. Watford BC is exploring a number of alternative transport options which could unlock the redevelopment of the site.

Key Points

¹³ This includes some of the jobs in HQs although some of these will be allocated to the main sector of the business (eg retail for TK Maxx).

¹⁴ Watford Junction Draft Development Brief, June 2016 (<http://watford.moderngov.co.uk/documents/s11849/Appendix%20A.pdf>). It should be noted that the employment space estimates for Watford Junction are subject to revision. Although the Development Brief estimated that up to 74,000 sq m could be provided. The latest estimates put the figure at around 52,800

- Watford, St Albans and Three Rivers all have high concentrations of high value, knowledge-based services including HQs, professional services and ICT. One of the key barriers to growth in these locations is a shortage of development sites for new office development.
- Although science industries and R&D are small sectors overall, St Albans has particular strengths in these sectors. The EZ status at Rothamsted and BRE offers potential to develop the area's R&D strengths linked to agri-tech and buildings research, while nearby Maylands and East Hemel Hempstead provide opportunities to develop linked manufacturing facilities.
- The TV and film studios in Hertsmere and Three Rivers are key assets for South West Herts' creative industries. The forecast growth in demand for studio space presents significant opportunities to generate more value from these sectors, although these opportunities are likely to be greater at Leavesden where there is greater potential for further expansion.
- Transport constraints have the potential to act as a barrier to growth in some areas. This is particularly the case for growth locations in Dacorum and St Albans where east-west links are already poor and likely to come under increasing pressure. The cancellation of the Metropolitan Line extension could also limit growth and regeneration in Watford and at Croxley Park in Three Rivers.
- Poor rail accessibility at Maylands is likely to limit the growth of professional services and HQs, where occupiers increasingly require sites with good access to a train station. However the area's excellent road connectivity make it an attractive location for a range of sectors including distribution, manufacturing and ICT.

6. Commercial Property Market Trends

- 6.1 This section of the report analyses recent trends in South West Herts' commercial property market. We consider the demand for floorspace from business occupiers and review change in the supply of space through recent completions, losses and vacancy rates. The balance between these two is used to identify particular locations or types of space where the market is under or over-supplied.
- 6.2 The chapter looks separately at two types of employment space:
- Offices and R&D space (B1a and B1b)
 - Industrial space which includes light industry (B1c), general industry (B2) and warehousing uses (B8).
- 6.3 The assessment is based on:
- analysis of commercial property market data from CoStar.
 - analysis of the change in the stock of office and industrial space in South West Herts. This is based on data provided by Hertfordshire County Council and analysed as part of a parallel study being carried out by Lambert Smith Hampton and Prime Example Consulting¹⁵. We have also referred to this study's analysis of commercial property market trends.
 - a small number of consultations with local commercial agents including Brasier Freeth, Lambert Smith Hampton and Stimpsons.

Office Market Review

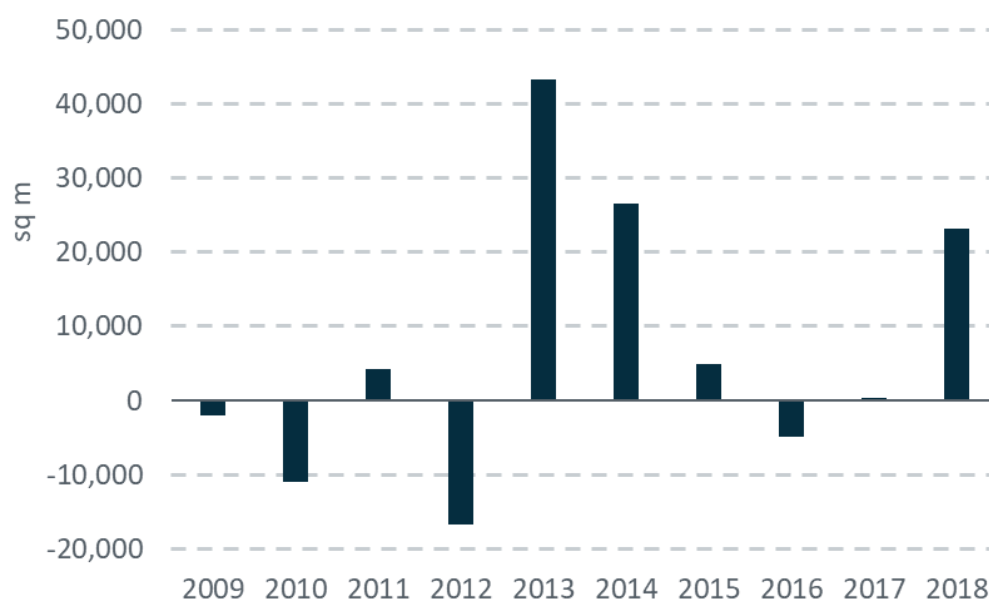
Demand

- 6.4 The recent strong economic performance in South West Herts has translated to an increase in demand for office space. Figure 6.1 shows net take-up¹⁶ was negative in the first few years of the decade but has recovered since 2013, averaging around 15,600 sq m p.a. (although take-up tends to fluctuate from year to year). 2018 saw net take-up of 23,000 sq m.

¹⁵ Lambert Smith Hampton (2019): Loss of Employment Space in Hertfordshire (<https://www.hertfordshirelep.com/media/7128/loss-of-employment-space-in-hertfordshire-february-2019.pdf>)

¹⁶ This is based on the 'net-absorption rate' in CoStar. This measures the total floorspace occupied (indicated as a Move-In) less the total space vacated (indicated as a Move-Out) over a given period of time

Figure 6.1 Net take-up of office space in South West Herts, 2009-2018



Source CoStar

6.5 Figure 6.2 shows that demand has been focused on a small number of locations. The towns of Watford and St Albans remain the most sought after locations in the FEMA. 45% of all office deals in the last three years have been in one of these two towns. Both towns offer high quality office space and local amenities in close proximity to train stations with fast and frequent connections to London. The limited availability of space in these towns (particularly in developments offering larger floorplates) has resulted in some large deals in out-of town locations such as Croxley Park, Leavesden and Apsley (see Figure 6.2).

6.6 Some of the key activity by location is as follows:

- **Apsley:** take-up has been driven by the Westside development which was speculatively refurbished in 2016 and is near fully occupied, with key tenants including Epson and HSBC. The key strength of this location is its proximity to a railway station with regular trains in to London Euston
- **Maylands/Breakspears Park:** the two largest deals were at Maxted House and Breakspears Park (both in 2018 for undisclosed tenants). Other notable deals include Asustek, a consumer electronics company, which took 1,500 sq m of space at Eaton Court in 2016. However take-up of space in this location has been slow, particularly given the large supply of Grade A office space available. Maylands' office market is constrained through its poor public transport connections, poor amenities and industrial surroundings
- **St Albans:** Significant deals include Apple which took 2,000 sq m of space in the centre of St Albans in 2018 and Skechers the clothing company which moved its UK HQ to the Centrium Business Park from Potters Bar in 2016. This is a high demand location but the level of take-up has been constrained by very limited supply.
- **Croxley Park:** the largest deal in the last three years was Smith and Nephew (a global medical technology business) which took over 5,000 sq m of office space in

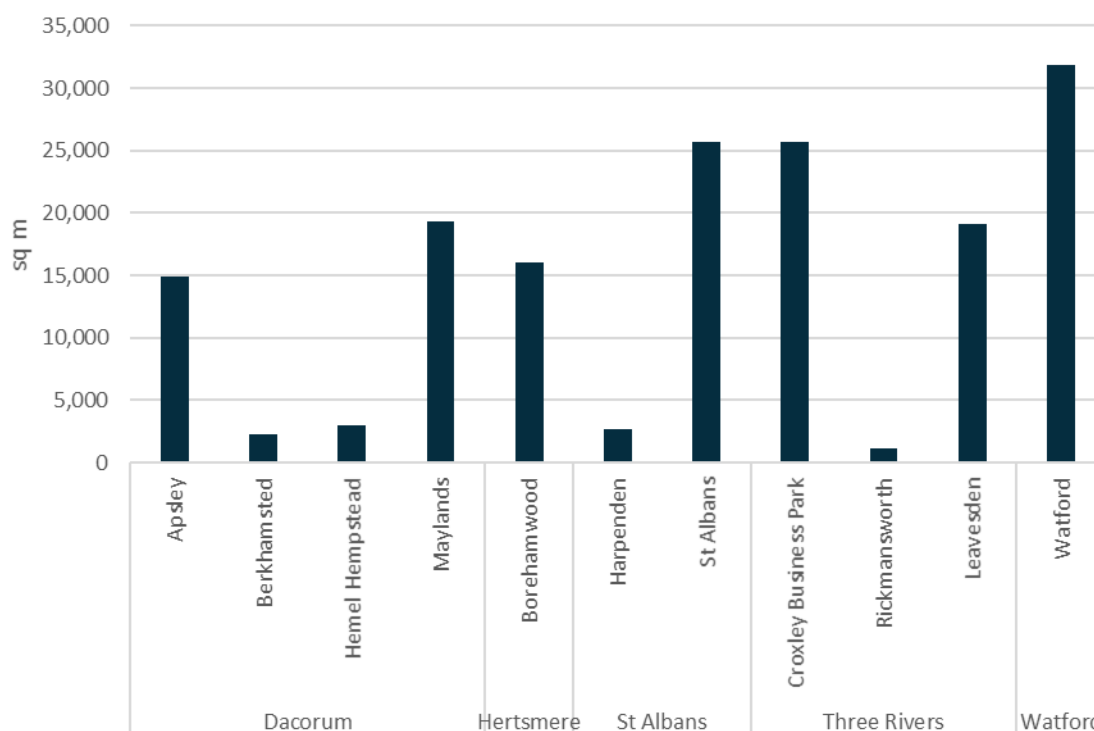
2016. This provided a significant boost to confidence in the Watford office market¹⁷ and led to the development of 5,000 sq m of space at Building 2, the first speculative development in Watford since 2006. This building is now fully let, with the largest occupier being Corona Energy. A further 8,000 sq m of office space is now being developed at Building 1 due for completion in 2020.

- **Leavesden:** Fashion company ASOS has signed a deal for it to occupy the whole of Leavesden Park (nearly 18,000 sq m in total, formerly occupied by BT) from mid 2019 onwards. The transaction was said to represent the largest leasing deal in the South East office market since 2016. The building will be home to ASOS's global customer care centre and functions supporting its growth plans.
- **Watford:** Watford continues to be a highly attractive location for HQ and corporate functions and has been the location for a number of large deals since 2015 including Salmon Ltd, a global digital e-commerce consultancy which set up its HQ on the newly developed 36 Clarendon Rd and Europcar which moved its HQ to Reeds Crescent. Bio-rad, a life sciences company also took 2,500 sq m at Station House.

- 6.7 Recent trends in the market underline the importance of public transport access (particularly rail) in the location decisions of large office occupiers. This is exemplified by the experiences of Apsley and Maylands in Dacorum. The former is a small centre in a suburban location but has seen very strong demand for space because of its rail links. This contrasts with Maylands, an established employment centre with a large supply of Grade A space but has experienced limited demand due to its poor public transport links.
- 6.8 Croxley Park does not have direct rail access, however the site is approximately a mile from Watford tube station and runs a shuttle bus to and from Watford Junction, meaning occupiers can reach London Euston in just over half an hour. This site also benefits from its high-quality environment and onsite amenities which include a gym, nursery, café, landscaped parkland, bicycle hire and a programme of events.

¹⁷ It should be noted the site is located in Three Rivers District Council but is seen as part of the Watford office market because of the close integration of the two districts

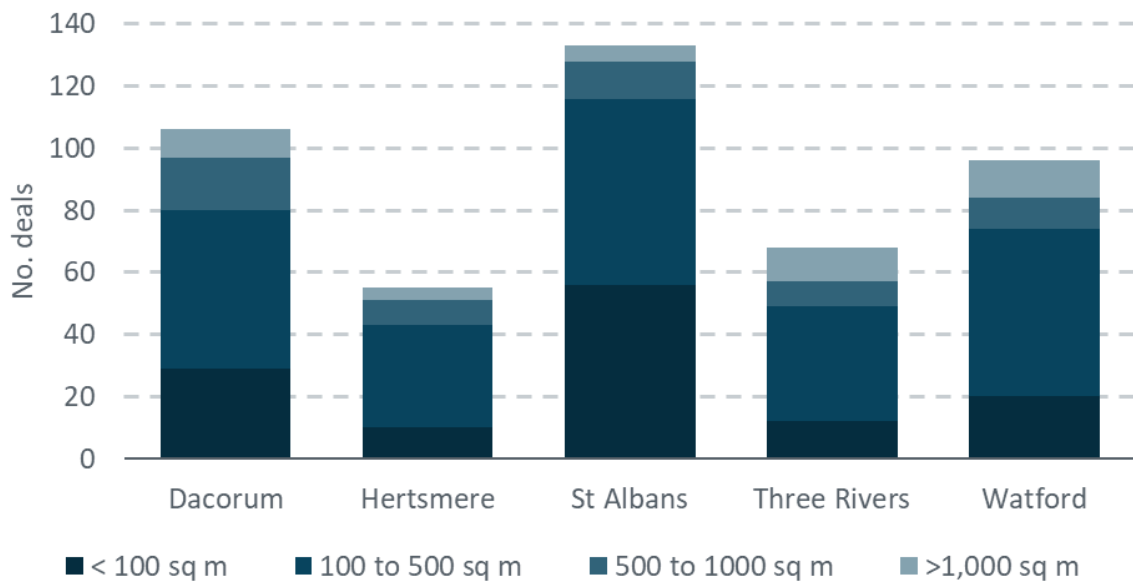
Figure 6.2 Leased office space by location, 2015 to 2018



Source CoStar

- 6.9 Figure 6.3 shows the number of deals by size in each of the local authority areas. It shows that a large majority of deals are for less than 500 sq m of space (81%) and a third are for less than 100 sq m, indicating the majority of deals are for small and micro businesses.
- 6.10 While St Albans has seen the largest number of deals over the past three years, nearly 90% of these have been for small floorplates under 500 sq m. This demonstrates the appeal of this location for small businesses, particularly in professional services and the creative and digital sector. However it also reflects the office stock which is mostly in the town centre and comprises smaller scale, high quality office space.
- 6.11 A lower proportion of deals in Dacorum and Three Rivers were for under 500 sq m (75% and 72% respectively). Again this reflects the nature of office stock in the area, with Maylands and Croxley Park both offering larger floorplate office space.

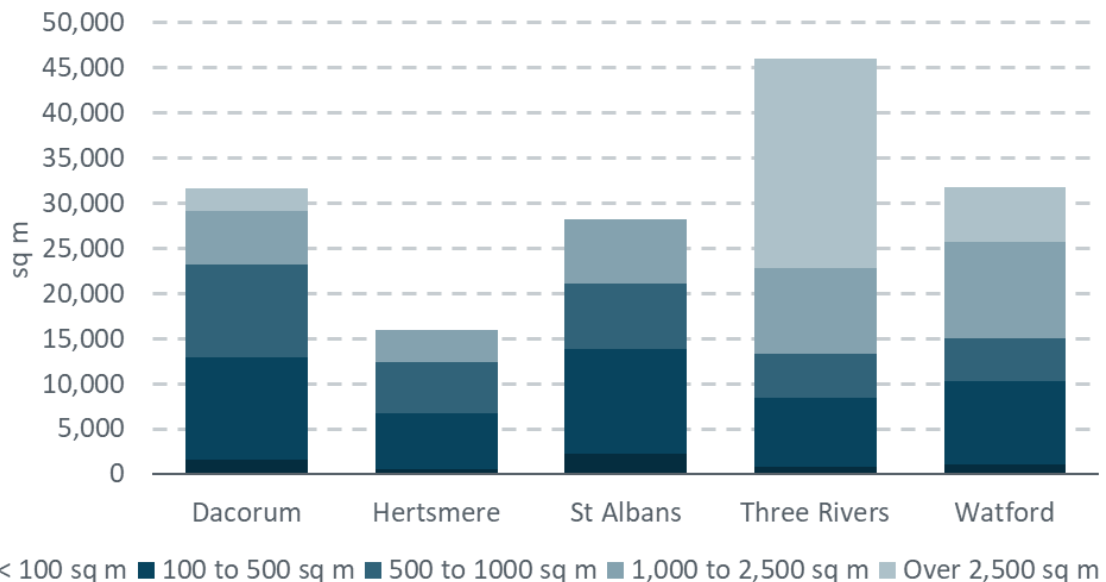
Figure 6.3 Number of deals by size, 2015-2018



Source CoStar

- 6.12 Figure 6.4 shows the breakdown of leased office space by size since 2015. This also shows a large proportion of demand for floorspace has been from SMEs; 34% of leased space has been in floorplates smaller than 500 sq m and 55% in floorplates smaller than 1,000 sq m. 20% of floorspace leased has been in larger floorplates over 2,500 sq m, however this has been limited mainly to Three Rivers and Watford. These include the large deals in speculatively developed space at Croxley Park and Clarendon Road.

Figure 6.4 Office floorspace let by size, 2015-18



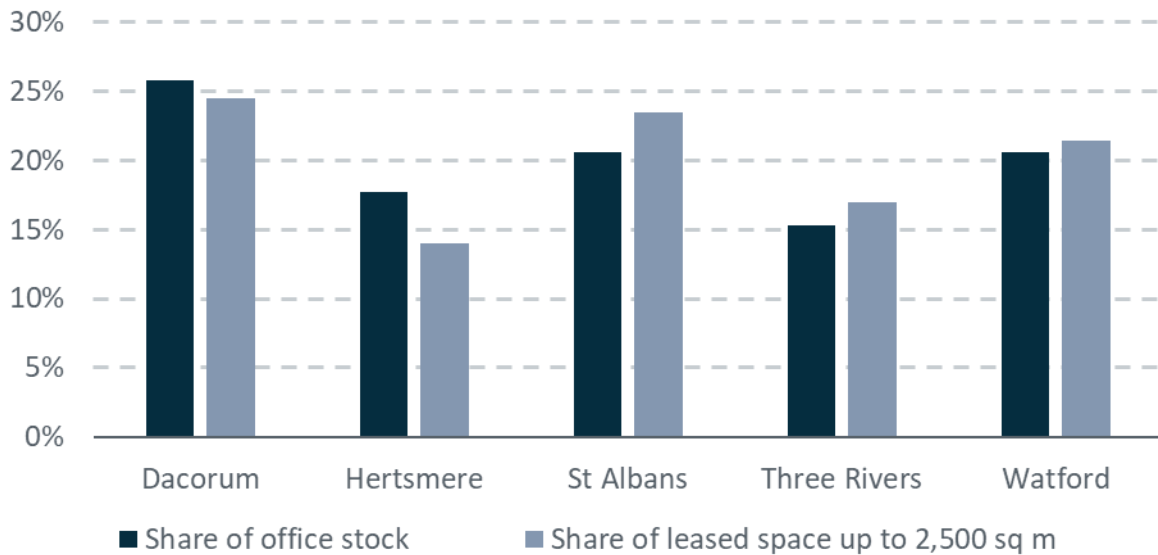
Source CoStar

- 6.13 When the largest deals are removed from the data (those over 2,500 sq m), it is notable that the spatial distribution of take-up is broadly aligned with the distribution of office stock

in the FEMA, although take-up has been relatively high in St Albans and relatively low in Hertsmere.

- 6.14 This suggests that many businesses requiring floorplates up to 2,500 sq m (many of whom are likely to be SMEs) are fairly flexible in terms of the type and location of accommodation they occupy. The key factor influencing many SME location decisions is the cost of floorspace (flexibility is also important for smaller businesses), with accessibility, amenities and quality of space being less important factors.

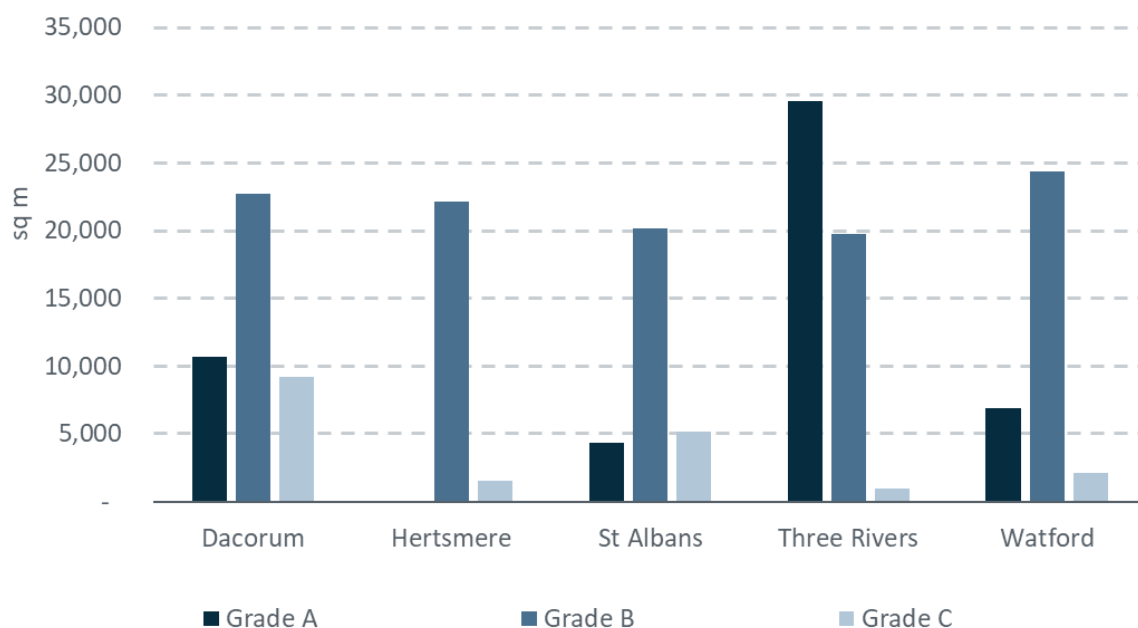
Figure 6.5 Distribution of office stock and office take-up in floorplates up to 2,500 sq m



Source VOA and CoStar

- 6.15 Of the office space leased since 2015, around 60% has been Grade B space, with Grade A space accounting for 29% and Grade C accounting for 11%. Grade A space accounted for a much smaller proportion of deals (6%), reflecting the fact that deals for Grade A space have tended to be much larger (average size of 1,900 sq m) compared to 350 sq m for Grade B space and 130 sq m for Grade C.
- 6.16 Deals for Grade A space have therefore tended to be for larger, corporate occupiers, while most SMEs are happy to accept more affordable Grade B space. The limited new supply of Grade A space has also constrained take-up for all sizes of occupier, particularly in key office markets such as Watford and St Albans.

Figure 6.6 Office floorspace let by grade of floorspace, 2015 to 2018



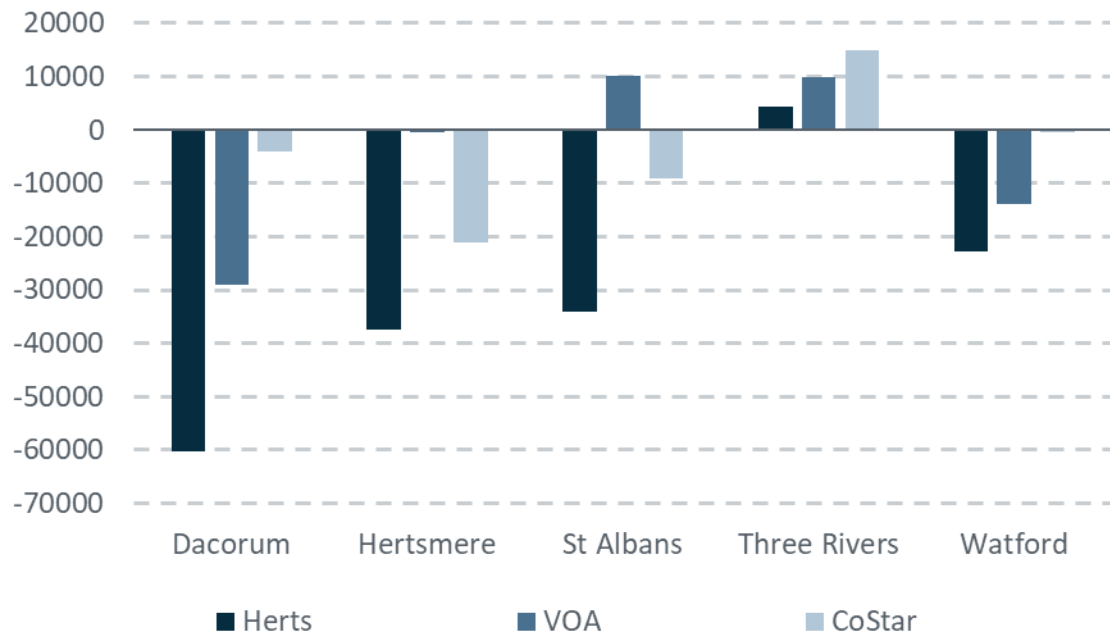
Source CoStar

Supply

Loss of office space

- 6.17 The supply of office space in South West Herts has come under increasing pressure in recent years. According to planning data provided by Hertfordshire County Council for the LSH study 'Loss of Employment Space in Hertfordshire', the FEMA gained just under 106,000 sq m in new office space between 2008/9 and 2017/18, with the largest gains in Dacorum and Three Rivers (26,000 and 32,000 sq m respectively). However this was more than cancelled out by the loss of 328,000 sq m office space, predominantly as a result of changes in use, which meant there was a net loss of around 223,000 sq m. This means **roughly a fifth of South West Herts' office space has been lost since 2008**.
- 6.18 It should be noted that different data sources give different findings on the change in office space since 2008. Figure 6.7 compares the change in office stock according to the Herts CC data, the Valuation Office Agency (VOA) and CoStar. Three Rivers is the only district where the three data sources are broadly consistent, with very different findings for Dacorum, Hertsmere and St Albans. Of the three, we believe the data from Herts CC is likely to be the most reliable as this is the only data source based on monitoring of implemented planning permissions. This means that CoStar is likely to overestimate the quantity of office space in South West Herts.

Figure 6.7 Change in office stock, 2008/9 to 2015/16

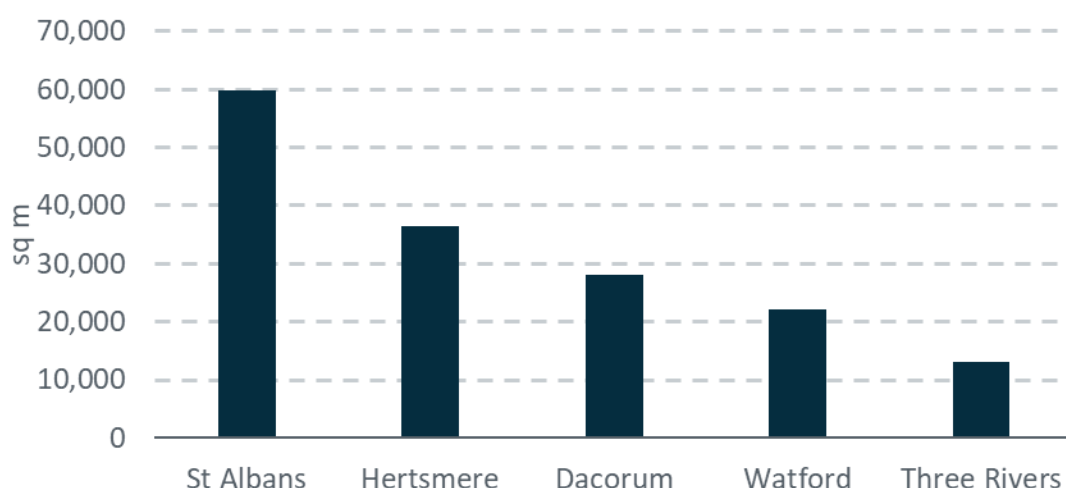


Source Herts CC, VOA and CoStar.

Note: data is shown for the period to 2015/16 because VOA data is not available after this date

- 6.19 The loss of office space is due in large part to changes to permitted development rights (PDR), which allow changes of use (from commercial to residential) without having to make a planning application. The changes were introduced as a temporary measure in 2013 and made permanent in 2015. The strong residential market in South West Herts means that a number of districts' supply of office space has come under increasing pressure due to PDRs. The LSH study shows around 160,000 sq m of space in South West Herts was lost due to resi-conversions between 2008/9 and 2017/18, with the greatest loss occurring in St Albans (60,000 sq m).
- 6.20 It should be noted that some of these losses have been planned by local planning authorities, or at least fit in with a strategy to encourage more residential development in former employment areas eg the Elstree Way Corridor in Borehamwood.

Figure 6.8 Loss of office space due to residential conversions, 2008/9 to 2017/18



Source Herts CC

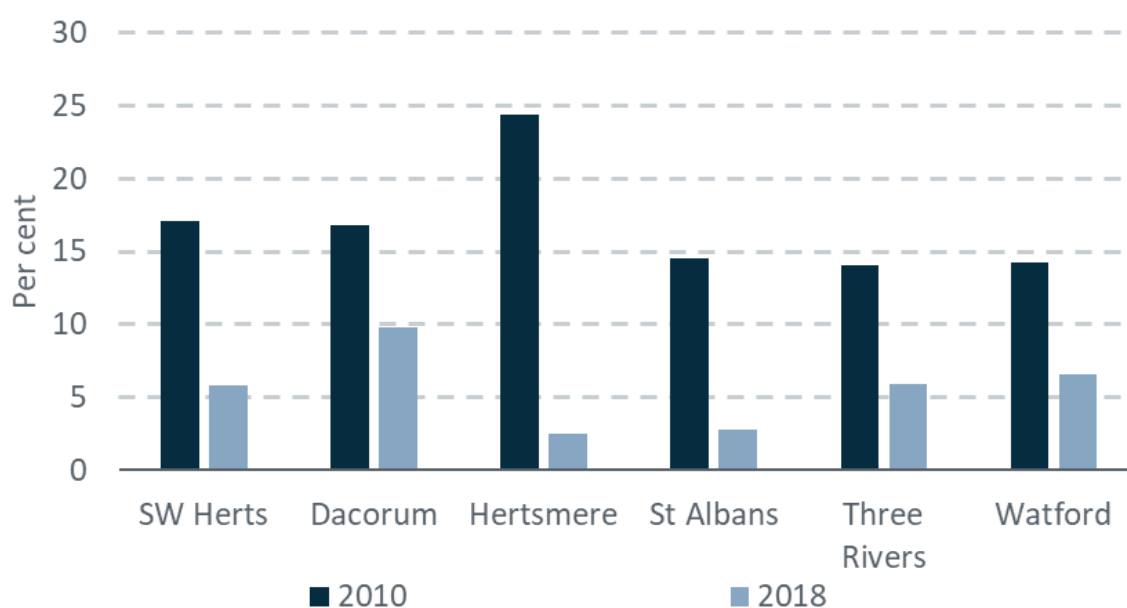
- 6.21 It should be noted that the conversion of office space to residential or other uses does provide some benefits to local commercial property markets in some cases. In a number of areas PDR is seen by local agents as having a positive effect on local commercial property markets - by removing poor quality, unoccupied space which no longer meets business requirements as well as providing a much needed supply of housing. This was particularly the case in the initial years after the changes to PDRs were introduced in places such as Hemel Hempstead which had a large supply of poor quality, dated stock. By helping to reduce the oversupply of office space, PDR can also help to increase rental values and encourage the development of new higher quality space.
- 6.22 However there are concerns (shared by local authorities and agents) that higher quality office space is increasingly being lost to residential uses. This has particularly been the case in St Albans where there is strong demand for residential uses in the city centre, although an Article 4 direction has now been put in place to control any further losses.
- 6.23 These findings are consistent with the LSH study for the Hertfordshire LEP which noted:
- 6.24 *"Whilst PDR has helped to remove excess or inappropriate floorspace in some areas and to contribute to housing needs to a small degree, the scale of loss, and the inability to avoid the loss of good quality and in-demand floorspace, is creating serious imbalances between supply and demand in the market. There are various examples of good quality, well located and in-demand office floorspace being lost to residential uses through PDR conversions across Hertfordshire. This includes cases of existing good covenant tenants being given notice to leave in order to convert the premises to residential use via permitted development".*

Falling vacancy rates

- 6.25 The reduction in office stock, coupled with increasing demand for office space has resulted in significant fall in availability rates across South West Herts. For the FEMA as a whole, the availability rate has fallen from 17.1% in 2010 to 5.8% in 2018. However there have been particularly large falls in Hertsmere and St Albans, both of which have office availability rates below 3%. It is notable that these two authorities have also been the worst affected by office to residential conversions.

- 6.26 Employment land reviews tend to assume that a vacancy rate below 7.5 per cent is an indication that the office market is undersupplied. Based on this benchmark, **all of the districts in South West Herts have an undersupply of office space with the exception of Dacorum, and some are at critically low levels.** There is now very little capacity to accommodate inward investment or to support indigenous business growth, including in the FEMA's most sought after locations. In particular, there is very little vacant space around train stations, which is a key requirement of larger office occupiers. This has the potential to constrain economic growth and competitiveness unless the supply of high quality office space increases.
- 6.27 Dacorum still has 28,000 sq m of vacant space available, including 5,000 sq m of high quality Grade A space at Maylands Business Park. The Peoplebuilding development at Maylands Business Park also had planning permission for six high spec large floorplate office buildings. Only one office building was built and the other plots were advertised for a decade. This reflects the fact that demand for office floorspace in Maylands is not as strong as other locations in the FEMA. The permission for offices has now been superseded by a permission for a retail park and offices. Phase 1 of the retail park is under construction, but the rest has been purchased by Prologis for an extension of their Prologis Park development.

Figure 6.9 Office vacancy rates in South West Herts, 2010-2018



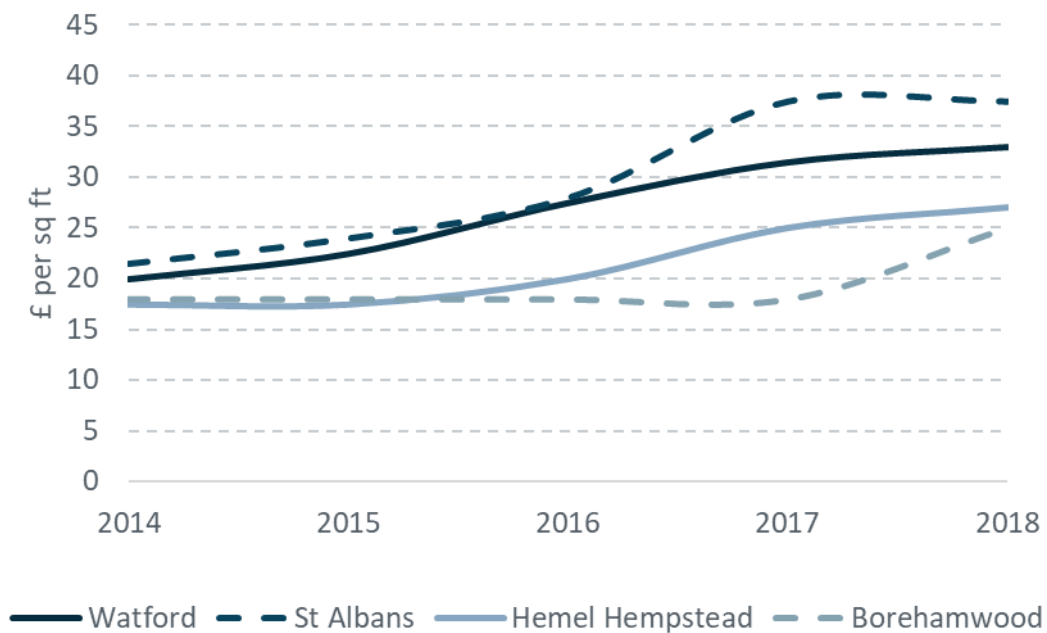
Source CoStar

Increasing rental values

- 6.28 The increasing demand and falling supply of office space has resulted in increases in rental values in all of the main office markets, with particularly large increases in Watford and St Albans. Prime rents now stand at around £37.50 per sq ft in St Albans and around £33 per sq ft in Watford. In both of these locations, speculative office development is commercially viable, exemplified by recent developments on Clarendon Road and at Croxley Park (this is an out of town location but is consistently achieving rents of over £31 per sq ft).
- 6.29 Rents have been increasing in both Hemel Hempstead and Borehamwood but are still below the level where speculative development is likely to be viable. The data for Hemel Hempstead includes recent deals at Apsley (where space was refurbished in 2016) and has achieved rents of £23 to £25 per sq ft. There are also signs that rental values in

Maylands are increasing, with two deals at the Maylands Building recently attracting rents of £26.50 per sq ft.

Figure 6.10 Prime rental values in main office markets



Source Colliers Rental Value Maps

Key points

- Recent demand for office space in South West Herts has been strong, with average net take-up of 15,600 sq m between 2013 and 2018.
- Demand for office space is greatest in Watford and St Albans town centres. These towns offer a high-quality business environment and rapid connections to London. Their investor appeal is reflected in much higher rental values than other parts of the FEMA.
- Both towns have limited supply of office space and sites for new development. This has seen a number of large deals in out of town locations including Croxley Park, Apsley and Leavesden.
- The majority of demand for office space has been from SMEs. They tend to be flexible in the type and location of office space they occupy, with affordability being the key factor influencing location decisions.
- Access to a rail station is a key requirement for attracting strategic office investment. This is demonstrated by the experience of Apsley, which is a small suburban centre but has seen strong demand for office space because of its rail connections.
- While there is potential to attract some overspill investment from St Albans/Watford at Maylands, this may be limited by the poor public transport access to the site and journey times to London, which remain key weaknesses compared to other locations, both in and outside the FEMA.
- Recent demand for office space has been constrained by a lack of supply, which is at critically low levels in some areas, most notably St Albans.

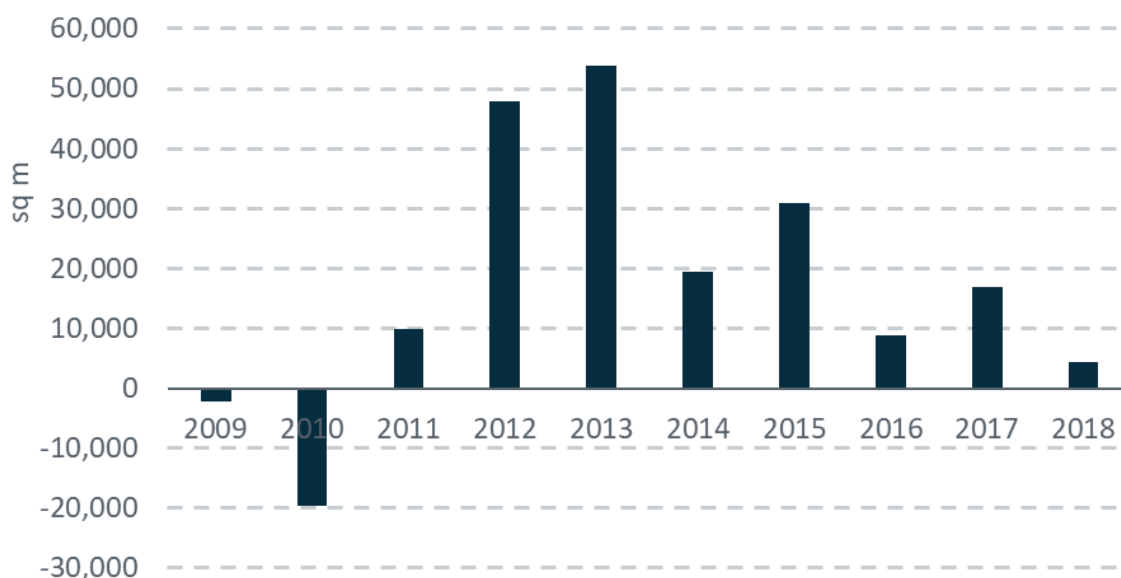
- Changes to permitted development rights have helped to remove poor quality, vacant office stock and improve the viability of new development. However it has also resulted in the loss of some high quality, occupied space. If this continues it could make it harder to attract and retain businesses in the FEMA.
- St Albans and Hertsmere have been worst affected by changes to PDRs. Both of these areas also have very low vacancy rates. There is a high risk that this will act as a constraint on growth.

Industrial market review

Demand

- 6.30 Demand for industrial space has been consistently strong since the start of the decade, with eight years of positive net take-up. Average take-up of industrial space was 17,000 sq m p.a. between 2009 and 2018, and over 22,000 sq m p.a since 2013. This mirrors a trend seen nationally, with particularly strong demand for warehousing space driven in part by the growth of internet shopping and last mile logistics which is increasing demand for premises in, or near to, urban areas.

Figure 6.11 Net take-up of industrial space, 2009-2018



Source CoStar

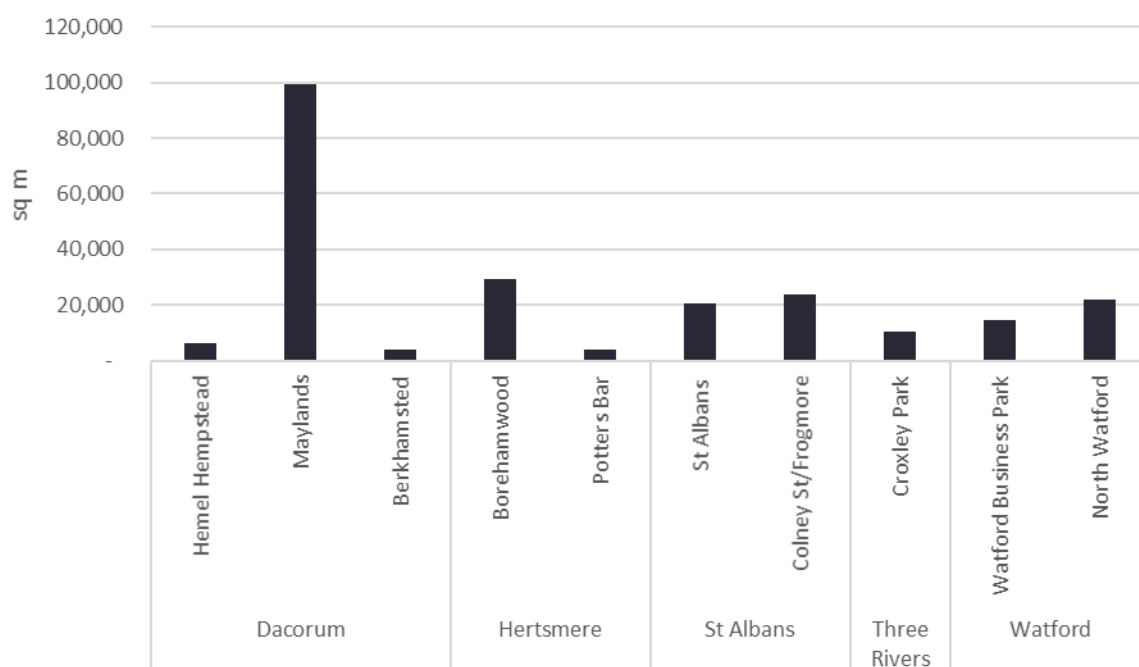
- 6.31 Maylands Business Park dominates the local industrial market due to its access to the M1 and large supply of space. Around 100,000 sq m of industrial space has been leased at Maylands since the start of 2015¹⁸. This represents 40% of total take-up in South West Herts and far exceeds any other single location across the whole of Hertfordshire, underlining its investor appeal. Notable deals include DHL, the Booker Group, Alliance Flooring and Cormar Carpets, who have all signed deals for large distribution warehouses over 10,000 sq m in the last three years.

¹⁸ This excludes deals at Prologis Park which had yet to appear in the data

6.32 Other important locations outside Maylands include:

- **North Watford:** a number of deals have been centred around Imperial Way / Colonial Way and around Greycaine Road / Sandown Road areas, close to junction 5 of the M1. Demand has mostly been for distribution uses, including Sigma Pharmaceuticals (pharmaceuticals wholesaler), Selco (builders merchants) and Instrotech Ltd (electrical equipment distributor).
- **Colney St/Frogmore (St Albans):** this area offers good access to the M25. Take-up was dominated by one large deal for 15,000 sq m of distribution warehouse space at Ventura Park (for an undisclosed tenant).
- **Watford Business Park** – This area comprises generally older more traditional industrial stock¹⁹. Again the greatest demand has been for distribution uses, including Gearhouse Broadcast (a supplier of broadcast equipment), Panther Warehousing and Travis Perkins all signing deals for over 1,000 sq m of warehouse space.

Figure 6.12 Leased industrial space by location



Source CoStar

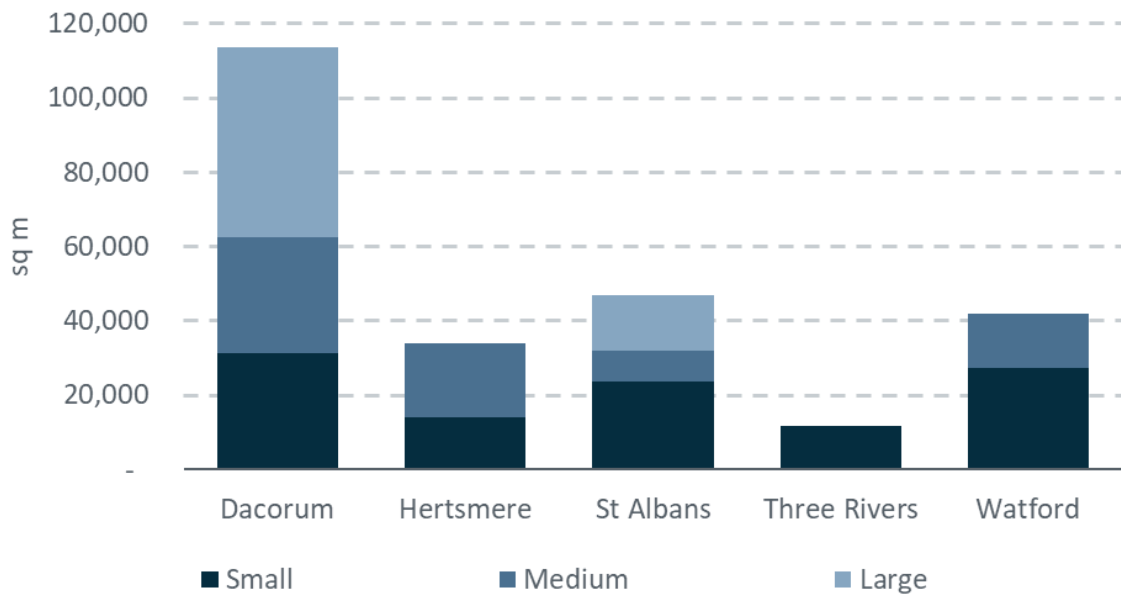
- 6.33 The take-up data for industrial space is skewed by a relatively small number of deals for larger warehouses. Small requirements (up to 1,858 sq m) accounted for 44% of leased space and 90% of deals. This is even higher in St Albans, Watford and Three Rivers. A high proportion of this demand is likely to be from small businesses. Demand is strong in each of the districts because a large proportion of these businesses are serving local markets and need affordable space in locations close to their customers. Access to the strategic road network is less of an issue for these occupiers.
- 6.34 Mid-size requirements (1,859 to 9,290 sq m) have also been distributed across the FEMA (although there have been no deals in Three Rivers reflecting a lack of larger industrial units in the district). These include a mix of national, regional and local companies serving

¹⁹ It should be noted Croxley Park's main offer is modern office buildings and two of the existing industrial buildings have permission to be replaced with new high grade offices.

regional and local markets and is likely to include online retailers. These types of occupiers have diverse requirements in terms of quality but access to the strategic road network is important in the majority of deals.

- 6.35 Larger deals (over 9,290 sq m) have been concentrated in Dacorum and St Albans, with a large share at Maylands. These tend to be strategic warehouses occupied by national or global companies who prioritise access to the strategic road network and look for higher quality state of the art premises.

Figure 6.13 Leased industrial space by size of unit, 2015-2018



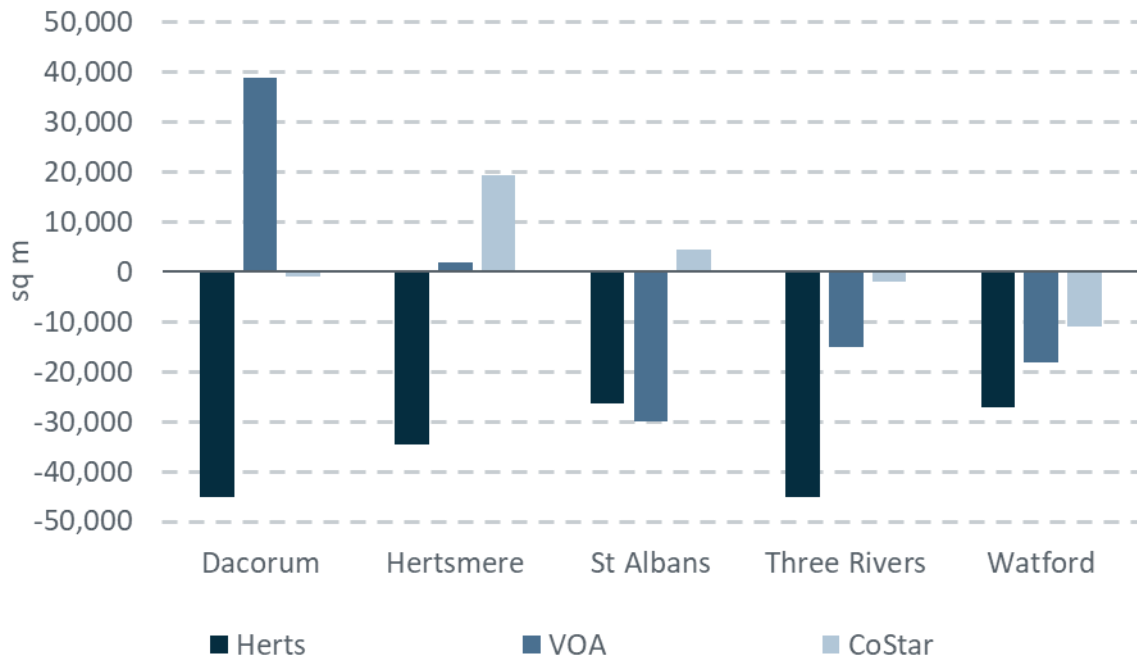
Source CoStar

Supply

Loss of industrial space

- 6.36 Although there have been a number of new completions of new industrial space since the 2016 report (particularly around Maylands Business Park), overall there has been a significant net loss of space since 2008/9 (-195,000 sq m). This represents a 10% decrease in South West Herts' industrial space since 2008. The loss of industrial space has been broadly spread across the five districts (see Figure 6.14).
- 6.37 This is based on the Herts CC monitoring data which underpinned the analysis in the LSH study for the Hertfordshire LEP, although it should be noted there is once again a significant discrepancy between this data source and the VOA/CoStar (see Figure 6.14).

Figure 6.14 Change in industrial stock, 2008/9 to 2015/16

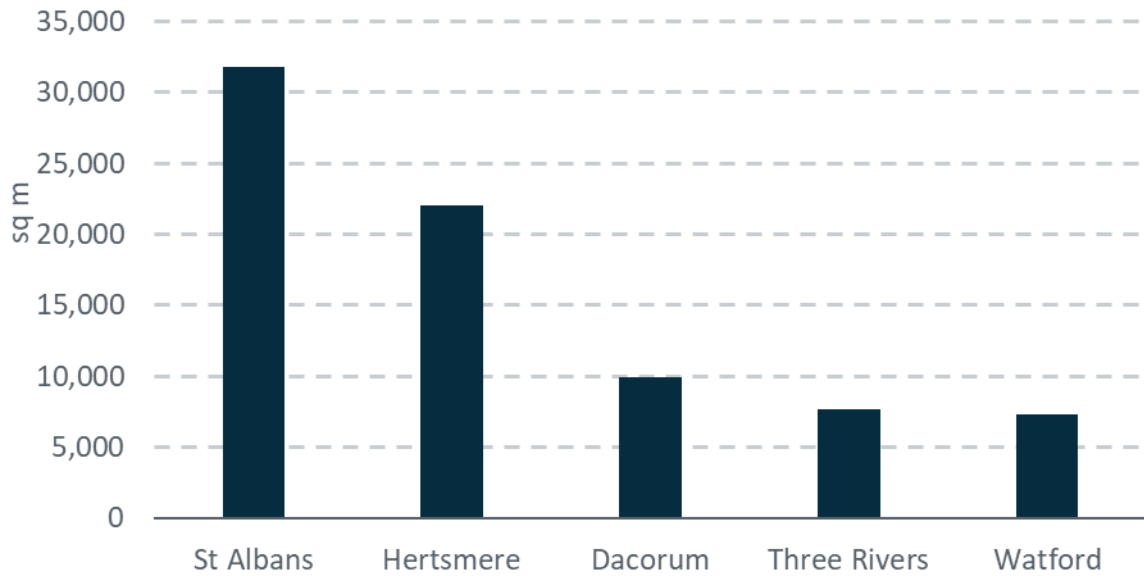


Source Herts CC, VOA, CoStar

Note: data presented for period up to 2015/16 as VOA data is not available after this date

- 6.38 Changes to permitted development rights have also contributed to the fall in industrial space, although not to the same extent as office space. The LSH study shows approximately 79,000 sq m of former industrial space in South West Herts has been converted to residential uses. Residential conversions therefore account for roughly 18% of the industrial space lost since 2008 (compared to around 50% for office space). Once again, the greatest losses have been in St Albans and Hertsmere, reflecting the high house prices in these districts (see Figure 6.15).

Figure 6.15 Loss of industrial space to residential uses, 2008/9 to 2017/18

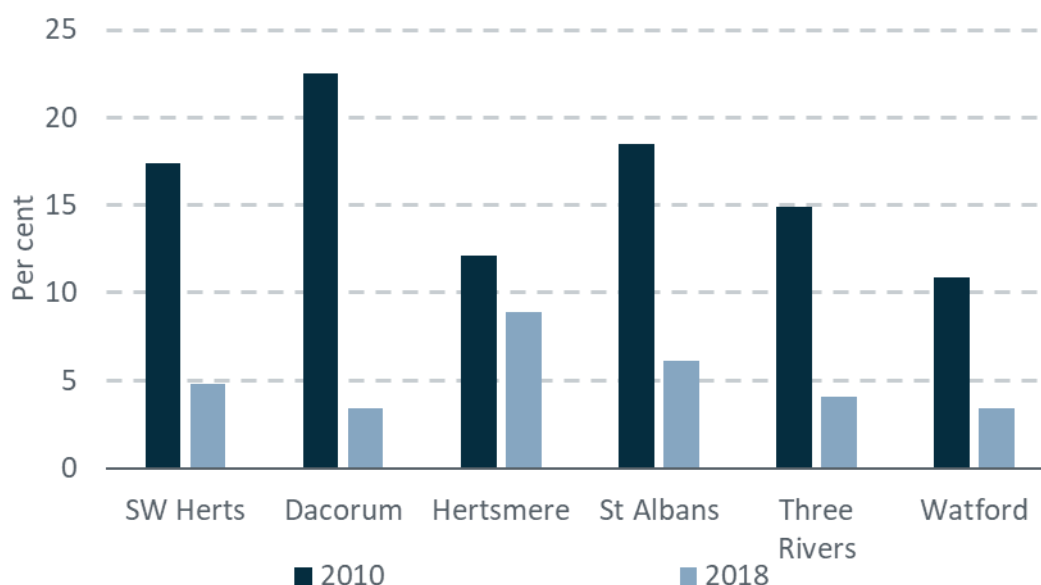


Source Herts CC

Availability

- 6.39 The availability rate for industrial space was 4.8% at the end of December 2018, down from nearly 17.4% in 2010. Again this has been driven by a decrease in supply and an increase in demand. The availability rate is below 5% in three of the five districts. This includes Dacorum, the main industrial market in Hertfordshire, which has an availability rate of only 3.4% (down from 22.5% in 2010). This is likely to have constrained take-up of new industrial space in recent years.
- 6.40 With such limited space available, it will be very difficult to accommodate demand for even modest amounts of space. There is therefore a significant danger that the FEMA will lose out on potential investment. There may also be knock-on consequences for productivity if local businesses are dependent on a supply of local storage and distribution facilities for their supply-chains.

Figure 6.16 Availability rates for industrial space, 2010-2018



Source CoStar

- 6.41 Table 6.1 shows availability for different sizes of units. It shows that the market is undersupplied for all sizes of units, but particularly for small units where just 3% of stock is available across South West Herts. The availability rate for small units is below 5% in each district,

Table 6.1 Availability by size of industrial unit

	Small Up to 1,858 sq m		Medium 1,858 to 9,290 sq m		Large 9,300 sq m+	
	Space (sq m)	Rate	Space (sq m)	Rate	Space (sq m)	Rate
Dacorum	9,800	2.5%	28,000	5.2%	39,000	7.5%
Hertsmere	4,800	2.0%	20,300	5.4%	12,500	7.3%
St Albans	10,500	3.4%	27,100	8.8%	500	0.3%
Three Rivers	3,000	1.9%	25,200	12.0%	-	0.0%
Watford	15,400	4.5%	19,200	3.5%	2,400	0.9%
South West Herts	43,500	3.0%	119,800	6.0%	54,400	4.7%

Pipeline

- 6.42 There are plans for around 59,000 sq m of additional industrial space in Dacorum, with the vast majority of this at Prologis Park (55,000 sq m). There is also 4,000 sq m under construction at Spring Avenue. As noted in Chapter 3, deals have already been signed with five occupiers to take space at Prologis Park.

Key points

- The industrial market is dominated by Maylands Business Park which has accounted for 40% of all space leased in the last three years. The future supply of land and

access to the M1 mean this will remain the most sought-after location for industrial and distribution uses.

- Demand for warehouse space is particularly strong, including large, medium and small units. Although Maylands has been the focus for the largest deals, any site offering good access to the M1 or M25 is likely to have strong investor appeal.
- Demand for light industrial, manufacturing and workshop space has also been strong, however this is much smaller scale. The majority of deals have been for small units below 500 sq m and is widely distributed across the FEMA.
- Industrial space is in critically short supply, including in key markets, and this is likely to have constrained take-up.

7. Future Growth Scenarios

- 7.1 This section sets out future scenarios for the demand for B class employment floorspace and land requirements (i.e. offices, factories and warehousing). As in the 2016 report, we have considered:
- Employment led scenarios (labour demand) – using sectoral employment forecasts to assess the potential future demand for floorspace and land
 - Labour supply scenarios – assessing how employment might change in light of the projected growth in an area's resident workforce, and deriving the implications for the demand for floorspace and land.
 - A higher growth scenario – a variant of the employment led scenario in which we assume a higher level of jobs growth.
 - A trends based scenario – unlike the 2016 study, the trends based scenario is based on the net change in occupied floorspace rather than development rates of new space.
- 7.2 For each scenario we show the forecasts for South West Herts as a whole and for individual districts. The district level forecasts are presented for information and should not be interpreted as the employment space/land which needs to be addressed in each district. This is for the following reasons:
- All economic forecasts are subject to significant uncertainty, but this uncertainty increases for smaller areas. Therefore district level forecasts should be treated with caution.
 - District level forecasts can be skewed by one-off events which give a misleading account of future change in that district. Examples include the Buncefield oil depot incident in Dacorum or some of the very large recent deals in Three Rivers which are unlikely to be repeated.
 - The focus of this study is on meeting the needs of the functional economic market area. Given the strong relationship between these areas, it follows that demand identified in one district can often be met by increasing supply in another.
- 7.3 At the end of the chapter we set out the minimum amount of floorspace that should be provided in each local authority district.

Employment-led Scenario

Key Steps

- 7.4 The employment-led scenario uses sector employment forecasts to estimate the demand for floorspace and employment land. This requires a number of assumptions to be made about the relationship between employment change in different sectors and businesses' land and premises requirements. The key steps are as follows:
- **Test jobs growth assumptions:** the assumptions made about sector jobs growth are the key inputs in to the model. While all employment forecasts are subject to uncertainty, the robustness of these forecasts needs to be tested as far as possible. This includes testing for inaccuracies in the model, consistency with past trends and local knowledge about sector growth.
 - **Allocate jobs to use classes (B1a/b, B2/B1c, B8 and non B8):** this requires assumptions to be made about the type of employment floorspace that is needed

by businesses operating in different sectors. Given the diversity of activities that exists within sectors, we need to estimate the *proportion* of jobs requiring each type of use-class in each sector. These proportions are then applied to the sector forecasts to estimate the number of future jobs requiring different types of floorspace.

- **Convert jobs to FTEs:** this is done on the basis of the ratio between full time and part time employment in each sector.
- **Convert FTEs to floorspace:** for each use-class we need to estimate the average amount of floorspace required for each FTE. The standard approach is to use employment densities from the HCA Employment DEnsities Guide. However, given the way that businesses use floorspace is constantly changing in response to change in technology and working patterns, we believe alternative assumptions should also be tested through a sensitivity analysis.
- **Allowance for vacancy and safety margin:** these adjustments can be added to the floorspace estimates to allow for delays in sites coming forward and to provide a choice of sites for potential occupiers.
- **Convert floorspace to land requirements:** this relates to the relationship between the quantity of floorspace and typical plot sizes for different use classes (the plot ratio). This relationship can vary significantly depending on the nature of development in different parts of the FEMA. For instance, a new office development in the centre of Watford is likely to have a much higher plot ratio than a new business park development at Croxley or Maylands.

7.5 Although we have followed the same methodology as the 2016 report (based on the steps above), we have made a number of key changes to the assumptions for these steps which we set out in the following sections of the report.

Employment Forecasts

7.6 The study has drawn upon the 2017 forecasts produced by the East of England Forecasting Model. This is the same model which was used for the 2016 report (which used the 2014 forecasts), although it should be noted that the forecasting house which produces the forecasts has now changed from Oxford Economics to Cambridge Econometrics. This is likely to have resulted in a number of changes in the structure and underlying assumptions in the model, however it is not possible to provide a summary of these changes as this is not set out in any of the technical reports.

EEFM model overview

7.7 The EEFM is linked to all of Cambridge Econometrics forecasting models including its global, national and regional forecasts. The forecasts are therefore influenced by global and national macroeconomic trends. Growth at a local level is based on the regional forecasts and is determined by the concentration of particular sectors in relation to one of the following:

- An area's share of the region's employees in a particular sector – this approach is used for sectors which are essentially independent of the local economy (eg manufacturing)
- The number of employees in a given sector per head of the local population – this is most appropriate for sectors in which employment change is primarily driven by changes in the local population (eg health and education)

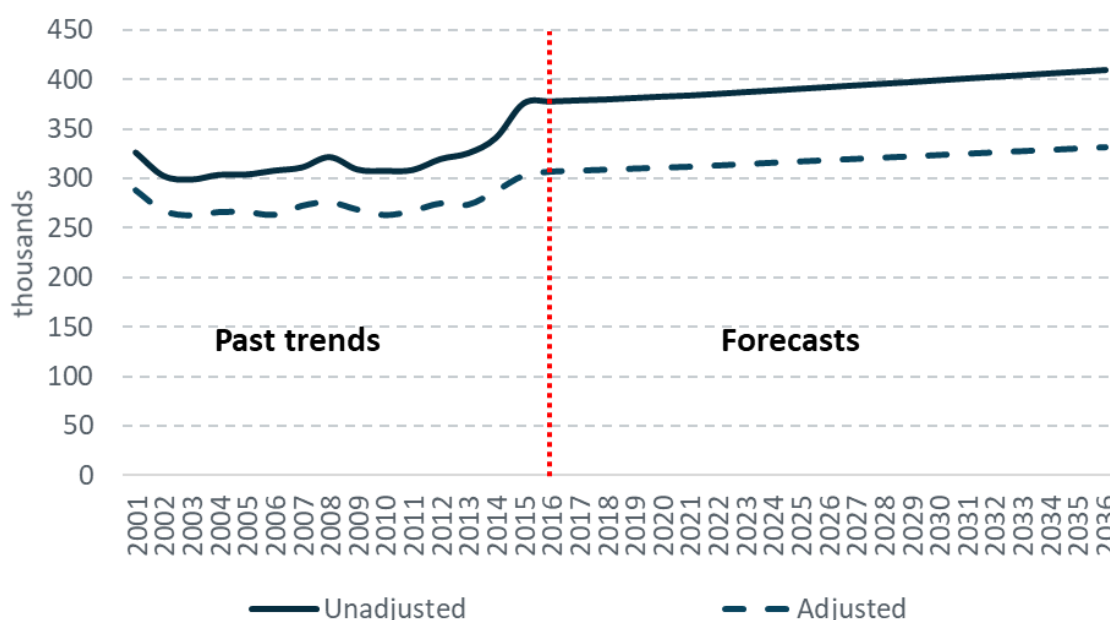
- The share of total employment in a sector relative to the regional average – this is most appropriate for sectors where changes in employment arise primarily from changes in total business activity (eg business services)

- 7.8 EEFM forecasts are **based on observed past trends only**. Past trends reflect past infrastructure and policy environments. Even where major new investments or policy changes are known and have actually started, they can only affect EEFM forecasts to the extent that they are reflected in the currently available data. If they have not yet impacted on the available data, they will not be reflected in the forecasts.
- 7.9 As we describe in Chapter 4, we believe there are a number of inaccuracies in the employment data for South West Herts, resulting in an overestimate of employment in certain sectors. Given that the local forecasts are critically dependent on employment data to estimate the concentrations of sectors, these inaccuracies are likely to result in an overestimate of future employment growth.
- 7.10 It has not been possible to obtain amended forecasts from Cambridge Econometrics, which take account of these inaccuracies. Therefore we have made a number of manual changes to the forecasts which are set out in Appendix A. **These amended forecasts should be used with caution**. Without access to the EEFM model, we cannot be sure how the revised employment estimates affect the model outputs. We have made a rather crude assumption that the rate of growth in each sector will be the same as the 2017 EEFM forecasts (i.e. only the starting point in 2016 is different).

Model outputs

- 7.11 Figure 7.1 shows the original 2017 EEFM forecasts and the effect of the adjustments we have made. Both the unadjusted and adjusted forecast show an annual average growth rate of 0.4% p.a. However the lower starting point in the amended forecasts means that total employment growth between 2018 and 2036 is 7,100 jobs lower (29,700 vs 22,600).

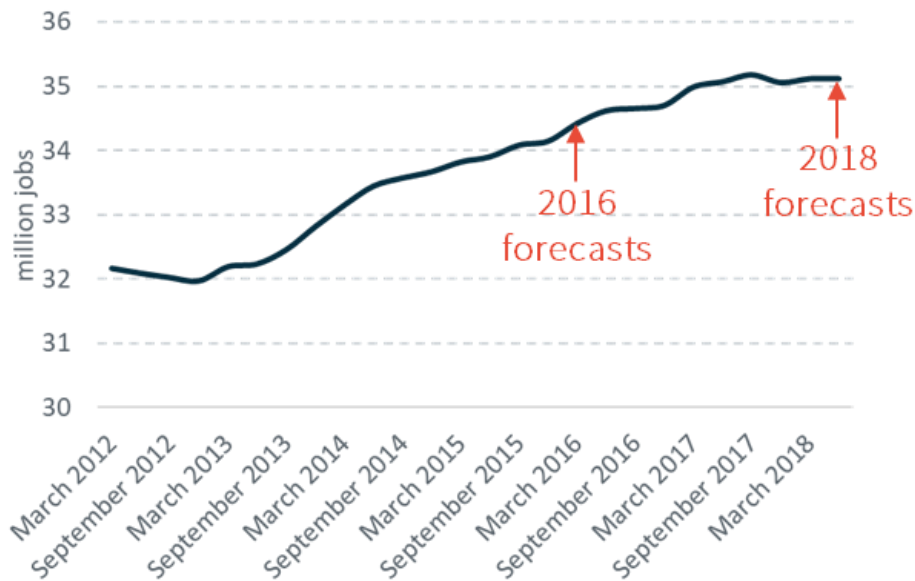
Figure 7.1 Historic and forecast employment in EEFM, 2001 to 2036



Source EEFM with amendments made by Hatch Regeneris

- 7.12 The growth rate of 0.4% p.a. is significantly lower than the baseline employment forecasts from the 2016 report (0.7% p.a.). The change in ownership of the model from Oxford Economics to Cambridge Econometrics may explain some of this change²⁰. However national and regional economic conditions are also likely to have played a part. In particular, the recent rate of growth in national economic output and employment were both slower at the time the 2017 forecasts were produced than for the 2014 forecasts. The change in business investment and productivity performance were also below expectations. Finally, the 2017 forecasts are also likely to have been influenced by the 2016 Brexit vote and the economic uncertainty that this caused.

Figure 7.2 UK employment, 2012-2018



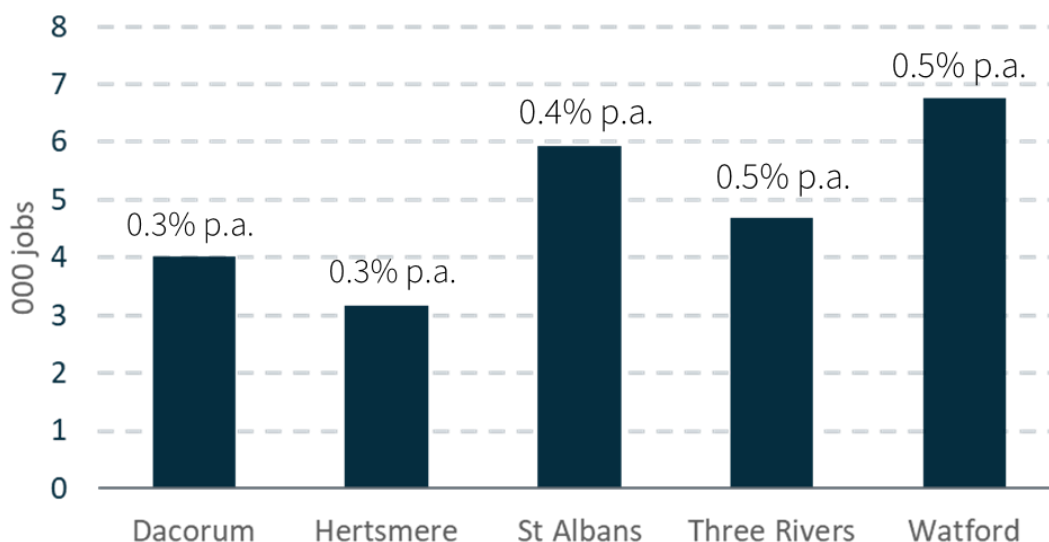
Source ONS Workforce Estimates

- 7.13 A comparison of independent forecasts by HM Treasury shows that both Cambridge Econometrics and Oxford Economics downgraded their forecast for GDP growth for the following year between Autumn 2014 and Autumn 2017 (from 2.3% to 1.5% for Cambridge Econometrics and from 2.7% to 1.5% for Oxford Economics). This more pessimistic view of short term growth prospects is likely to have fed through to the long term local economic forecasts.
- 7.14 Figure 7.3 shows the amended jobs forecasts for local authority areas (with annual average growth rates shown in brackets). The highest rates of growth are forecast to be in Watford and Three Rivers (0.5% p.a.). The forecast growth rate is lower than the 2016 report for each of the local authority districts with the exception of Dacorum²¹.

²⁰ We accessed Cambridge Econometrics forecasts as part of the 2016 report and these forecasted a lower level of employment growth than the Oxford Economics produced forecast

²¹ The 2016 report showed how the baseline economic forecasts for Dacorum are likely to have been influenced by the effects of the Buncefield oil depot explosion which resulted in the temporary loss of employment in the borough.

Figure 7.3 Forecast employment change by district (annual average growth rates shown in brackets), 2016 to 2036



Source EEFM with adjustments by Hatch Regeneris

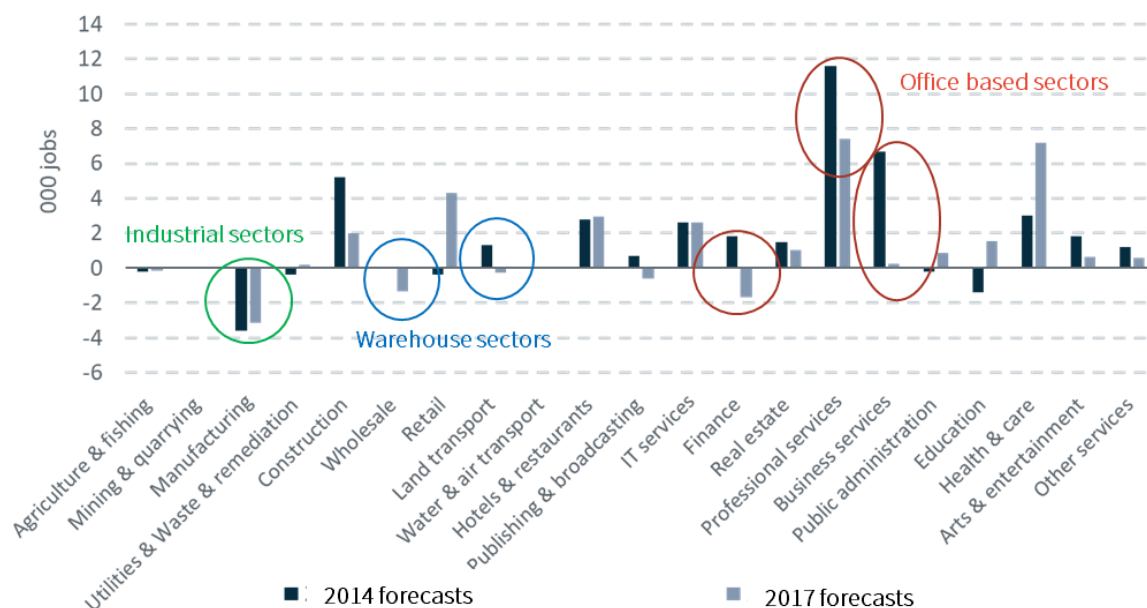
7.15 Figure 7.4 compares forecast jobs growth by sector in the 2014 and 2017 forecasts. The coloured circles highlight the sectors which are typically assumed to be the main drivers of demand for different use classes (eg manufacturing tends to use B1c or B2 space). The chart shows there are a number of differences between the two sets of forecasts:

- **Office based sectors:** jobs growth is predicted to be much lower in finance and insurance, professional services and business services. Cumulatively the 2017 forecasts estimate that these three sectors will create 6,000 jobs between 2016 and 2036. This is **14,000 fewer jobs than the 2014 forecast** which is a significant change. This is also much lower than past rates of growth in these sectors which have created 13,000 jobs in the last ten years alone²².
- **Warehouse based sectors:** jobs growth is forecast to be **3,000 lower** in the land transport and wholesale sectors which tend to require warehouse space for storage and distribution. In contrast, the forecast is more optimistic about growth in retail despite this sector losing jobs over the past ten years (see Figure 5.5).
- **Industrial sectors:** there is very little change between the forecasts for the manufacturing sector which is the main driver of demand for industrial space.

7.16 It is worth noting that the sectors that are forecast to achieve higher rates of growth in the 2017 forecast are those which are driven mainly by population change (health, retail, education) while the sectors which are forecast to achieve lower rates of growth are the sectors which are linked to the overall level of business activity in the economy (construction, land transport, finance, professional and business services).

²² This is based on the adjusted employment estimates. The unadjusted jobs estimates suggest that these sectors have created 40,000 jobs in the last ten years

Figure 7.4 Comparison of sector growth forecasts in 2014 and 2017 EEFM forecasts, 2016 to 2036



Source EEFM with adjustments by Hatch Regeneris

Translating Jobs Growth to Floorspace Requirements

Converting jobs to FTEs

- 7.17 We have converted total employment in to FTEs for each of the 31 sectors in the EEFM model. This was based on the long term average of the ratio between full and part time employment in each sector. The FTE ratios are shown in Appendix B. The results for local authority areas are shown in Table 7.1.

Table 7.1 Converting change in employment to change in FTEs, 2016-2036 (000s)

	Employment change	Change in FTEs
Dacorum	4.0	2.9
Hertsmere	3.2	2.5
St Albans	5.9	4.5
Three Rivers	4.7	3.9
Watford	6.8	5.4
South West Herts	24.6	19.3

Source: Hatch Regeneris

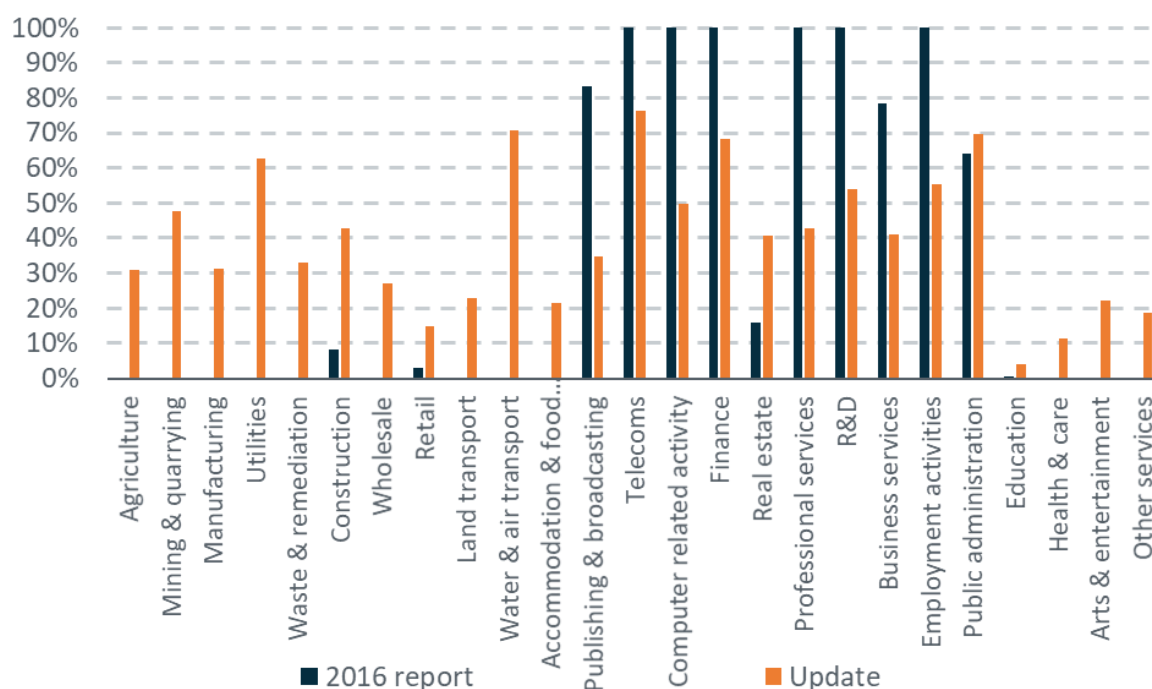
Allocating jobs to use classes

- 7.18 The updated study has used an alternative method to the 2016 report for allocating sector jobs to use classes. The 2016 report allocated detailed 4 digit SIC code sectors to a use class or combination of use classes. This was based mainly on professional judgment about the type of activity in each sub-sector (eg accountants were assumed to require office space, wholesalers were assumed to require warehouse space etc). We then estimated the proportion of employment in 4 digit sectors for each of the 31 broad sectors in EEFM

and used these proportions as weights to derive the total number of jobs in each sector which require different types of floorspace.

- 7.19 The updated report uses a more data-driven approach which is based on the types of space that employers operating in South West Herts currently use. This has been achieved by matching individual employers from the IDBR data that we obtained for the 2016 study to property records in the Valuation Office Agency non-residential database which record the type of space for individual addresses²³. Since the IDBR data also included a 4 digit SIC code and an estimate of the number of full and part time employees, we were able to estimate the proportion of FTEs using different use-classes for each of the 31 EEFM sectors. Appendix C provides the results in full, as well as a description of the methodology we used and the small number of manual adjustments that we applied in certain sectors (eg construction).
- 7.20 This methodology results in some significant changes to the allocation of jobs to use classes. Figure 7.5 shows that use of B1a/b space is distributed across a much wider range of sectors than we assumed in the 2016 report. While the proportion of jobs in B1a/b in sectors such as professional services and computer related activity was significantly lower than we assumed.

Figure 7.5 Comparison of assumptions about the proportion of jobs requiring B1a/b space by sector



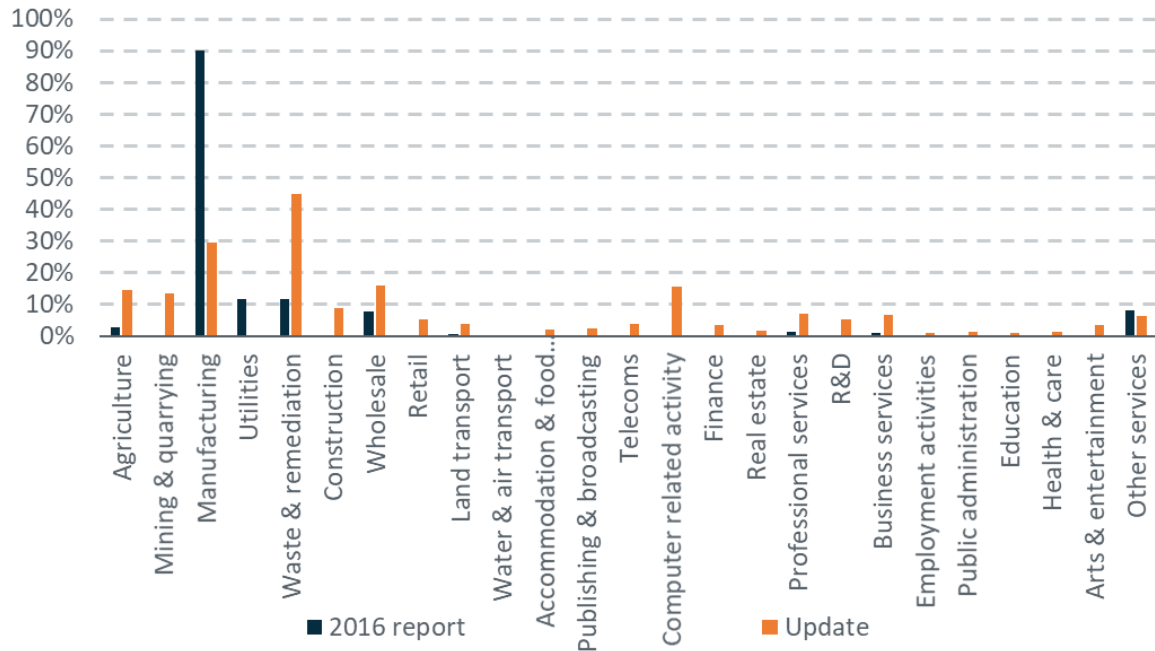
Source Hatch Regeneris

- 7.21 For industrial space (B1c/B2), the most notable difference was that only 30% of jobs in manufacturing are in B1c or B2 premises (compared to the original assumption of 90%). This is slightly less than the proportion of jobs in B1a/b (31%), suggesting that South West Herts is host to a large proportion of the back office and design functions of manufacturing businesses as opposed to production.

²³ This approach was not possible for the 2016 report because we did not have access to the VOA database

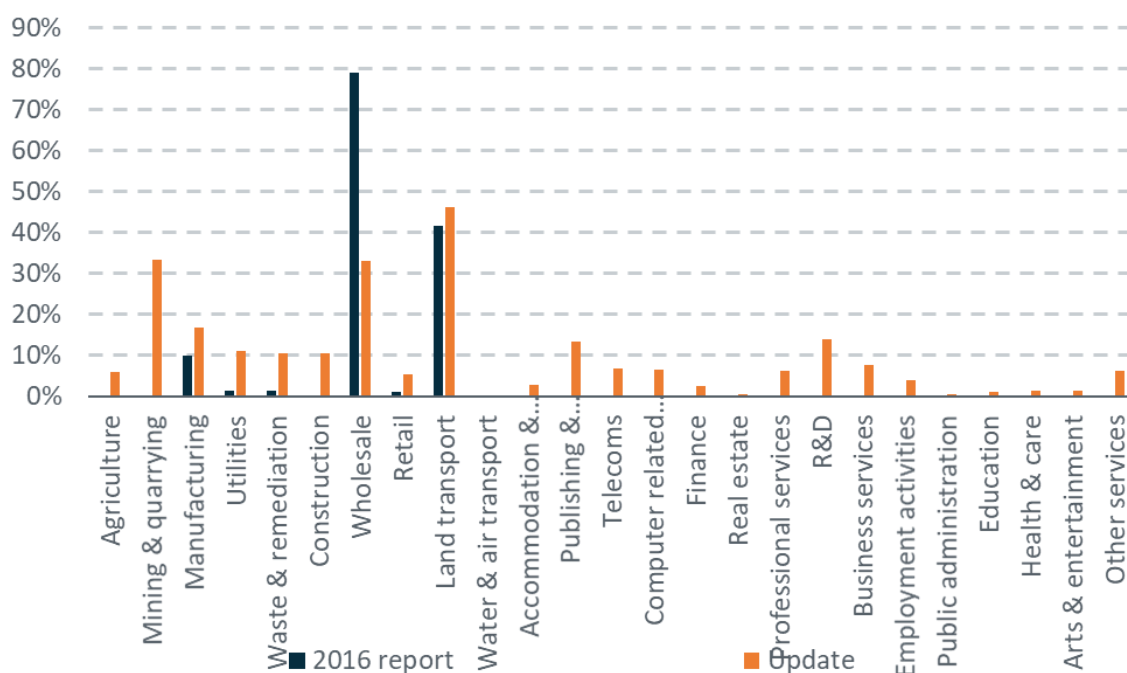
- 7.22 Although a large proportion of jobs in waste and remediation are in B1c/B2 space, this is a very small sector employing fewer than 800 people in South West Herts.

Figure 7.6 Comparison of assumptions about the proportion of jobs requiring B1c/B2 space by sector



Source Hatch Regeneris

- 7.23 For warehouse space, the 2016 report overestimated the proportion of jobs in the wholesale sector which are in B8 premises and underestimated the use of warehouse space across a wide range of other sectors.
- 7.24 One point to note is that the market for B8 space has been undersupplied for some time in South West Herts. This pattern of use therefore reflects a constrained market; if a greater supply of warehouse space had been available, it is likely that the proportion of jobs in warehouses in sectors such as wholesale would be much higher than this analysis suggests.

Figure 7.7 Comparison of assumptions about the proportion of jobs requiring B8 space by sector

Source Hatch Regeneris

- 7.25 Using this methodology we estimate that around 41% of current jobs in South West Herts require B Class employment space (126,000 jobs). This is seven percentage points lower than the estimate in the 2016 study (48%).
- 7.26 Table 7.2 shows the implications for the change in FTEs by use class in this scenario. It shows a large proportion of the future growth would be in non B use classes (71%). This is because EEFM forecasts strong growth in sectors which do not have a large requirement for B use classes, including health and care, retail and hospitality.

Table 7.2 Change in FTE employees in Employment-led Scenario

	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b	2,300	260	4,700	260
B1c/B2	200	20	300	20
B8	-	-	100	10
Non b class	6,800	750	12,700	710
Total	9,300	1,030	17,800	1,000

Employment densities

- 7.27 The HCA 2015 Employment Densities Guide remains the most up to date source of information on employment densities. This recommends the following densities:
- Office: ranging from 8 sq m per FTE in call centres to 13 sq m per FTE in corporate offices (based on the net internal area, NIA). R&D space is much lower density at 40-60 sq m per FTE, however this is only likely to account for a very small proportion

of commercial space in South West Herts. The 2016 report assumed 12 sq m per FTE.

- Industrial: ranging from 36 sq m per FTE (based on Gross Internal Area (GIA)) to 47 sq m per FTE (based on NIA). The 2016 report assumed 41.5 sq m per FTE (NIA).
- Warehouse: ranging from 70 sq m per FTE for final mile distribution centres to 95 sq m per FTE for national distribution centres (based on the Gross External Area). The 2016 report assumed 70 sq m in all areas except Dacorum where we assumed 80 sq m per FTE (GEA) due to the larger size of units at Maylands.

7.28 All of the figures in this report are for the GEA in line with the 2016 report. If necessary these can be converted in to Gross Internal Area (GIA) by applying a factor of 0.95.

7.29 While these densities represent the best estimate of how businesses currently use employment space, there is broad agreement that **office densities are increasing** due to a number of factors:

- Improvements in telecommunications have made it easier for employers and employees to adopt flexible working practices. LFS data shows that the proportion of workers who work from home has increased from 11.1% in 1998 to 13.8% by 2016²⁴.
- Advances such as cloud computing have reduced the space required for servers and other IT equipment. The increasing use of laptops and the advent of flat screen monitors have allowed actual desks sizes to be reduced by as much as 10% meaning it is possible to fit a greater number of desks within a fixed area.
- There has been a move towards more open plan office space rather than cellular office space which has allowed businesses to make more efficient use of space. This is in part to save costs but also because of the need for greater communication and collaboration in some industries.

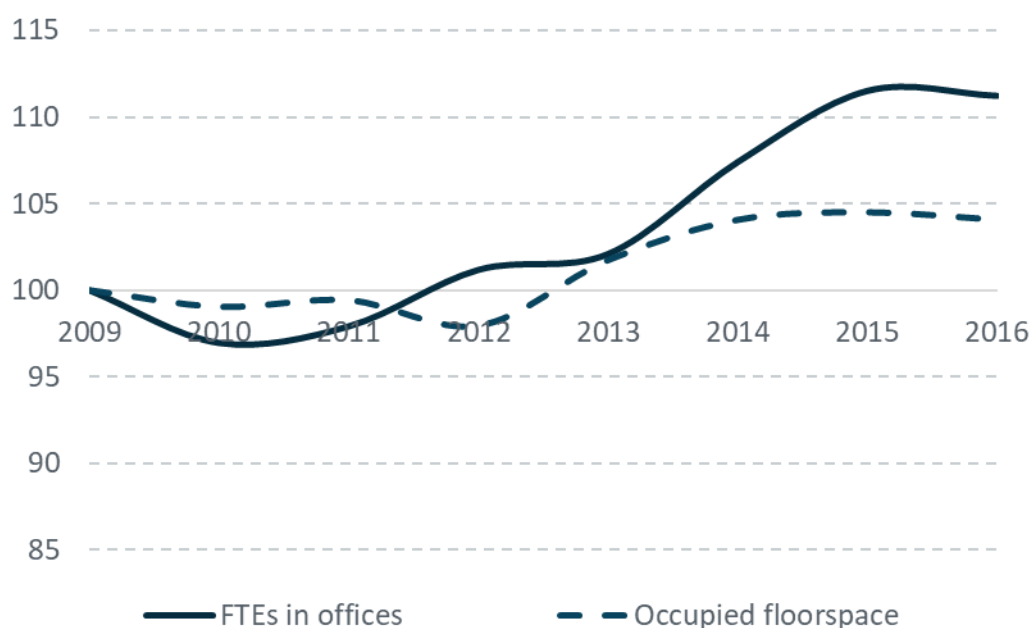
7.30 Although these trends are reducing the workstation space in many businesses, other studies have noted that this does not always result in smaller floorplates as in many cases this is offset by increased space for breakout areas, meeting rooms and amenities such as cafes and gyms. A 2018 report by the British Council for Offices found the average office density had increased to 9.6 sq m (up from over 12 sq m in 2008) but was showing signs of reaching its limit²⁵.

7.31 Figure 7.8 compares the change in occupied office space with changes in office based employment since 2008 in South West Herts. This should only be treated as a broad indication of how the relationship has changed as it relies on a number of assumptions and there may be inaccuracies in the data. However it does suggest that office densities have increased.

²⁴ Home workers are defined as those who usually spend at least half of their work time using their home. The proportion of people who spend less than half their time using their home is likely to be higher and grown at a faster rate

²⁵ This report was measuring the average net internal area per desk which is a similar but different measure from the HCA employment density which measured NIA per FTE

Figure 7.8 Index change in occupied office space and FTEs in offices (2009=100)



Source Occupied floorspace from CoStar. FTEs in offices based on adjusted EEFM estimates and Hatch Regeneris model for allocating jobs to use classes using VOA and IDBR data.

- 7.32 Over the next twenty years, there is further scope for office densities to increase. The roll-out of 5G technologies and increase in online services will make it even easier for workers to work where they choose. Changes in the composition of the workforce could also increase levels of remote working; as a younger generation, more adept with technology and more willing to adopt non-traditional forms of working, will account for a growing share of the workforce. This could lead increasing numbers of businesses to reduce costs by adopting more flexible models which minimise the amount of office space for day to day activities. In the long term some commentators believe this could fundamentally change the concept of the office, as the boundaries between live, work and leisure environments become increasingly blurred.
- 7.33 There is considerable uncertainty about what this could mean for office densities. However we believe there is a strong chance that these will increase over time. We therefore model the implications of an office density of 10 sq m per FTE as well as the HCA estimate of 12 sq m per FTE (based on the net internal area).

Table 7.3 Employment density assumptions for office space (sq m per FTE)

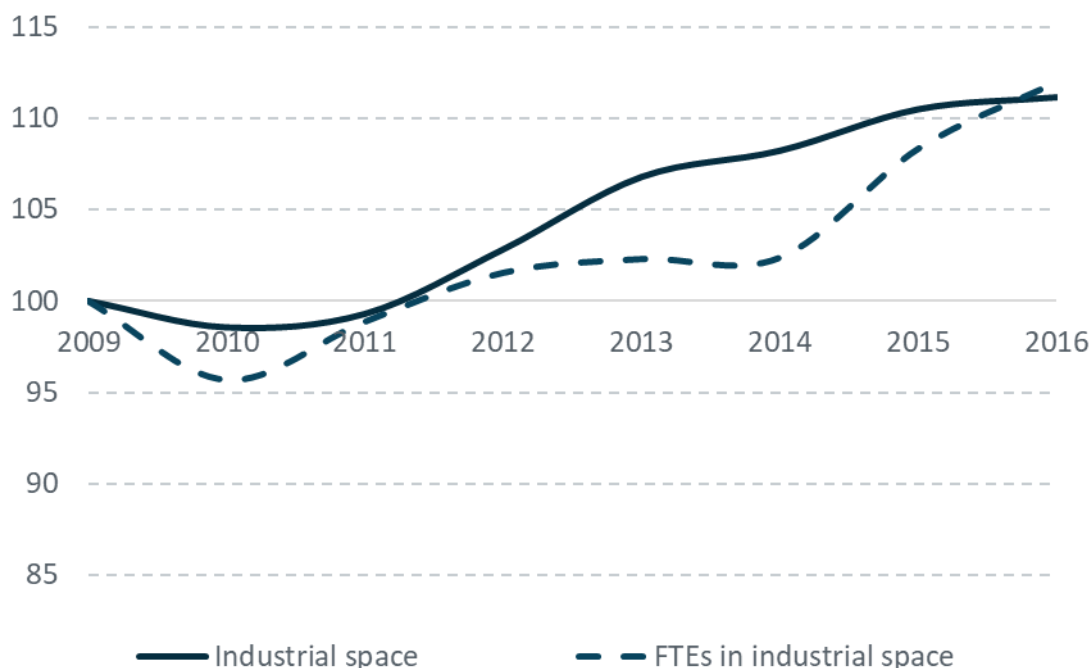
	Central estimate		Sensitivity	
	NIA	GEA	NIA	GEA
Dacorum	12.0	14.4	10.0	12.0
Hertsmere	12.0	14.4	10.0	12.0
St Albans	12.0	14.4	10.0	12.0
Three Rivers	12.0	14.4	10.0	12.0
Watford	12.0	14.4	10.0	12.0

Source: Hatch Regeneris using HCA Employment Densities Guide

- 7.34 For industrial and warehouse space the opposite could occur as increased use of labour-saving technology could reduce the number of employees required to manage and operate

production and distribution processes. For example, modern distribution warehouses for retail are highly reliant on robotic technology to process orders. So far there is little evidence of densities falling in South West Herts, with employment in these sectors growing at a similar rate to occupied space (although the same caveats apply about the reliability of this data).

Figure 7.9 Index change in occupied industrial space and FTEs in industrial space (2009=100)



Source Occupied floorspace from CoStar. FTEs in industrial space based on adjusted EEFM estimates and Hatch Regeneris model for allocating jobs to use classes using VOA and IDBR data.

- 7.35 For the purpose of this report we use broadly the same assumptions as the 2016 report, as set out below. The only change is a lower density for B8 development in St Albans since most development will be at East Hemel Hempstead which has similar characteristics to the warehouse stock in Dacorum (ie larger scale than other parts of the FEMA).

Table 7.4 Employment density assumptions for industrial and warehouse space (sq per FTE)

	B1c/B2		B8	
	NIA	GEA	NIA	GEA
Dacorum	41.5	47.1	74.5	80.0
Hertsmere	41.5	47.1	65.2	70.0
St Albans	41.5	47.1	65.2	80.0
Three Rivers	41.5	47.1	65.2	70.0
Watford	41.5	47.1	65.2	70.0

Source: Hatch Regeneris using HCA Employment Densities Guide

Vacancy and safety margin

- 7.36 We have used the following assumptions as the 2016 study for the vacancy rate and safety margin:

- An allowance of 7.5% is added to all floorspace requirements to reflect normal levels of market vacancy in employment space²⁶. This is only added where demand for floorspace is positive.
- A safety margin of 10% is added to office space and 5% for industrial space to allow for flexibility and to provide a choice of sites for potential occupiers. This is only added where demand for floorspace is positive.

Floorspace requirements

7.37 The estimated floorspace requirement using this approach is shown in Table 7.5 below. As in the 2016 study the largest requirement is for office space, which is due to the forecast growth in office based sectors such as professional services and ICT, with a much smaller requirement for industrial and warehouse space. The key points to note are as follows:

- The scenario suggests the need for between **66,100 and 79,300 sq m of office space** between 2018 and 2036 (3,700 to 4,400 sq m p.a., depending on which floorspace density is used). This is much lower than the same scenario in the 2016 study which forecast the need for 20,100 sq m p.a.
- Although the different method for allocating jobs to use classes explains part of the reduction in the office space requirement²⁷, the main reason for the fall is the much lower levels of growth forecast for professional and business services in the 2017 EEFM (see paragraph 7.15).
- The scenario suggests the need for **18,700 sq m of B1c/B2 space** (1,000 sq m p.a.). This is higher than the same scenario from the 2016 study which projected a declining demand for manufacturing space (-5,300 sq m p.a.). The difference is mainly explained by the method for allocating jobs to use classes; the VOA method shows that use of B1c/B2 space was more widely distributed across sectors and included growth sectors as well as declining sectors such as manufacturing.
- The scenario forecasts a need for **8,700 sq m of B8 space** (500 sq m p.a.) which is significantly lower than the same scenario from the 2016 study (7,000 sq m p.a.). The main reason for the fall is the much lower growth rates forecast for sectors such as wholesale and distribution in the 2017 EEFM forecasts.
- Taken together, this scenario suggests an average requirement for 1,500 sq m of industrial/warehouse space per annum (including B1c/B2 and B8) by 2036. This is significantly lower than recent levels of take-up of industrial/warehouse space in South West Herts which averaged around 17,000 sq m p.a. between 2009 and 2018 and 22,300 sq m per annum between 2013 and 2018.

Table 7.5 Floorspace requirements in employment-led scenario

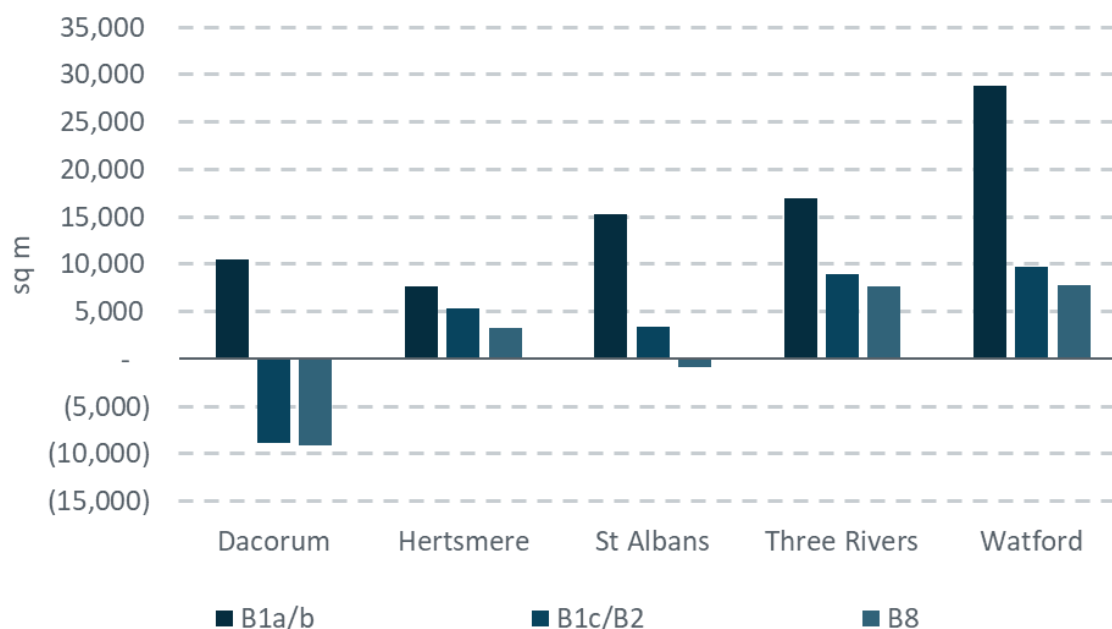
	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b (central estimate)	37,200	4,100	79,300	4,400
B1a/b (sensitivity)	31,000	3,400	66,100	3,700
B1c/B2	8,800	1,000	18,700	1,000
B8	4,600	500	8,700	500

²⁶ This is lower than the assumption in the 2016 study (10%) but is more in line with the standard assumptions used in other employment land reviews.

²⁷ We have modelled the same scenario using the original assumptions from the 2016 study which results in a requirement for 111,000 sq m of office space between 2018 and 2036 (31,700 higher than the updated estimate).

- 7.38 The breakdown by district shows a positive requirement for office space in all boroughs, with the greatest requirement in Watford. The scenario suggests falling demand for both B1c/B2 and B8 space in Dacorum which is explained by forecast falls in employment in manufacturing and wholesale sectors. Again, this is inconsistent with recent trends which indicate strong demand for industrial space in Dacorum.

Figure 7.10 Floorspace requirements by district in employment led scenario, 2018-2036



Source Hatch Regeneris. Note: modelling based on central estimate for office densities

Translating Floorspace to Land Requirements

- 7.39 To translate the floorspace estimates to land requirements we have applied the plot ratios in Table 7.6. We have made the following changes from the assumptions in the 2016 study:
- We assume a plot ratio of 0.8 for office development in St Albans (down from 1.0 in the 2016 study). This is because the only site in St Albans proposed for major office development is the out of centre East Hemel Hempstead site, where a plot ratio of 1.0 is considered to be too high. The plot ratio in Watford is kept at 1.0 because all development is likely to be in central Watford and therefore higher density.
 - The plot ratio for B8 development has been reduced from 0.45 to 0.4. This was based on a discussion with the steering group about the plot ratios achieved on recent developments in South West Herts.
- 7.40 As noted in the previous study, plot ratios vary considerably from site to site. For example some of the office developments close to Watford train station achieve a much higher plot ratio than 1.0. This means the land required to deliver a given quantity of floorspace can be significantly reduced in some parts of the FEMA.
- 7.41 The plot ratios below should therefore only be used as broad guidance. The authorities should not apply the plot ratios in a mechanistic way, but should consider the circumstances of each location separately when deciding what plot ratios to apply.

Table 7.6 Plot ratio assumptions

	B1a/b	B1c/B2	B8
--	-------	--------	----

Dacorum	0.8	0.4	0.4
Hertsmere	0.8	0.4	0.4
St Albans	0.8	0.4	0.4
Three Rivers	0.8	0.4	0.4
Watford	1	0.4	0.4

Source: Hatch Regeneris

- 7.42 The land requirements in the employment led scenario are shown in Table 7.7. It suggests a need for limited land for industrial development, and just over 9 Ha of land for new office development. In each case the land requirement is significantly lower than the same scenario from the 2016 study.

Table 7.7 Employment land requirements in employment led scenario (Ha)

	B1a/b		B1c/B2		B8	
	2018-2027	2018-2036	2018-2027	2018-2036	2018-2027	2018-2036
Dacorum	0.7	1.3	(1.1)	(2.2)	(1.0)	(2.3)
Hertsmere	0.5	1.0	0.8	1.3	0.6	0.8
St Albans	0.9	1.9	0.3	0.9	(0.2)	(0.2)
Three Rivers	1.0	2.1	1.1	2.2	0.9	1.9
Watford	1.3	2.9	1.1	2.4	0.8	2.0
South West Herts	4.3	9.2	2.2	4.7	1.1	2.2

Source: Hatch Regeneris

Summary and Conclusions

- The employment led scenario has used the amended employment forecasts from the 2017 EEFM to derive the implications for employment space and land requirements.
- We have used a more data-driven approach to understand the types of floorspace used by businesses in South West Herts, and used this to inform our assumptions about the requirements of future growth sectors.
- The 2017 EEFM points to much lower levels of growth overall, and in a number of key sectors which drive the demand for B class employment space, including professional and business services, wholesale and distribution. This results in much lower floorspace requirements than the same scenario from the 2016 study.
- The scenario suggests the need for 4,400 sq m of B1a/b space p.a. between 2018 and 2036. This is lower than recent rates of take-up of office space during a time when the supply of office space has been constrained in key office markets (6,800 sq m over the past 10 years and 15,600 sq m p.a. over the past five years).
- The scenario suggests the need for only 1,500 sq m p.a. of industrial/warehouse space. Again this is significantly lower than past levels of take-up during a time when the supply of industrial space has been constrained.
- We therefore conclude that this scenario gives an unrealistic assessment of future growth prospects in South West Herts, which are inconsistent with market trends. Adopting these employment space/land targets would risk imposing significant constraints on the growth potential of South West Herts.

Labour Supply Scenario

- 7.43 The employment forecast scenario represents a labour demand driven view of future employment floorspace and land requirements. However, it is also important to consider the implications of changes in the population and labour force for potential jobs growth in South West Herts. In effect, this is asking the question: “how many jobs in South West Herts would be required in response to future population and labour force growth in the area?”.
- 7.44 This scenario uses the same approach as the 2016 study. We have drawn upon projections generated as part of the LHNA for South West Herts, which have modelled the population growth implications of future housing policies. Since the 2016 study was published, NPPF and PPG has introduced a new standard method for calculating housing requirements, which take ONS household projections as a starting point and then applies an upward adjustment based on the local affordability of housing.
- 7.45 We then make a series of adjustments based on economic activity rates, unemployment, commuting and double-jobbing to derive the number of jobs that we would expect to be supported by this level of population growth²⁸. Table 7.8 shows this results in substantial jobs growth of 75,000 between 2018 and 2036, representing a growth rate of 1.3% p.a. This is significantly higher than the same scenario in the 2016 study which is due to the new standard method for calculating housing need which results in much higher population growth than was the case under the earlier approach.
- 7.46 This level of growth is also substantially higher than the level of growth implied by the employment-led scenario, suggesting a significant misalignment between labour demand and supply. This is explained by the fact that EEFM's population growth assumptions are based on the ONS 2014-based population projections and therefore do not factor in the potential impact of the new standard method for assessing housing need on future labour supply.

Table 7.8 Growth in workforce and jobs in Labour Supply scenario, 2018-2036

	Change in employed residents	Employed residents to jobs ratio	Change in workplace employment	Double jobbing rate	Change in jobs	Average growth rate
Dacorum	19,000	1.11	17,100	3.3%	17,700	1.2%
Hertsmere	13,400	1.07	12,500	3.5%	13,000	1.3%
St.Albans	17,900	1.16	15,500	4.2%	16,200	1.2%
Three Rivers	11,100	1.24	8,900	4.7%	9,300	1.1%
Watford	16,700	0.92	18,000	4.0%	18,800	1.5%
South West Herts	77,900	1.10	72,100	3.8%	75,000	1.3%

Source: South West Herts Strategic Housing Market Assessment Update 2019 (GL Hearn)

- 7.47 The results above are based on a number of assumptions about the relationship between population and jobs growth, which are subject to significant uncertainty. In particular, it assumes that the commuting ratio (the balance between the number of employed residents and the number of people who work in the FEMA) will remain at the level it was at in 2011 (the date of the last Census). In practice there is a chance that a significant increase in housing and population growth in South West Herts could result in increasing numbers of people commuting out of the area, particularly in popular residential areas which are well

²⁸ The 2016 study provides a more detailed explanation of each of the steps

connected to London. This would change the commuting ratio and result in lower jobs growth in this scenario.

- 7.48 Our analysis in Figure 3.4 showed that the commuting ratio in South West Herts has remained broadly constant since 2011 (the date of the last Census) and has fallen in some areas such as St Albans and Watford, meaning the number of local jobs has grown at a faster rate than the number of employed residents. However this could change as a result of a significant increase in housing and population growth. The large increase in station usage at all of the main railway stations in South West Herts could also be taken as evidence that levels of out-commuting are increasing²⁹.
- 7.49 Finally, it should be noted that assuming a static commuting ratio implies a direct linear relationship between population and jobs growth. The reality is more complex; although there is a relationship between population and jobs growth, this relationship is strongest in sectors such as health, education and retail where an increase in the population will generate demand for these sectors' services. The growth rates of other sectors are influenced more by factors such as total business activity (professional services, ICT) or global economic trends (manufacturing) than by the scale of the local population.
- 7.50 We have therefore modelled an alternative labour supply scenario (titled the 'lower growth labour supply scenario') which uses different assumptions about commuting. We assume that the commuting ratio will increase by 0.005 in each year of the forecast, equivalent to an increase of 0.09 over 18 years. We apply this assumption in every district because they all have good transport connections to London and other employment centres. Table 7.9 shows this results in a lower level of jobs growth (46,100 jobs over 18 years, equivalent to a growth rate of 0.8% p.a.). This is more in line with the labour supply scenario from the 2016 study, although still 23,500 higher than the baseline employment led scenario.
- 7.51 We have sense-checked this adjustment by testing what would happen to total employment in the baseline employment led scenario if the number of jobs in those sectors which are most sensitive to population change (the public sector, retail, construction, food, entertainment activities) grew at the same rate as the LHNA population projections. This shows that total employment would be 22,000 higher than in the employment led scenario (44,000 jobs overall) which is only slightly less than the lower growth labour supply scenario. This suggests the revised assumption about commuting is reasonable.

Table 7.9 Jobs growth in lower growth labour supply scenario, 2018-2036

	Commuting Ratio 2018	Commuting Ratio 2036	Change in Jobs	Average growth rate
Dacorum	1.11	1.20	10,600	0.7%
Hertsmere	1.07	1.16	7,900	0.8%
St.Albans	1.16	1.25	10,000	0.8%
Three Rivers	1.24	1.33	5,900	0.7%
Watford	0.92	1.01	11,700	1.0%
South West Herts	1.10	1.19	46,100	0.8%

Source: South West Herts Strategic Housing Market Assessment Update 2019 (GL Hearn) with adjustments by Hatch Regeneris

²⁹ This is based on data published by the Office for Road and Rail. This data only shows the number of entries/exits or interchanges at each station and does not provide data on the destinations of users or the purpose of the journey. Therefore it does not provide definitive evidence that out commuting is increasing. However a number of stations have seen a significant increase in entries/exits since 2011, including Watford Junction (+3.5m or 73%), St Albans (+1.1m or 18%), Hemel Hempstead (293,000 or 18%), Rickmansworth (+500,000 or 76%), Kings Langley (+112,000 or 19%), Harpenden (+472,000 or 17%)

Floorspace requirements

- 7.52 The jobs growth in each scenario has been translated in to floorspace requirements using the forecast industrial breakdown of employment in the EEFM forecasts. The steps to convert this employment in to FTEs and allocate this sectoral growth to B use classes were then the same as in the employment led scenario.
- 7.53 Table 7.10 shows the change in FTEs by use class. This shows around a third of future employment growth would be in B use classes.

Table 7.10 Change in FTEs by use class in higher growth labour supply scenario

	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b	1,700	190	12,800	710
B1c/B2	600	60	2,800	160
B8	1,500	170	3,300	180
Non b class	14,200	1,580	36,800	2,040
Total	18,000	2,000	55,700	3,090

- 7.54 Table 7.11 shows the floorspace estimates for the higher growth labour supply scenario. This scenario would generate significant demand for floorspace in all B use classes.

Table 7.11 Floorspace requirements in higher growth labour supply scenario (sq m)

	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b central estimate	141,200	15,700	270,600	15,000
B1a/b sensitivity	117,700	13,100	225,500	12,500
B1c/B2	86,680	9,600	158,400	8,800
B8	173,012	19,200	310,000	17,200

Source: Hatch Regeneris

- 7.55 In the lower growth scenario (using alternative assumptions about commuting), the total change in FTEs reduces to 42,200 between 2018 to 2036. 32% of these FTEs would require B use class floorspace.

Table 7.12 Change in FTEs by use class in lower growth labour supply scenario

	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b	1,100	120	9,300	520
B1c/B2	400	50	2,000	110
B8	1,300	140	2,200	120
Non b class	12,900	1,430	28,700	1,590
Total	15,700	1,740	42,200	2,340

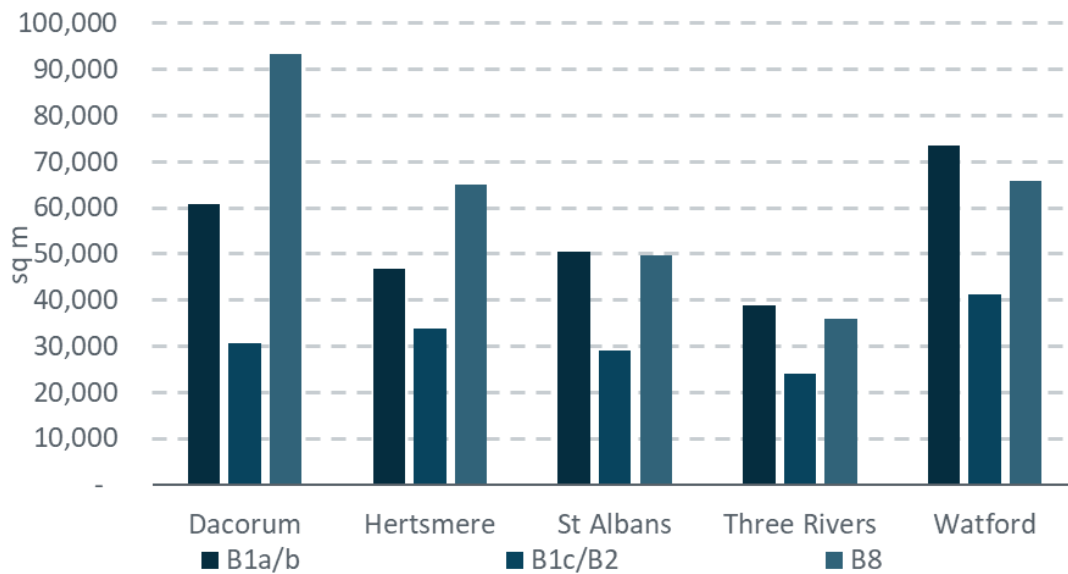
- 7.56 Table 7.13 shows the floorspace estimates for the lower growth labour supply scenario. This would also result in strong demand for floorspace in all use classes, albeit lower than the higher growth labour supply scenario.

Table 7.13 Floorspace requirements in lower growth labour supply scenario (sq m)				
	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b central estimate	91,700	10,200	165,400	9,200
B1a/b sensitivity	76,400	8,500	137,800	7,700
B1c/B2	49,500	5,500	81,600	4,500
B8	94,100	10,500	148,000	8,200

Source: Hatch Regeneris

- 7.57 Figure 7.11 shows the implications of the higher growth labour supply scenario for each of the districts. It shows a particularly large requirement for B8 space in Dacorum and B1a/b space in Watford.

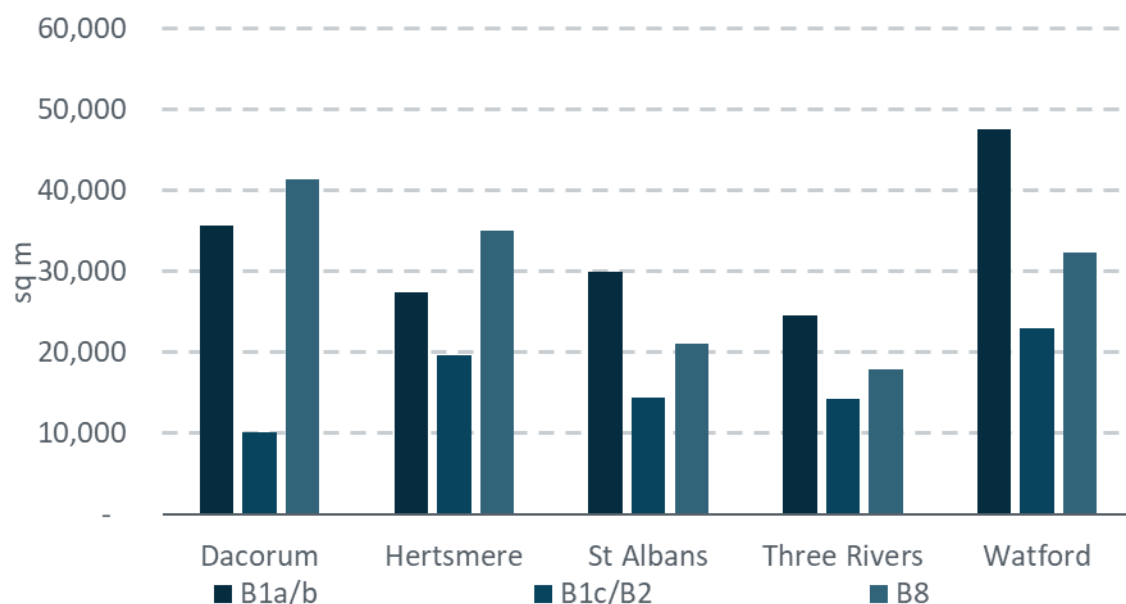
Figure 7.11 Floorspace requirements by district in higher growth labour supply scenario, 2018-2036



Source Hatch Regeneris. Note: modelling based on central estimate for office densities

- 7.58 Figure 7.12 shows the results by district for the lower growth labour supply scenario.

Figure 7.12 Floorspace requirements by district in lower growth labour supply scenario, 2018-2036



Source Hatch Regeneris. Note: based on central estimate for office densities

Land requirements

7.59 The land requirements for the lower growth labour supply scenario are shown in Table 7.14. Between 2018 and 2036 this scenario would generate a requirement for:

- 19.5 ha of land for B1a/b development
- 20.4 ha of land for B1c/B2
- 37.0 ha of land for B8.

Table 7.14 Land requirement in lower growth labour supply scenario

	B1a/b		B1c/B2		B8	
	2018-2027	2018-2036	2018-2027	2018-2036	2018-2027	2018-2036
Dacorum	2.2	4.5	1.3	2.5	5.2	10.3
Hertsmere	1.7	3.4	2.5	4.9	4.4	8.8
St Albans	1.9	3.8	1.8	3.6	2.6	5.3
Three Rivers	1.5	3.1	1.8	3.6	2.2	4.5
Watford	2.4	4.8	2.9	5.8	4.1	8.1
South West Herts	9.7	19.5	10.2	20.4	18.5	37.0

Summary and conclusions

- The labour supply scenario draws upon demographic projections generated by the 2019 LHNA to estimate the number of jobs which would be needed to support South West Herts' growing population.

- In doing so we make a number of assumptions about the relationship between future population and jobs growth. These assumptions are subject to significant uncertainty, particularly with regard to how commuting patterns will change in future. We have therefore modelled two scenarios which make different assumptions about the future commuting ratio. Both scenarios result in a much higher level of growth than the employment-led scenario.
- In our view the higher growth labour supply scenario gives an unrealistic assessment of future growth in South West Herts. Firstly, we believe it is highly unlikely that South West Herts could sustain a growth rate of 1.3% p.a. over 18 years. This would be much higher than long term levels of growth in the FEMA (0.6% p.a).
- Secondly, the higher growth scenario oversimplifies the relationship between future population growth and jobs growth by assuming a direct linear relationship. The reality is more complex; although there is a relationship between population and jobs growth, this relationship is strongest in sectors such as health, education and retail where an increase in the population will generate demand for these sectors' services. The growth rates of other sectors are influenced more by factors such as total business activity (professional services, ICT) or global economic trends (manufacturing) than by the scale of the local population. These sectors may change their investment decisions in response to an increase in the population (attracted by a growing supply of skilled workers) but this is an indirect, long term effect and the impact on jobs is difficult to predict.
- We therefore believe the number of jobs in South West Herts will grow at a lower rate than population in the labour supply scenario, with the difference balanced out by an increase in out-commuting. This assumption is based on professional judgment but we believe it is proportionate and justified.
- The lower growth labour supply scenario suggests the need for between **138,000 and 165,000 sq m of B1a/b** space (7,700 to 9,200 sq m p.a.). This is significantly lower than the same scenario in the 2016 study (19,900 sq m) due to sector composition effects. However it is broadly in line with recent levels of take-up of office space in South West Herts.
- This scenario generates a requirement for **82,000 sq m of B1c/B2** space and **148,000 sq m of B8** space. This suggests an average requirement for 12,700 sq m of industrial/warehousing space which is in line with recent levels of take-up.

Higher Growth Scenario

7.60 This scenario considers the potential for a higher level of growth than is forecast in the baseline employment-led scenario. The purpose of this is to:

- provide an additional check on the consistency of employment growth projections and related land and floorspace needs with key policy and investment objectives for the area.
- Determine whether and how policy and planned investment might result in growth that is higher (or perhaps) lower than that suggested by forecasts and past trends.
- Consider other factors besides policy and planned investments which might give grounds for a higher level of growth in certain sectors.

Consistency of employment growth projections with local economic development priorities and objectives

7.61 The 2016 study included a review of the main economic development policies and growth objectives (reproduced in Table 7.15). These have not changed or been updated since the report was published and are therefore still relevant, although now a few years out of date. Key points to note are:

- In the four districts where growth targets or assumed growth in employment has been identified, the implied annual growth is around 1,450 jobs. Assuming that St. Albans stood at around 400 a year, this would imply 1,800 jobs a year over their respective plan periods. This is higher than the level of growth in the baseline EEFM projections (1,250 jobs p.a.) but lower than the growth in the lower growth labour supply scenario (2,600 jobs p.a.)
- All the authorities prioritise growth in knowledge based industries. This spans a wide range of sectors including advanced manufacturing, R&D, creative and digital industries and financial and professional services. This is broadly consistent with the employment led scenario and the labour supply scenario, where a large proportion of employment growth is forecast to be in professional services, with lower levels of growth in digital industries (eg ICT). Although it should be noted that EEFM is forecasting much lower levels of growth for these sectors than was the case in the 2016 study.
- A number of authorities prioritise growth in creative industries, including film, printing and publishing. There are major film and television studios located in Hertsmere and Three Rivers, which are likely to attract other associated businesses to these locations. Neither of the previous two scenarios point to the potential for these industries to see substantial employment growth over the next 18 years.

Table 7.15 Local policy economic development and growth objectives

Area	Key Objectives and Sectors	Locations	Growth Targets
Dacorum	<ul style="list-style-type: none"> • Business growth and new inward investment, including international investment • Knowledge based industry • Low carbon economy • Tourism 	<ul style="list-style-type: none"> • Maylands Business Park regeneration • Hemel Hempstead, including regeneration of town centre 	10,000 new jobs, 2006-31 (400 pa)
Hertsmere	<ul style="list-style-type: none"> • Creative Hertsmere initiative to drive growth in: <ul style="list-style-type: none"> • Creative industries • Scientific R&D • Niche pharmaceuticals 	<ul style="list-style-type: none"> • Town centre improvement Borehamwood, Potters Bar, Bushey • Elstree Creative Corridor (M1-A1 including Elstree Way Employment Area, Centennial Park Industrial Area, Borehamwood 	8,000 additional jobs (2006-26/7), London Arc Study
Three Rivers	<ul style="list-style-type: none"> • Film, printing and publishing • Telecommunications • Construction • Knowledge based industries including advanced manufacturing, finance and business services, computing, 	<ul style="list-style-type: none"> • Film opportunities around Leavesden Studios • Tourism opportunities in Leavesden/The Grove/Langleybury • Croxley Park 	2,400 jobs (2006-26)

	communications and media industries, tourism.		
Watford	<ul style="list-style-type: none"> • Emphasis on diversity of business base, but recognition of growth potential in: <ul style="list-style-type: none"> • Knowledge based business • Retail and role as major service centre • Creative economy 	<ul style="list-style-type: none"> • Croxley Rail Link (no longer being progressed) • Watford Town Centre • Ascot Road • Watford Business Park • Riverwell (formerly Watford Health Campus) • Watford Junction redevelopment 	7,000 jobs (2006-26) Core Strategy 13-15,000 jobs (EGDA Study 2014 and Draft Economic Development Strategy)
St. Albans	<ul style="list-style-type: none"> • Knowledge based industries • Financial and business services • Rural economy • Green technology sector • Creative industries and visitor economy. 	<ul style="list-style-type: none"> • M1 corridor. • Rothamsted Research, BRE and environmental technologies within the "Green Triangle" (formed by the Rothamsted, BRE and University of Hertfordshire sites). • Oaklands College's improvement programme. 	No specific target set

- 7.62 The major economic policy development since the 2016 study is the creation of the Enviro-tech Enterprise Zone at three sites (Maylands/East Hemel Hempstead, BRE and Rothamsted), which is aiming to create 8,000 new jobs. Given the location of the sites, we would expect these jobs to be distributed between Dacorum and St Albans, with most in St Albans.
- 7.63 EEFM forecasts only 9,000 jobs will be created in total for these two districts between 2018 and 2036 which suggests employment growth projections are not consistent with the ambitions of the LEP (unless 90% of the jobs growth for Dacorum and St Albans was at the EZ sites). The labour supply scenario forecasts 20,000 jobs for these two districts. Although this scenario has not explicitly modelled the impact of the EZ, it is reasonable to assume that the jobs at the EZ could be filled by the increase in labour supply. Therefore there may be a case for adjusting the employment-led scenario to take account of the EZ, but not the labour supply scenario.
- 7.64 However, given the information available for the EZ we believe it would be difficult to develop a higher growth scenario which models the economic benefits in a robust way. This is for a number of reasons:
- Although the EZ has a target of creating 8,000 jobs, we cannot be certain that all of these jobs would be net-additional. One of the criticisms of Enterprise Zones is that they result in displacement of jobs from other parts of the FEMA rather than creating new jobs.
 - There is no strong market demand evidence available. Although a commercial feasibility study has been undertaken, most of the underpinning research is qualitative and it does not provide robust enough evidence on which to base a growth scenario.
 - The LEP is taking a highly flexible approach to the EZ and the types of target occupiers. The Business Rates Relief policy for the EZ shows that a wide range of different activities would be eligible, spanning a large number of sectors (including agri-tech, advanced materials and manufacturing, waste and remediation, construction, digital technologies, R&D, consultancy and training). It should also be

noted that none of the five confirmed occupiers at the EZ site so far are from a recognised enviro-tech subsector (eg Hermes, a consumer delivery company). This makes it difficult to determine which sectors might grow as a result of the EZ.

- 7.65 Furthermore, it should be noted that environmental technologies is still a small and developing sector in South West Herts. Chapter 4 showed that, despite having significant research strengths in building research and agri-tech, this has yet to translate in to significant growth in the number of jobs or businesses in these sectors. Therefore, even if the growth rate of the sector was to double or triple, this would not translate to significant jobs growth over and above the baseline.

Methodology and Justification for the Higher Growth Scenario

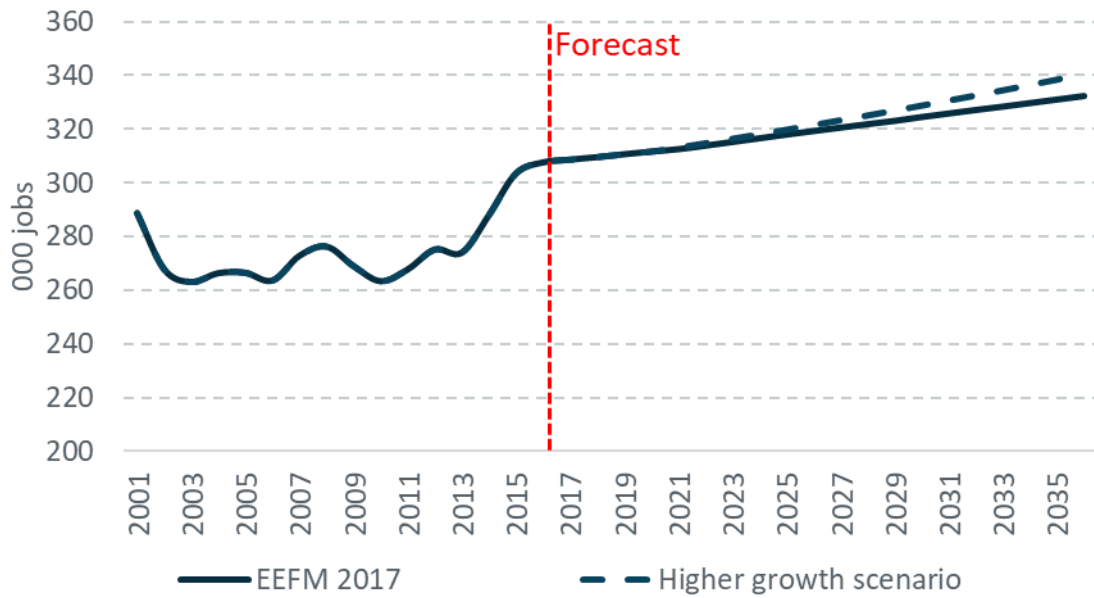
- 7.66 In the absence of any robust evidence about how policy or planned investments could generate higher levels of growth, we have assumed that sector growth rates return to the trend from the employment led scenario in the 2016 study from 2022 onwards³⁰. The justification for this approach is that:

- The 2017 EEFM forecasts a very modest rate of jobs growth (0.4% p.a.). This is much lower than the average growth rate over the last five, ten and fifteen years which have all been above 0.6% p.a.
- At sector level, the forecasts are inconsistent with recent trends and local intelligence. For example, EEFM 2017 forecasts strong growth in retail but falling employment in wholesale and logistics. Jobs data shows that the reverse has been the case over the last ten years.
- The low level of growth in the 2017 EEFM is likely to be explained by the more pessimistic short term outlook for UK growth, due in part to the economic uncertainty caused by Brexit. Although it seems highly likely that Brexit will reduce growth rates in the short term, the longer term implications are still highly uncertain. It is possible that the economy could return to historic rates of growth once there is more certainty about the UK's future relationship with the EU. Indeed, both the Treasury and the IMF have stated there is likely to be an economic 'bounce-back' once future trading arrangements have been agreed. We assume this occurs from 2022.
- As we showed in the labour supply scenario, the higher housing targets in the FEMA are likely to result in a significant boost to labour supply. This means access to labour/skills will not act as a constraint on growth and could attract new investment to South West Herts.

- 7.67 Figure 7.13 shows the effect on the forecast growth in employment. Between 2018 and 2036 this would result in 31,000 new jobs in South West Herts, 8,000 higher than the baseline employment-led scenario but still 15,000 lower than the lower growth labour supply scenario. This would represent a growth rate of 0.5% p.a. (1,720 jobs p.a.) which is much closer to the local authorities' combined target of 1,800 jobs p.a.

³⁰ This was based mainly on EEFM 2014, with a number of adjustments made to account for inaccuracies in the data. We also made an upward adjustment for Dacorum to take account of the Buncefield oil depot incident (see paragraphs 6.25 to 6.30 of the 2016 study for a full description of the adjustments made).

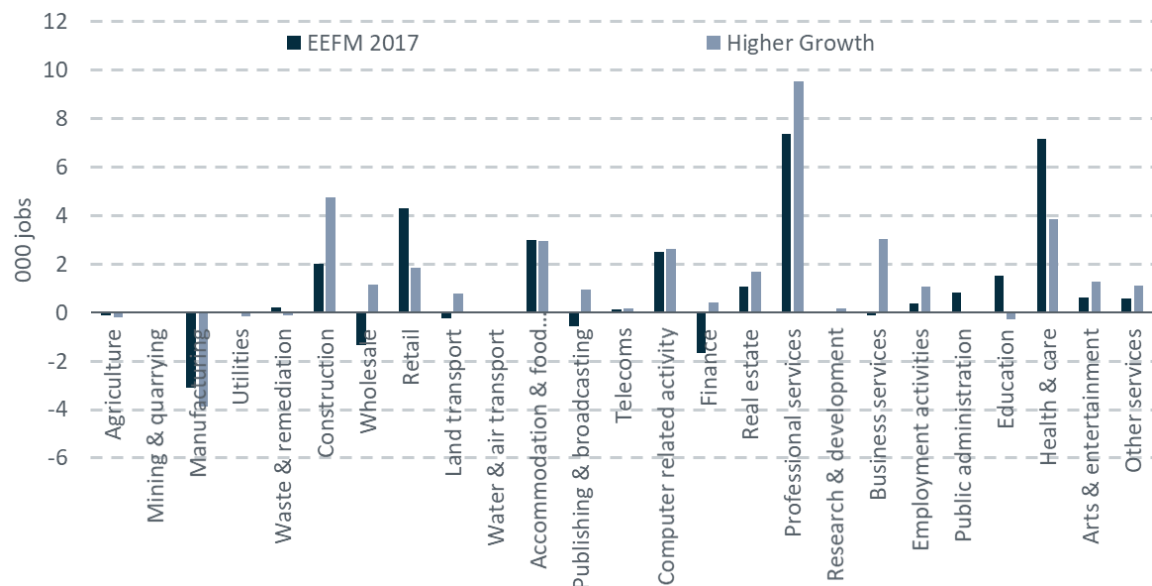
Figure 7.13 Change in employment in higher growth scenario



Source EEFM 2017 amended by Hatch Regeneris

- 7.68 Table 7.18 shows how this growth is distributed across sectors compared to EEFM 2017. It shows higher growth in a number of sectors which have high demand for B class floorspace including professional, business and financial services, wholesale and land transport. Growth is forecast to be lower in health, education and retail.

Figure 7.14 Employment change by sector in higher growth scenario, 2018-2036



Source EEFM 2017 with adjustments by Hatch Regeneris

Floorspace requirements

- 7.69 Floorspace requirements have been derived using the same approach as the other scenarios. Figure 7.16 shows the number of FTEs would increase by 25,100 between

2018 and 2036, with around 44% of these in B use classes. This is higher than the other scenarios due to the stronger growth in office based sectors such as professional services.

Table 7.16 Change in FTEs by use class in higher growth scenario

	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b	3,900	440	8,700	480
B1c/B2	300	40	800	40
B8	500	60	1,500	80
Non b class	7,000	780	14,100	780
Total	11,700	1,320	25,100	1,380

7.70 Table 7.17 shows the floorspace requirements in the higher growth scenario. This would generate demand for:

- between 124,000 and 149,000 sq m of office space (depending on employment densities)
- 43,000 sq m of B1c/B2 space and
- 121,000 sq m of B8 space.

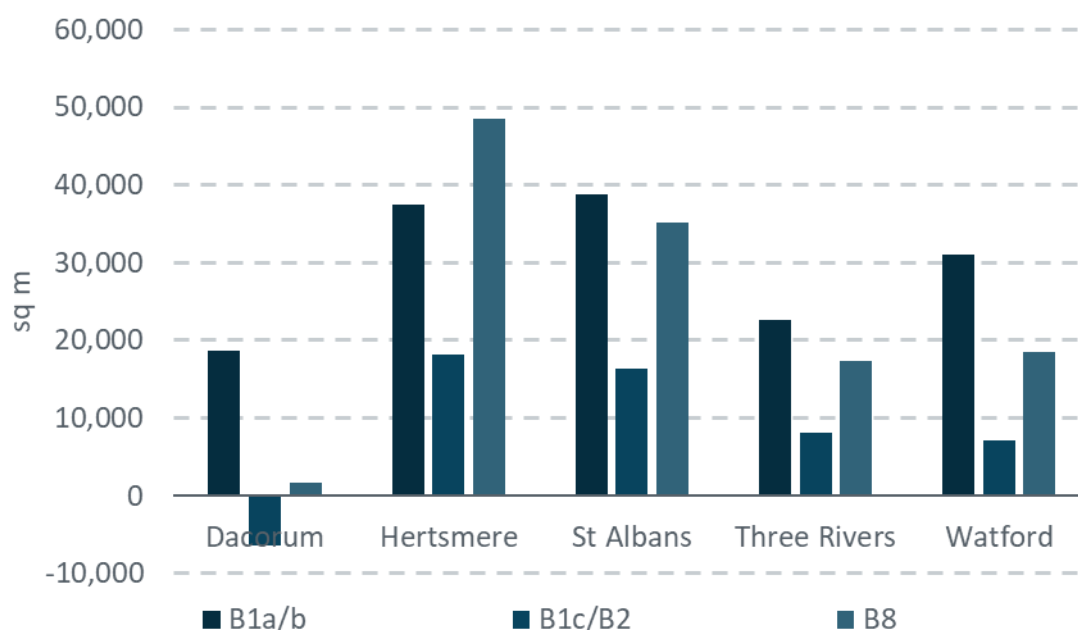
Table 7.17 Floorspace requirements in higher growth scenario

	2018 to 2027		2018 to 2036	
	total	p.a.	total	p.a.
B1a/b central	64,500	7,200	148,700	8,300
B1a/b sensitivity	53,700	6,000	123,900	6,900
B1c/B2	15,200	1,700	43,300	2,400
B8	47,200	5,200	121,300	6,700

Source: Hatch Regeneris

7.71 Figure 7.15 shows the floorspace requirement by district for this scenario. It shows a large proportion of demand for industrial and warehousing space would be in Hertsmere, with limited demand in Dacorum. This is inconsistent with market trends which show much higher demand for this type of space in Dacorum than Hertsmere.

Figure 7.15 Floorspace requirements by district in higher growth scenario, 2018-2036



Source Hatch Regeneris. Note: based on central estimate for office densities

Land requirements

7.72 The land requirements for this scenario are shown in Table 7.18. Between 2018 and 2036 this scenario would generate a requirement for:

- 17.7 ha of land for B1a/b development
- 11.5 ha of land for B1c/B2
- 30.1 ha of land for B8.

Table 7.18 Employment land requirements in higher growth scenario, 2018-2036

	B1a/b		B1c/B2		B8	
	2018-2027	2018-2036	2018-2027	2018-2036	2018-2027	2018-2036
Dacorum	1.0	2.2	(0.7)	(0.9)	(0.3)	0.2
Hertsmere	2.0	4.7	1.9	4.6	5.0	12.1
St Albans	2.1	4.9	1.6	4.1	3.5	8.8
Three Rivers	1.3	2.8	0.7	2.0	1.7	4.3
Watford	1.4	3.1	0.7	1.8	1.8	4.6
South West Herts	7.7	17.7	4.2	11.5	11.8	30.1

Source: Hatch Regeneris. Figures may not sum due to rounding

Summary and conclusions

- The higher growth scenario has reviewed whether the employment-led and labour supply scenarios are consistent with the key policy and investment objectives for the area, and considered whether there is a case for a scenario which assumes a higher growth rate.

- In our view the labour supply scenario already delivers a very strong level of growth and we believe it would be difficult to justify any further adjustments on the grounds of local policy or investments. However we conclude there is a case for a labour-demand led scenario which assumes a higher level of growth than EEFM 2017.
- The main economic development initiative which could stimulate growth is the Enviro-tech7 Enterprise Zone in Dacorum and St Albans. However there is significant uncertainty about the number of jobs this could create or which sectors they will be created in.
- The higher growth scenario has therefore been based on growth rates returning to the level they were at in the employment led scenario from the 2016 study from 2022 onwards. This is on the basis that sectors could achieve higher rates of growth once there is more certainty about the UK's relationship with the EU after Brexit.
- This scenario would result in 31,000 new jobs between 2018 and 2036 (average growth rate of 0.5% p.a). This growth would generate demand for between 124,000 and 149,000 sq m of B1a/b space, 43,000 sq m of B1c/B2 space and 121,000 of B8.
- The scenario suggests a particularly high requirement for space in Hertsmere and a much lower requirement in Dacorum. We believe this gives a misleading spatial distribution which is inconsistent with market trends.

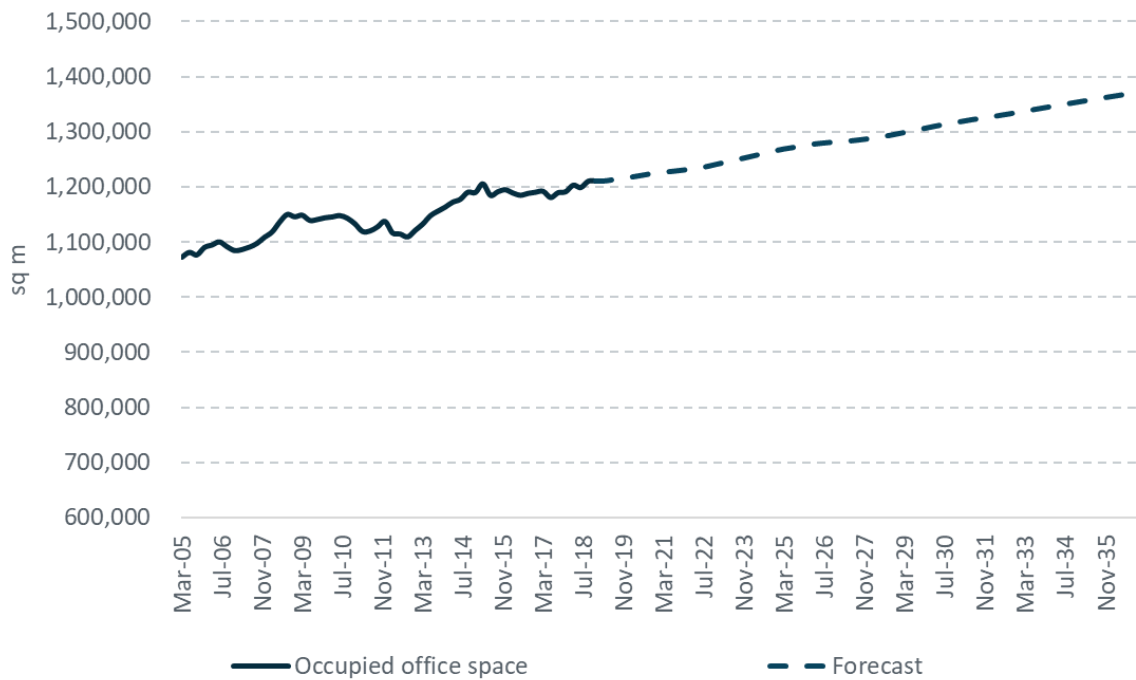
Trends Based Scenario

- 7.73 The final scenario assumes that take-up of employment space continues in line with past trends. This uses CoStar data on net take-up, measuring the change in occupied office and industrial space over a given period. This is available from 2005 for office space and from 2009 for industrial space.

Floorspace requirements

- 7.74 Figure 7.16 shows the trends based forecast for office space. This suggests that if take-up increased in line with past trends, South West Herts would need to provide c.160,000 sq m of office space between 2018 and 2036 (8,900 sq m p.a.). This is consistent with jobs growth of around 11,000 FTEs between 2018 and 2036. The floorspace requirement increases to 188,000 (10,500 sq m p.a.) once we have adjusted for the safety margin and vacancy rate.
- 7.75 There are two reasons why this might underestimate the need for office space:
- The chart shows take-up was suppressed in the years following the economic downturn. Taking a trends-based scenario from 2013 would therefore yield a higher forecast. However, in our view this would give a misleading view of future demand. The forecast period is likely to include peaks and troughs which we cannot predict with any accuracy.
 - There is evidence that the office market has been undersupplied, particularly in key locations such as St Albans which has very low vacancy rates. This is likely to have constrained take-up. We have not made a further adjustment for this because it has only been a severe challenge since 2015 and the adjustments for the safety margin and vacancy rate are likely to be sufficient to address recent undersupply.

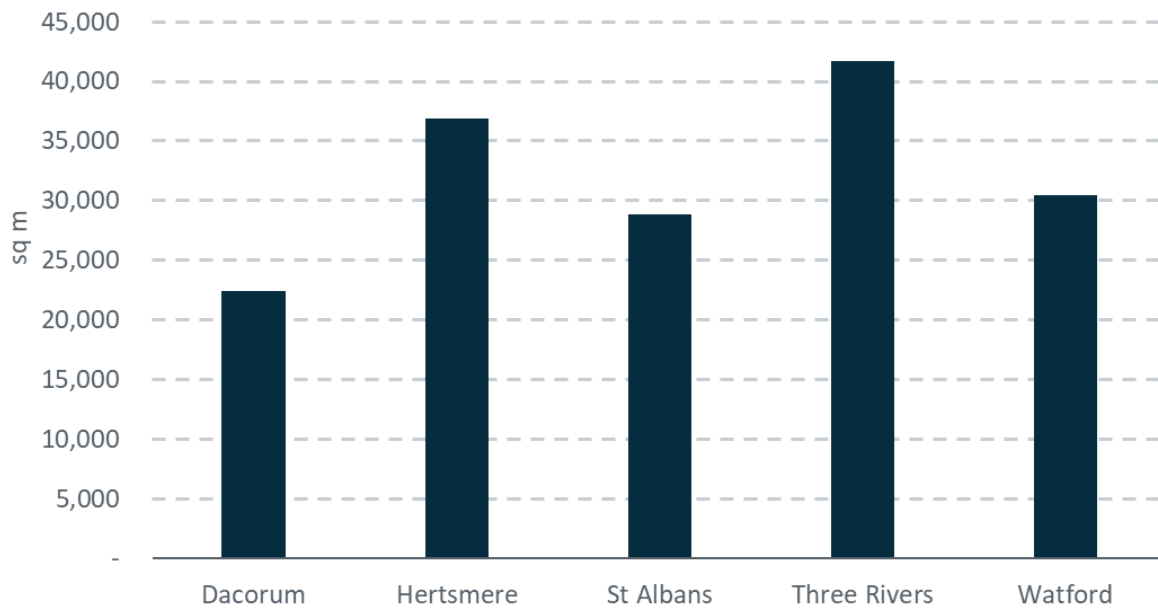
Figure 7.16 Trends based forecast for office space in South West Herts



Source Hatch Regeneris using CoStar data.

- 7.76 Figure 7.17 shows how this forecast breaks down by district (which should be treated with caution). It shows particularly high demand in Three Rivers and low demand in Dacorum. This is likely to be skewed by large office deals in Three Rivers at Croxley Park and Leavesden and the effects of the Buncfield oil depot incident. The high demand in Hertsmere is more difficult to explain as this area has not seen any significant office deals. As noted elsewhere in the report, a high proportion of employment in Hertsmere is in small businesses so this is likely to reflect the steady growth in demand from these businesses and the low rate of churn.

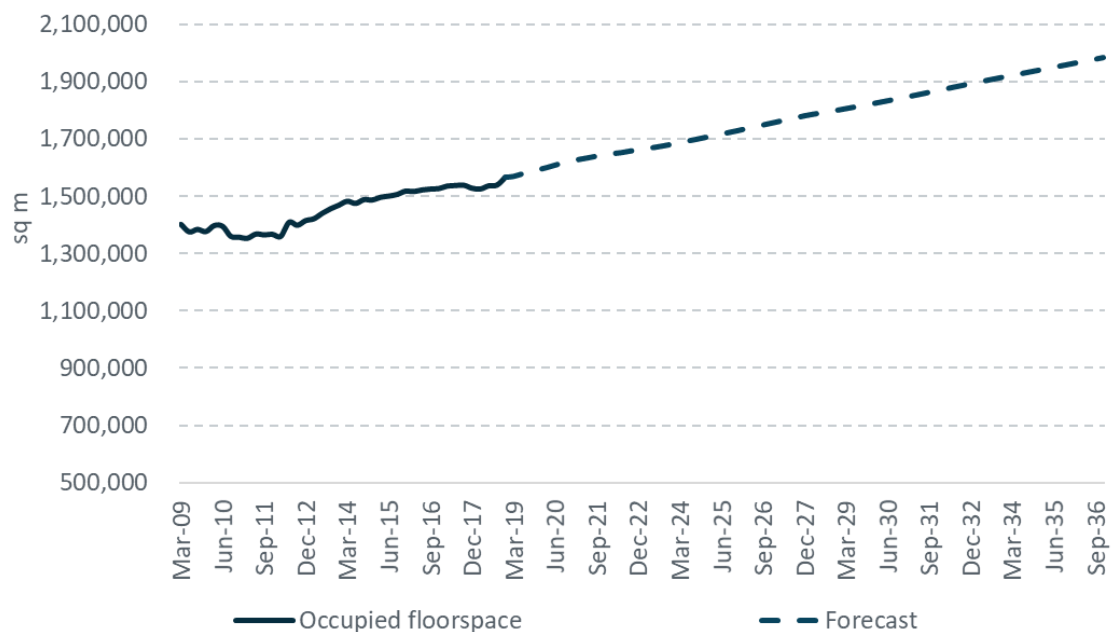
Figure 7.17 Trends based forecast for office space by district, 2018-2036



Source Hatch Regeneris using CoStar

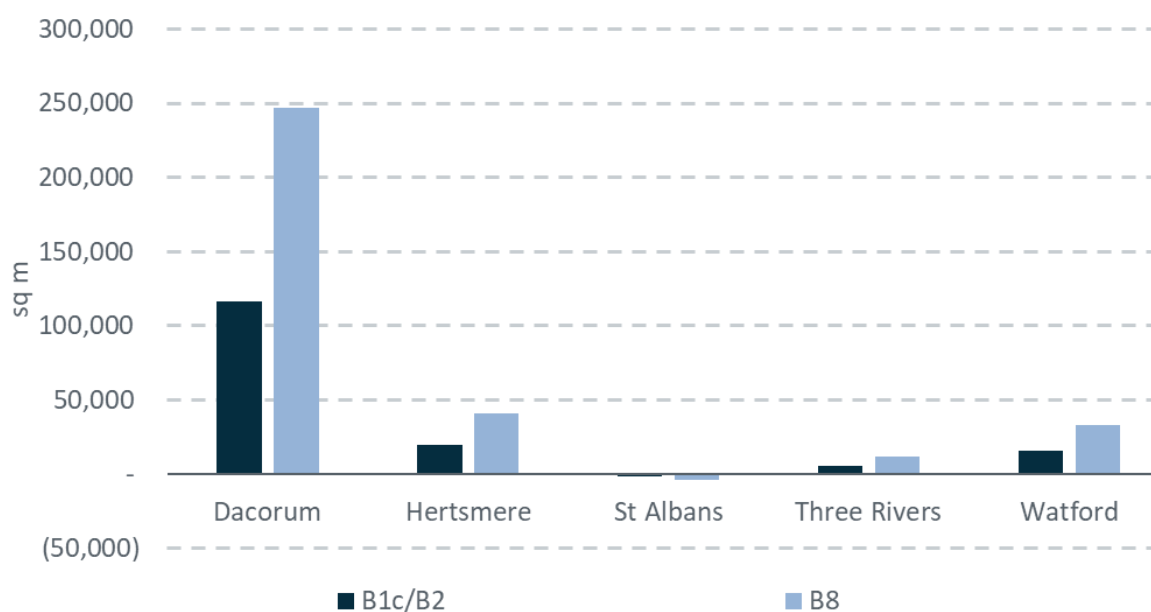
7.77 Figure 7.18 shows the trends based forecast for industrial space. This suggests that if take-up increased in line with past trends, South West Herts would need to provide c.412,000 sq m of industrial space between 2018 and 2036 (22,900 sq m p.a.). This increases to 464,000 sq m (25,800 sq m p.a.) once we have adjusted for the safety margin and vacancy rate.

Figure 7.18 Trends based forecast for industrial space in South West Herts



Source Hatch Regeneris using CoStar

- 7.78 Again there is a risk that this underestimates the need for industrial space. The industrial market has been undersupplied for a longer period of time than the office market (vacancy rates have been below 7.5% since 2012) and there has been limited new development of industrial space until recently.
- 7.79 The constraints on take-up of industrial space are also illustrated if we compare South West Herts with a larger area where completions of new industrial space have been higher. For example, CoStar shows that over 1.1m sq m of new industrial space has been delivered across the three counties of Berkshire, Hertfordshire and Buckinghamshire between 2009 and 2018, representing 12% of total stock in 2009. The equivalent figure for South West Herts is just 6%. Over the same time period, the total quantity of occupied space has increased by 20% in the Three Counties and by 11% in South West Herts.
- 7.80 We need to exercise caution when interpreting these figures and the robustness of the data, however it does suggest there is a case for a further adjustment to take account of the recent undersupply of industrial space. We have therefore applied a further upward adjustment of 5%. This takes the total industrial space requirement to 484,500 sq m (26,900 sq m p.a.).
- 7.81 This includes both manufacturing/light industrial and warehousing space (B1c, B2 and B8). This has been apportioned to the two different categories (industrial and warehousing) using the percentage split of occupied floorspace according to our analysis of IDBR and VOA records. This gives a ratio of 72:28 in favour of warehouse space across South West Herts, although the ratio is higher in Dacorum (80:20). Applying this ratio results in the following space requirements:
- B1c/B2: 135,700 sq m between 2018 and 2036 or 7,500 sq m p.a. This is consistent with jobs growth of around 2,900 FTEs between 2018 and 2036.
 - B8: 348,900 sq m between 2018 and 2036 or 19,400 sq m p.a. This is consistent with jobs growth of around 4,700 FTEs.
- 7.82 Figure 7.19 shows the forecasts for individual districts. It suggests a very high proportion of demand for industrial space would be in Dacorum, illustrating the dominance of Maylands Business Park in the FEMA's industrial market. The scenario suggests a slight fall in demand in St Albans. Again, this gives a misleading view of demand for industrial space in that district which should be interpreted with caution.

Figure 7.19 Trends based forecast for industrial space by district, 2018-2036

Source Hatch Regeneris using CoStar

Land requirements

7.83 Applying the plot ratios generates the land requirements in Table 7.19. This scenario would result in a requirement for 140 ha of employment land, broken down as follows:

- 19.3 ha of land for B1a/b development
- 38.6 ha for B1c/B2
- 82.1 ha for B8

Table 7.19 Land requirements in trends based scenario

	B1a/b		B1c/B2		B8	
	2018-2027	2018-2036	2018-2027	2018-2036	2018-2027	2018-2036
Dacorum	1.4	2.8	14.5	29.0	30.8	61.7
Hertsmere	2.3	4.6	2.4	4.8	5.1	10.3
St Albans	1.8	3.6	-0.2	-0.5	-0.5	-1.0
Three Rivers	2.6	5.2	0.7	1.4	1.5	2.9
Watford	1.5	3.0	1.9	3.9	4.1	8.2
South West Herts	9.6	19.3	19.3	38.6	41.1	82.1

Source: Hatch Regeneris. Figures may not sum due to roundi

Summary and conclusions

- The trends based scenario assumes that take-up of employment space continues in line with past trends (2005 to 2018 for office space and 2009 to 2018 for industrial space).
- In this scenario South West Herts would need to provide 188,000 sq m of office space between 2018 and 2036 (10,500 sq m p.a.) after allowing for the safety margin and

vacancy rate. This is consistent with jobs growth of around 11,000 FTEs between 2018 and 2036.

- The requirement for industrial space would be 484,500 sq m (26,900 sq m p.a.) in total. This is made up of a requirement for 152,000 sq m of B1c/B2 space (3,200 FTEs) and 329,500 sq m of B8 space (4,200 FTEs).

Replacement Demand

- 7.84 All of the scenarios described so far have modelled the floorspace and land required to support future jobs growth. These estimates therefore represent the net requirement for floorspace and do not take account of the fact that some occupied floorspace will be lost over the plan period. If so, this could generate demand from existing occupiers who have had to leave their current premises (we refer to this as replacement demand).
- 7.85 Forecasting the level of replacement demand in future is subject to significant uncertainty. Chapter 5 showed that approximately one fifth of office space and 10% of industrial space in South West Herts has been lost since 2008. In our view it is unlikely that this rate of loss will continue for the following reasons
- A high proportion of the floorspace which has been lost to date is likely to have been poor quality vacant premises which are not generating an income for their owners³¹. There are strong financial incentives for these premises to be converted to other uses (particularly residential). However there are far fewer of these premises remaining in South West Herts.
 - It is clear from anecdotal evidence that some higher quality occupied space has also been lost. Residential conversions are therefore still likely to be attractive for landlords of occupied premises but the financial incentives are not as great. These financial incentives will be weakened further if average rents continue to increase at their current rate (from £17 per sq ft in 2008 to £25 per sq ft in 2018).
 - Article 4 directions have now been put in place or are proposed in some of those locations which have experienced the greatest losses of office space (eg St Albans city centre) meaning future substantial loss of office space should be avoided.
- 7.86 Although the rate of loss may slow, it is still likely that the strong residential market in South West Herts will result in further losses of employment space. Given that office vacancy rates are at critically low levels in several areas in the FEMA it also means a high proportion of future losses will be occupied space and would result in the displacement of businesses and employment.
- 7.87 There are a number of options for how the study could respond to this:
- 1) **Forecast the quantity of floorspace will be lost in future (say 50% of the rate of loss over the last five years) and assume that a high proportion of this space will need to be replaced.** The issue here is that there is no robust or

³¹ Data is not available on the quality of space which has been lost or what proportion was occupied. However, given the scale of loss of industrial and office space since 2008, if a large proportion had been occupied we would expect this to have resulted in a fall in total occupied space. However this has not been the case; CoStar shows that total occupied office space increased by over 100,000 sq m between 2008 and 2018, while occupied industrial space increased by 170,000 sq m

scientific way of forecasting how much space will be lost and the assumption could prove to be inaccurate.

- 2) **Make an upward adjustment of say 10 to 20% to the preferred scenario to allow for replacement.** This would be a simple approach but would also be based on a fairly arbitrary assumption.
- 3) **Recommend a policy-based approach which commits the South West Herts authorities to monitoring the loss of employment space through regular reviews in the local plan.** This would avoid the need to make arbitrary assumptions about the future loss of employment space and base it on robust data. If these periodic reviews showed there had been a loss of high quality, occupied floorspace and vacancy rates continued to be low, we would recommend that the Councils take steps to replace this space by increasing the floorspace requirement accordingly. However this option may lead to an under-provision of employment land in the short term. Also any Local Plan review reflecting the monitoring findings would take many years to put in place.
- 4) **Recommend that when the South West Herts authorities reach conclusions on their employment land needs in their new local plans, they should assume no further losses of employment space unless there is clear evidence to conclude otherwise.** This would mean that local plans are based on the best information on what is likely to happen in reality. In particular, it would be appropriate to take account of further likely losses from the following sources:
 - Committed losses since 31 March 2018 (the base date for the information on existing commitments in the report).
 - Sites currently protected for existing employment use which are proposed to lose this protection in the new local plan.
 - Other sites currently in employment use, which are proposed for non-B class uses in the new local plan.

7.88 Our favoured approach is the last of these options as it is the only way of ensuring that replacement demand is addressed in a robust way. Whilst Option 4 is favoured, it is important to stress the need for close monitoring of the future loss of employment floorspace as stated in Option 3.

Conclusions

7.89 This section presents a summary of the various scenarios and provides our justification for selecting the trends based scenario as the preferred scenario.

Office

7.90 Table 7.20 presents a summary of the various scenarios for future office development. Office space requirements range from 66,100 sq m to 188,000 sq m. The land requirements are also presented although this will depend on the nature of office development and where in the FEMA this demand is met.

7.91 We conclude the South West Herts authorities should plan on the basis of providing 188,000 sq m of office space between 2018 and 2036 (10,500 sq m p.a.). This is consistent with the trends based scenario and would support growth of around 11,000 FTEs in B1a/b use classes. Depending on the density of development and the achieved plot ratios, this is likely to require up to 19 ha of employment land.

7.92 Our justification for this is as follows:

- The scenario is consistent with past trends in the take-up of office space in South West Herts.
- The employment led scenario is based on pessimistic assumptions about the future growth of South West Herts and its key sectors. There is a risk that the floorspace targets in this scenario would constrain the economic growth of South West Herts
- 10,500 sq m p.a. is only slightly higher than the labour supply scenario (particularly when we apply our central estimate for employment densities). This scenario is therefore consistent with past trends and the objectively assessed need for housing in the LHNA, although it does assume an increase in out-commuting from South West Herts.
- The target is also only slightly higher than the office requirement in the higher growth scenario. This scenario would support the growth of priority sectors including professional services, creative and digital sectors. It would also help the FEMA to achieve its aspirations for total jobs growth of 1,250 jobs p.a.

7.93 The target of 188,000 sq m is a significant reduction from the 2016 study (460,000 sq m) which was based on very strong jobs growth in professional and business services and assumed that nearly all of those jobs will require office space. This updated study has used a more robust, data-driven method for allocating jobs to use classes and has been able to sense-check the labour demand and supply-led scenarios by comparing the outputs with past trends in take-up.

Table 7.20 Summary of scenarios for office requirements

	FTEs		Office space (sq m)		Land (Ha)	
	2018 to 2036	p.a.	2018 to 2036	p.a.	2018 to 2036	p.a.
Employment led a	4,700	260	79,300	4,400	9.2	0.5
Employment led b	4,700	260	66,100	3,700	7.6	0.4
Labour supply a	9,300	520	165,400	9,200	19.5	1.1
Labour supply b	9,300	520	137,800	7,700	16.1	0.9
Higher growth a	8,700	480	147,700	8,200	17.7	1.0
Higher growth b	8,700	480	123,100	6,800	14.7	0.8
Trends based scenario	11,000	610	188,000	10,500	19.3	1.1

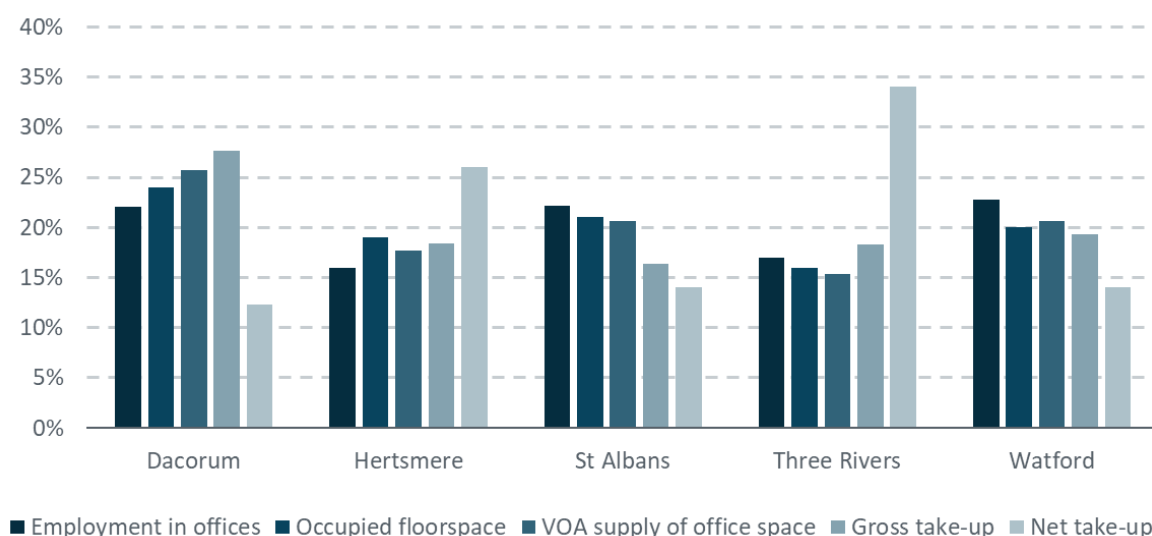
Source: Hatch Regeneris

Distribution of demand for office space

7.94 It is necessary to provide an indication of how demand for floorspace could be distributed across the five districts which make up the FEMA (to inform the local plan making process). However, as noted elsewhere in the report, forecasting demand at district level is subject to significant uncertainty. This is for a number of reasons but particularly because a large proportion of demand for employment space is strategic and footloose in nature, and could be accommodated anywhere in the FEMA, as long as the site met certain requirements (such as access to a train station). Therefore the distribution presented here should only be treated as a guide. Decisions on local plan requirements should be informed by duty-to-cooperate discussions, which take account of land availability for new development in each of the districts.

- 7.95 Figure 7.20 shows a number of ways of distributing the overall requirement among the districts. We have looked at a range of different demand and supply indicators and how these are distributed across the FEMA. The chart shows the district split of the following:
- **office based employment.** This uses the IDBR-VOA matching method described above.
 - **occupied floorspace** based on data from CoStar.
 - **total supply of office space** based on VOA
 - **gross take-up of office space** based on CoStar data for the period 2005 to 2019
 - **net take-up of office space** over the same period
- 7.96 The distribution implied by the first three indicators is broadly similar. These are all static measures of demand/supply based on the distribution at a certain point in time. The last two measures are based on the share of the overall change in demand over the period 2005-2019. These indicators are more sensitive to one off events such as the Buncefield oil depot incident and the recent large deals in Three Rivers, as well as recent constraints in the supply of office space. This explains why the distribution of demand is so different for 'net take-up' compared to the other indicators.
- 7.97 We have used the second indicator (occupied floorspace) to provide an indication of the distribution of demand. This is for the following reasons:
- It is a measure of demand rather than supply and therefore reflects where occupiers choose to locate. It is therefore a more appropriate measure than the supply of office space from VOA (although the two show a very similar distribution).
 - The employment in offices measure is based on data which is a few years out of date, and there may be some inaccuracies based on the way employment is recorded in the IDBR.
 - It is less skewed by the one-off events and supply constraints than either of the 'change' indicators
 - The distribution makes intuitive sense given what we know about market demand trends and the size of each area's office market. The indicators based on gross and net take-up are both likely to underestimate demand in key markets such as St Albans.

Figure 7.20 Distribution of office space demand based on different apportionment methodologies



Source Hatch Regeneris

- 7.98 Table 7.21 shows the indicative distribution of office space and land in each district using this method. Again, it should be noted that these estimates should be used as a guide to inform local plan making. The final decisions on land requirements will need to be determined through duty-to-cooperate discussions, which take account of the availability of land across the FEMA.

Table 7.21 Indicative distribution of office space/land by district, 2018-2036

	Distri- bution	Floorspace (sq m)		Land requirement (Ha)
		Total	p.a.	
Dacorum	24%	45,100	2,500	5.6
Hertsmere	19%	35,700	2,000	4.5
St Albans	21%	39,500	2,200	4.9
Three Rivers	16%	30,100	1,700	3.8
Watford	20%	37,600	2,100	3.8
South West Herts	100%	188,000	10,400	22.6

Industrial

- 7.99 The range of estimates for industrial space is much greater (including B1c/B2 and B8), ranging from 27,000 sq m in the employment led scenario to 481,500 in the trends-based scenario. We conclude that the South West Herts authorities should plan on the basis of the trends based scenario suggesting a need for 152,000 sq m of B1c/B2 space between 2018 and 2036 (8,600 sq m p.a.) and 329,500 sq m of B8 (18,300 sq m p.a.). This is consistent with total jobs growth of 7,400 FTEs based on typical employment densities and suggests a need for around 111 ha of land in total.
- 7.100 In our view this is the only scenario that would not risk imposing significant constraints on the growth of the South West Herts economy. Market analysis shows that demand for industrial space has been consistently strong in South West Herts and agents have reported a severe undersupply of space for some time. The continued growth of online shopping means that there is a high chance these trends will continue in future.

- 7.101 Both the employment led and higher growth scenario assume limited growth in the main industrial sectors which results in very low floorspace estimates. The labour supply scenario also risks underestimating growth in industrial sectors because it uses the same industrial breakdown as EEFM.
- 7.102 The revised estimate of 481,500 sq m marks a significant uplift on the estimates from the 2016 study (a net change of 11,300 sq m although this was made up of a fall in B1c/B2 space of 122,300 sq m and a positive requirement for 133,600 of warehouse space). Although this is a considerable change we believe it is justified by the consistently strong levels of demand for industrial space in South West Herts, which could have been even higher if the market was not undersupplied. The previous assessment was based on employment forecasts which underestimate growth in industrial sectors (particularly those requiring B8 space) and are inconsistent with recent market trends.

Table 7.22 Summary of scenarios for industrial requirements, 2018-2036

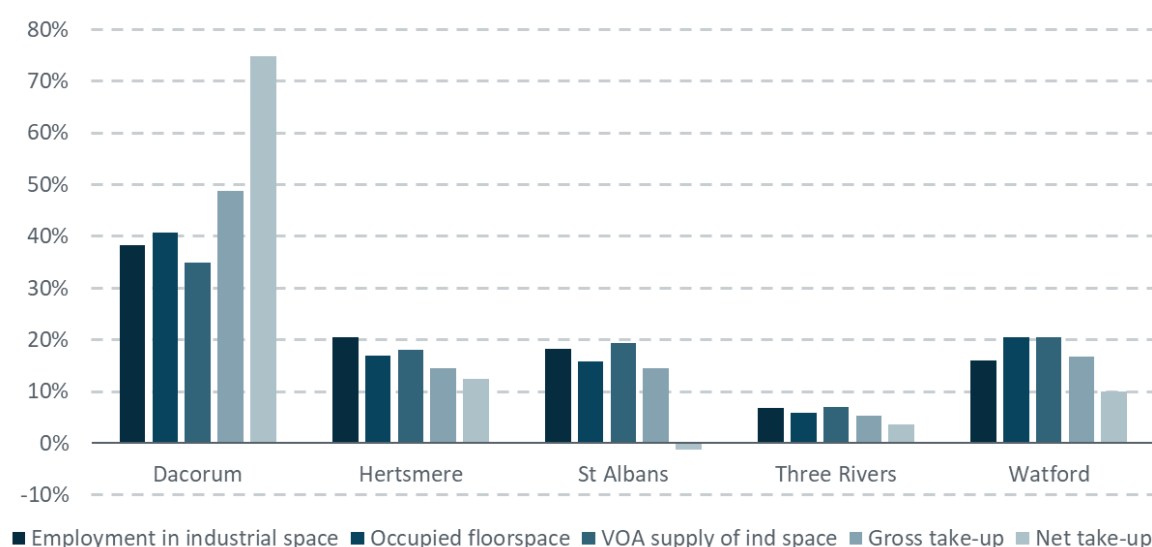
	B1c/B2			B8 space			Ha
	FTEs	Sq m	p.a.	FTEs	Sq m	p.a.	
Employment led	300	18,700	1,000	0	8,700	500	6.9
Labour supply	400	81,600	4,500	1,300	148,000	8,200	57.4
Higher growth	300	46,200	2,600	500	120,400	6,700	41.6
Trends based	3,200	152,000	8,600	4,200	329,500	18,300	120.7

Source; Hatch Regeneris

Distribution of demand for industrial space

- 7.103 The distribution of industrial space across the five districts has been estimated using the same methodology as for office space. Again there is a reasonable degree of alignment between the first three indicators, while the distribution based on net take-up is significantly different from the others. This has been skewed by large deals in Maylands and we do not believe it offers a reliable indication of future demand. Again we have chosen to use the second indicator (occupied floorspace).

Figure 7.21 Distribution of demand for industrial space based on different apportionment methodologies



Source Hatch Regeneris

- 7.104 The distribution has been applied to the total floorspace requirement and apportioned to B1c/B2 and B8 space based on the share of occupied floorspace in each use class (see 7.105). This varies in each district (from 54% in B8 in Three Rivers to 80% in B8 in Dacorum).
- 7.105 This distribution points to a large proportion of industrial space being required in Dacorum, particularly for B8 warehousing. However this largely reflects past trends in the supply of strategic warehouse space which has been concentrated at Maylands. If suitable sites with good access to the strategic road network were identified in other districts, these could help to meet this demand. Again, we stress that these district-level estimates should only be used as a guide to inform local plan making. The final decisions on industrial floorspace and land requirements will need to be determined through duty-to-cooperate discussions, which take account of the availability of land across the FEMA.

Table 7.23 Indicative distribution of industrial and warehouse space/land by district, 2018-2036

	B1c/B2			B8		
	Total	p.a.	Land (Ha)	Total	p.a.	Land (Ha)
Dacorum	38,600	2,100	9.7	157,900	8,800	39.5
Hertsmere	20,200	1,100	5.1	61,700	3,400	15.4
St Albans	34,700	1,900	8.7	41,200	2,300	10.3
Three Rivers	13,200	700	3.3	15,600	900	3.9
Watford	27,000	1,500	6.8	71,400	4,000	17.9
South West Herts	133,700	7,300	33.4	347,800	19,400	87.0

Source: Hatch Regeneris. Figures may not sum due to rounding

Employment growth in the Preferred Scenario

- 7.106 Although NPPF and PPG do not require local plans to set a jobs growth target, local plans should aim to deliver balanced housing and employment growth using broadly consistent assumptions. Therefore it is helpful to understand the level of jobs growth in the preferred scenario and how this compares with the jobs growth which could be supported through the increase in housing identified in the LHNA.
- 7.107 Table 7.8 showed the level of jobs growth which would be expected in each district assuming housing growth in line with the standard method and no change to commuting patterns (the higher growth labour supply scenario). This showed total employment growth of 77,900 between 2018 and 2036. We also stated that this is likely to overestimate jobs growth because the relationship between population and jobs growth is complex and non-linear, and commuting patterns are therefore likely to change. The lower growth labour supply scenario (which assumed a change in commuting patterns) estimated a much lower level of jobs growth (46,100 jobs).
- 7.108 It is very difficult to compare this with the jobs growth in the preferred scenario for planning employment land, which is based on a trends based scenario rather than employment projections. It is possible to derive some estimates of the number of jobs that could be supported in B class uses based on employment densities in different use classes (we estimate that this could support around 21,000 jobs), however we also estimate that only 41% of jobs currently require B class space. The preferred scenario does not make any assumptions about the level of growth for the 59% of jobs which do not require B class space meaning it is not possible to estimate total jobs growth.

- 7.109 Given the complex relationship between housing and jobs growth and the uncertainty about the total level of jobs growth in the preferred scenario, we would advise that the South West Herts authorities do not set specific jobs growth targets in their local plans. In our view it is better to concentrate on planning for an appropriate level of increase in office and industrial floorspace, which are more tangible and easy to monitor.

8. Supply of Employment Land

- 8.1 This section provides a quantitative and qualitative review of the supply of employment land within South West Herts. This includes the following:
- Existing commitments (eg unimplemented planning permissions which could increase or decrease the supply of employment space)
 - Existing allocated employment sites
 - Land allocated, safeguarded or proposed for employment development but not yet developed.
 - Potential new employment sites
- 8.2 The section draws upon the findings of site reviews undertaken by GL Hearn which provide qualitative and quantitative assessments of a large number of sites in South West Herts (these are included in Appendix D). These do not include a number of the sites in Dacorum or St Albans as these sites had been recently reviewed as part of each council's local plan evidence base.
- 8.3 The site reviews used the same methodology and criteria as the 2016 study. These reviews:
- Consider the attractiveness of each site to the market/business needs, looking at factors such as access to public transport, quality of local environment etc.
 - Identify appropriate uses for potential future sites
 - Identify available/vacant floorspace as well as opportunities for redevelopment/intensification, as well as any development constraints/
 - Provide recommendations on whether the site should be retained or considered for alternative uses.
- 8.4 A large number of the sites included in the study were also reviewed as part of the 2016 study. Where this was the case GL Hearn undertook a desk based update and provided details of any change in the demand for and supply of employment space. Full surveys were undertaken for sites which were not included in the original study.

Existing Commitments

- 8.5 Table 8.1 shows the potential change in employment space for all sites with planning permission which have yet to be implemented. This includes both gains and losses (eg as a result of permissions for residential conversions). This has been based on data provided by Herts County Council which has also been used in the LSH study.
- 8.6 If all of the extant permissions were implemented it would result in a net increase of 51,400 sq m of office space and 67,500 sq m of industrial space across South West Herts. However there are expected to be some significant losses in a number of local authorities. This includes approximately 22,200 sq m of office space in St Albans and over 10,000 sq m of industrial space in both Watford and Three Rivers
- 8.7 Significant sites with planning permission include:
- Croxley Park in Three Rivers. This has permission for 33,000 sq m of new office space. This is The Campus development which will provide high quality Grade A space in a sought after location.

- Several developments on Clarendon Rd have been approved which could cumulatively provide around 50,000 sq m of office space. This is also a highly sought after location.
- A large proportion of the industrial commitments in Dacorum is accounted for by the Prologis development in Maylands Gateway which is currently under construction.

8.8 It should be noted that the table does not include the permission for the Strategic Rail Freight Interchange at Radlett. If this development was included the industrial space with permission would increase dramatically by 331,665 sq m (mostly very large warehousing). There is still significant uncertainty about whether this development will go ahead. Although it has received planning permission, the land is owned mainly by Herts County Council which has submitted the land to SADC for a garden village with a minimum capacity of 2,300 dwellings (Park Street Garden Village) following the call for sites in its revised Local Plan. For the purpose of this study we assume that the development will not go ahead and is therefore excluded from the supply. If it did come forward, this would be sufficient to meet all of the strategic demand for industrial space in the FEMA.

Table 8.1 B use commitments in South West Herts up to 31 March 2018

	Office		Industrial	
	Commitments	Net after losses	Commitments	Net after losses
Dacorum	22,901	(7,672)	88,681	76,372
Hertsmere	19,419	(8,142)	18,202	16,730
St Albans	5,166	(22,187)	3,357	(1,853)
Three Rivers	51,119	36,363	325	(11,145)
Watford	81,010	53,052	6,028	(12,588)
South West Herts	179,615	51,414	116,593	67,516

Source: Herts CC.

Note: does not include Radlett Strategic Rail Freight Interchange. It has been noted that HCC and SADC use different criteria for assessing whether planning permissions have been implemented, which means the net loss of office floorspace in St Albans may be lower than 22,187 sq m. It is also noted that the low vacancy rates and strong demand for office space in St Albans City Centre is leading to growth in rental values which may incentivise land owners to retain office space. Therefore there is a strong chance that not all of these changes of use will be implemented.

8.9 A number of the councils have provided updated information on existing commitments and/or excluded commitments which are unlikely to be implemented. The updated commitments figures are shown in Table 8.2. These include:

- Dacorum BC has provided updated figures for a number of their sites and excluded those which are unlikely to be implemented. These figures indicate a greater loss of office space and a smaller increase in industrial space than in Table 8.1 above.
- Watford BC has also confirmed that permission has recently been granted for 11,604 sq m of B1a space at Gresham House, Clarendon Road which increases the net commitments of office space to 64,656 sq m in the district.
- St Albans DC has provided details of three recent permissions for office space which are not included in the table above, including developments at the Civic Centre Opportunity Site, on London Road and on Coldharbour Lane.

Table 8.2 Updated commitments for Dacorum and Watford

	Office	Industrial
--	--------	------------

	Commitments	Net after losses	Commitments	Net after losses
Dacorum	4,865	(24,592)	61,777	49,769
Watford	92,614	64,656	6,028	(12,588)
St Albans	11,989	(15,364)	3,357	(1,853)

Source: Dacorum BC, Watford BC and St Albans DC

Existing Allocated Employment Sites

- 8.10 Information on allocated employment sites has either been provided directly by the South West Herts authorities or, in the case of Dacorum, taken from the 2017 Employment Land Availability Assessment. This has identified a total of 76 sites, providing 763 ha of employment land. Roughly half of the employment land accommodates a mix of B uses (eg B1, B2, B8), while just under 200 ha is allocated exclusively for office use (B1a/b).
- 8.11 The following sections provide district level summaries of the allocated sites, focusing on the overall quality of these sites, the potential for further development and (where relevant) our recommendations on whether sites should be retained for employment uses.

Table 8.3 Summary of allocated employment sites			
Local authority	Use	No. sites	Area (ha)
Hertsmere	General Industrial	3	21.3
	Mixed B Uses	6	62.7
	Office	5	6.2
	Total	14	90.2
Dacorum	General Industrial	11	78.2
	Distribution	2	23.2
	Mixed B Uses	9	104.9
	Office	7	117.1
	Other	1	3.1
	Total	30	327
St Albans	Distribution	1	4.2
	Mixed B Uses	8	78.9
	Office	12	39.0
	Total	21	122.0
Three Rivers	Mixed B Uses	2	37.7
	Office	2	24.2
	Other	1	63.0
	Total	5	124.8
Watford	Mixed B Uses	5	87.4
	Office	1	11.7
	Total	6	99.1
South West Herts	General Industrial	14	99.5
	Distribution	3	27.4
	Mixed B Uses	30	371.6
	Office	27	198.1
	Other	2	66.1

	Total	76	762.6
--	--------------	-----------	--------------

Source: South West Herts authorities and Dacorum Employment Land Availability Assessment. Figures may not sum due to rounding

Dacorum

- 8.12 The main source of information for Dacorum was the 2017 Employment Land Availability Assessment (ELAA), undertaken by Peter Brett Associates (PBA). However this has been supplemented by a number of site reviews by GL Hearn where this was requested by DBC and information provided by Dacorum Borough Council on recent employment completions and future floorspace change in the borough.
- 8.13 The ELAA reviewed 30 allocated sites in Dacorum. While most of these have been developed out, the report noted significant scope for additional employment uses, either through the occupation of vacant premises or intensification of employment uses within those sites. It identified nearly 43,800 sq m of vacant office space on allocated sites, the majority of which was at Maylands (33,900 sq m), with a further 9,300 sq m of vacant space at Apsley (in the Westside development). A report for Dacorum Borough Council by commercial agents Brasier Freeth in January 2019 showed that there was nearly 35,000 sq m of vacant office floorspace in Hemel Hempstead. However, if offices likely to be lost to residential are excluded, the figure falls to 30,500 sq m.
- 8.14 Our own analysis of CoStar indicates there is now around:
- 25,700 sq m of vacant office space remaining at Maylands
 - 0 sq m of vacant office space at Westside.
- 8.15 The report identified very limited vacant industrial space at allocated sites and this remains the case at the current time. This reflects the high level of demand for industrial space at Maylands.
- 8.16 The ELAA also identified potential for the intensification of employment uses and losses of employment space on currently and previously allocated sites. Based on our updated analysis and further information from Dacorum Borough Council we estimate there is capacity for a further 1,400 sq m of office space and 48,500 sq m of industrial space to be brought forward on these sites (see Table 8.4)³². However, here is also potential for the loss of 18,900 sq m of industrial space, arising from proposals in the Site Allocations Development Plan Document and development briefs.
- 8.17 Most of the identified capacity for additional industrial space is at Maylands, including a large proportion at Maylands Gateway. There is likely to be high demand for space in this location.

Table 8.4 Potential for intensification and loss of employment space on current and former allocations in Dacorum

	Use	Area (ha)	B1 (sqm)	B2/8 (sqm)	Total (sqm)
Maylands Gateway (Kier park)	Office	1.0	1,400		1,400
Maylands Gateway (Prologis Park extension)	Industrial	4.7		18,800	18,800

³² The PBA report identified potential for 68,700 sq m of industrial space at Maylands Gateway. However a significant proportion of this relates to the Prologis site which is already included in the existing commitments so this has been removed from the data.

Maylands Avenue (DBC site)	Industrial	4.8		19,200	19,200
Spencer's Park Ph 2 (Maylands)	Industrial	1.8		7,500	7,500
66 & 72 Wood Lane End (Maylands)	Industrial	(1.9)		(7,600)	(7,600)
Frogmore Road, Hemel	Industrial	(1.7)		(6,400)	(6,400)
Ebberns Road, Hemel	Industrial	(0.5)		(1,800)	(1,800)
Western Road, Tring	Industrial	(0.5)		(2,000)	(2,000)
Icknield Way, Tring	Industrial	0.75		3,000	3,000
Hicks Road, Markyate	Industrial	(0.3)		(1,100)	(1,100)
			1,400	29,600	28,200

Source: Dacorum Employment Land Availability Assessment, Peter Brett Associates 2017 and Dacorum Borough Council 2019

- 8.18 If the information on existing commitments and current and former allocated sites is combined, there is potential for a net loss of over 23,000 sq m of office floorspace in Dacorum. In contrast, there is potential for a net gain of nearly 80,000 sq. m of industrial space.

Hertsmere

- 8.19 Although the quality of sites in Hertsmere varies, all are trading well and have high levels of occupancy. The only site with a significant supply of vacant space is at Cranborne Road, where 15,000 sq m of industrial space is available, with 11,000 sq m of this in Cranborne House. Market demand for these sites therefore appears to be strong and we recommend that most of the sites are retained for continued B class employment use.
- 8.20 The exceptions to this are at Stirling Way and Otterspool Way. Both sites are well occupied, although they contain a growing proportion of other commercial activity, particularly trade retail and car showrooms. We recommend a wider range of appropriate commercial uses are considered, which reflect the increased offer within these locations, whilst retaining the commercial appeal of the area and encouraging economic development as sought in Policy CS8 of Hertsmere's Core Strategy.
- 8.21 All of the allocated sites in Hertsmere are developed out and the site reviews identified very limited opportunities for redevelopment or intensification.

Table 8.5 Summary of allocated sites in Hertsmere

Name of Site	Use	Vacant office (sq m)	Vacant industrial (sq m)	Potential for intensification
Station Close	Mixed B Uses			No
Stirling Way	General Industrial	250		No
Lismirrane Industrial Park	Mixed B Uses			No**
Cranborne Road	Mixed B Uses		15,000	No*
Farm Close sites	Office	180		No
Otterspool Way	General Industrial		900	No
Beaumont Gate	Office			No
Hollies Way Business Park	General Industrial			No
Borehamwood Enterprise Centre	Mixed B Uses			No

Wrotham Business Park	Office			No
Theobald Court - Kinetic business centre	Office	190		No
Elstree Way	Mixed B Uses	700		No*
Centennial Park	Mixed B Uses			No**

Source: GL Hearn, Hatch Regeneris.

Note: sites marked * do not have potential for intensification within the boundary of the site but are adjacent to safeguarded sites. Sites marked ** are adjacent to sites which are identified as potential future allocations.

St Albans

- 8.22 None of the current allocated sites in St Albans have been reviewed by GL Hearn. The main source of information for these sites was a Technical Report to inform the draft Local Plan, titled Economic Development and Employment Land Evidence (EDELE). This has been supplemented with more up to date information on vacant space provided by SADC.
- 8.23 The main office areas in St Albans are all in the city centre or close to the two rail stations (referred to as the central area office clusters in the EDELE report). As noted in section 5 of this report, these central areas are highly attractive office locations and command the highest rental values of any office market in South West Herts. There is very limited availability of office space in these locations due to high demand but also due a reduction in supply as a result of permitted development rights. Further losses of office space should be averted as SADC has issued an Article 4 direction covering a number of areas in the city centre. The EDELE report does not identify any areas with further development potential to provide new office space.
- 8.24 In addition to the office clusters the EDELE report reviews 19 other sites which are protected for employment use in the draft Local Plan. The majority of these are mixed use sites outside the centre of St Albans. The key points to note for the purpose of this assessment are:
- Most sites are considered to be 'good' or 'average' quality (although the quality of individual buildings varies significantly within sites).
 - Even where overall quality is judged to be poor, the sites still have high occupancy rates and serve an important role in providing accommodation for local businesses (particularly SMEs). Therefore they should all be protected for employment uses.
 - There is very little vacant space overall.
 - There is very limited development potential at any of the sites. There may be potential for further development at three sites but these would all be very modest expansions.

Table 8.6 Summary of allocated sites in St Albans

	Use	Assessed quality	Vacant space (sq m)	Area with development potential (Ha)
EMP 1 Coldharbour Lane	Mixed B Uses	Good	1,956	0
EMP 2 Batford Mill Industrial Estate	Mixed B Uses	Average	-	0
EMP 3 Southdown Industrial Estate and gas Works	Mixed B Uses	Good	484	0
EMP 5 Redbourn Industrial Park	Mixed B Uses	Average	567	Limited (small portion in NE of site)

EMP 6A Station Road	Office	Average	670	0
EMP 7 North of Buncefield	Distribution	Average		Limited (potential for 1 ha to the west)
EMP 8 Potters Wood/Soothouse Spring	Mixed B Uses	Good	1,068	0
EMP 9 Council Depot and adjoining land, St Albans Road, Sandridge	Mixed B Uses	Average	236	0
EMP 10 Alban Park/Acrewood Way/Lyon Way, Hatfield Road	Mixed B Uses	Good	291	0
EMP 12 Brick Knoll Park, Ashley Road	Mixed B Uses	Good	6,354	0
EMP 13 Executive Park and adjoining land, Hatfield Road	Mixed B Uses	Poor		0
EMP 14 Camp Road/Campfield Road	Mixed B Uses	Average	461	0
EMP 15 North Orbital Trading Estate, Napsbury lane	Mixed B Uses	Good	991	0
EMP 16 Wellington Road	Mixed B Uses	Poor		0
EMP 17 The Hertfordshire Business Centre, Alexander Road	Office	Average	9	0
EMP 18 Riverside Estate	Mixed B Uses	Good		Limited (scope for small extension to NE of the site)
EMP 20 Watling Street	Mixed B Uses	Good		0

Three Rivers

- 8.25 There are five allocated sites in Three Rivers. All of the sites reviewed are trading well and have high levels of occupancy. We recommend that all of these sites are retained for employment uses.
- 8.26 A number of the sites are coming under pressure for changes of use to residential (eg Tolpits Lane), however this should be resisted. Take-up of office and industrial space has increased at this site in recent years and there is now less than 1% of space available. In total the site provides over 100,000 sq m of occupied employment space, more than a third of Three Rivers total occupied space. Any loss of B use classes would result in displacement of businesses and erode capacity in one of the key sites in the district.
- 8.27 Croxley Park has been in high demand from office occupiers. One speculative development is now fully let, and another speculative development is due for completion in early 2020. Two further areas for expansion have been put forward for the expansion of Croxley Park (1 ha in total). One has received planning permission, while the other would be subject to Green Belt release.
- 8.28 The only site with potential for intensification uses is Maple Cross/Maple Lodge. However at Maple Cross any further development within the allocated site boundary would face significant development constraints which would need to be overcome, including part of the

site being in the floodzone, in Source Protection Zone 1, in the Green Belt and adjacent to a wildlife site.

Table 8.7 Summary of allocated sites in Three Rivers

Name of Site	Use	Vacant office (sq m)	Vacant industrial (sq m)	Potential for intensification
Tolpits Lane	Mixed B Uses		1,000	No
Maple Cross/Maple Lodge	Office	5,000		6 ha but heavily constrained
Croxley Park	Office	3,600		No*
Kings Langley Employment Area	Mixed B Uses			No

Source: Hatch Regeneris/GL Hearn

*no potential for intensification on the existing site but potential for further expansion.

Watford

- 8.29 There are five allocated sites in Watford, however the review has also included three other established employment areas (the Shakespeare Estate and two small sites on Rickmansworth Road).
- 8.30 All of the sites are trading well and have high occupancy rates. The quality of sites is generally good and we recommend that all sites are protected for employment uses. The only caveat is that the three non-allocated employment areas all appear to be serving local needs. In the longer term there may be opportunities to consider alternative mixed uses as existing buildings reach the end of their viable function and occupation.
- 8.31 Although there is currently over 11,000 sq m of available office space (with over 6,000 sq m on Clarendon Rd), the overall vacancy rate on these sites is still very low and the available space is of a high quality. There is potential for intensification at Watford Business Park as part of redevelopment plans for the area, however there is limited information on how much additional space this could provide or the timescales for bringing this forward. Watford Borough Council own a large part of the site and the Cabinet approved a compulsory purchase order for the remaining part of the site in March 2019. Our site reviews have not identified potential for intensification at any of the other sites, although this may be possible if the Council put forward plans for significant redevelopment of these sites.
- 8.32 It should be noted that this table does not include Watford Junction which could provide up to 52,806 sq m of employment space as part of the redevelopment of the area around the station.

Table 8.8 Summary of allocated sites and other employment areas in Watford

	Use	Vacant office	Vacant industrial	Potential for intensification
Watford Business Park	Mixed B Uses	2,500	800	Yes
Imperial Way/Colonial Way	Mixed B Uses	2,500	3,000	No
Fishers Industrial Estate	Mixed B Uses		3,900	No
Greycaine Road/Sandown Rd	Mixed B Uses			No
Clarendon Road	Office	6,400		No
Shakespeare Estate	Mixed B Uses		900	No

94 Rickmansworth Road	General Industrial			No
126 Rickmansworth Road	General Industrial			No

Source: Hatch Regeneris/GL Hearn

Summary for allocated sites

- 8.33 The vast majority of allocated employment sites are performing well, with high levels of occupancy. With some minor adjustments we recommend that all of the sites are protected and retained for employment purposes unless there are overriding planning reasons why a particular site should be reallocated for other uses. Employment land lost, for example to residential development, would result in significant displacement of employment and cannot easily be replaced due to considerable constraints in the supply of land. Protection of these sites is therefore key to the future growth and resilience of the South West Herts economy.
- 8.34 While a number of the allocated sites have vacant or available employment space, we have not counted this towards the future supply of employment space. This is because it is necessary to maintain a minimum level of available space to help meet frictional demand (typically around 7.5%). The FEMA as a whole has an availability rate of 5.8% for offices and 4.8% for industrial space, which is an indication that the market is undersupplied.
- 8.35 Table 8.9 provides a summary of sites with further development potential. In total we have identified potential for allocated sites to provide an additional 90,000 sq m of office space and 35,000 sq m of industrial space. However we would add the following caveats in relation to office space:
- 18,000 sq m of space at Maple Cross is likely to face significant development constraints.
 - The 52,806 sq m of office space at Watford Junction is in a prime location and could play a significant role in attracting strategic office investment. However there is considerable uncertainty about how much employment space will be delivered.

Table 8.9 Development potential in allocated sites

		Land with development potential (Ha)	Office Space (sq m)	Industrial space (sq m)	Notes
Hemel Hempstead	Dacorum	(2.2)		(8,200)	Includes potential floorspace losses
Maylands	Dacorum	10.4	1,400	37,900	Includes potential floorspace losses
Tring	Dacorum	0.25		1,000	Includes potential floorspace losses
Markyate	Dacorum	(0.3)		(1,100)	Includes potential floorspace losses
Redbourn Ind Park	St Albans	0.25	1,500		Expansion area not provided so assumed to be 0.25 ha. Assumes same plot ratio as existing development
North of Buncefield	St Albans	1.0		4,600	Same plot ratio as existing development
Riverside Estate	St Albans	0.25	1,250	1,250	Expansion area not provided so assumed to be 0.25 ha.

Maple Cross	Three Rivers	6.0	18,000		Based on current plot ratio. Further development would face significant constraints
Watford Junction	Watford		52,806		Based on current
Total		15.65	74,956	35,450	

Safeguarded Sites and Sites Proposed for Employment Uses

- 8.36 The next category includes sites which are currently vacant but have either been safeguarded or proposed for development in local plans. This only includes four sites which have capacity to support around 136,000 sq m of office space and 196,800 sq m of industrial space (see Table 8.10). These include:
- **Land adjacent to Elstree Way, Hertsmere:** the review by GL Hearn identified 8.7Ha of land with development potential, which could form a natural extension to the existing Elstree Way Employment Area and attract similar light industrial and strategic industrial uses. Assuming a plot ratio of 0.4, this site could support an additional 34,000 sq m of industrial space.
 - **Land adjacent to Cranborne Road, Hertsmere:** the site review finds the 2.5 Ha site would provide an attractive proposition for further expansion of the existing employment area which includes B1c, B2 and B8 units. We estimate this could support an additional 10,000 sq m of industrial space.
 - **East Hemel Hempstead, St Albans:** this is a 55 Ha site immediately adjacent to the Maylands Gateway site and is also included in the Envirotech Enterprise Zone. SADC has identified the potential for this site to accommodate 8,000 jobs across a mix of B class uses. The size and location of the site would make it highly attractive to larger warehouse and distribution occupiers, however SADC wishes to avoid overconcentration of these uses and has also identified potential for office and light industrial development. The split between office and industrial space in Table 8.10 is consistent with Policy S6 ii) in the St Albans Local Plan Publication Draft 2018, although we would note that the exact mix of development has yet to be agreed, and the mix proposed in the Local Plan would deliver in the order of 10,000 jobs on the site.
 - **Leavesden Studios:** Since the 2016 report Leavesden Studios has had permission given for expanding their operations into the rear lot that was safeguarded in the previous Council Plan. The site ownership goes beyond this safeguarded boundary, therefore we recommend the safeguarded site should be expanded. The remaining land would all be safeguarded specifically for the operations of Leavesden Studios, therefore we have not counted this towards supply of general employment space.
- 8.37 A key question is whether there is likely to be sufficient market demand for large scale office development at East Hemel Hempstead. The advantages for this site are that it is in single ownership, is located in the Envirotech Enterprise Zone and is being actively promoted. Any development would also likely include upgrades to Junction 8 of the M1 as part of any planning application.
- 8.38 However, the site is in close proximity to Maylands Business Park and Breakspear Park where there is an oversupply of office space and a history of weak demand due to the industrial nature of development and the area's poor public transport connections. The review of commercial property market trends highlighted the critical importance of rail connections for attracting strategic office occupiers which this site would not offer.

- 8.39 The site is likely to be attractive to footloose office occupiers with a car-based workforce that need to serve clients in dispersed markets (eg some ICT and engineering businesses) or those linked to environmental technologies. However there is limited evidence that it would appeal to professional services and HQ functions that are well established in other parts of the FEMA.
- 8.40 There is also a question over the timescales for new office space to be delivered by the market in this location. Both PBA and GL Hearn have concluded that the combination of weak demand and low rents means that development is unlikely to be viable in the short term and is only likely to come forward in the medium to long term if office rents increase.
- 8.41 However there is some evidence that rental values are increasing. Two deals for refurbished space at the Maylands Building have attracted rents of over £26, which marks a significant increase for this location. If rents continued on their current trend as supply decreases, new development could become viable earlier than some agents have suggested. Therefore on balance we believe that some development could come forward at East Hemel Hempstead, although there is still significant uncertainty about the quantity of space which could be delivered.

Table 8.10 Development potential at safeguarded sites and sites proposed for employment uses

		Land with development potential (Ha)	Potential Office Space	Potential Industrial space	Notes
Land adj to Elstree Way	Hertsmere	8.7		34,800	Identified as suitable for B1c/B2/B8. Plot ratio of 0.4
Land adj to Cranborne Rd	Hertsmere	2.5		10,000	Identified as suitable for B1c/B2/B8. Plot ratio of 0.4
East Hemel Hempstead	St Albans	55	136,000	152,000	Consistent with Policy S6 ii) in the Local Plan Publication Draft 2018 using plot ratio of 0.8 for office and 0.4 for industrial development
Total		74	136,000	196,800	

Source: Hatch Regeneris/GL Hearn

Potential Future Allocations

- 8.42 The final category looks at sites which have been identified as potential future allocations. It should be noted that this does not constitute a robust and comprehensive analysis of future potential employment sites in South West Herts. The assessment has been reliant on sites which have been suggested by the individual authorities and is limited to only three of the districts. It is not informed by an independent assessment of all realistic possible options, which was beyond the scope of this study.
- 8.43 Table 8.11 provides a summary of the conclusions from the site reviews (see Appendix D for the detailed reviews). A large number of the sites are located in the Green Belt and so would be subject to a Green Belt impact assessment. A number of these sites have been identified as good locations for new employment development (subject to consideration of Green Belt impacts) which are likely to have market appeal. We would particularly highlight the following:

- Two sites in Kings Langley have potential to be an attractive location for high value office occupiers (Wayside Farm and Land South of the Employment Area). Both sites are located close to Kings Langley train station which is a key requirement for strategic office development. Although it should be noted that highways consultants to the County Council (owners of the Wayside Farm site) have advised that large scale new development in Kings Langley is not possible unless a major improvement to M25 Junction 20 is carried out³³.
- A number of sites offer good access to the strategic road network and are well positioned to attract strategic and light industrial uses (eg Land to east of South Mimms, Land at Rowley Lane).

³³ Highways England currently have no plans to improve this junction, although Herts CC has referred to the need to improve this junction in the draft South West Hertfordshire Growth and Transport Plan.

Table 8.11 Summary of Potential Future Allocations

	District	Area with development potential	Potential uses	Comments
Land at Rowley Lane	Hertsmere	13.5	B1c, B2, B8	Good access to motorway network so attractive for local and strategic industrial markets. Located in Green Belt and north of an existing safeguarded site so any development would be long term.
Land to east of South Mimms services	Hertsmere	6.0	B1c, B2, B8	Green Belt site located to north-east of A1/M25 junction and next to a service station providing 24 hour amenities. Well positioned to attract strategic and light industrial uses
Land to north and west of Centennial Park	Hertsmere	17.4	B1a, B1c	Green Belt site which could provide potential expansion area for Centennial Park, a successful and well occupied development. Lack of access to M1 means it is unsuitable for strategic industrial uses.
Elton Way Bushey	Hertsmere	11.5	B1c, B2	Green Belt site positioned between A41 and M1 motorway. Likely to be suitable for light industrial uses serving the needs of local businesses.
Tyttenhanger Estate	Hertsmere	161.5	B1c, B2, B8	Green Belt site subject to proposals for a new garden village. A portion of the site close to the M25 Junction would be suitable for logistics and light industrial activity.
Croxley Park Extension	Three Rivers	1	B1a	Area includes two parcels of land. One is included in The Campus development which has been granted planning permission for new office development (33,000 sq m). The other is in the Green Belt. The Green Belt site is well positioned to support further growth but likely to be long term in light of scale of new development already coming forward.
Maple Cross (New Dev)	Three Rivers	7.6	B1c, B2	Significantly constrained site in the Green Belt which is unlikely to attract investment from strategic industrial development but could provide limited employment land to meet needs of local businesses.
Station Road, Kings Langley (South of Employment Area)	Three Rivers	12.8	B1a/c, B2, B8	Green Belt site in close proximity to Kings Langley train station and existing employment area. Access to rail makes it an attractive site for range of uses including high value strategic office uses.
Hemel Hempstead Station Gateway	Dacorum	1.7	B1a	Suitable site for commercial offices serving local market. However this is unlikely to be brought forward in the short term unless a pre-let is secured.
Land east of A41, Hemel Hempstead	Dacorum	5	B1c, B2	Green Belt site suitable for light industrial uses serving needs of local businesses. Unlikely the site will attract large scale industrial uses given competing locations.

Shendish Manor, Apsley	Dacorum	76.8	B1a/c, B2 and B8	Proximity to Apsley train station means a small portion of the site may be suitable for B1 uses. However access and environmental constraints will limits its potential as a large scale employment location.
Dunsley Farm, Tring	Dacorum	35.1	B1c, B2, B8	Green Belt site which has poor accessibility to the strategic road network but could experience medium to long term demand from local industrial market.
Wayside Farm, Kings Langley	Dacorum	42.3	B1a/c, B2, B8	Green Belt site which benefits from access to Kings Langley train station, proximity to existing office park and the Orbital motorway. The site is well placed to accommodate demand for higher value commercial offices and a range of strategic industrial uses. However large scale major development is not possible unless a major improvement to M25 Junction 20 is carried out.
Bovingdon Brickworks	Dacorum	0.7	B1c, B2, B8	Existing employment site with proposals to redevelop existing uses with a mixed scheme. Expected to attract demand from local businesses for light industrial uses that complement existing uses.
Adjacent to A41 Service Area, Stoney Lane	Dacorum	1.1	B1a/c, B2	Size and topography of the site may limit type of employment that is attracted to the site but could support small scale light industrial uses serving a local market.

9. Demand and Supply Balance

- 9.1 This chapter provides a quantitative and qualitative assessment of the demand and supply of employment land over the period 2018 to 2036.
- 9.2 The quantitative assessment considers the following:
- Demand (net change) – floorspace demand derived from the preferred scenarios for office and industrial development. The figures for individual districts are based on the indicative distribution of floorspace identified in Chapter 7, although these should only be used as a guide.
 - Existing commitments – unimplemented planning permissions which could result in a change in the supply of office or industrial space
 - Existing allocated employment sites – undeveloped land in the allocated sites
 - Safeguarded sites and sites proposed for employment uses
- 9.3 The main focus of this section is on the overall balance of demand and supply for South West Herts. As noted elsewhere in the report, the purpose of defining the FEMA is to ensure that economic needs are assessed for a functional economic area with shared strengths and locational advantages. How these needs are met across the FEMA should depend to a great extent on the availability of sites which will appeal to the market, which is the focus of this chapter.
- 9.4 The balance for individual local authority areas is presented to inform duty to cooperate discussions and the preparation of local plans, although these are subject to significant uncertainty.

Office market balance

- 9.5 Table 9.1 sets out the market balance for the supply and demand of office space in South West Herts. This shows an over-supply of office space of around 75,900 sq m. Much of this future supply is likely to provide high quality office space in sought after locations (particularly the commitments in Three Rivers and Watford and the future development around Watford Junction). However there is significant uncertainty about a number of sources of supply:
- A significant proportion of the future office space supply is located at East Hemel Hempstead (136,000 sq m). As noted elsewhere in this report, there is limited evidence of demand for office space in this location and uncertainty over whether speculative development is likely to be viable in the short to medium term.
 - The 18,000 sq m of floorspace at Maple Cross in Three Rivers is likely to face significant development constraints and it is highly uncertain whether this development will come forward.
- 9.6 If both of the above sources of supply are removed from the analysis, it results in an undersupply of office space of 78,100 sq m. Assuming a plot ratio of 0.8 this is equivalent to around 9.8 ha of land.
- 9.7 Although our main focus is on the overall balance for the FEMA, Table 9.1 also presents the balance for individual districts. The 'net change' figure is based on the indicative distribution of demand for office space calculated in Table 7.21. As noted previously these estimates should be treated as a guide and do not represent the requirements for individual districts, which will need to be determined through duty-to-cooperate discussions. Nevertheless, the analysis does point to a number of imbalances at district level:

- Dacorum:** notwithstanding the fact that strategic office investors may be deterred from locating at Maylands, Dacorum has a significant shortfall of sites for office development, meaning it will be difficult to accommodate demand, even from local businesses, once the current vacant space has been taken up. This is exacerbated by the fact that the district stands to lose a further 24,600 sq m of office space due to existing commitments. The St Albans Local Plan Inspector is considering whether any office development at East Hemel Hempstead should count towards meeting Dacorum's needs, although there is uncertainty about the timing and scale of any future development at this location.
- Hertsmere:** Hertsmere has very limited vacant office space and no sites with potential for development. Therefore the district faces a loss of 8,100 sq m of office space, much of which is likely to be occupied. Like Dacorum, the district therefore faces a severe undersupply of office space/land which will make it difficult to meet the needs of local businesses
- St Albans:** although a net-supply of 123,400 sq m has been identified, this would be dependent on East Hemel Hempstead delivering 136,000 sq m of office space. As stated above, there is uncertainty about the quantity and timing of employment space which could be delivered in this location. If there are delays bringing this site forward (which seems likely given current market rents in the local area), the borough would face an undersupply of office space in the short to medium term.

9.8 Table 9.1 also shows an oversupply of office space in Watford and Three Rivers. The South West Herts authorities will need to agree on whether part of this surplus could be used to contribute to the needs of other districts with an under-supply. However we would also note that this will only help to meet that demand which is footloose in nature. All authorities should also aim to ensure that they have a minimum level of supply to meet demand from local businesses.

Table 9.1 Market balance – office uses

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	South West Herts
Demand						
Net change	45,100	35,700	39,500	30,100	37,600	188,000
Supply						
Commitments	-24,592	-8,142	-15,364*	36,363	64,656	52,921
Allocated sites	1,400		2,750	18,000	52,806	74,956
Safeguarded/ proposed sites			136,000			136,000
Total supply	-23,192	-8,142	123,386	54,363	117,462	263,877
Balance	-68,292	-43,842	83,886	24,263	79,862	75,877

Source: Hatch Regeneris. Figures in brackets denote negative numbers

*It has been noted that HCC and SADC use different criteria for assessing whether planning permissions have been implemented, which means the net loss of office floorspace in St Albans may be lower than 15,364 sq m according to SADC's definition. It is also noted that the low vacancy rates and strong demand for office space in St Albans City Centre is leading to growth in rental values which may incentivise land owners to retain office space. Therefore there is a strong chance that not all of these changes of use will be implemented.

9.9 The question of whether additional strategic sites need to be identified therefore rests on the deliverability of East Hemel Hempstead and the scale of office development which is brought forward. If it is assumed that all of the other sources of supply are delivered (with

the exception of Maple Cross), East Hemel Hempstead would need to deliver approximately 78,000 sq m to achieve market equilibrium for the FEMA.

- 9.10 On balance, we conclude that this is potentially feasible over the period to 2036. There is already some evidence of rental values increasing in the local area, which is likely to improve the viability of new development. Rents could increase further if vacancy rates continue to fall. The site also has the advantage of being in an Enterprise Zone and is being actively promoted.
- 9.11 While it is unlikely that the site would be brought forward in the short term, the existing commitments in Three Rivers and Watford, and the initial phase of development at Watford Junction is likely to be sufficient to meet market demand over the next five years. Therefore, at this stage, we believe there is not a need to identify additional sites for strategic office development.
- 9.12 Nevertheless, given the uncertainty associated with East Hemel Hempstead, we believe it would be prudent to identify potential reserve or safeguarded sites should delivery issues arise at the site. The progress of the site and other sources of supply will need to be monitored as part of the Local Plan review process.
- 9.13 This is the same approach recommended by PBA in their Employment Land Availability Assessment for Dacorum, which identified Wayside Farm near Kings Langley as a suitable reserve site should East Hemel Hempstead not come forward. Our own site reviews also identified Wayside Farm as a potential suitable location for a strategic office site, in addition to Land South of the Kings Langley Employment Area in Three Rivers. Both would potentially be suitable reserve sites, but are located in the Green Belt so the authorities would need to demonstrate exceptional circumstances if they were to plan for the release in the future.
- 9.14 It should also be noted that highways consultants for Herts CC (the owners of the Wayside Farm site) have found that large-scale new development in Kings Langley is not possible unless a major improvement to M25 Junction 20 is carried out. This is not currently proposed by Highways England meaning there is a risk in relying on these locations as potential reserve sites.
- 9.15 Given these deliverability challenges, and the fact that this study has not undertaken a comprehensive analysis of potential future sites, we recommend that further work is required to identify possible options for reserve sites, which can provide c. 10 ha of land for office development. The 10 ha is based on a worst case scenario where neither East Hemel Hempstead nor Maple Cross are delivered for office development during the plan period.

Industrial market balance

- 9.16 Table 9.2 sets out the market balance for the supply and demand of industrial space. It has not been possible to split the quantitative assessment in to light/general industrial and warehouse space as the sources of information for available supply do not always distinguish between these two categories. However it should be noted that a large proportion of demand (c. 70%) is likely to be for B8 warehousing.
- 9.17 The analysis shows a shortfall of 211,300 sq m. Assuming a plot ratio of 0.4 this is equivalent to around 53 ha.
- 9.18 Key points to note about the future supply are as follows:
 - The Prologis site is included in Dacorum's commitments. This site is near completion and 71% of the space has been let. We have included this in the supply

because it falls within the study period (the first completions and lettings occurred in 2018).

- A significant proportion of identified supply is at East Hemel Hempstead in St Albans (152,000 sq m). This assumes 38 Ha of land would be available for logistics and industrial development with the remaining 17 Ha for office development. However the mix of floorspace for this site is still uncertain. If SADC was willing to accept a larger share of warehousing/industrial development on this site, the shortfall would therefore be reduced.

- 9.19 The table also shows the balance for individual districts based on the indicative distribution of demand for industrial space calculated in Table 7.23. As noted previously these estimates should be treated as a guide and do not represent the requirements for individual districts, which will need to be determined through duty-to-cooperate discussions.
- 9.20 In particular, the South West Herts authorities may wish to consider meeting some of the demand identified for Dacorum in other districts. The large scale of demand identified for Dacorum is a reflection of past trends in the supply of strategic warehouse space which has been concentrated at Maylands. If suitable sites with good access to the strategic road network were identified in other districts, these could help to meet this demand and avoid the over-concentration of warehouse development in Dacorum.
- 9.21 From Table 9.2 it can be seen that St Albans is the only authority where the supply of floorspace exceeds demand. This assumes that 152,000 sq m of industrial development comes forward at East Hemel Hempstead. The oversupply in St Albans District could meet the wider needs of the FEMA and this is a matter which should be addressed through duty to co-operate discussions.
- 9.22 Given that a significant proportion of demand is likely to be from small businesses serving local markets, there is a notable gap in supply in a number of areas, particularly Watford and Three Rivers where supply is likely to decrease unless additional sites are identified.

Table 9.2 Market balance – industrial uses						
	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	South West Herts
Demand						
Net change	196,500	81,900	75,900	28,800	98,400	481,500
Supply						
Commitments	46,769	16,730	-1,853	-11,145	-12,588	37,913
Allocated sites	29,600		5,850			35,450
Safeguarded/ proposed sites		44,800	152,000			196,800
Total supply	76,369	61,530	155,997	-11,145	-12,588	270,163
Balance	-120,131	-20,370	80,097	-39,945	-110,988	-211,337

Source: Hatch Regeneris. Figures in brackets denote negative numbers

- 9.23 The imbalance means there is a need to identify additional sites for industrial uses. We have identified a need for 211,300 sq m of industrial space which is equivalent to around 53 ha. A large proportion of this should be on sites which have good access to the strategic road network.
- 9.24 As stated previously in the report, we have not undertaken a comprehensive assessment of all potential future sites which was beyond the scope of this study. Of the sites that were reviewed as potential future allocations, the following sites meet these criteria (although in each case there are questions about the deliverability of large scale industrial development):

- Land to the east of South Mimms (Hertsmere). This is a large site with 84 ha of developable land located to the north east of the A1/M25 junction. However the site promoter has indicated that only 6ha of this land will be put forward for employment uses.
 - Wayside Farm (Dacorum). The site review identified 42 ha of land with development potential. Junction 20 of the M25 is located to the south of the site offering good connections to London and national markets. However the site has also been identified as one of the few sites with potential to be a reserve site for strategic office development, which could be undermined by large scale industrial development. Highways consultants for Herts have also found that large-scale new development in Kings Langley is not possible unless a major improvement to the junction is carried out.
 - Land to the South of the Kings Langley Employment Area. This site also has good access to Junction 20 of the M25, although the same issues raised for Wayside Farm also apply to this site.
- 9.25 All of these sites are located in the Green Belt so the authorities would need to demonstrate exceptional circumstances if they were to plan for their release in the future. Given these deliverability challenges, and the fact that this study has not undertaken a comprehensive analysis of potential future sites, the authorities should undertake additional technical work to identify other possible options for future industrial development.
- 9.26 It should be noted that our analysis does not include the permission for the Strategic Rail Freight Interchange at Radlett. If this development was included the industrial space with permission would increase dramatically by 331,665 sq m (mostly very large warehousing). There is still significant uncertainty about whether this development will go ahead. For the purpose of this study we assume that the development will not go ahead and is therefore excluded from the supply. If it did come forward, it is likely that this would be sufficient to meet all of the strategic demand for industrial space in the FEMA, although there will still be a need to provide small and medium sized units in other locations to meet local demand.
- 9.27 We have identified a lack of supply of land suitable for small scale industrial uses in Dacorum, Watford and Three Rivers. These authorities may wish to consider allocating additional sites that can meet the needs of businesses serving local markets. Of the potential future sites that have been reviewed in this study, the following may be suitable, although these are all also in the Green Belt:
- Maple Cross (Three Rivers)
 - Dunsley Farm, Tring (Dacorum)
 - Land East of A41, Hemel Hempstead (Dacorum)
 - Bovingdon Brickworks (Dacorum)
 - Adjacent to A41 Service Area, Stoney Lane, Bourne End.
- 9.28 Again we would note that this study has not undertaken a comprehensive review of potential future sites for industrial development, which would need to be explored through future technical work.

10. Conclusions and Recommendations

- 10.1 This study has provided an assessment of the employment land needs in South West Herts over the period 2018 to 2036. This updates the assessment in the 2016 study and arrives at very different conclusions. We have also undertaken a more comprehensive and detailed assessment of the current and future supply of employment land to meet these needs. This should provide the South West Herts with a clearer understanding of the steps they can take to ensure that their joint planning can meet the needs of the local economy.
- 10.2 This section presents the key conclusions of the report.

The definition of the FEMA is still relevant

- 10.3 The 2016 study identified a functional economic market area made up of Dacorum, Hertsmere, St Albans, Three Rivers and Watford. This was based on evidence of strong commuting and migration relationships and shared leisure, retail and public sector catchment areas. There has been limited data published since the 2016 study which would allow us to update the assessment, however the data which is available (eg based on migration and shopping patterns) continues to suggest the definition of the FEMA is valid.
- 10.4 South West Herts also shares strong relationships with other areas, particularly London in the south and Luton/Central Beds to the north. Longer term, the emerging growth corridor of Cambridge-Milton Keynes-London is also likely to exert a growing influence on the FEMA.
- 10.5 Given the high level of housing growth planned for South West Herts and continuing affordability challenges in London, it seems likely that the strong in-migration and out-commuting flows between the FEMA and the capital will continue to grow. The loss of employment floor space in London also presents opportunities for South West Herts to attract jobs and businesses. Although this would be dependent on South West Herts authorities first addressing their own undersupply of employment space.

Supporting the growth of established sectors is key to addressing productivity challenges

- 10.6 Recent trends suggest South West Herts has continued to maintain strong levels of jobs growth but has seen its productivity fall below the UK average. Our analysis suggests this may have been due to slow growth in the number of highly skilled, high value jobs (although there is still significant uncertainty about the jobs data).
- 10.7 While South West Herts has a number of strengths and research assets on which to build, the science-based industries are still relatively small. Supporting their long-term growth should be a priority, but this is unlikely to be sufficient on its own to create the high value jobs needed to boost productivity. South West Herts' established strengths are in professional services, ICT and film and TV production. These are high value sectors with significant potential for further growth and should be the main focus for South West Herts.
- 10.8 Our analysis shows that South West Herts has a large supply of highly skilled workers to support the growth of these sectors. The main barrier to growth has been a shortage of high quality business premises to attract investment and to support the growth of its indigenous businesses.

Supply of employment space is at critically low levels

- 10.9 A combination of growing demand and the loss of existing premises has resulted in a significant reduction in the availability of employment space in South West Herts. The

availability rate has fallen by 11 percentage points for office space and by over 12 percentage points for industrial space since 2010 and is now at critically low levels in several key locations (eg industrial space in Dacorum, office space in St Albans). This has the potential to act as a significant constraint on growth, particularly in those office-based sectors which are key to increasing productivity.

- 10.10 Changes to permitted development rights have had a significant impact on the commercial property market and have contributed towards the stock of office space falling by a fifth in the last decade. While this has helped to remove poor quality vacant stock and improve the viability of new development, vacancy rates are now so low that any further losses are likely to result in the displacement of jobs and businesses.
- 10.11 We would therefore encourage all South West Herts authorities to resist pressure for further changes of use in key employment areas, and explore the potential for imposing Article 4 directions in the most at-risk locations.

Public transport access and connections to London are key for high value office investors

- 10.12 A welcome development since the 2016 report is a number of speculative office developments on Clarendon Road in Watford and Croxley Park, both of which have resulted in high levels of take-up and have triggered further speculative developments. The rapid take-up of refurbished space at the Westside development in Apsley also demonstrates the strong investor appeal of South West Herts to HQs and similar uses when the right sites come forward.
- 10.13 The key requirements of high value office occupiers are the same as reported in the 2016 study; access to high quality amenities, fast connections to London and public transport access. These are all key to attracting skilled staff and facilitating fast connections to clients and collaborators. The level of demand at Apsley underlines the appeal of sites with access to a train station offering connections to London.
- 10.14 In the industrial market, access to the strategic road network is the key requirement of strategic industrial occupiers and also for medium sized units (demonstrated by the continued strong demand at Maylands Business Park). Smaller occupiers are more flexible and look for sites with affordable rents, flexible leases and sites that allow them to serve local markets. Our market analysis shows a severe shortage of these types of sites in each district in South West Herts.

South West Herts authorities should plan for a net-change of 188,000 sq m of office space and 481,500 sqm of industrial space between 2018 and 2036

- 10.15 We have considered a range of scenarios to arrive at our objective assessment of need. These have taken a number of different approaches including models based on economic and demographic forecasts and trends-based scenarios.
- 10.16 We conclude that the South West Herts authorities should aim to provide 188,000 sq m of additional office space between 2018 and 2036. This is a significant reduction from the 2016 study (460,000 sq m) which was based on very strong jobs growth in professional and business services and assumed that nearly all of those jobs will require office space. This updated study has used a more robust, data-driven method for allocating jobs to use classes and has been able to sense-check the labour demand and supply-led scenarios by comparing the outputs with past trends in take-up. Our analysis suggests a target of 188,000 sq m of office space is consistent with past trends, would deliver an aspirational level of growth for South West Herts and would provide high quality job opportunities for its growing workforce.

- 10.17 Our conclusions for industrial space (481,500 sq m between 2018 and 2036) are based on past trends in the take-up in South West Herts. This can be further divided in to 152,000 sq m of B1c/B2 space and 329,500 sq m of B8 space. This target is not aligned with any of the labour-demand or supply-led scenarios and marks a significant uplift on the estimates from the 2016 study (a net change of 11,300 sq m although this was made up of a fall in B1c/B2 space of 122,300 sq m and a positive requirement for 133,600 of warehouse space).
- 10.18 Although this is a considerable change we believe it is justified by the consistently strong levels of demand for industrial space in South West Herts, which could have been even higher if the market was not undersupplied. The continued growth of online shopping is also likely to mean this strong demand is sustained. The previous assessment was based on employment forecasts which underestimate growth in industrial sectors (particularly those requiring B8 space) and are inconsistent with recent market trends.
- 10.19 These targets relate to the net-change in office and industrial space required in South West Herts. We have not made additional adjustments to take account of future losses of employment space because there is no way of robustly estimating the level of replacement demand. However we recommend that the South West Herts authorities continue to monitor this and make an adjustment to their targets if there is clear evidence that further losses of employment space are likely.

We recommend the South West Herts authorities undertake further work to identify potential reserve sites for 10 ha of office development

- 10.20 Our analysis of current and future supply has identified a number of high quality sites for office development which are already committed or allocated in South West Herts (eg further development at Croxley Park and in Watford). Beyond this, the future supply is dependent on 136,000 sq m of new office development coming forward at the East Hemel Hempstead site.
- 10.21 Although it is likely that new offices will be brought forward at this location, there is still significant uncertainty about the timing and scale of this development over the plan period. Therefore, we recommend that the South West Herts authorities undertake further work to identify potential reserve sites suitable for strategic office development should delivery issues arise at East Hemel Hempstead. This should plan on the basis of requiring 10 ha of land for office development, which should ideally be in close proximity to a train station offering fast journey times to London.

There is a need for 53 ha of additional land for industrial development

- 10.22 We have identified a shortfall of nearly 211,000 sq m of industrial space which equates roughly to 53 ha (although this is dependent on the proportion of warehouse and industrial development at East Hemel Hempstead). Additional sites will require good access to the strategic road network. There are a number of potential sites which meet these criteria, however there are questions about the deliverability of large scale industrial development at each site and would all be subject to Green Belt release. The authorities should therefore undertake additional technical work to identify other possible sites for future industrial development.

Appendix A - Inaccuracies in Employment Datasets

- A.1 A number of sections in this report draw upon employment datasets to understand past performance and to develop scenarios for future growth. As we note in the report, there are grounds to believe that these employment datasets overestimate the scale of employment and economic activity in South West Herts. This appendix provides evidence for this and describes the adjustments we have made to the datasets and the employment forecasts.

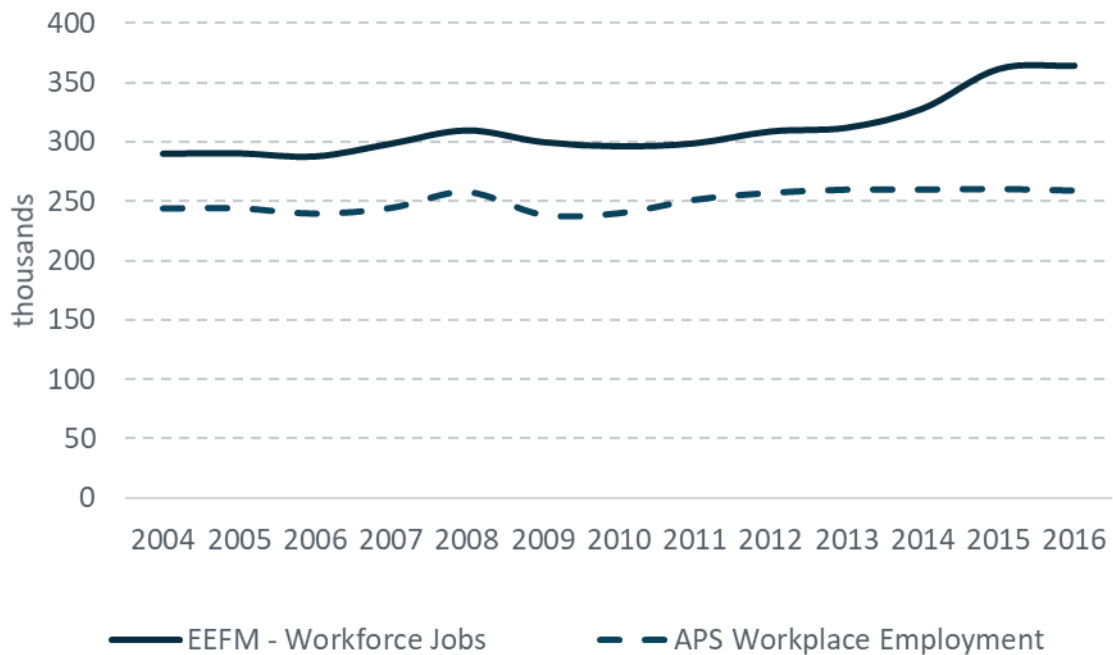
Reasons for inaccuracies

- A.2 The main datasets available for estimating employment at sub-regional level are the Annual Business Inquiry and Business Register and Employment Survey (ABI/BRES). This is the dataset used by EEFM to estimate the number of employees in an area, with APS used to estimate self-employment.
- A.3 ABI/BRES is the most comprehensive and reliable source of data on employees by sector. However it does have a number of limitations and inaccuracies at a local level. This is in part due to sampling error, but also due to inaccuracies in the information provided by businesses, particularly large businesses that have multiple sites or where a large number of employees undertake work in locations other than the business premises. For example, in the construction sector a large proportion of employee jobs are likely to be located on construction sites rather than in the head office or regional office. However the BRES records the job at the office from which workers are paid.
- A.4 The BRES questionnaire does ask businesses which have multiple sites to record the details of each site and the number of employees who work there. However this requires the business to fill out multiple forms (one for each site) and to provide accurate information on the number of full time and part time employees working at these sites. BRES relies on the information provided being correct and does not check the accuracy of the returns. Therefore, in many cases there are likely to be inaccuracies due to businesses wishing to minimize bureaucracy by registering all employees at its head office rather than completing multiple forms for all of its branches.
- A.5 Inaccuracies are particularly common in areas which have a large number of HQs or regional offices, and in the following sectors:
- Employment agencies – since most agency workers are on the payroll of their employment agency rather than the business that they are working for, the jobs are registered at the agency's office.
 - Payroll and bookkeeping companies – where businesses appoint bookkeeping companies to run their payroll, in many cases these jobs are registered at the site of the bookkeeping company rather than their clients.
- A.6 In both cases this not only results in errors in the location of jobs but also incorrectly allocates them to bookkeeping activities or employment agencies rather than the actual sector that staff are working in. At broad sector level, this results in overestimates of the number of employees in professional services (the broad sector for bookkeeping activities) and business admin services (employment agencies).

Evidence of inaccuracies in South West Herts

- A.7 The EEFM forecasts already recognise that there are errors in the employment data for South West Herts. Cambridge Econometrics, which produces the forecasts, have added a caveat in to the results which addresses this point. This relates to employment agencies in Watford and states:
- A.8 *“The published data overcounts employee jobs in the employment activities sector in Watford by recording employee jobs in this sector at their head office location. 75% of these jobs are estimated to be located outside Watford however these jobs cannot be re-distributed in the EEFM as the actual distribution of these jobs is not known. The level of employee jobs in the employment activities sector in Watford reported in the EEFM is therefore higher than in reality, as is the level of total jobs. To obtain an estimate of total employment actually located in Watford, 25% of employment activities jobs should be calculated as an adjusted level of employment over the period 1991-2045, and the difference between the adjusted and unadjusted series should be subtracted from total employment (jobs).”*
- A.9 To test whether the EEFM data for South West Herts is accurate after making this adjustment, we compared the estimate of total employment (workforce jobs) with APS workplace employment data which is based on where people report that they work (see Figure B-1).
- A.10 We would expect there to be a difference between the two measures because APS workplace data measures the number of *people* who work in an area while workforce jobs is based on the number of *jobs*, and some people have more than one job. However the difference is much larger in South West Herts than it is in other areas. According to EEFM there were 106,000 more jobs than there are people working in the area in 2016. If this was accurate it would mean 41% of people working in the area have two jobs. The APS resident survey indicates only 3.5% of people in South West Herts have a second job. This suggests either:
- The APS workplace data is underestimating the number of people who work in South West Herts, or
 - EEFM is overestimating the number of workforce jobs due to errors in BRES.

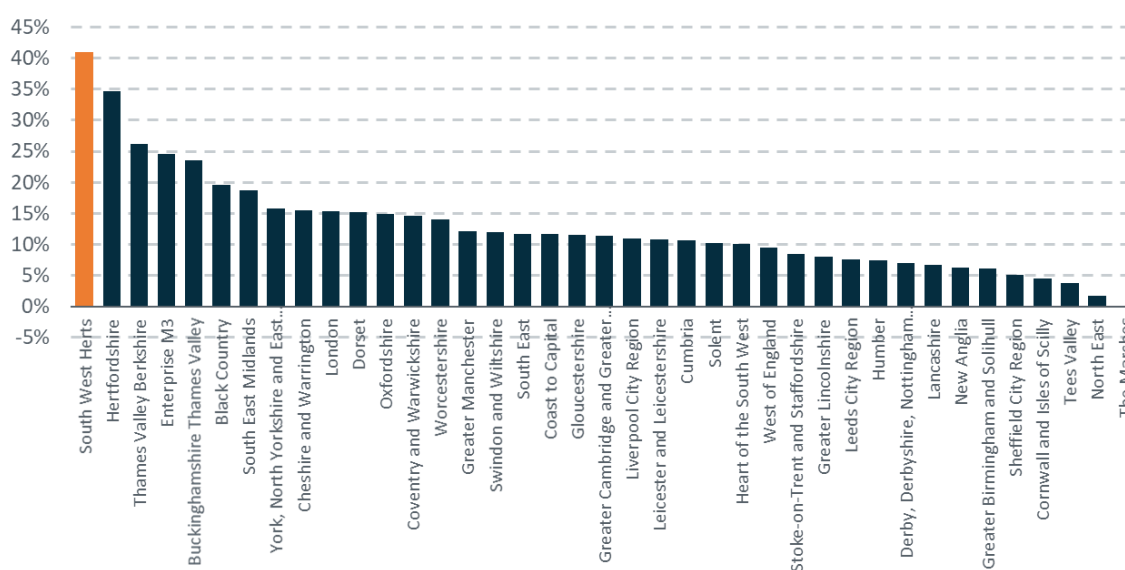
Figure B-1 Comparison of Workforce Jobs and Workplace Employment



Source EEFM and APS

- A.11 To determine which is the more likely explanation, we first considered the margin of error in APS workplace data. APS is based on a survey of a sample of the population and therefore has large margins of error³⁴. However it is unlikely that this explains much of the difference. The margin of error at the 95% confidence interval is +/- 22,000. So even if the upper estimate is used there is still a difference of 84,000 people (double jobbing of 30%). We therefore believe the difference is due to an error in the employment data which has not been identified by Cambridge Econometrics.
- A.12 Figure B-2 compares workplace employment and workforce jobs in all LEP areas in England. The first thing to note is that workforce jobs exceed workplace employment in almost all LEPs. For the UK as a whole, the difference is around 10%. This means double-jobbing cannot explain all of the difference between the two measures. However it shows that the difference is particularly large in South West Herts, suggesting there are inaccuracies in the employment datasets.

³⁴ To boost the sample size and increase confidence in the results, we took the average of three quarterly surveys undertaken during the year.

Figure B-2 Comparison of Workforce Jobs and Workplace Employment in LEP areas

Source Jobs density (ONS) and APS Workplace Data

A.13 Finally, we tried to understand why the difference between workforce jobs and workplace employment increased significantly between 2013 and 2015 (see Figure B-1). According to BRES, the number of employees increased by nearly 40,000 jobs in this two-year period, while workplace employment increased by only 1,000. While it has not been possible to explain all of this change, we did identify potential inaccuracies in a number of sectors:

- The number of jobs in bookkeeping activities increased by over 9,000, with the vast majority of this growth occurring in just four lower super output areas. Further analysis of Companies House records identified a number of small bookkeeping firms in these areas who could not have supported anywhere near this level of jobs growth. This suggests the jobs actually relate to the bookkeeping firms' clients and the location of the jobs is unknown.
- Employment in cleaning of buildings increased by 2,000 between 2013 and 2015, which all occurred in a single LSOA in St Albans. According to BRES there are 9,000 jobs in cleaning activities in this one LSOA. Further analysis reveals the presence of a single cleaning contractor with clients throughout the UK suggesting very few of these jobs are based in St Albans.
- There was a 1,000 increase in civil engineering jobs which occurred in one LSOA in Three Rivers and could be due to the presence of an HQ for a large firm based in the area.

Adjustments made to EEFM

A.14 Based on the above we made a number of adjustments to the historic data and the employment forecasts in EEFM.

A.15 Firstly, we used the IDBR data from the 2016 report to identify businesses employing more than 500 employees and compared this with an estimate of the number of employees which could be accommodated in the premises they occupy (by applying standard employment densities). Where there was a significant difference of more than 25%, we applied an adjustment to the employment estimate. We then analysed the difference between the adjusted and unadjusted data for each sector and district in South West Herts and used

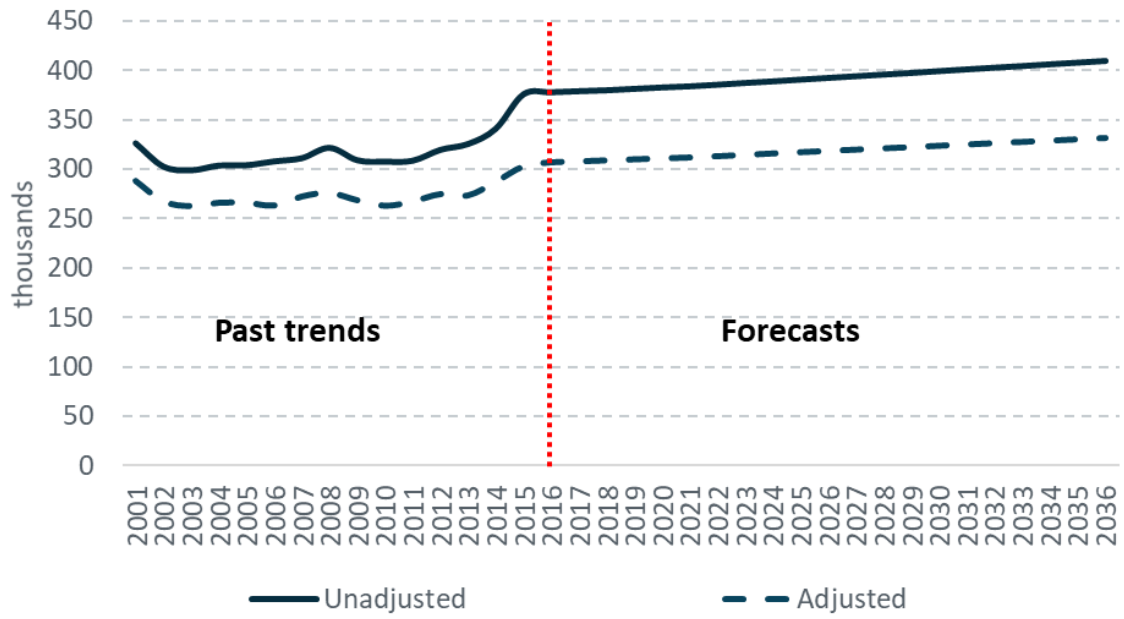
this to reduce the employment estimates in each sector/district. The adjustments are shown in Table B.1.

Table A.1 Factors/multiplier used to adjust EEFM

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Agriculture	100%	100%	100%	100%	100%
Mining & quarrying	100%	100%	100%	100%	100%
Manufacturing - food	100%	100%	100%	100%	100%
Manufacturing - general	100%	100%	100%	100%	100%
Manufacturing - chemicals only	100%	100%	100%	100%	100%
Manufacturing - pharmaceuticals	100%	100%	100%	100%	100%
Manufacturing - metals	100%	100%	100%	100%	100%
Manufacturing - transport equipment	100%	100%	100%	100%	100%
Manufacturing - electronics	31%	100%	100%	100%	100%
Utilities	100%	100%	100%	100%	100%
Waste & remediation	100%	100%	100%	100%	100%
Construction	100%	86%	91%	72%	100%
Wholesale	97%	100%	100%	100%	100%
Retail	100%	100%	100%	100%	97%
Land transport	100%	100%	100%	100%	100%
Water & air transport	100%	100%	100%	100%	100%
Accommodation & food services	100%	100%	100%	88%	69%
Publishing & broadcasting	100%	100%	100%	100%	100%
Telecoms	100%	100%	100%	100%	100%
Computer related activity	100%	100%	100%	100%	100%
Finance	100%	100%	100%	89%	100%
Real estate	100%	100%	100%	100%	100%
Professional services	59%	100%	76%	63%	60%
Research & development	100%	100%	100%	100%	100%
Business services	100%	90%	18%	37%	100%
Employment activities	71%	68%	72%	100%	5%
Public administration	100%	100%	100%	100%	100%
Education	100%	100%	100%	100%	100%
Health & care	100%	51%	100%	100%	100%
Arts & entertainment	100%	100%	100%	100%	100%
Other services	100%	100%	100%	100%	100%

- A.16 We then made a second adjustment to the data for 2013-15 in those sectors mentioned above (bookkeeping, general cleaning and civil engineering) where there are clear errors in the data. We assumed there was zero net change in employment in these sectors over that period.
- A.17 Once these changes had been made to the historic data we applied the same (unadjusted) sector growth rates from EEFM to generate the adjusted employment forecasts. These are shown below.

Figure B-3 Adjusted employment forecasts for South West Herts



Source EEFM with adjustments by Hatch Regeneris

Appendix B - Ratios for converting total employment in to FTEs

Table B.1 Ratios for converting total employment in to full time equivalent employees	
	FTE ratio
Agriculture	0.92
Mining & quarrying	0.97
Manufacturing - food	0.93
Manufacturing - general	0.94
Manufacturing - chemicals only	0.96
Manufacturing - pharmaceuticals	0.95
Manufacturing - metals	0.95
Manufacturing - transport equipment	0.96
Manufacturing - electronics	0.96
Utilities	0.96
Waste & remediation	0.96
Construction	0.95
Wholesale	0.93
Retail	0.73
Land transport	0.93
Water & air transport	0.92
Accommodation & food services	0.72
Publishing & broadcasting	0.87
Telecoms	0.94
Computer related activity	0.94
Finance	0.92
Real estate	0.86
Professional services	0.89
Research & development	0.89
Business services	0.79
Employment activities	0.60
Public administration	0.89
Education	0.73
Health & care	0.76
Arts & entertainment	0.75
Other services	0.82

Appendix C - Method for allocating sectors to use classes

- C.1 The method for allocating jobs to use classes linked two datasets (the Valuation Office Agency's database of the stock of non domestic floorspace and business data from the Interdepartmental Business Register (IDBR)). Both datasets provide an address and postcode for each record which we used to match businesses with the type of premises they occupy.
- C.2 The VOA data is a 'snapshot in time' of those properties (hereditaments i.e. rateable unit) on the rating list at the time assessment. The list is amended from time to time to reflect new properties being developed and properties being redeveloped/demolished for alternative use i.e. delisted. The VOA database has over 100 different description codes which are used to classify properties. Our analysis focused on those VOA properties categorised as: offices and premises (assumed to be B1a/b), office (B1a/b), factory and premises (B2), warehouse (B8), warehouse and premises (B8), workshop and premises (B1c), and store and premises (B8).
- C.3 Using this method we were able to match 72% of jobs from IDBR to records in the VOA database and either allocate jobs to a B use class or non B use class category. This means 28% of the jobs (73,000) were in organisations operating at an address which does not appear in the non-residential database and which we cannot allocate to a use class. We therefore carried out a number of further steps to allocate these unmatched jobs:
- For all unmatched organisations employing more than 50 people, we carried out manual web-searches to determine the type of business premises they occupy using Google maps and CoStar
 - 39% of the remaining unmatched jobs (24,000) were in the health and education sectors. We carried out manual web searches for 50 of the unmatched businesses to see what type of premises they occupy. 92% of jobs were in non B class space including schools, clinics, hospitals, care homes and residential addresses while 8% of jobs were in offices. We assumed that this split applied to all of the 24,000 unmatched jobs.
 - Of the remaining unmatched jobs, 17,800 (49%) were in businesses employing fewer than five people (as high as 70% in some sectors such as professional services, business services and ICT). Based on a sample of 50 of these businesses we estimate that 95% of these jobs are in businesses operating from a residential address and therefore are not using B class space.
 - For the remaining 19,000 unmatched jobs (which were mostly in businesses employing between 5 and 49 people), we assumed the proportion of jobs in different use classes was in line with the average for each sector.

Table C.1 Proportion of employment in B use classes (comparison of assumptions from 2016 report and updated study)

	B1a/b		B1c/B2		B8		Non B class	
	2016 report	Update	2016 report	Update	2016 report	Update	2016 report	Update
Agriculture	0%	31%	3%	15%	0%	6%	97%	49%
Mining & quarrying	0%	48%	0%	13%	0%	33%	100%	5%

Manufacturing	0%	31%	90%	30%	10%	17%	0%	22%
Utilities	0%	63%	12%	0%	1%	11%	87%	26%
Waste & remediation	0%	33%	12%	45%	1%	11%	87%	12%
Construction	8%	43%	0%	9%	0%	10%	91%	38%
Wholesale	0%	27%	8%	16%	79%	33%	13%	24%
Retail	3%	15%	0%	5%	1%	5%	96%	75%
Land transport	0%	23%	1%	4%	42%	46%	58%	27%
Water & air transport	0%	71%	0%	0%	0%	0%	100%	29%
Accommodation & food services	0%	21%	0%	2%	0%	3%	100%	74%
Publishing & broadcasting	83%	35%	0%	2%	0%	13%	17%	50%
Telecoms	100%	76%	0%	4%	0%	7%	0%	13%
Computer related activity	100%	50%	0%	16%	0%	7%	0%	28%
Finance	100%	68%	0%	4%	0%	3%	0%	26%
Real estate	16%	41%	0%	1%	0%	1%	84%	57%
Professional services	100%	43%	1%	7%	0%	6%	0%	44%
Research & development	100%	54%	0%	5%	0%	14%	0%	27%
Business services	78%	41%	1%	7%	0%	8%	21%	45%
Employment activities	100%	55%	0%	1%	0%	4%	0%	40%
Public administration	64%	70%	0%	1%	0%	1%	36%	29%
Education	1%	4%	0%	1%	0%	1%	99%	94%
Health & care	0%	11%	0%	1%	0%	1%	100%	86%
Arts & entertainment	0%	22%	0%	3%	0%	1%	100%	73%
Other services	0%	19%	8%	6%	0%	6%	92%	69%

Appendix D - Site Reviews

Dacorum Sites

Sites not included in the 2016 Study

- D.1 The following sites were not included in the 2016 study (or were considered but as part of a larger site). These sites have been the subject of a full site review, carried out by GL Hearn in 2018.

Maylands Gateway, Hemel Hempstead

Status: Proposed for employment development

Total site area: 9.7 Ha

Developable area: 7.8 Ha

Suitable uses: B2, B8

- D.2 The 9.7 Ha site is owned by Dacorum Borough Council. The land is not allocated for employment, however the Maylands Gateway Development Brief (2013) proposes the land as employment development. The site comprises of two parcels of land, Breakspear Way/ Buncefield Lane/ Green Lane/ Boundary Way (4.8 Ha) and the caravan storage site on Boundary Way (4.9 Ha).
- D.3 The site is vacant greenfield in the centre and southern boundary and occupied by a caravan storage business at the northern boundary and includes a preschool. The topography of the site is relatively flat. Woodwells Cemetery forms a part of the parcel in the central area but has not been considered for development. The surrounding land uses include farmland to the east and Maylands Industrial Park to the north which is a major employment area containing large scale strategic industrial uses such as Amazon's distribution centre. There is a brownfield development on Maylands Avenue west of the site which forms part of the wider Maylands Gateway area. This site has received planning permission for the construction of five new structures providing a total of 55,000 sqm of logistics and light industrial floorspace. Construction on this site has commenced.
- D.4 The site is accessible via Boundary Way, Green Lane and Buncefield Lane. Buncefield Lane has recently undergone road upgrades to accommodate significant new industrial development and Maylands Avenue will support the new industrial development occurring west of the site. The surrounding road network has the capacity to support movement of heavy vehicles from the site. The site is strategically positioned next to the M1 which connects directly to the M25. The site benefits from access to the local industrial markets of St Albans, Watford and Luton.
- D.5 There is a strong labour catchment in the major population centres of Watford, Luton and St Albans. The site is also within proximity to settlements including Redbourn, Berkhamsted, Tring and Chesham. The established employment area to the north of the site, Maylands Business Park, is a significant industrial area containing a diversity of jobs.
- D.6 The strategic position of the site in terms of access to local markets and strategic markets via the M1 and M25 and a strong labour market provides a strong case for the site. It will essentially form a natural expansion of the established Maylands Business Park and the new industrial development occurring west of the site.

- D.7 There is strong demand for strategic and local industrial requirements in the area which is performing well. The site is expected to see short to medium term demand for a mix of B8 uses (such as logistics) and local light industrial uses, similar to the profile of neighbouring occupants north of the site in Maylands Business Park and recent development occurring west of the site. This is subject to meeting local environmental constraints and vacating the site of current occupiers. The southern part of the site upholds more flexibility in terms of redevelopment opportunities given it is vacant green space and an employment land site currently under development.
- D.8 It is unlikely that this site will attract demand for office development as it is removed from transport access and the take-up of current office supply in the area is slow and the market has relatively high vacancy. Any form development would require an access extension from the neighbouring development site or a new access link from Green Lane.
- D.9 **Conclusion: The site benefits from strong access to the strategic road network. Demand will likely be for new logistics and local light industrial floorspace. Given the site profile and access it can meet short to medium term demand for employment development for B8 distribution and local light industrial.**

Figure D.1 Maylands Gateway



Icknield Way, Tring

Status: Proposed for employment development

Total site area: 0.75 Ha

Developable area: 0.75 Ha

Suitable uses: B1

- D.10 The site is 0.75 Ha and located south of Icknield Way in Tring. The Site Allocations Development Plan Document (2017) proposes the extension of the Icknield Way General Employment Area into the Local Allocation LA5 site. The site forms part of a larger site which is subject to a scheme promoting residential led development.

- D.11 The topography of the site is flat and the site is currently being used for farm land. The site is not subject to flooding. The surrounding land uses include Icknield Way Industrial Estate to the east and former Green Belt land now proposed for housing to the south and west of the site. The former Green Belt sites are currently used for the purpose of farming. Icknield Way Industrial Estate contains uses that serve local and regional markets including flooring providers and food flavouring distributors. It also contains uses that distribute globally such as Thermosafe, produces of temperature assurance packaging for the transportation of pharmaceuticals.

- D.12 The limited size of the site will constrain the range of units available for development and thus the market interest in the site. In the medium term the site is expected to attract small scale local occupiers, albeit with marginal viability, or a single occupier of a unit of 30,000 sqft. The site is well positioned for industrial development to occur given it as a natural extension from the adjacent existing Industrial Estate. Given the proposal for residential development on the site to the west, there is an opportunity for the site to meet functional demand and accommodate uses such as mechanic repairs, construction and trade uses and material providers.

- D.13 The site is within close proximity to the A41 junction, connecting the site to surrounding local populations (including Hemel Hempstead and Aylesbury and smaller surrounding settlements) wider regional markets via the M25 connecting the north and south.

- D.14 The Council has resolved to grant full planning permission for housing and other uses, and outline permission for 0.75 hectares of employment space (B1a, b and c) on the LA5 site.

- D.15 **Conclusion: The site is a designated employment site in the Site Allocations document (2017) and forms part of a larger site which is promoting a residential led development scheme. The size of the site is constraining however is expected to suit local light industrial uses as a natural extension from the established industrial estate, east of the site. Local market demand for the site is expected to be fulfilled in the medium term.**

Figure D.2 Icknield Way



Hemel Hempstead Station Gateway

Status: Potential new employment site

Total site area: 4.2 Ha

Developable area: 1.7 Ha

Suitable uses: B1a

- D.16 The 4.2 Ha site is designated in the Site Allocations Development Plan Document (2017) as a site for mixed use development to include an improved transport interchange, a car park and housing. The proposals do not include B-class uses.
- D.17 The Council's Two Waters Masterplan Guidance (2018) proposes an improved railway station and transport interchange with a mixed use commercial development (including offices) and housing. A more detailed masterplan is currently being prepared.
- D.18 The site is located immediately north of Hemel Hempstead Railway Station and bounded by London Road to the north, Roughdown Road to the east and railway lines to the south. The site currently hosts the Hemel Hempstead Station building and associated commuter car park, a restaurant an engineering yard, motor trade uses and four houses. The site is also bounded by constraints (such as the railway tracks and land protected as 'open land').
- D.19 The site is disconnected from the strategic road network. The railway corridor south of the site is a barrier connecting the site to the A41 road corridor. As a result, the site is only accessible from the north via the A4251 existing local road.
- D.20 The labour catchment is strong with proximity to Watford, Luton and St Albans and smaller settlements including Redbourn, Berkhamsted, Tring and Chesham. The site benefits from its location at Hemel Hempstead station. This widens the labour catchment and provides public transport accessibility for the workforce.

- D.21 The site is expected to experience a low level of demand for local commercial uses and is broadly unsuitable for general industrial development. Existing commercial occupiers benefit from London Road frontage. There is currently a single vacant plot of 0.4 ha with a 10,000 sqft building which presents a commercial development opportunity subject to the market conditions outlined below. The site's location makes it one of the best relative locations for office floorspace however demand in the area is currently low and is likely to require a pre-commitment tenant to be secured before development could come forward. Outline planning permission has been granted for a total of 6,000 sq m of offices fronting London Road, but these permissions seem unlikely to be implemented.
- D.22 If office development on this site is included as part of a mixed use development, it would likely be a small component (ranging in size up to 40,000 sqft) and be positioned on London Road to benefit from main road exposure.
- D.23 **Conclusion: The site is a location for limited development of commercial offices however the market is suppressed and unlikely to be brought forward in the short term unless a pre-let can be secured.**

Figure D.3 Hemel Hempstead Station Gateway



Bovingdon Brickworks

Status: Potential new employment site

Total site area: 2.5 Ha

Developable area: 1.9 Ha

Suitable uses: B1c, B2, B8

- D.24 The 2.2 Ha site is located in the Green Belt, north of Bovingdon and is subject to Core Strategy (2013) Policy CS5 Green Belt. The site is in the Site Allocations Development

Plan Document (2017) as a Major Developed Site in the Green Belt and an employment area in the Green Belt under policies SA2 and SA6.

- D.25 The topography of the site is relatively flat with a number of employment uses existing on the site. The site has historically hosted industrial uses. It was formerly occupied by Bovingdon Brickworks. Brick production on the site has ceased and the central part of the site is vacant. The southern part of the site is used by EH Smith builders' merchants, whilst the northern part is currently occupied by car mechanics and repairs, and an aggregates business. The site is already supported by servicing utilities and local road connections. If the site is redeveloped for employment uses such as logistics or distribution, there may be the need for remediation following the operation of former uses.
- D.26 In terms of accessibility, the site is located on Leyhill Road which connects to the surrounding local road network and surrounding settlements, however it is not connected to the strategic road network. The inaccessibility of the site may influence the types of industrial uses attracted to the site as logistics and distribution uses seek proximity to junctions and the strategic road network.
- D.27 The labour catchment includes the surrounding populations of Bovingdon, Chesham and Amersham. Workforce accessibility to the site is reliant on private vehicle.
- D.28 The landowners are promoting redevelopment of 1.9 hectares in the centre of the site, including some land outside the defined employment area in the Green Belt, where brick production occurred. The proposal involves the replacement of the existing buildings with a footprint of around 4,900 square metres, with a mixed scheme (B1, B2, B8) of 7,000 to 8,000 square metres. Although the site is relatively isolated from the network, and unlikely to attract distribution operators, there is expected to be demand from local occupiers that complement adjacent existing uses. Notwithstanding the closure of Bovingdon Bricks the site continues to host a number of other operators with ongoing activity, local requirements and supporting local employment. The site therefore continues to provide a local employment function. The nature of the location means the site is suited to local employment activities that can operate with direct residential adjacency constraints.
- D.29 The site viability depends on clearance cost which would be identified through more detailed survey. Notwithstanding, some form of employment development should be supported on the site. Specific end user occupiers may have been identified giving certainty to the commercial prospects.
- D.30 **Conclusion: The site is an established employment site serving the market needs of local industrial uses. The site is detached from the strategic road network. It is suitable that the site continues its current function and could support additional small-scale industrial development.**

Figure D.4 Bovingdon Brickworks



Land adjacent to A41 Service Area, Stoney Lane, Bourne End

Status: Potential new employment site

Total site area: 1.1 Ha

Developable area: 1.1 Ha

Suitable uses: B1c, B2

- D.31 The site is 1.1 Ha in size and located in the Green Belt next to the A41 Service Area at Bourne End. The site was designated as a Transport Proposal Site and Scheme Area in the Dacorum Borough Local Plan 1991-2011.
- D.32 The site is bounded by Stoney Lane to the north and the A41 to the south. Bourne End Mills Industrial Estate is an established industrial precinct located to the north east of the site and most of the estate has recently been redeveloped to provide modern industrial units ranging up to 30,000 square feet.
- D.33 The site is partly overgrown and slopes gradually towards the A41 - it is not affected by flood risk. The A41 Service Area is located immediately west of the site which accommodates a Shell Filling Station, fast food retail, hotel and small commercial premises. Any form of development can extend from the existing access or Stoney Lane.
- D.34 The location on the A road provides connections to the broader strategic road network. The site is accessible to markets in the north and south (in particular Greater London), Heathrow Airport and the surrounding employment land via the A41 connecting to the M1 and M25.
- D.35 The proximity to the successful Bourne End Mills Industrial Estate supports the potential development of the site for industrial activity. However the topography, size of site and proximity to commercial and leisure activity is expected to restrict the developable area. The site would be suited to a modest scale light industrial development. There is limited

potential for further B1a / A class uses given commercial demand on the A41 corridor is low and the market generally prefers locations with proximity to retail amenity and public transport options. The characteristics of the site do not necessarily meet the requirements of the office market and any development would often seek a pre-commitment. In light of this, the proportion of commercial development would likely be low and the site presents an opportunity to meet demand from B1c and B2 uses to support the local industrial services needs and of the surrounding residential population.

- D.36 Conclusion: The site is located on the A41 which is well connected to surrounding local markets. The neighbouring site and local employment activities provides facilities to support future operations of the site. The size and topography of the site may limit the type of employment that is attracted to the site. The site is expected to support small scale industrial needs of the local market and possible further commercial development.**

Figure D.5 Land Adjacent to A41 Service Area, Bourne End



Land East of A41, Hemel Hempstead

Status: Potential new employment site
Total site area: 5.6 Ha
Developable area: 5.0 Ha
Suitable uses: B1c, B2

- D.37** The subject site is 5.6 Ha and located to the east of the A41, Two Waters, Hemel Hempstead. The site is located in the Green Belt. Dacorum Council undertook a study to identify potential employment land and this site was investigated as an option and referenced P2 in the Dacorum Employment Land Availability Assessment (2017).

- D.38 The site is bounded by the A41 to the south and the rail lines to the north. The site is gently sloping and not impacted by flooding. It is currently in agricultural use. There are treed field boundaries intersecting the site and around it.
- D.39 Local population serving industrial uses such as construction material suppliers, vehicle mechanics and a bus depot are located on the northern boundary of the rail corridor, north of the site. Hemel Hempstead station is located less than one mile north west of the site.
- D.40 The site is located on the A41. The site is quite disconnected from the strategic motorway network, yet accessibility to local markets in surrounding residential settlements is relatively strong as it is positioned on the A41. There is an existing access road in place from Two Waters Road. An internal road network will need to be delivered.
- D.41 The site is expected to experience demand from the local light industrial market (ranging up to 50,000 sq ft), absorbing demand in the medium to long term as a secondary location to Maylands Business Park. This is aligned with the types of industrial uses currently located in the employment land north of the site which essentially supports the needs of local settlements with uses such as vehicle repairs and construction materials suppliers. It is unlikely the site will attract large scale B8 employment uses as access to motorways is poor. B8 employment uses would likely be drawn to locating in Hemel Hempstead Industrial Estate, north east of the site as this estate has direct access to the M1 and wider exposure to markets across the nation.
- D.42 Conclusion: The site has strong locational attributes on the local network, labour market access and proximity to Hemel Hempstead station. The site is expected to experience demand for local population serving light industrial uses.**

Figure D.6 Land East of A41, Hemel Hempstead



Shendish Manor, Apsley, Hemel Hempstead

Status: Potential new employment site

Total site area: 96.0 Ha

Developable area: 76.8 Ha

Suitable uses: B1a/c, B2

- D.43 The site is 96 Ha and located on the western side of the railway line and the eastern side of the A41 road corridor in Hemel Hempstead. The site is currently Green Belt and referenced P3 in the Dacorum Employment Land Availability Assessment (2017) as a possible future mixed employment and housing site.
- D.44 The site slopes away from the manor west to east, which may impact the type of employment land that could be delivered. The centre of the site contains a former manor house which is currently used as a hotel with a golf course to the north. The manor house and surrounding associated structures will need to be retained given heritage significance, making 80% of the site developable. There is some greenfield land south east of the hotel. Established houses border the north and south of the site. To the eastern boundary of the site is the railway line and Apsley station.
- D.45 The main building structure, Shendish Manor, in the centre of the site, and Apsley Manor farmhouse are grade 2 listed. Also, part of the site is a Locally Registered Park and Garden. Any form of development will need to consider the impact on these heritage assets in terms of visual amenity, noise and accessibility. The site is flood zone 1 and therefore not impacted by flooding.
- D.46 Accessibility is a challenge. The site currently serves access for hotel and golf course purposes via a narrow road from the eastern boundary of the site which is connected to the A4251. The vegetation along this road may be a barrier preventing any expansion opportunities. Further, the railway on the eastern boundary creates difficulties for a new access road to be delivered from the A4251 and any development is expected to require a new bridge. The site is currently detached from the strategic road network with no direct access to the A41, west of the site. If connections to the A41 could be achieved, it would strengthen access to the M25 and M1.
- D.47 The site has access to a strong labour catchment with populations in Hemel Hempstead to the north, Kings Langley to the south and St Albans to the east. The site benefits from access to Apsley train station directly east of the site which widens access to a strong labour pool. This makes the north east part of the site potentially attractive for limited office development in light of proximity to the train station and the array of existing commercial businesses opposite the rail corridor.
- D.48 The site is sizeable and has amenity value. It is expected that any development would be residential led being more sensitive to local constraints. Commercial or light industrial uses could form an element of any development. However, accessibility is a significant issue and needs to be resolved for employment land development to be realised. The site is detached from the strategic road network making it less attractive for large scale strategic employment uses to locate on the site.
- D.49 Access to the surrounding local markets of Hemel Hempstead, St Albans and Watford is a benefit to the site. These areas are experiencing population growth which will likely increase demand for local industrial goods and services such as construction materials and

vehicle repair. However, any form of employment development is long term and will require investment in access roads and utilities infrastructure.

- D.50 If accessibility can be addressed, employment development in the form of limited office floorspace would be best suited north east of the site where there is strong access to Apsley station. Specific requirements would be subject to a pre-let or occupier needs, indicatively of 100,000 sqft.
- D.51 Employment land development in the form of B8 uses is unlikely viable as the site is quite inaccessible and sloped.
- D.52 Subject to access the site would likely attract demand for local industrial goods and services such as construction and materials and vehicle repair. The scale of small industrial sheds would range up to 10,000 - 30,000 sqft and best located north west of the site, facing the A41. However, development of this type will not be achievable without the accessibility issue resolved as direct access to the A41 is critical for industrial markets.
- D.53 Conclusion: The site is sizeable and benefits from access to a strong labour pool. However there are access and environmental constraints that are likely to limit its potential as an employment location. A small portion of the site may be suitable for employment in the form of B1 uses as part of any residential led scheme.**

Figure D.7 Shendish Manor, Apsley



Dunsley Farm, Tring

Status: Potential new employment site

Total site area: 39.0 Ha

Developable area: 35.1 Ha

Suitable uses: B1c, B2, B8

- D.54 The site is 39 Ha and located to the north of London Road. The site is currently a large green belt site. Part of the site (up to 5 ha.) has been identified as a potential future employment site and referenced P5 in the Dacorum Employment Land Availability Assessment (2017). The Council's Local Plan Issues and Options Paper (2017) outlined that Dunsley Farm was suitable for up to 5 hectares of industrial and warehousing uses.
- D.55 The site is currently Green Belt, although there are some existing small scale employment uses to the north west of the site containing businesses such as a brewery, farm café and machinery repair. The whole site is developable. The neighbouring land to the east is Green Belt and a sports ground to the north. The existing employment uses actively serve the local market and therefore any employment development will likely need to be configured around these uses. The site is not impacted by flooding as it is flood zone 1.
- D.56 The existing employment uses access the site via a narrow road from London Road from the west. Any form of employment land development will require the provision of new roads from London Road (A4251) and supporting utilities infrastructure. The site is detached from the strategic road network. This reflects the nature of employment uses currently located on the site as the businesses predominately serve the local industrial market meaning access to strategic roads is not as important for their operation.
- D.57 The site is located within proximity to the A41 which connects the site to populations in Hemel Hempstead and Aylesbury. This location provides access to a relatively strong labour catchment.
- D.58 Given the location and poor accessibility to the strategic road network, the site is less likely to attract strategic B8 employment uses and likely to experience medium to long term demand from the local industrial market, particularly in the form of light industry uses that support surrounding residential and business needs. The scale of this form of development would likely be small to medium sized sheds, ranging up to 50,000 sqft.
- D.59 The site is well positioned to support this demand, but it is not anticipated development would be the entire scale of the site, creating opportunities to explore mixed use development options. The level of employment land demand is likely to be greater than the anticipated 5 Ha over the medium term. From this, employment land development could absorb up to 8 Ha, however it is dependent on the lot configuration of industrial sheds and the amount of land that is required to make industrial development feasible.
- D.60 Given the existing industrial activity on the western side of the site, it is appropriate for employment development to locate on the western and southern boundary of the site.
- D.61 Further employment land development is dependent on investment in supporting utilities infrastructure and access. The latter is anticipated from London Road where there is an existing roundabout and access road connecting to the site.
- D.62 Conclusion: The site will likely to fulfil medium - long term demand from the local industrial market. The site is sizable and up to 8 ha is appropriate. It is detached from the strategic road network making it less ideal for strategic employment uses that need to access markets across the nation.**

Figure D.8 Dunsley Farm



Wayside Farm. Kings Langley

Status: Potential new employment site

Total site area: 47.0 Ha

Developable area: 42.3 Ha

Suitable uses: B1a/c, B2, B8

- D.63 The 47 Ha site is located to the west of Watford Road and east of the A41 in Kings Langley. The site is currently in the Green Belt. It was referred to in the Local Plan Issues and Options consultation paper subject to a site options paper prepared by Dacorum Council. The purpose of the options paper was to identify opportunity land for employment and housing to feature in the new Local Plan (2013). The site is referenced KL-h3 and identified for potential mixed housing and up to 18 Ha of employment land.
- D.64 The site is Green Belt and used for farming purposes. The Wayside Farm buildings occupy part of the site, located to the east on Watford Road. These structures do not need to be retained and all of the site is developable. However, Cedar Lodge located next to the Wayside Farm buildings is listed and should be retained. The neighbouring land uses include housing to the north and east of the site and Green Belt to the west. There is a small cluster of existing employment land east of the site across the Grand Union Canal, comprising of strategic industrial uses such as energy producers and technology manufacturers. West Herts College is also located in the area. Notably, one site is currently being converted to residential apartments.

- D.65 The topography of the site is sloping, although not steeply, and is not restricted by waterways or vegetation. The site is flood zone 1 and not impacted by flooding.
- D.66 Accessibility is relatively strong with J20/London Orbital M25 located immediately south of the site, enhancing connectivity to markets in Greater London. Highways consultants to the County Council (owners of the Wayside Farm site) have advised that large-scale new development in Kings Langley is not possible unless a major improvement to M25 Junction 20 is carried out. As far as we are aware, Highways England currently have no plans to improve this junction, but the County Council has referred to the need to improve it (in the Draft SW Herts Growth and Transport Plan).
- D.67 Current uses on the site gain access from Watford Road to the east. There is a local road intersecting the centre of the site from east to west which is used for farming purposes. This road is an unsurfaced track so a new access road would be needed to support employment land development on the site. Supporting utilities infrastructure will need to be delivered to support employment land development.
- D.68 The site has access to a relatively strong labour market. Kings Langley train station is located to the east of the site, connecting the site to populations in Watford to the south and Hemel Hempstead to the north. Kings Langley local centre is a short distance to the north of the site. These are benefits for the site in attracting office development as the commercial market in the area seeks proximity to train stations and retail amenities.
- D.69 The site is strategically positioned on the London Orbital M25, connecting to the Greater London industrial market and the rest of the country. This level of accessibility is likely to attract commercial and industrial uses that require motorway access to London and the national markets, similarly to the existing employment uses east of the site. The emphasis is anticipated to be on higher value economic uses and commercial offices, benefitting from the existing agglomeration, learning centre and station access.
- D.70 Whilst short term demand would be strong for a range of industrial and commercial uses including strategic distribution (subject to access constraints) and local light industrial, there is a particular opportunity for a long term strategic site for a major new office development as part of a wider mix of uses which could meet the wider needs of South West Herts.
- D.71 If the site was to include office floorspace as part of a mixed use scheme, the eastern part of the site on the A4251 is the most appropriate location for future office in light of proximity to Kings Langley station and existing services and facilities on Station Road. As the site is not located in a town centre, development would need to provide A grade commercial floorspace and incorporate amenities to have a competitive edge over office floorspace in town centres, particularly Hemel Hempstead and Watford.
- D.72 Conclusion: Access to a strong labour market, existing office park and the Orbital motorway are locational benefits. The site can accommodate demand for higher value commercial offices albeit it is well placed for a range of strategic industrial uses subject to access. However, it appears that large-scale development is not possible unless a major improvement to M25 Junction 20 is carried out.**

Figure D.9 Wayside Farm, Kings Langley



Allocated sites in Dacorum

- D.73 The Employment Land Availability Assessment (ELAA) produced for Dacorum BC provided a full assessment of allocated employment sites in the borough. Therefore full site reviews have not been provided for these sites. However the Council did raise a number of specific queries about certain sites which they asked for the study to advise upon. These are provided here

Billet Lane

- D.74 The extent of the Billet Lane General Employment Area (GEA) was reduced in the Site Allocations Development Plan Document (DPD) in 2017, to exclude the land between ELAA site A15 and Gossoms End (comprising Majestic Wine and land with permission for a Lidl foodstore and housing). See Figure D.10.
- D.75 The ELAA recommended that the site should be safeguarded for its existing employment use. However, the remaining part of the GEA is small and is separated from the Northbridge Road GEA by the canal. The site is being promoted for housing development in the new Local Plan. DBC requested advice on the prospects of retaining the existing employment use.

- D.76 The business units in the allocated area are currently well occupied supporting local requirements. However opportunities for housing redevelopment at this part of this site could be explored in the long term as the stock ages and the need for upkeep is identified.

Figure D.10 Billet Lane, Berkhamsted



Paradise/Wood Lane, Hemel Hempstead

- D.77 The site is within Hemel Hempstead town centre. It is designated as mixed use proposal MU/3 in the Schedule of Mixed Use Proposals and Sites in the Site Allocations DPD (see page 22). The proposal is for B1 led business and housing (75 homes).
- D.78 The MU/3 site excludes the part of the Local Plan's Paradise GEA (i.e. the Royal Mail site) that has been redeveloped for housing and a self-storage facility.
- D.79 The proposed redevelopment of the adjoining Hospital site (Site Allocations mixed use proposal MU/2) includes 400 homes. There may be an opportunity to link the redevelopment of the Paradise/Wood Lane and Hospital sites.
- D.80 The ELAA's recommendation on whether the Paradise/Wood Lane site should be safeguarded for its existing employment use was inconclusive. This was because "the site provides important office and industrial units for small and medium businesses. However, the release of part of the site for housing may compromise the continued operational efficiency of the GEA."
- D.81 The site is in multiple ownership (including Dacorum Council) and provides office and industrial space for small and medium businesses. Planning permission (ref. 4/01121/18/MFA) has been granted for 44 flats on a small part of the MU/3 site (0.24 ha.). Further applications for high density housing may be submitted on other parts of this town centre site.
- D.82 DBC requested advice on the prospects of:

- Retaining the existing employment uses on the site.
 - Securing new office or other B-class development.
- D.83 They also asked if new employment development is likely to be viable and is this only if it forms part of a housing led redevelopment scheme?
- D.84 One building within this area forms part of a proposed Article 4 area (due to become operational January 2020). The building in question is Park House, Park Lane, which is a good quality office building. Planning applications will be required for change of use from B1 (a), B1 (c) and B8 to housing within the Article 4 area, which also includes One Park Lane.
- D.85 The permission referred to above has displaced commercial and industrial employment floorspace supply, however the loss could potentially be offset in nearby potential future employment sites. The area is a reasonably well occupied industrial estate with a range of building quality including a number of buildings of older stock. The function is expected to be maintained in the medium term providing a range of useful units and local employment. Local and lower value industrial activity is often reliant upon an ageing and cheaper stock. Redevelopment for newer industrial stock is not anticipated in this location.
- D.86 There is latent demand for offices in the centre however viability for office development will be marginal. Viability for office would be cross subsidised by residential development however pre-let tenancy would be preferred due to a subdued market.

Figure D.11 Paradise/Wood Lane, Hemel Hempstead



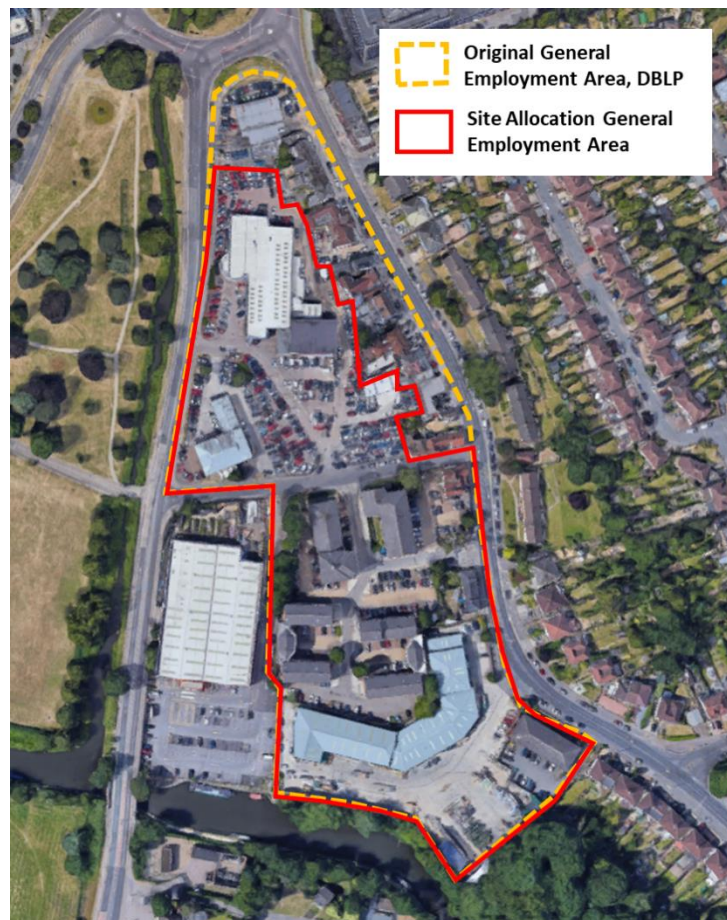
Corner Hall, Hemel Hempstead

- D.87 The extent of the GEA was reduced in the Site Allocations DPD, to exclude land in non-B class uses (see Figure D.12). The ELAA's recommendation on whether the site should be

safeguarded for its existing employment use was inconclusive. The reason given was because “the allocation should be reduced to reflect the parts of the site that are expected to remain in employment use.”

- D.88 This GEA includes a mix of uses, including offices, Travis Perkins (builders’ merchants), motor trade uses and housing (resulting from prior approval office to residential changes of use).
- D.89 The Council’s Two Waters Masterplan Guidance (February 2018) contains proposals for Corner Hall. It proposes residential development in most of this GEA. This would mean deleting the GEA, as most of the land not proposed for housing in the Masterplan is already in residential use.
- D.90 DBC requested advice on the prospects of securing new office development. They also asked if new employment development is likely to be viable and is this the case only if it forms part of a housing led redevelopment scheme?
- D.91 The local commercial office market is subdued however this proximity to the town centre is anticipated to be able to absorb some latent demand. Independent office development is not expected to be viable therefore residential mixed use enhances the prospects of delivery.

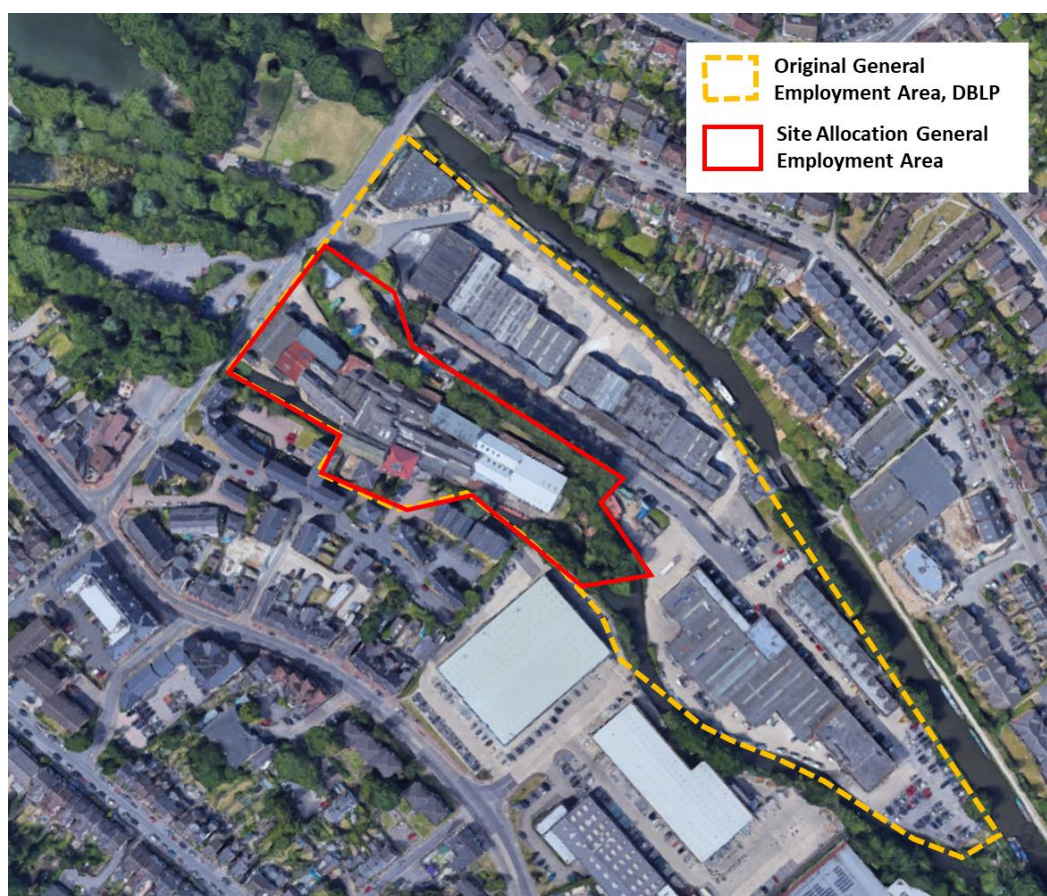
Figure D.12 Corner Hall, Hemel Hempstead



Frogmore Mill, Hemel Hempstead

- D.92 Most of the Local Plan's Frogmore GEA was reallocated for housing in the Site Allocations DPD. The remaining area is designated in the Site Allocations as Frogmore Mill GEA (see Figure D.13).
- D.93 The Site Allocations Written Statement (page 38) states that: "part of the mill is used for the Paper Trail visitor attraction. Scope for B1 use elsewhere in the site through limited intensification and making full use of the mill building" and "new or replacement buildings should be in keeping with the mill's historic setting". The ELAA recommended that the site should be safeguarded for its existing employment use.
- D.94 DBC asked for advice on the prospects of securing new B-class development, either new-build or within the existing mill building (assuming that the Paper Trail visitor attraction remains on the site).
- D.95 The complex arrangements of aged compromised stock with little yard space suggests that securing new tenants is unlikely. The site's shape is also unattractive to future redevelopment and unlikely to be viable for light industrial with site clearance and remediation costs, notwithstanding the general demand for local light industrial.

Figure D.13 Frogmore Mill, Hemel Hempstead



Two Waters, Hemel Hempstead

- D.96 The extent of the GEA was reduced in the Site Allocations DPD, to exclude land in non-B class uses (see Figure D.14).
- D.97 In the ELAA, this GEA is split between Two Waters (east) and Two Waters (west). The ELAA recommended that both sites be safeguarded for their existing employment use.

Two Waters (west)

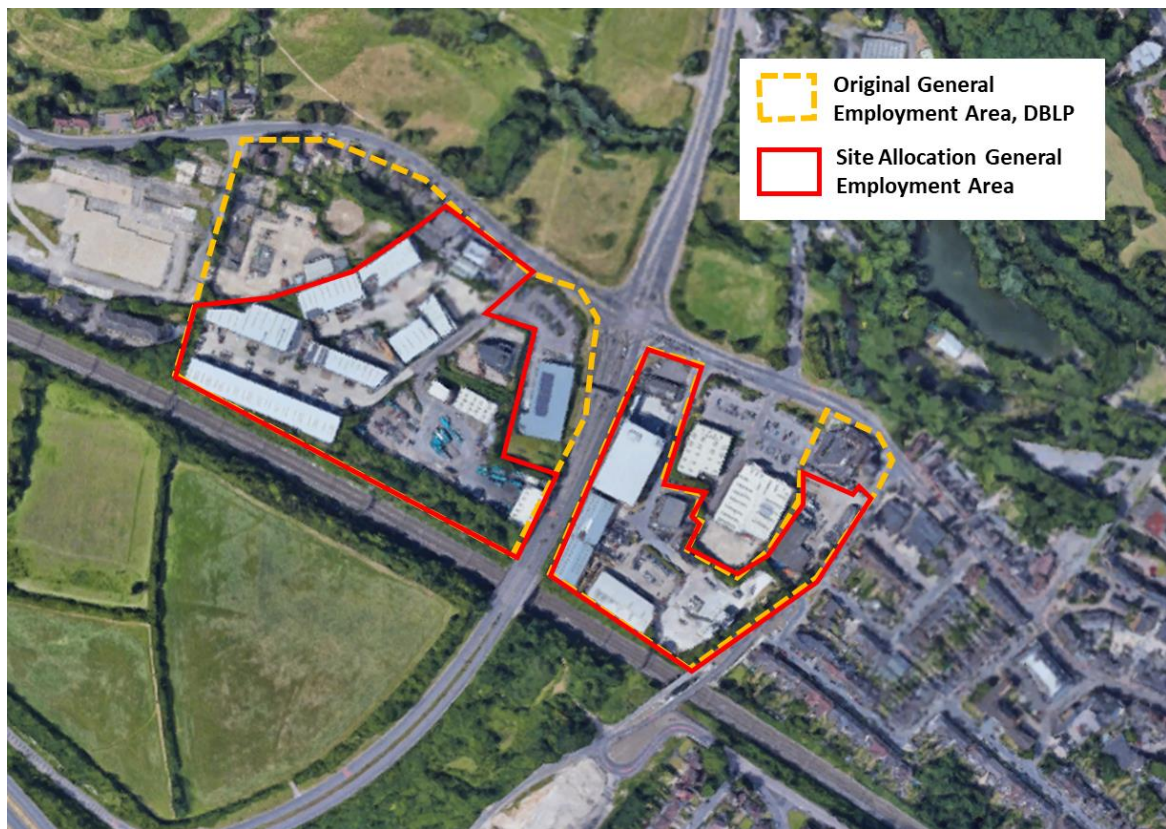
- D.98 DBC's Two Waters Masterplan Guidance (February 2018) contains proposals for Two Waters (west). It proposes residential development fronting London Road (to replace the motor trade uses) and on the Symbio House site, east of Whiteleaf Road (partially demolished - planning permission granted for high density housing). DBC requested advice on the prospects of securing new B-class development if the bus depot site becomes available.
- D.99 Two Waters west site is within close proximity to Hemel Hempstead station which is experiencing difficulties securing commercial office tenants, therefore any prospect of commercial office floorspace development in this area is long term. The bus depot site presents an opportunity for light industrial development subject to viability, albeit that entry costs are assumed to be low.
- D.100 Chancerygate Business Centre and London Road Trade Centre (in the Two Waters (west) area) are in a proposed Article 4 area, due to become operational in January 2020. This

means planning applications will be required for changes of use from B1 (a), B1 (c) and B8 to housing.

Two Waters (east)

- D.101 This GEA contains elements of varying quality. For example, a self-storage unit has been built recently, but there are some low quality employment uses such as the concrete plant and a depot adjoining the residential Featherbed Lane. None of this GEA has been promoted for housing or other uses.
- D.102 DBC requested advice on the prospects of
- Retaining the existing employment uses on the site.
 - Securing new office or other B-class development if any of the site becomes available for redevelopment.
- D.103 The Two Waters east site contains active uses that serve the local industrial market including automotive repairs, concrete batching and construction material suppliers. If existing businesses relocate and land becomes available, demand is present for local light industrial uses however there may be entry costs that render redevelopment unviable (notably at the concrete plant) and a wider mix of commercial or quasi retail uses can be considered.
- D.104 In summary, the existing uses at Two Waters east and west are active and contribute to the wider supply chain of the regional industrial market. Retention of this site for uses that are currently operating are appropriate however future opportunities may be considered in due course.

Figure D.14 Two Waters, Hemel Hempstead



Maylands Business Park (north of Nickey Line), Hemel Hempstead

- D.105 This land is still allocated as a GEA via saved Local Plan Policy 31 (it is the northern part of the Swallowdale GEA). However, the Dacorum Core Strategy (Figures 18 and 22) refers to it as an 'Area of residential opportunity'.
- D.106 The ELAA recommended that the site should be safeguarded for its existing employment use. The site includes a mix of uses including B-class uses, motor trade uses, an Aldi supermarket, residential (including The Elms hostel), a household waste site and the Council's Cupid Green depot. Permission has also been granted for a small standby electricity plant. The B-class uses include the Council's Maylands Business Centre and PJ Brown and sons (car breakers).
- D.107 The household waste site is too small to meet needs and the County Council is considering relocating it, whilst Dacorum Council may relocate the Cupid Green depot.
- D.108 DBC requested advice on whether the following sites are likely to be attractive for new employment development if they become available for redevelopment:
- The car breakers yard, Cupid Green depot and the household waste site.
 - The motor trade uses on the west side of Redbourn Road.
- D.109 The site's location and proximity to residential settlements is an advantage and positions the site to serve the needs of the local industrial market.
- D.110 Currently, the breakers yard, Cupid Green depot and household waste sites serve the needs of the local population. If these sites become available, the need for local light

industrial land within close proximity to the markets they serve will remain and therefore the retention of these sites for continued local light industrial use needs to be considered. Any future redevelopment for industrial is anticipated to have a low entry cost. Dilution of the employment area may jeopardise the functionality of the strategic estate.

- D.111 The motor trades on the west side of the road are less integral to the function of the industrial area. Given the road frontage future commercial occupiers may be forthcoming however the site could be considered for alternative uses subject to a period of marketing.

Figure D.15 Maylands Business Park (north of Nickey Line), Hemel Hempstead



Hertsmere

Sites not included in the 2016 Study

Land adjacent to Elstree Way Employment Area

Status: Safeguarded in local plan

Total site area: 14.5 Ha

Developable area: 8.7 Ha

Suitable uses: B1c, B2, B8

- D.112 The site is 24 Ha in size and located east of Rowley Lane, Borehamwood. Under the Hertsmere Local Plan 2012-2027, the site is subject to Policy SADM9 Safeguarded Land for Employment Development. Under this policy, the site would be 'released for employment purposes in the event that a review of the Local Plan indicates that there is

insufficient suitable land available within the then defined urban area and or consistent with Local Plan and national planning policy to meet longer term employment needs’.

- D.113 The site is bounded by the A1 to the east and Rowley Lane to the west of the site. The western boundary of the site is treed and not visible from Rowley Lane. On this side of the site there are currently existing employment uses containing heavy vehicle repair uses. There is a hotel located at the southern boundary of the site facing the A1 junction with a small wooded area directly to the north. Any form of development would need to be configured around the existing uses with approximately 60% of the site remaining for development opportunities.
- D.114 The neighbouring land uses include the established Elstree Way Employment Area to the west and Green Belt land to the north and east. Elstree Way Employment Area contains a mix of commercial units and industrial uses such as construction materials, food manufacturing and bulky goods retail.
- D.115 The topography of the site is relatively flat. There is woodland on the western boundary of the site and to the south which may impact employment land development in the southern part of the site. Approximately 15% of the site is affected by flood zone 3.
- D.116 Accessibility to wider industrial markets is strong. The site is positioned on the A1 junction providing direct access to the M1, south of the site and M25, north of the site. The M25 has strong access to markets around Greater London and the M1 provides national north south access. There is currently access off Rowley Lane for existing employment uses. Any form of employment land development is expected to require the delivery of a new access road off Rowley Lane and internal road network.
- D.117 The site benefits from access to a strong labour pool. The populations of Watford and Barnet are within close proximity to the site and in addition, smaller settlements including Radlett, Elstree and Edgware contribute to the labour catchment.
- D.118 The location will likely attract local light industrial businesses as well as wider strategic distributors that require access to the strategic motorway network for access to national market and commercial uses. Demand for offices is expected to be limited. This will be a natural extension from the established Elstree Way Employment Area, west of the site. The neighbouring industrial estate has reached capacity which will likely trigger medium term demand for employment land on the site. However, development is reliant on enhanced access and investment in utilities infrastructure.
- D.119 Conclusion: The size, flat topography and proximity to the strategic road network are strengths, positioning the site to accommodate future strategic employment land. Employment land development would be a natural extension from the existing Elstree Way Employment Area and likely attract similar light industrial strategic industrial uses in the medium term. Any development requires the delivery of access roads from Rowley Lane and utilities infrastructure.**

Figure D.16 Land adjacent to Elstree Way Employment Area



Land at Rowley Lane

Status: Potential new employment site

Total site area: 15.0 Ha

Developable area: 13.5 Ha

Suitable uses: B1c, B2, B8

- D.120 The site is 15 Ha and located to the immediate north of the Land adjacent to Elstree Way Employment Area site. The site is located south of Rowley Lane and west of Barnet Bypass. It is currently safeguarded land for employment development under the Hertsmere Local Plan 2012-2027. The site was investigated for potential housing and employment land and referenced HEL206/376B in the Potential sites for Housing and Employment (2018) document prepared by Hertsmere Borough Council.
- D.121 The majority of the site is currently undeveloped as it is Green Belt land. The topography is relatively flat and there is some vegetation, yet this is unlikely to impact development. There is a water body that intersects the centre of the site meaning approximately 10% of the site is affected by flood zone 3. The neighbouring land uses to the north include a cluster of listed buildings and a wildlife site and Green Belt land to the east.
- D.122 There is no access point to the site, however there are various options to address this through the delivery of an access road from Rowley Lane or as a second phase to land being developed directly to the south. The site is well positioned within close proximity to the A1 which provides strong connections to the M1 and M25 motorways. As identified above, this level of access connects the site to Greater London and markets across the nation.
- D.123 Similarly to the Land adjacent to Elstree Way Employment Area site assessed above, the site benefits from strong access to a wide labour catchment. The strategic road network

provides exposes the labour force in Watford and Barnet and in smaller settlements including Radlett, Elstree and Edgeware.

D.124 The location of the site is an asset attractive to a mix of local and strategic industrial uses. However, demand for employment land development will likely be long term as the safeguarded land south of the site would likely come forward for delivery first. Given the flooding constraints, approximately 90% of the site is developable for employment land. The site requires the delivery of a local road network and supporting utilities infrastructure.

D.125 Conclusion: The site is well positioned strategically with strong access to the motorway network and labour pool which will likely attract investment from both local and strategic industrial markets. However, the site is currently Green Belt and located north of an existing safeguarded site, meaning the likelihood of development is long term. Any form of development would be a natural extension from the existing Elstree Way Employment Area.

Figure D.17 Land at Rowley Lane



Tyttenhanger Estate

Status: Potential new employment site

Total site area: 170 Ha

Developable area: 161.5 Ha

Suitable uses: B1c, B2, B8

D.126 The site is 170 Ha in size. Coursers Road intersects the centre of the site with the majority of land south of Courses Road. It is bordered by Walsingham Wood and Fendricks Wood to the east and the M25 to the west. The site was investigated for potential housing and employment land and referenced HEL282 in the Potential sites for Housing and Employment (2018) document prepared by Hertsmere Borough Council. This document

identified the potential for the site to be developed for a new garden village with over 4,000 houses, yet the proportion of employment land is unknown. The landowners of the site are currently in the planning process for the development of a mixed use garden village with up to 6,000 new houses and local retail services.

- D.127 The site is currently in the Green Belt and the current uses are predominately open pastures and woodland and there is a sand and gravel quarry and landfill site to the southern boundary of the site which rely on access from Coursers Road. Coursers Farm is an established stable yard to the east of the site. The neighbouring land uses are predominately Green Belt.
- D.128 There are a number of environmental factors that impact this site such as protected woodland, Site of Special Scientific Interest and local wildlife sites and there are archaeological sites on Courses Farm to the east of the site. These factors will need to be considered and may impact what can be achieved on the site in terms of employment land development. There is a water body travelling east of Coursers Farm and to the immediate south of the A414. The land in this area is flood zone 3, impacting around 5% of the site.
- D.129 Accessibility to the site is relatively strong. The site is bound by roads that connect to the strategic motorway network including A414 to the north and the M25 to the west. Coursers Road currently provides access for heavy vehicle movement accessing the quarry and the landfill site. Notably, any development is reliant on the delivery of local roads and supporting utilities infrastructure. Given the size of the site, there are opportunities for employment land development to be staged from the M25 Junction, on the western boundary of the site. This location is on the London Orbital Motorway, providing strong east-west connection to local markets and enhancing connections to strategic markets in Greater London.
- D.130 The site has access to a relatively strong labour catchment. St Albans is located north west of the site and Hatfield is north east. The site is not accessible by public transport; however the large scale employment uses currently on the site are accessed via private vehicle use.
- D.131 There are opportunities for employment land to absorb a portion of land adjacent to the M25 Junction. This provides the opportunity for staged development, requiring the delivery of roads and utilities with the potential to expand further in the long term. In light of the flooding constraints, around 95% of the site is developable for employment land. The site may attract long term demand for strategic industrial uses seeking large format sheds and access to the Greater London industrial market and regional markets via the strategic motorway network.
- D.132 Conclusion: The site is subject to proposals for a new garden village, however consideration should be given to employment land adjacent to the M25 Junction. The M25 Junction is strategically connected to local industrial and regional industrial markets. The site is well positioned to accommodate medium term demand from logistics and local light industrial activity.**

Figure D.18 Tyttenhanger Estate



Land to East of South Mimms Services

Status: Potential new employment site

Total site area: 96 Ha

Developable area: 6.0 Ha

Suitable uses: B1c, B2, B8

- D.133 The 102 Ha site is located east of South Mimms Services, north of the M25 (London Orbital Motorway). The site is referenced HEL361 in Hertsmere Council's Potential Sites for Housing and Employment document (2018). This document notes the site is up to 102 Ha and promotes the site for a mix of employment and housing. However the site promoter has now indicated that only 6 ha of this land is being put forward for employment uses.
- D.134 The site is currently Green Belt with no existing structures or roads in place. The topography of the site slopes down to the east of the site. Mimmshall Brook travels along the eastern boundary of the site, making around 10% of the site impacted by flood zone 3. Vegetation exists along the brook. There are isolated dwellings in the site centre. Any form of development will need to consider the impacts of flooding and the sloping landscape. In light of this, around 90% of the site is developable for employment land.
- D.135 Accessibility to the site is strong. The site is positioned to the north east of the A1/M25 junction, connecting the site to major industrial markets in the region and nationally. The site benefits from locating next to the South Mimms Services to the west which contains a hotel, service station and food retail as well as a number of vehicle repair and recovery employment activities benefitting from the location. Local access to the network for strategic development may be constrained as further development would draw through the existing services roads.

- D.136 The strategic location would be expected to attract strong demand for a range of industrial activities and storage / distribution occupiers from the local and sub regional level. There will need to be an access road delivered to the site with opportunities presented at Wash Lane.
- D.137 Proximity to the M25 provides strong east west connections to local and regional markets across the nation. Employment land development will need to deliver a new internal local road network and supporting utilities infrastructure. The risk of flooding and associated impacts will need to be taken into account.
- D.138 Conclusion: The location of the site on the A1/M25 junction positions the site to accommodate demand for strategic industrial uses, particularly logistics and distribution as well as light industrial. Although the scale of development will be limited as only 6 ha is being promoted for employment uses. The neighbouring South Mimms Services is an advantage as it provides services to support the 24 hour function of these uses. Any form of development needs to consider the environmental impacts and is reliant on the delivery of access roads and utilities infrastructure.**

Figure D.19 Land to East of South Mimms Services



Elton Way, Bushey

Status: Potential new employment site

Total site area: 25 Ha

Developable area: 11.5 Ha

Suitable uses: B1c, B2

- D.139 The site is 25 Ha in size and currently Green Belt land. It is located between the A41 (to the north) and the M1 (to the south) in Watford. The site is referenced HEL200 in Hertsmere

Council's Potential Sites for Housing and Employment document (2018). This document promotes the site for employment land development.

- D.140 The site is Green Belt yet contains a number of different uses. The north west of the site contains building material suppliers, the centre of the site is vacant Green Belt land and the south east occupies a cluster of houses and employment uses including a scrap metal business. The south east corner at A41 and Sandy Lane hosts a McDonald's restaurant which has been excluded from the site boundary. In light of the existing employment land uses, around 50% of the site remains for employment land development opportunities. Any form of employment land development on the site may require the configuration of lots around the existing uses.
- D.141 There is a cemetery directly south of the site, established dwellings to the east on Sandy Lane and large format retail goods west of the site including businesses such as Costco, car dealerships and construction material suppliers.
- D.142 The site is relatively flat and bounded by woodland along the A41. This will require some degree of clearing for access to the site. Hillfield Brook intersects the south west corner of the site. This impacts the land with part flood zone 2 and flood zone 3 covering approximately 5% of the site.
- D.143 Accessibility to the site is strong via the A41, however an access road to the site will require the clearing of vegetation. The M1 motorway is at the northern boundary of the site, however there is no direct access to the motorway albeit a junction is approximately 1km to the north west. Any future employment land development will require a new access road from the A41.
- D.144 The function and markets the existing employment land to the west serves provides an opportunity for the site to accommodate similar industrial uses. There is expected to be market demand for construction materials, car mechanics and other light industrial uses that serve the local residential market. The site has the potential to address this need by accommodating local population serving industrial uses.
- D.145 Conclusion: The site is strategically positioned between the A41 and the M1 motorway. The proximity to the established employment land west of the site provides an opportunity for the site to accommodate similar uses which will respond to the growing demand for local population serving industrial uses.**

Figure D.20 Elton Way Bushey



Update on sites included in 2016 study

- D.146 GL Hearn undertook the assessment of employment land within the South West Hertfordshire study area in 2015. At that point in time, the sites assessed were either existing significant sites or put forward as potential locations for future employment development.
- D.147 The table below summarises the current status of these sites in Herts mere, outlining whether any changes have been made to the use of each site since the assessment was undertaken in 2015.

Table 10.1 Updates for sites assessed in Herts mere

Site	
Wrotham Business Park	<ul style="list-style-type: none"> • Site is still fully occupied and continues to operate as a small, successful office park • We continue to recommend that the site is retained for continued employment use • Constraints of the site's landscape and historic environment mean any expansion is unlikely to be appropriate.
Theobald Court	<ul style="list-style-type: none"> • Part change of use of office building to C3 residential since 2015 study • Remaining office space is well occupied, operating as a business centre for small businesses • We continue to recommend that the site is retained for office use
Stirling Way	<ul style="list-style-type: none"> • An industrial unit adjacent to Morrisons was demolished, resulting in loss of 1,265 sq m of space. The site was redeveloped to provide additional car parking and a fuel filling station for Morrisons.

	<ul style="list-style-type: none"> • Occupancy of remaining space continues to be high. However large amount of space on site is now in non-B class uses (even more so given the recent loss of industrial space) • We recommend the that the site is considered for a wider range of appropriate commercial uses, which reflect the increased offer within these locations, whilst retaining the commercial appeal of the area and encouraging economic development.
Station Close	<ul style="list-style-type: none"> • Still operating successfully as a mixed use business park (office and light industrial). • Small loss of industrial space since the 2016 study. Part of this was change in use to B1 office accommodation. • Occupancy of space continues to be high. • We continue to recommend that the site is retained for continued employment use
Otterspool Way	<ul style="list-style-type: none"> • Site is still performing well, although majority of jobs are in non B-class uses • There has been further loss of 2,000 sq m of B class space since the 2016 study, due to change of use from B class uses to D2 (leisure) uses. • We recommend the that the site is considered for a wider range of appropriate commercial uses, which reflect the increased offer within these locations, whilst retaining the commercial appeal of the area and encouraging economic development.
Lismirrane Industrial Park	<ul style="list-style-type: none"> • Continues to operate as a mixed use employment site. • Occupancy rates are still high overall, although some industrial units are available. • We continue to recommend that the site is retained for continued employment use
Cranborne Road	<ul style="list-style-type: none"> • Continues to operate as successful mixed use site • Occupancy rates are still good overall, although Cranborne House is still advertising 11,000 sq m of vacant industrial space • We continue to recommend that the site is retained for continued employment use
Land adjacent to Cranborne Rd	<ul style="list-style-type: none"> • The potential expansion area suffers from a less prominent location and a poorer quality environment than elsewhere in the business park. • However the industrial estate is performing well and we continue to consider that the expansion area provides an attractive proposition for further expansion of the employment area.
Hollies Way Business Park	<ul style="list-style-type: none"> • Continues to be used for small scale garage, vehicle repair and car wash uses. • Continues to be well occupied but unlikely to be attractive to anything other than local businesses similar to those already on site. • We continue to recommend a flexible approach to allow use of the site for employment related uses.
Centennial Park	<ul style="list-style-type: none"> • Continues to operate as a successful business park including a mx of office and light industrial uses. • Recent demand for space has been strong and the site is nearly fully occupied.

	<ul style="list-style-type: none"> • There has been a change of use resulting in the loss of 2,000 sq m of B class space to develop a new health centre. • However this does not change our recommendation that the site is retained for continued employment use
Land to north and west of Centennial Park	<ul style="list-style-type: none"> • Centennial Park is a successful and commercially attractive site • There is further limited development opportunities within the existing site. We therefore continue to recommend the potential expansion opportunities are strongly considered by the Council. • The Green Belt designation still means that this option would require careful consideration.
Farm Close Sites	<ul style="list-style-type: none"> • Continues to operate as a good quality small scale office park in a rural setting • Occupancy rates are still high. One unit of 180 sqm is currently available. • We continue to recommend that the site is retained for continued employment use
Elstree Way	<ul style="list-style-type: none"> • This large and successful employment area has come under growing pressure from permitted development rights, with the loss of 15,000 sq m of office space (9,000 sq m to residential and 6,000 sq m to leisure uses) • However demand for space is still strong with occupancy rate of over 95% • We continue to recommend that the site is retained for continued employment use
Borehamwood Enterprise Centre	<ul style="list-style-type: none"> • Continues to operate as a successful mixed use employment area, with very high levels of occupancy • We continue to recommend that the site is retained for continued employment use
Beaumont Gate	<ul style="list-style-type: none"> • Continues to offer good quality office space in the centre of Radlett and has high occupancy rates • We continue to recommend that the site is retained for continued employment use

St Albans

Update on sites included in 2016 study

East Hemel Hempstead

Status: Proposed for employment use

Total site area: 55 Ha

Developable area: 55 Ha

Suitable uses: B1, B2, B8

D.148 This was referred to as 'Land to East of Green Lane' in the 2016 study. The site provides 55 ha of undeveloped land under agricultural use and benefits from excellent accessibility

to the M1. The site location is also very prominent for traffic on the A414 and the M1. Given the size and location of the site, new development could meet a wider South West Hertfordshire need.

- D.149 The Draft St Albans Strategic Local Plan proposes significant employment development for the site including offices, research and development, light industrial and logistics. Policy SLP13b in the submitted St Albans Strategic Local Plan states that sufficient variety of employment uses must be provided to offer in the order of up to 8,000 jobs and that over-concentration of low employment generating logistics uses will not be permitted.
- D.150 The 2016 study noted that the central part of the site is most suitable for industrial uses because of the proximity to the Buncefield Depot. The southern part of the site is adjacent to junction 8 and is therefore the most prominent part of the site. This could be suitable as a location for prestigious new office uses, acting as a gateway to the wider Maylands business area.
- D.151 Although the site is well connected to the road network, the poor public transport access to the site and nearby industrial uses is likely to restrict market attractiveness for office occupiers. This is reflected by the large amount of vacant office space in the Maylands area and a number of unimplemented planning permissions for new high-specification office space at the Peoplebuilding development. Outside the main industrial area there is still significant vacant floorspace at Breakspear Park (20%) despite this development enjoying similar locational advantages to the East Hemel Hempstead site (although it does not have the same prominence from the motorway). Given these factors and the current low office rental values at Maylands, we see limited potential for new office uses to be delivered in the short term.
- D.152 In the longer term, the likelihood that new office development could come forward is greater. The site is in single ownership, is located in the Envirotech Enterprise Zone and any development would likely include upgrades to Junction 8 of the M1 as part of any planning application.
- D.153 Conclusion: The site could accommodate an expansion of the existing industrial area at Maylands, taking advantage of the excellent location close to the motorway. We therefore recommend bringing this site forward for employment uses. The location and size of the site would make it attractive to larger warehouse and distribution uses. The more prominent southern end of the site could attract more prestigious office uses, however this is only likely to be deliverable in the medium or long term.**

Building Research Establishment (BRE) Site

- 10.23 The BRE site is a world class centre of excellence specialising in R&D in the green technology sector. Since the 2016 report was published it has been included in the Envirotech Enterprise Zone and been designated as a Special Employment Location in the SADC's Draft Local Plan. Policy SLP16 notes that development will be supported in principle if this helps to meet the organisation's expansion needs or accommodates firms carrying out complementary R&D activities. This is in line with our recommendations for the site from the 2016 study.
- 10.24 The site remains in the Green Belt and policy SLP16 notes that impacts on the Green Belt will be managed according to policy in the NPPF; this will be supplemented by detailed to be provided in the local plan.

- 10.25 Conclusion: Future developments or expansion at the site to meet the needs of BRE should be supported subject to it being possible to achieve this without harming the Green Belt and SSSI.**

Three Rivers

Sites not included in the 2016 Study

Land to the south of the Kings Langley Employment Area

Status: Potential new employment site

Total site area: 17 Ha

Developable area: 12.8 Ha

Suitable uses: B1c, B2, B8

- D.154 The site is 17 Ha in size and located to the east of Watford Road, west of the railway corridor and south of the established Kings Langley Employment Area. The site is currently greenfield and is referenced CFS55 in Three River's Potential Sites for Consultation document (2018) which informs the development of Council's emerging new Local Plan. The document identifies the site suitable to accommodate offices, storage and distribution uses.
- D.155 The site comprises of both greenfield and brownfield land and currently located in the Green Belt. There are employment land related structures on the eastern boundary of the site which are currently occupied by a machinery equipment leasing business. The rest of the site is Green Belt. There is a motorway fly over at the northern boundary of the site, travelling east to west.
- D.156 The neighbouring land use to the west is Green Belt and the rail corridor and housing is to the east. Kings Langley Employment Area is located to the north of the site and Kings Langley train station is located to the east. The Kings Langley Employment Area contains modern floorplates with high value industrial uses such as technology development, manufacturing and non-industrial uses such as West Herts College Kings Langley.
- D.157 The site slopes slightly down to the western boundary. The River Gade travels through the centre of the site from north to south. This has impacts on flooding with around 15% of the site impacted by flood zone 3 and 15% of the site flood zone 2. Most of the flood zone 3 affected land is at the northern boundary of the site.
- D.158 Accessibility to the site is relatively good. Currently, Station Road on the eastern boundary of the site provides access to the site for the existing employment uses. This road is not surfaced and in poor condition. Any form of development on the site will require a new access road from Station Road and the delivery of an internal road network. Watford Road bounds the west of the site and to the north west, Watford Road joins Junction 20 of the M25 connecting the site to the strategic motorway. There are currently no access points off Watford Road to the site which should be explored if the site was developed for employment uses.

- D.159 The site has access to a strong labour market. Kings Langley train station, immediately north of the site provides connections to populations in Hemel Hempstead to the north and Watford to the south. Proximity to the station is a strategic asset which has benefited the performance of the established Kings Langley Employment Area north of the site. Access to the M25 and the M1 exposes the site to a wider labour pool.
- D.160 The site will likely experience medium term demand for higher value strategic industrial uses. The strategic position of the site at Junction 20/M25 which connects to the M1 will likely attract businesses that seek access to a wide labour catchment. The site benefits from proximity to Kings Langley Employment Area which has experienced investment in modern employment land structures. There is anticipated to be market appetite for the established employment area to expand south to the site. The site is suitable for commercial offices as well as light industrial units and distribution.
- D.161 Conclusion: The site is subject to flooding constraints and requires investment in the delivery of access roads and supporting utilities infrastructure. The site benefits from access to a strong labour pool and proximity to local and regional markets via the strategic road network. The site will likely experience medium term demand for high value industrial uses as a natural extension from the established Kings Langley Employment Area as well having potential for a range of light industrial and distribution uses.**

Figure D.21 Land to the south of the Kings Langley Employment Area



Land adjacent to Maple Cross/Lodge

Status: Potential new employment site
Total site area: 13.9 Ha
Developable area: 7.6 Ha
Suitable uses: B1c, B2

- D.162 The site is 13.9 Ha in size and located east of Old Uxbridge Road in Maple Cross. The site is currently Green Belt. It is referenced CFS32 in the Three River's Potential Sites for Consultation document (2018) which informs the development of Council's emerging new Local Plan.
- D.163 The site currently is used for agricultural purposes and contains a cluster of agricultural related structures and associated farmhouse and cottage in the centre of the site. To the east of the site is Maple Lodge Sewerage Treatment Works and the surrounding land to the north, south and west are Green Belt. There is a small cluster of employment land south of the site on Copper Mill Lane containing logistics uses.
- D.164 The topography of the site is relatively flat. Lynsters Lake is located south of the site making around 25% of the site flood zone 2 affected and 25% of the site flood zone 3. There is some vegetation to the north of the site at Maple Lodge. The extent of flooding on the site may create challenges for the type of employment land development that could be achieved on the site.
- D.165 Accessibility to the site is partly constrained. The site is positioned on Old Uxbridge Road which is reliant on access to Denham Way A412 for access to the M25. Old Uxbridge Road is narrow and expansion opportunities would be required. Any form of employment land development will need widened access and the delivery of an internal road network.
- D.166 The site is fairly removed from local centres, however has relatively good access to the labour force in Watford and links to smaller settlements along the M25 such as Chorleywood, Chalfont St Peter, Rickmansworth and Maple Cross.
- D.167 The site is connected to the strategic motorway network being around 2 km to the M25 junction 17. Strengthening links to industrial markets is reliant on an upgrade and expansion to Old Uxbridge Road in order to accommodate the movement of heavy vehicles to the site. Given the nature of the surrounding land uses and flooding risk, it is unlikely that the site will attract demand for strategic industrial uses. Employment uses best suited to the site are local serving employment operations.
- D.168 **Conclusion: In light of access constraints, flooding risk and nature of the surrounding land uses, it is unlikely the site will attract investment in strategic industrial development. The site does have the potential to provide limited employment land to serve the local industrial market albeit it is relatively isolated, development requires improved access and utilities infrastructure.**

Figure D.22 Land adjacent to Maple Cross/Lodge



Update on sites included in 2016 study

D.169 GL Hearn undertook the assessment of employment land within the South West Hertfordshire study area in 2015. At that point in time, the sites assessed were either existing significant sites or put forward as potential locations for future employment development.

D.170 The table below summarises the current status of these sites in Three Rivers, outlining whether any changes have been made to the use of each site since the assessment was undertaken in 2015.

Table 10.2 Updates for sites assessed in Three Rivers

Site	
Leavesden Studios	<ul style="list-style-type: none"> Leavesden Studios has recently had permission given for expanding their operations into the back lot which was safeguarded in the previous plan. The site ownership goes beyond this and the Council is considering potential expansion in to this area beyond the backlot. This area would be suitable for employment uses given the excellent transport links. However the site lies within the Green Belt and would only become available as part of a Green Belt review.
Kings Langley Employment Area	<ul style="list-style-type: none"> Five separate sites in employment use for office and industrial uses. Occupancy rates are very high, with very little industrial or office space currently available. Further 1,700 sq m of office development since last study including the expansion of Imagination House We recommend that this site is retained for employment uses.

Maple Cross/Maple Lodge	<ul style="list-style-type: none"> • Continues to operate as a high quality business park attracting blue chip occupiers • One building is currently vacant (Hertford Place) offering 5,000 sq m of office space • We recommend the site is retained for employment use.
Tolpits Lane	<ul style="list-style-type: none"> • This site is under pressure for a change of use to residential uses, however we recommend that this is resisted and the area is protected for employment uses. • Take up of office and industrial space has increased in recent years and there is now less than 1% remaining. • In total the site provides over 100,000 sq m of occupied employment space, more than a third of Three Rivers total occupied space. • Any loss of B use classes would result in displacement of businesses and erode capacity in one of the key sites in the district.
Croxley Park	<ul style="list-style-type: none"> • Still operating as a highly successful business park • Recent demand for space has been strong and there has been redevelopment of some buildings to provide modern Grade A stock. • We recommend the site is retained for employment use.

Watford

Sites not included in the 2016 Study

- D.171 The identified sites in Watford are located in established centres and mostly have existing employment uses on site. The sites have been identified for assessment as they are currently not allocated in the emerging Local Plan.
- D.172 The draft Watford Local Plan notes that any 'loss of B class employment use will be resisted unless monitoring/evidence has identified a surplus of B class employment space, or replacement provision is made'.

St Albans Road

Status: Existing employment site

Total site area: 0.8 Ha

Developable area: 0 Ha

- D.173 The 0.8 Ha site is located on St Albans Road, north of the TK Maxx retail store. The site comprises of existing employment land. The site is currently not allocated in the emerging Watford Local Plan.
- D.174 There is a multi-storey building at the front of the site, facing St Albans Road which is used for retail at ground, largely occupied and office commercial floorspace above – largely vacant. To the rear being the internal site, are a range of commercial premises at the perimeter all of which are occupied including distribution and light industrial activities. Centrally is an island of former semi-detached residential buildings in the centre of the site. The stock is of mixed aged and quality but appears in good repairs. The employment activities are mixed; however predominately serve the needs of the local commercial and industrial market. Existing businesses include a real estate agency, furniture retail, kitchen supplies and various construction material suppliers.

- D.175 The neighbouring land uses include semi-detached residential to the north, large employment land to the east and TK Maxx is located south of the site. There is a rail corridor at the rear of the site which separates the site from the established employment land to the north.
- D.176 St Albans Road is the only access point to the site. Given the well-established surrounding land uses, there is limited scope for the site to enhance access points if it was to be redeveloped. The site is removed from the strategic motorway network, emphasising its primary role in serving the local industrial market.
- D.177 The site is located in the centre of North Watford, exposing it to a strong labour catchment. Watford Junction train station is located south of the site, connecting to populations to the south in Watford and Hemel Hempstead and Kings Langley in the north.
- D.178 The site is currently operating as a local demand serving industrial site. It is unlikely that the site will experience future demand for strategic employment land given its central location in North Watford and detached from the strategic motorway network. The nature of the surrounding land uses create a barrier for any expansion opportunities. Whilst isolated from the main employment area by the railway, the site serves a function and purpose in its premises.
- D.179 Conclusion: The site is well connected to a strong labour force and a dense local market. In light of this, it is appropriate that the site continues to meet the needs of the local industrial market. Any future mixed use development should not prejudice the economic activity of the site.**

Figure D.23 St Albans Road



Shakespeare Estate

Status: Existing employment site

Total site area: 1.4 Ha

Developable area: 0 Ha

- D.180 Shakespeare Estate is 1.4 Ha and an established employment area located north of Shakespeare Street and east of Leavesden Road in Watford. The site is not allocated in the current Local Plan or the emerging new Local Plan despite existing active employment land uses operating on site.
- D.181 The site is currently an active industrial estate with a mix of industrial uses that serve local and regional markets such as coffee distributors, car mechanics and stone material suppliers. The quality of the stock is quite dated and the structures are predominately small scale local sheds. The eastern boundary of the site facing Leavesden Road has experienced the conversion of industrial stock for residential development.
- D.182 Neighbouring uses are predominately residential, restricting any expansion opportunities for existing businesses and the types of businesses that could locate given potential land use conflicts. The rail corridor travels along the western boundary of the site, restricting any access opportunities from the rear of the site.
- D.183 Accessibility to the site is constrained. The only access point to the site is currently off Shakespeare Street at the southern boundary of the site. This is a residential street and currently providing access for both residents and commercial vehicles. There is no access to the site from Leavesden Road following the conversion of the industrial to residential at the eastern boundary of the site. The site is detached from the strategic motorway network which reflects the types of uses currently operating on site and the local markets they serve.
- D.184 The site is exposed to a strong labour catchment. It is located in the centre of Watford, allowing good accessibility to the local labour force. There are strong public transport options linking the site to Watford Junction and surrounding residential areas. This is an asset to the site as it widens the labour catchment.
- D.185 The site provides a range of building types meeting the needs of occupiers for local industries and employment. As a viable employment location it should be maintained as such. Over time the aging of buildings and increase in maintenance costs may lead to voids and vacancies, providing consideration for alternative residential use.
- D.186 Conclusion: The site plays an important role in supporting the economic function of Watford and the surrounding local market. There are a range of economic activities and occupiers and building stock. It is appropriate that the site is maintained for employment use. The long term decline of the physical fabric may lead redevelopment opportunities.**

Figure D.24 Shakespeare Estate



94 Rickmansworth Road

Status: Existing employment site

Total site area: 1.1 Ha

Developable area: 0 Ha

- D.187 The site is 1.1 Ha and located north of Rickmansworth Road and west of Metropolitan Station Approach in Watford. The site is not currently allocated in the Site Allocations and Development Management Policies 2006-2031 (2016) or the draft Local Plan. The site is an existing employment area with numerous industrial businesses currently operating on the site.
- D.188 The site is surrounded by residential uses to the north, south and west. The existing employment uses on the site range from local market serving such as a storage business to more regional market serving uses for instance a health and beauty manufacturer. The industrial structures on the site range in size and are all quite dated stock.
- D.189 Expansion opportunities are not possible given the nature of the neighbouring land uses. Notably, DDD Limited, a manufacturing business, is the only multi-storey industrial shed on the site.
- D.190 The site is only accessible to the south from Rickmansworth Road. There are limited opportunities to provide a new access road in light of the existing residential uses that surround the site. The site is not located on a strategic network, however Rickmansworth Road provides direct access to the M1.
- D.191 It is unlikely the site will experience demand for strategic employment land such as manufacturing or logistics and distribution uses given its size and location. Holywell is an

established employment area south of the site and accommodates large scale strategic industrial uses. Businesses that serve the regional industrial market will likely locate in Holywell given its locational advantage and volume of large scale industrial sheds clustered in the area.

D.192 Conclusion: The site provides local business space however given its profile and surroundings there may be long term opportunities for intensification or change of use.

Figure D.25 94 Rickmansworth Road



126 Rickmansworth Road

Status: Existing employment site

Total site area: 0.5 Ha

Developable area: 0 Ha

D.193 The site is 0.5 Ha and is located within close proximity to the established employment site at 94 Rickmansworth Road. The site is not currently an allocated employment site under the Site Allocations and Development Management Policies 2006-2031 (2016) or the draft Local Plan. Notably, there are some employment land sites on Rickmansworth Road that have been allocated for housing in the Site Allocations and Development Management Policies 2006-2031 document.

D.194 The site currently hosts employment uses. There is an older large two storey industrial shed to the rear of the property which is actively used as a warehouse by a packaging business. There are two smaller scale commercial uses at the front of the property, facing Rickmansworth Road. These include a food manufacturing business and cleaning business.

D.195 The neighbouring land uses to the east and west are semi-detached residential uses. The residential stock to the east is relatively recent and is positioned between the site and the employment site at 94 Rickmansworth Road suggesting it was delivered on former employment land.

- D.196 The site is located within close proximity to Watford centre, highlighting the advantage of access to a strong labour catchment. The site is surrounded by a dense residential population, exposing opportunities for diverse skillsets and located within proximity to public transport.
- D.197 The location of the site near Watford centre and surrounding residential uses suggests the site may experience pressure for conversion to residential. However, the employment land uses on the site are active and serve the local industrial market. Given the age of the industrial stock to the rear, there may be longer term opportunities to intensify the site or consider alternative uses.
- D.198 Conclusion: Industrial uses on the site are active and serve the needs of the local market. In the longer term there may be opportunities to consider alternative mixed uses as existing buildings reach the end of their viable function and occupation.**

Figure D.26 126 Rickmansworth Road



Update on sites included in 2016 study

- D.199 GL Hearn undertook the assessment of employment land within the South West Hertfordshire study area in 2015. At that point in time, the sites assessed were either existing significant sites or put forward as potential locations for future employment development.
- D.200 The table below summarises the current status of these sites in Watford, outlining whether any changes have been made to the use of each site since the assessment was undertaken in 2015.

Table 10.3 Updates for sites assessed in Watford

Site	
Clarendon Road	<ul style="list-style-type: none"> One of the most sought after locations for office space in the FEMA

	<ul style="list-style-type: none"> • Since the 2016 study there has been new office development including TX Maxx new European headquarters and residential development as part of the Watford Junction Station redevelopment. • Current employment uses should be protected.
Greycaine Road/Odhams/Sandown Rd	<ul style="list-style-type: none"> • The majority of the site is functioning well and is still well occupied, although vacancy rates are higher in the south of the site where quality is poorer. • Continued employment use should be supported on the majority of the site with the poorer parts south of the Eclipse area considered as potential long term loss if a surplus of land is identified.
Fishers Industrial Estate	<ul style="list-style-type: none"> • Small industrial estate comprising light industrial warehouse units predominantly under B1c and trade counter uses • Currently a high level of occupancy and continued employment uses should be retained.
Imperial Way/Colonial Way	<ul style="list-style-type: none"> • This is a key employment area within the FEMA with high occupancy rates. • Continued employment use should be supported with non-B class uses prevented from proliferation. • The concrete batching plant area and the Network Rail utilities area should be considered as part of the wider Imperial Way/Colonial Way site. These areas are located adjacent to the south of the wider site and bounded by the rail corridor to the west. The areas are active employment sites, serving the function of rail operations and providing concrete batching services to the local industrial market. There may be linkages in the wider site with businesses exchanging good and services as part of operations, emphasising the importance of retaining the Imperial Way/Colonial Way site for employment land. • Including the concrete batching plant and the Network Rail utilities area in the wider site would heighten the strategic value of the industrial estate and position the site to continue to support the local and strategic regional industrial markets.
Watford Business Park	<ul style="list-style-type: none"> • Large business park supporting a variety of employment uses meeting local demand and generally well-occupied. • Some vacant plots offer potential redevelopment / intensification opportunities. • Continued employment use should be supported.



HATCH
REGENERIS

www.hatchregeneris.com

London: +44(0)207 336 6188

Manchester: +44(0)161 234 9910